Citizens Impact Assessment

Lowering the Benefit Cap
Summary

The Government has set out plans to lower the overall benefit cap to £23,000 per year, in effect capping the amount of money a household can receive from benefits at £442 per week. It is vital that policymakers fully understand the potential impact of the change. Citizens Advice has been helping clients with the programme of welfare reform implemented over the last parliament. Our evidence therefore provides extensive insight into the challenges already presented, the issues affecting our clients now, and the likely impact of ongoing reform in the future.

- The benefit cap was implemented at £26,000 per year in April 2013. Research on the impact of this cap has allowed us to produce some estimates of the potential impacts of lowering it to £23,000.
- The current cap disproportionately affects households in high rent areas. Among Citizens Advice clients who have a benefit cap issue, women and ethnic minorities are overrepresented.
- There is evidence that there has been a small positive labour market effect as a result of the £26,000 cap. After a year, those affected are 4.7 percentage points more likely to be in work with a Working Tax Credit claim than their counterparts who claim out-of-work benefits at an amount just below the cap.1 However there are significant limitations to the benefit cap as means of moving large numbers of households into work.
- An estimated 150,000 adults and 395,000 children will be affected by the £23,000 cap, including those who are already capped at £26,000.
- The overall trend will be of smaller families being capped all over the country, and very small families in high-rent areas being capped. Families who need four bedrooms to be adequately housed will find that their housing benefit will no longer cover the cost of private sector rent in any part of the country.2
- The benefit cap extends welfare conditionality system to types of households that are usually not expected to work, such as lone parents of very young children. This introduces inconsistencies into welfare conditionality policy.
- If the cap is to be lowered, it is vital that sufficient and proportionate Discretionary Housing Payment (DHP) funds are made available to Local Authorities to enable households the time they need to take action or adapt to their reduced income. Local Authorities should learn from best practice in use of DHPs and supporting households who are affected.

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1 A Working Tax Credit may be opened in a lone parent family if the parent is in work for 16 hours or more or in a couple is the parents are working 24 hours between them, with one working at least 16.
2 Rent at the 30th percentile of market rates in each local area (which is the LHA rate set by the Department for Work and Pensions for housing benefit).
In January 2014, the Chancellor announced that Treasury forecasts indicated a further £12 billion needed to be cut from the welfare bill in the next parliament. In justifying the decision to place the bulk of cuts on the welfare system, the contrast was drawn between the aim of a system that protected “the most vulnerable” with one that “offers up benefits as a lifestyle choice”. The principle of ensuring fairness for both those in genuine need and to taxpayers was intended to guide decisions in this area.

This is one of a series of Citizens Impact Assessments, designed to clarify the detailed impacts of the policy proposals put forward so far. These are based on the extensive experience of Citizens Advice in working with many of the people likely to be affected by the reforms. It is vital that policymakers fully understand impacts before making decisions, that appropriate advice and support is provided to those affected by any change, and that the implementation process is safe and steady.

One of these decisions - set out in the 2015 Queen’s Speech - was to lower the benefit cap to £23,000 per annum. The benefit cap is intended to ensure that it is not possible for an out of work household to claim more in benefits per annum than the average wage. This initial ‘cap’ was set at £26,000 per annum or £500 per week and brought into operation in 2013. The Conservative manifesto set out the move to lower the cap according to the guiding principle that work be rewarded.

**Policy rationale and its objectives**

The main policy aim is to sharpen work incentives in order to encourage workless households to move into work. It is also intended to realise savings for the Exchequer both in the immediate term through a reduction in the amount of cash transfer to households, and in the longer term through households moving into work and claiming fewer benefits.

Households receiving the following benefits are exempt:

- Working Tax Credit;
- Disability Living Allowance or Personal Independence Payment;

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4 Households claiming working tax credits are exempt from the cap. In practice this means lone parents families where the parent works at least 16 hours or couple households where the adults work at least 24 hours between them.

5 Lone parents families where the parent works at least 16 hours or couple households where the adults work at least 24 hours between them, and one parent works at least 16 hours.
- Attendance Allowance;
- Employment and Support Allowance (support component) and its Universal Credit equivalent;
- Housing benefit for supported ('specified') accommodation; and
- War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes for war widows or widowers.

The cap is currently administered by Local Authorities, who apply a reduction to housing benefit for the households affected. This will change as Universal Credit is rolled out.

Those affected by the cap may apply to their Local Authority for a time-limited Discretionary Housing Payment which is designed to support those affected who cannot immediately move into work or reduce their housing costs. The overall DHP funding for this transitional support was up to £65 million in 2013/14, up to £45 million in 2014/15 and up to £25 million in 2015/2016.

