



In-depth Briefing

In April 2013 the UK Government introduced a cap on the total amount of benefit that working-age people can receive. The cap was set at £26,000 per year or £500 per week for a couple (with or without children) and single parent households; equalised at 67%, or £350 per week (after rounding), for single adult households without children

As part of the UK Government's Welfare Reform and Work Act 2016, the total household benefit payments for working-age claimants will be capped (Benefit Cap) so that workless households will no longer be entitled to receive more than £20,000 in benefit entitlement (£13,400 for single adults with no children) and £23,000 (£15,410 for single adults with no children) in Greater London. The Act also incorporated a huge range of other policy changes, including freezing a number of benefits at their 2015/16 levels through until 2019/20.

The UK Government stated that 'the new lower tiered cap strengthens work incentives, achieves fairness for taxpayers and ensures there is a reasonable safety net of support for the most vulnerable.' The lower cap will apply from the 7th November 2016; housing benefit will be the first benefit to be reduced if a claimant is above the applicable threshold.

The Benefit Cap Policy

Benefit Income

When applying the cap to benefit income the following are taken into account:

- Bereavement Allowance
- Carer's Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance except where support component has been awarded
- Guardian's Allowance
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance



- Maternity Allowance
- Severe Disablement Allowance
- Universal Credit
- Widowed Parent's Allowance
- Widow's Benefit

Benefits not taken into account are Working Tax Credits (including those with a 'nil entitlement'), State Pension and Pension Credit, with the stated aim of the policy to be a work incentive for people of working age. Also excluded are one-off payments, non-cash benefits and those not paid by government, such as Statutory Sick Pay.

Exemptions

The following claimants and households are exempt from the cap:

- Households in receipt of Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme)
- Households including a claimant in receipt of the Employment and Support Allowance (ESA) support component, or the Universal Credit Limited Capability for Work Related activity element
- Households including War Widows and Widowers receiving a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes
- Households in receipt of Guardian's Allowance, and households in receipt (or who have underlying entitlement) to Carer's Allowance

Alongside this, a grace period of 39 weeks (9 months under Universal Credit) exists to provide a fixed period of protection for those with a consistent work history whose employment has ended, or those who have been forced to leave work due to a change in their circumstances. During this time, claimants can adapt to their position and look for alternative employment.

Disregards

In addition to the exemptions, some payments made through the benefit system are disregarded for purposes of the benefit cap.



Housing costs paid in respect of 'supported exempt accommodation' and 'specified accommodation' (e.g. some refuges, hostels, exempt and managed properties) aren't currently included in the benefit cap calculation.

However, residents in these types of accommodation are not automatically exempt from the Benefit Cap, and exemptions would only apply in the circumstances outlined above.

Where a resident is not exempt from the cap, and a disregard is in place, the total amount of benefit to which the cap may apply is calculated by adding together the claimant's total benefit payment, and excluding Housing Benefit.

Notification

The policy is due to take effect on the 7th November 2016 and many housing associations will have already received notification from Local Authorities of those receiving a cut in housing benefit. Further letters from the Department of Work & Pensions (DWP) informing claimants that they may be impacted by the benefit cap changes will be posted out from 19 September 2016 over a 10 day period. The DWP have also recommended that housing benefit departments do not contact affected claimants until after 30th September 2016.

Impact

Numbers

The fluctuating circumstances of claimants makes estimated numbers of those affected difficult to calculate. Original estimates suggested the lower cap would have an impact on at least 7000 households - a tenfold increase on the previous cap levels - in Wales, but more recent DWP estimates suggest 4800 households will be affected. CHC members who have received early notification from housing benefit departments have indicated a tenfold increase, with one member quoting figures increasing from 7 families to 70.

Children and Childcare

Based on DWP figures, CHC estimates that more than 18,000 children in Wales will be part of a household that is affected by the cap. With 79% of those affected by the cap being single claimants (66% are single females, 13% single males), we anticipate the cap is likely to increase the demand for sufficient childcare to allow many to work.

From September 2017 onwards, free entitlement to childcare in England will be doubled to 30 hours a week for working parents of three and four year olds. Welsh Labour pledged to go above and beyond this policy in Wales in their 2016 Assembly election campaign, with working parents entitled to 48 weeks' worth of care (as opposed to 38 in England).



More detail on the delivery of this pledge is likely in the Welsh Government's Programme for Government when it is published.

Housing Benefit and Rent

The average loss of benefit (housing benefit) is £60 per week, leaving many claimants with a significant shortfall in rent. The DWP estimate that Wales will account for 5% of the overall benefit Cap claimant numbers and therefore it could be estimated that between £7 and £15 million of housing benefit will be lost per annum. Many claimants will still be receiving full entitlement to housing benefit and thus paid directly to the landlord by the Local Authority; the benefit cap will require landlords to invest further to maintain the same levels of rent collection.

Universal Credit

The staggered development of Universal Credit (UC) in Wales means it's unlikely that claimants of UC will be affected by the benefit cap from 7th November 2016. However, as the eligibility criteria widens and the numbers of UC claimant's increases, families with UC will be affected by the benefit cap. Landlords will not receive notification of the cap for these tenants and will need to rely of tenant engagement at the earliest opportunity to identify support needs.

Housing need and Development

If the benefit Cap continues at its level of £20,000 per annum or further regionalisation takes place then any future development plans will need to assess the impact this will have on rental income and the ability of families to maintain contractual rent. The Benefit Cap could increase movement of people as some seek areas with employment opportunity and others seek out more affordable rental locations. Areas of high deprivation, workless families and limited job opportunities could see further decline with stagnated development and rent levels that are limited to the cap.

Discretionary Housing Payment (DHP)

The UK Government has made an additional £870m available in DHPs, but Local Authority allocations, and the amount attributed to the Benefit Cap, will not be published until December. Each Local Authority will follow either the Discretionary Housing Payments Guidance Manual , the PanWales Discretionary Housing Payments Scheme , or both, for guidance. Each is a useful resource explaining how and why DHPs are allocated. Local Authorities failed to spend the full DHP allocation in 2015/16, and there are concerns that when the budget is confirmed in December, it will fall short of the levels required to deal with the policy.

Further information and resources will be added to the CHC Yammer network and the CHC Advice Network will discuss the benefit Cap and any early good practice taking place



to mitigate its impact at the next meeting in October. If you require any further information please contact: Paul Langley. Tweet: @paul_chc Email: paul-langley@chcymru.org.uk