



# The impact of reducing the Benefit Cap

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May 2017



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# Summary

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In November 2016, the Benefit Cap was reduced to £384.62 per week for families. Official figures suggest that 3,642 households in Scotland will have their housing support capped as a result of the lowering of the Cap, compared with 745 households prior to the change.

- > The groups most likely to be affected by the Benefit Cap are larger families and lone parents. 57% of those affected are lone parents with three or more children.
- > Early evidence from Citizens Advice Bureaux in Scotland suggests that following the 2016 changes, the Benefit Cap continues to have a particular impact on lone parents with several children.
- > Citizens Advice Bureaux clients have struggled to cope with the loss of income following the Benefit Cap being applied. This includes accruing rent arrears, being referred to food banks and experiencing relationship problems as a consequence.
- > Citizens Advice Scotland welcomes the increase in the budget available for Discretionary Housing Payments (DHPs) for those affected by the Benefit Cap.
- > However, as the DHP budget will not cover the total losses as a result of the Benefit Cap, local authorities should look to make longer-term Discretionary Housing Payment awards to people affected by the Benefit Cap, covering the full value of the loss.

## About the Citizens Advice service in Scotland

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Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2015/16 the Citizens Advice service in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our self-help website received over 4 million unique page views.

## ! Citizens ALERT

Throughout this document, we highlight 'Citizens Alerts'. These are cases that have arisen across the Citizens Advice service in Scotland - examples of real issues faced by real people that bureaux advisers have supported. They provide clear illustrations of the impact set out in this report. You'll see them across this report, indicated with the exclamation mark symbol.

# What is the Benefit Cap?

Originally introduced in 2013, the Benefit Cap restricts the amount of benefits a family can claim, even if the combination of benefits they receive would entitle them to a higher amount.

The original intentions of the policy were to ‘increase incentives to work; introduce greater fairness into the welfare system between those on out-of-work benefits and taxpayers in employment; and make financial savings and incentivise behaviours that reduce long-term dependency on benefits’<sup>1</sup>. It operates by ‘capping’ the amount of housing support a household receives from Housing Benefit or Universal Credit.

In November 2016, the level of the Benefit Cap was reduced from £26,000 to £20,000 per year for families (£384.62 per week) and from £18,000 to £13,400 for single people (£257.69 per week). Whilst the vast majority of people in receipt of social security benefits will be entitled to far less than this, for people in particular sets of circumstances, their benefit entitlement would be higher than the Cap amount.

For instance people with caring responsibilities for a number of young children might be entitled to

Income Support<sup>2</sup>, Child Tax Credit, and Child Benefit. Families who require support to pay rent would be entitled to Housing Benefit (or the housing element of Universal Credit). In combination, it is possible for these to add up to more than £384.62 per week, particularly if their rent is high, such as for a house with several bedrooms.

For instance, in one of the CAB cases referred to in this report, the client, a lone parent with four children was in receipt of the benefits outlined in Table 1.

Single people without children who are affected by the Benefit Cap are most likely to be in housing with high rental costs, such as temporary homeless accommodation.

Table 1

Income Support	£73.10 per week
Child Tax Credit	£215
Child Benefit	£61.80
Housing Benefit (full rent)	£128
<b>TOTAL</b>	<b>£477.90</b>
Reduction due to Benefit Cap	-£93.28
<b>TOTAL, after Cap</b>	<b>£384.62</b>

<sup>1</sup> The Benefit Cap Briefing Paper – House of Commons Library, November 2016 <http://researchbriefings.files.parliament.uk/documents/SN06294/SN06294.pdf>

<sup>2</sup> Or the child elements of Universal Credit

# Who is affected by the reduction?

Official statistics for the number of households in Scotland affected by the Benefit Cap show that since the lowering of the Cap, the number of families affected has increased from 745 to 3,642, an increase of 389%. This includes at least 11,050 children (2,769 prior to the lowering)<sup>3</sup>.

The groups most likely to be affected by the Benefit Cap prior to the 2016 changes in Scotland were larger families and lone parents, as well as the children who live in the households. Early indications are that this continues to be the case after the lowering of the Cap. 90% of capped households in Scotland had children, with 77% having three or more children<sup>4</sup>.

66% of all capped households in Scotland constituted a lone parent with children<sup>5</sup> (96% of the lone parents being women), with 57% comprising a lone parent with three or more children<sup>6</sup>. These households were affected principally through a combination of high rents due to the size of the household requiring a larger home, as well as their

entitlement to children's benefits which are not exempted from the cap.