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*Along with moving in to work, households may also be incentivised by the cap to look for less expensive housing within their local area or move to an area with lower housing costs to no longer be affected by the cap.*
Who will be affected?

A Government impact assessment will accompany any legislation on this measure. However, we can look at the characteristics of those who have been affected by the current cap of £26,000 to help us understand the types of households likely to be affected by the reduction of the cap to £23,000.7

By February 2015, a total of 81,401 adults and an estimated total of 212,082 children across 58,690 households have been affected by the benefit cap at some point since the cap was implemented in April 2013.8 The National Housing Federation has estimated that 110,000 households will be immediately affected by the lower £23,000 cap.9 If the makeup of these households mirrors those already affected this would include 151,765 adults and 395,407 children.

Figure 1: Estimates of households, adults and children affected by cap

7 It is important to note that there will be both static and dynamic effects, with some households subject to the cap for short periods of time and others indefinitely (if they cannot take some action that will mean that they are no longer affected by the cap).
8 Source: Citizens Advice analysis of Benefit Cap statistics, DWP, February 2015, found here: https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-february-2015. Estimates of number of children affected are based on these statistics and figures released here on the number of large families claiming out of work benefits: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223241/foi_3222_2012.pdf. In the absence of similar information for all families, we have used the proportion of families of each size above 5 children as a proxy for families who may be affected by the benefit cap.
9 This will which will include the households currently affected, some who have previously been affected, along with a large tranche of new households. Sources: Joint submission to the emergency budget, NHF et al., 2015, http://nationalhousingfederation.newsweaver.com/icfiles/1/55885/107295/5310417/94a4a51b4e4ed44d2d3a925d/emergency%20budget%20submission%20nhf%20chc%20sfha%20sfha.pdf, and Benefit Cap statistics, DWP, February 2015, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426846/benefit-cap-statistics-to-feb-2015.pdf
95% of households subject to the current cap have one or more child dependents (see chart below for illustration). Around a third of capped households have between one and three child dependents and over half have four or more.\textsuperscript{10}

**Figure 2: Type of family affected by the £26,000 benefit cap**

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Source: DWP Benefit Cap Statistics, February 2015. n = 55,974

These figures indicate that larger families and lone parents have been disproportionately affected by the benefit cap so far, and this will also be the case when the amount is lowered to £23,000.

The other group of people disproportionately affected are those who live in high rent areas, and London in particular. Just under half (48\%) of all those affected by the current £26,000 cap live in London. These households are also disproportionately likely to be capped by large amounts. 89\% of those capped by over £200 per week and 61\% of those capped by over £100 per week live in London, where high rent may have contributed to a high overall benefit award. This is part of a wider trend of increasing pressure on the household income of renters, and private renters in particular.\textsuperscript{11}

If the cap is lowered to £23,000, more areas of the country are likely to be affected. Our analysis indicates that for some families who need four bedrooms to house

\textsuperscript{10} Benefit Cap Statistics, DWP, February 2015, ibid.

\textsuperscript{11} In England, rent makes up on average 35\% of monthly expenditure for private renters, compared to an average of 18\% for owner occupiers and 29\% for social renters. Nearly twice as many people rent privately as ten years ago and many now rely on the sector for a long-term family home. See here for Citizens Advice analysis of problems in the housing market: [https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-consumer-challenges-2015-update.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-consumer-challenges-2015-update.pdf), and here for our specific policy research on problems in the private rental sector [https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/housing-policy-research/](https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/housing-policy-research/)
themselves adequately, their housing benefit will be reduced so that it will no longer reach the government rate for private rental costs (Local Housing Allowance) in every single part of the country.\textsuperscript{12}

**Figure 3: No. of areas where housing benefit will not meet LHA, by family type**

![Figure 3](image)

Source: Citizens Advice modelling on benefit entitlements against LHA

There will also be an impact on smaller families in many parts of the country. For example, a couple renting in the private sector with two children who need three bedrooms (for example a family with a 14 year old girl and a 5 year old boy) will see their housing benefit capped below LHA rates in 45/152 areas, including places like Southend, Bournemouth and Eastbourne. Lone parents with two children will see their housing benefit capped below LHA rates in all parts of London, and many other high rent parts of the South-East.