Since the lowering of the Cap, citizens advice bureaux have already experienced an increase in advice given in this area. Although the Benefit Cap was only lowered in November, midway through the Quarter 3 reporting period<sup>7</sup>, the number of pieces of advice provided relating to the Benefit Cap almost doubled from those recorded in the previous quarter (97 new issues compared with 50 in the previous period). Provisional figures for January – March 2017 show a further increase in this type of advice.

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<sup>3</sup> November 2016 and February 2017 figures, Stat Xplore - Department for Work and Pensions <https://stat-xplore.dwp.gov.uk/>

<sup>4</sup> Ibid.

<sup>5</sup> 24% were couples with children, 10% were single people without children. From February 2017 figures, Stat Xplore

<sup>6</sup> February 2017 figures, Stat Xplore - Department for Work and Pensions <https://stat-xplore.dwp.gov.uk/>

<sup>7</sup> October – December 2016

Cases from Citizens Advice Bureaux indicate that those additional households who are now subject to the Benefit Cap share a number of common features with those who were previously affected – **lone parents and large families**.



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**Citizens Alert:** An East of Scotland CAB reports of a client who came in for assistance to fill in an application for a Discretionary Housing Payment. The client is a single mother with four children, one of whom is 17 and in full-time education. She is currently in receipt of Income Support, Child Benefit, Child Tax Credit and Housing Benefit.

The client resides in a three-bedroom private let, has no family support and the father of her children provides no financial support. Previously her Housing Benefit had been £460 per month, but has been reduced by £385 due to the Benefit Cap and is now £75.

As a direct consequence of the level of reduction the client finds herself in extreme financial difficulty. She is already on the cheapest rent at £90 below the Local Housing Allowance rate, so does not have the option to move in to cheaper housing to help with the financial difficulty.

The client cannot work as she has four children to care for and would have to pay for childcare which she cannot afford, and has no support to help with her children or financial difficulties.

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**Citizens Alert:** A West of Scotland CAB reports of a client who receives £350 each week in benefits, Income Support (£73.10), Child Tax Credit (£215) and Child Benefit (£61.80) in addition to Housing Benefit. Due to the lowering of the benefit cap the client will have a shortfall of £93 in her housing benefit which she is unable to pay.

The client's landlord has written to her advising her to look for other accommodation if she cannot pay her rent. She has four children living with her.

The client cannot look for work at this time because her youngest child is only four months old. The CAB advised the client to visit her local authority Housing Options service with her letters from her landlord to prove that she is in danger of becoming homeless.

She was also advised that although the rent on a council house is cheaper she will still have to pay something towards her rent. The client says she will find this difficult.

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**Citizens Alert:** An East of Scotland CAB reports of a client who has three children. They were declared homeless after separating from her husband.

She had previously been advised to take out a private let whilst waiting for a council house to become available and was told that her Housing Benefit would cover the entire costs of the rent (£800 per month). However, she has now been told that she is subject to the Benefit Cap and the result is that her Housing Benefit has been reduced by £400 per month.

She is deeply concerned and stressed about how she is going to make up the shortfall on what she feels is an unaffordable rent with the cap.

She does have a current application in for Disability Living Allowance for her disabled daughter which will restore the housing benefit, but this will take time and may not be successful.

# What is the impact of the Benefit Cap on CAB clients?

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From evaluation of the effects of the original, higher Benefit Cap<sup>8</sup> very few people moved to cheaper accommodation to avoid it.

With some of the larger families affected, their options can often be somewhat limited. The evaluation also showed that only one fifth of people affected by the cap (20% of respondents) were able to move into work.<sup>9</sup> Most often, people affected by the Benefit Cap just absorbed the loss.

Bureaux evidence has illustrated that the immediate impact of the reduction of the Benefit Cap on CAB clients has them struggling to cope with the loss of income. Impacts include quickly accruing rent arrears due to being unable to pay an extra contribution towards their rent, and in some cases requiring to be referred to a food bank due to being unable to afford rent and food.

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**Citizens Alert:** A West of Scotland CAB reports of a client who was informed that her Housing Benefit had been capped by £92.20 per week. The client is a single parent with four children aged 14, 10, 8 and 3.

She is in receipt of Income Support, Child Tax Credit and Council Tax Reduction. Her Income Support is reduced by £55 per week to cover Fuel Direct, Council Tax arrears and a budgeting loan. She receives £15 per week in child maintenance but states her ex-partner is good with his children in other ways.

The client has lived in a private let for seven years, with a rent of £650. The local authority assisted the client to apply for a Discretionary Housing Payment for her and provided information on more affordable housing/assistance to find work and general budgeting. The CAB adviser applied for a home energy discount and provided a food bank voucher to cover her immediate need.

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**Citizens Alert:** An East of Scotland CAB reports of a client who was being assisted to apply for bankruptcy due to being responsible for a large amount of debt, partly in her ex-partner's name.

The client is a single parent with five children, and has recently needed to move flat as her previous one was too small for the family. The rent has increased from £600 per month to £780 per month, but the client is now subject to the Benefit Cap.

Her Housing Benefit was previously £300 per month, but has now been reduced to £2 per month as a result. The client requested a voucher for an emergency food parcel.

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<sup>8</sup> Benefit cap evaluation – Department for Work and Pensions, December 2014 <https://www.gov.uk/government/publications/benefit-cap-evaluation>

<sup>9</sup> Ibid.

In some cases the lowering of the Benefit Cap appears to have had the unintended consequence of having a negative effect on family life. As well as increasing financial pressure on families with several children, the cases below suggest that the Cap can act as a barrier to moving in together as a family, and in at least one case appears to be the cause of a relationship breaking down.

**Citizens Alert:** An East of Scotland CAB reports of a client who is thinking about moving in with his partner who is pregnant and already has three children (aged 10, 6 and 3).

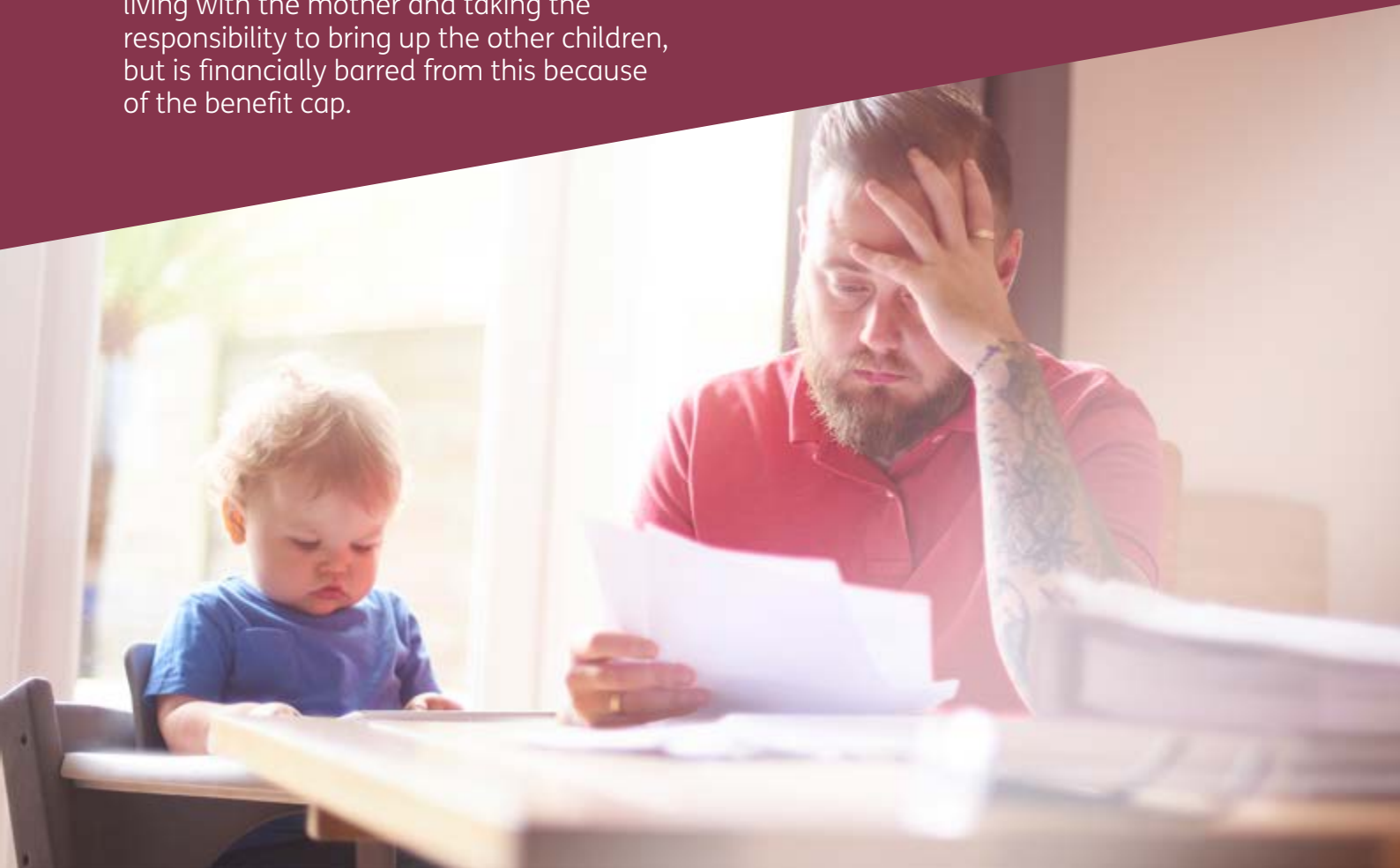
The client claims Universal Credit and his partner is in receipt of Income Support with Child Tax Credit and Child Benefit. However, if they moved in together they would be subject to the Benefit Cap and would be unable to afford the rent as their housing support would be cut.

The client has worked in the recent past, but not enough to exempt them from the Benefit Cap. The client stated that he wanted to be a responsible father living with the mother and taking the responsibility to bring up the other children, but is financially barred from this because of the benefit cap.

**Citizens Alert:** A North of Scotland CAB reports of a client who has been severely affected by the Benefit Cap and the stress has led to the breakdown of her relationship.

The client has four children aged between 1 and 7 and suffers from pulmonary stenosis, asthma, high blood pressure and diabetes. The client was previously subject to the Benefit Cap, and since the further reduction in November 2016 has resulted in her receiving just 50p per week housing benefit.

These figures are the same now she is a single parent as they were when they were a couple. Without receipt of realistic Housing Benefit, the family is in danger of being homeless. She applied for a Discretionary Housing Payment, but her application was declined as the local authority has no funds left.



In other cases, the Benefit Cap appears to have prevented people from finding settled accommodation. This is either due to the rent being unaffordable for the client, due to insufficient Housing Benefit being available due to the cap, or because of landlords' unwillingness to consider people affected by the Benefit Cap for accommodation.

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**Citizens Alert:** An East of Scotland CAB reports of a client who has three children aged 16, 11 and 10.

The client has received a new calculation of Housing Benefit which shows that she is only entitled to 50p per week due to the Benefit Cap.

The client is currently in temporary homeless accommodation and the rent is £182.29. If the client was in a local authority flat of the same size the rent would be lower and she would not be subjected to the Cap.

The client had no choice but to move into this flat with her children after spending time at a refuge following domestic abuse.

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**Citizens Alert:** A West of Scotland CAB reports of a client who is a single parent with three young children aged 11, 3 and 1. The client has a two bedroom tenancy in the private sector but feels overcrowded.

She had contacted the local authority but they said she was adequately housed and guided her back to the private sector for rehousing. She found a three bedroom property and paid the landlord £450 as part of the deposit with the balance of £150 to be paid when she took up the tenancy.

However, when she checked her Housing Benefit entitlement, she realised that she would be affected by the Benefit Cap. The client advised the new landlord, who told her that she would not be able to take up the tenancy because it would be unaffordable for her due to the lack of Housing Benefit entitlement.





# Discretionary housing payments

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Discretionary Housing Payments (DHPs) are designed to provide additional sums of money for people in receipt of Housing Benefit or Universal Credit who appear to require additional help to meet their housing costs.

Each local authority receives a fund from the Scottish Government that can be used to provide DHP support to tenants in need. As the name implies, DHPs are awarded at the discretion of the local authority, rather than representing an entitlement. They were originally designed to provide short-term, temporary support.

Since 2013, the Scottish Government has provided funding to local authorities to fully mitigate the effects of the so-called Bedroom Tax through DHPs. CAS has welcomed this ongoing funding, which helps protect people affected by the Bedroom Tax, and provides some certainty to make longer-term awards.

However, in 2016/17 the mitigation of the Bedroom Tax has meant that a total of just under £5 million from a total budget of £50.2 million was available for local authorities to award for reasons other than the Bedroom Tax.<sup>10</sup> This can include things like people affected by changes to Local Housing Allowance, for a deposit or advance rent when moving into a property, for non-dependent deductions to Housing Benefit as well as the Benefit Cap.

By the time the Benefit Cap was lowered in November 2016, local authorities had already committed the majority of their DHP funds for the year. According to the latest official figures published to 30 September 2016 (prior to the Benefit Cap reduction), local authorities had already committed or spent 88% of the total DHP funds across Scotland, with East Dunbartonshire, Shetland and Midlothian having spent the entirety of their allocation.<sup>11</sup>

The shortage of DHP funding available to support people affected by the lowering of the Benefit Cap resulted in a number of CAB clients making applications for support that were declined due to a lack of funds.

For 2017/18 the Scottish Government has increased the budget available for DHP spending on cases other than mitigating the Bedroom Tax to a total of £10.9 million across Scotland<sup>12</sup> and particularly recommended to local authorities that they consider the impact of ongoing welfare reforms, including the roll out of the Universal Credit full service and the emerging impact of the lower Benefit Cap in their areas.

CAS welcomes this increase in funding, and specific focus on the Benefit Cap in guidance, which should reduce the numbers of people whose applications for DHP support because of the Benefit Cap are declined. However, as the amount allocated will not cover the estimated total loss due to the Cap in Scotland of £15.6 million<sup>13</sup>, this will mean that not everyone who is affected by the Benefit Cap will be able to receive support for the year.

In some cases, CAB clients have made applications for a DHP which have been granted, but only for a short period, such as 13 weeks, or a partial award that does not fully offset the reduction. In certain circumstances, such as the cases presented throughout this report, it is likely that people will require long term support, as in many cases they are unable to work or move to a smaller property due to being a lone parent with caring responsibilities for multiple young children.

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<sup>10</sup> Discretionary Housing Payments in Scotland: as at 30 September 2016 – Scottish Government, November 2016 <http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/dhp>

<sup>11</sup> Ibid.

<sup>12</sup> Scotland's Budget: Draft budget 2017-18 – Scottish Government, December 2016 <http://www.gov.scot/Publications/2016/12/6610/12>

<sup>13</sup> DWP estimates the average reduction in benefit to be £60 per week, and 5,000 households to be affected in Scotland. From Welfare Reform and Work Act: Impact Assessment for the benefit cap – Department for Work and Pensions, August 2016 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/548741/welfare-reform-and-work-act-impact-assessment-for-the-benefit-cap.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/548741/welfare-reform-and-work-act-impact-assessment-for-the-benefit-cap.pdf)

**Citizens Alert:** A West of Scotland CAB reports of a client who lives in a private rented property with his partner and three children. He is in receipt of assessment phase Employment and Support Allowance, Child Tax Credit and Child Benefit. Rent for the property is £550 per month and prior to the lowering of the Benefit Cap, the client was in receipt of full housing benefit.

Since November 2016 his housing benefit has been reduced by £75.77 per week. The client had made a Discretionary Housing Payment application, but this has been refused by the local authority. When the CAB adviser contacted the local authority they were informed that the DHP fund had very little resources left and an application had been made to the Finance Committee for additional funding to address those affected by the Cap. All DHP applications have been put on hold awaiting the outcome of the funding application. They also explained that any award would not be for an infinite period and could possibly only be a percentage.

**Citizens Alert:** An East of Scotland CAB reports of a client who has been subject to the Benefit Cap since November 2016. Due to the Cap and a reduction of around £50 from their housing benefit, the client does not have enough money to pay for their rent and is struggling to make the payments and is building up a few hundred pounds of rent arrears.

The client lives in one of the cheapest available accommodation, a council tenancy, and with four children will find it hard to downsize to cheaper accommodation. The client has severe mental health issues and finds it very difficult to go out and solve the problems he has with the housing payments.

When an application was made to the council for DHP, a response came back to say that the client did qualify for it but they did not have the money to give it and so should re-apply in April. By this time the client will have accumulated a few hundred more in rent arrears and the situation may be worse by then.

# 88%

According to the latest official figures published to 30 September 2016 (prior to the Benefit Cap reduction), local authorities had already committed or spent 88% of the total DHP funds across Scotland, with East Dunbartonshire, Shetland and Midlothian having spent the entirety of their allocation.<sup>11</sup>



# Recommendations

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## Citizens Advice Scotland recommends:

- The UK Government reconsider the lowering of the Benefit Cap, with particular regard to the impact on lone parents with large families who will be unable to find paid work or move into a smaller house due to caring responsibilities for multiple young children.
- The UK and Scottish Governments examine the effects of the Benefit Cap on people in temporary homeless accommodation; people who have been subject to domestic abuse; and the willingness of landlords to accommodate people affected by the Benefit Cap, and put steps in place to ensure that it does not act as a deterrent to people finding suitable, settled, affordable and appropriate homes.
- Local authorities should look to make longer-term Discretionary Housing Payment awards to people affected by the Benefit Cap, covering the full value of the loss.



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