The overall trend then will be of smaller families being capped all over the country, and very small families in high-rent areas being capped.\textsuperscript{13} In effect families who require two bedrooms in the private rental sector will not get enough housing benefit to meet their rent in any part of Inner and Outer London. This group

\textsuperscript{12} Source: Citizens Advice modelling of benefit entitlements against Local Housing Allowances for different types of families and different numbers of bedrooms needed. The Local Housing Allowance (LHA) is based on cheapest 30\% of properties in an area.

\textsuperscript{13} 32\% of housing benefit claimants are in the private rented sector, as are 45\% of all claimants aged under 45 with child dependants (Source: DWP StatXPlore). While those living in social rented sector housing may be paying lower rents and be therefore less likely to be capped, the overall trend will be the same. Moat Housing Association has done similar analysis that “shows that in all of Moat’s areas of operation, three bedroom social rented homes would no longer be affordable under the £23,000 cap (from day one of the cap’s introduction).” Source: Rent Levels and the Benefit Cap, Moat Housing, 2014, https://www.moat.co.uk/uploadedFiles/About_Moat/Public_Affairs_and_Policy/Major_publications/Rent%20Levels%20and%20the%20Benefit%20Cap.pdf
includes many types of households where adults are temporarily out of work, for example households where:

- The parent(s) has previously been employed and is now temporarily unemployed and job seeking;\(^{14}\)
- A lone parent with children is caring for a child under the age of one;
- The parent(s) is entitled to Employment Support Allowance but is deemed to be capable of work at some time in the future;\(^{15}\) and
- The parent(s) is claiming Carer’s Allowance as a full-time carer for someone other than a child or partner (a grandparent for example).\(^ {16}\)

\(^{14}\) There is a 39 week ‘grace period’ for households where one parent has been doing paid work for a period of 50 out of the previous 52 weeks. While this does mean that those who lose permanent employment are exempt for a significant period of time, it does not cover those who may have moved in and out of insecure employment over the previous year and as a result not have been working the full 50 weeks.

\(^{15}\) Those in the Employment and Support Allowance (Work Related Activity Group) are seen as capable of work at some time in the future and are expected to be taking steps towards moving into work (work-related activities) immediately. They are not usually expected to be actively seeking employment.

How will they be affected?

The main impact will be an immediate reduction in household income for the families affected. Under the £26,000 cap, the majority of households were capped by less than £50 per week, with 47% capped by more than this, as outlined in the chart below.

**Figure 4: Amount capped per week**

![Chart showing the percentage of affected households capped by different amounts per week.]

Source: DWP Benefit Cap Statistics, February 2015, n=55,982

It is worth examining what this means in practice, as it can mean the loss of anywhere from £1 per week to half of a family’s income after rent. Take for example the experience of the following two families, under the lower £23,000 cap:

**Example 1**

Family type: Lone parent with three children, two under school age
Work: Unable to find affordable childcare that fits with jobs on offer
House size: Four bedrooms
Area: Leeds
Rent: £198 per week\(^\text{17}\)
Capped by: £33 per week
Loss of income: 11% after housing costs

\(^{17}\) The LHA rate for four bedrooms in Leeds is £197.96 per week, which means that a four bed property in this area costing £198 per week is in the third of cheapest private rental properties of this size.
Example 2

Family type: A couple with two children under the age of three
Work: Working partner currently unemployed, job seeking
House size: Two bedrooms
Area: Outer London
Rent: £279 per week
Capped by: £99 per week
Loss of income: 37% after housing costs

In the second example, the household would need to pay for all utilities, council tax, other bills, transport, food and all other essentials from £163 per week, as opposed to £262 before the introduction of the benefit cap. For comparison, focus groups of ordinary citizens have estimated that a family of this size need a minimum of £480 per week after housing costs to reach an adequate standard of living.

Labour market impacts

Households are not subject to the benefit cap if they move into work at the right number of hours to qualify for Working Tax Credit (WTC). Up to February 2015, 25% of affected households are no longer being capped because they have opened a WTC claim. Some of these households may have been in work at a lower number of hours prior to being capped, while others may have been working the requisite hours but not making a WTC claim.

Econometric analysis by the department for Work and Pensions has found that, after controlling for a range of observable statistics, those affected by the cap were just 4.7 percentage points more likely to flow onto WTC within a year than their counterparts just below (within £50 per week of) the cap. Using the same analysis:

- London households were 9.5 percentage points more likely to flow onto WTC after a year;
- Lone Parents were 4.9 percentage points more likely; and

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18 The LHA rate for a two bedrooms in Outer South-West London is £287.67 per week, which means that a two bed property in this area costing £279 per week is in the third of cheapest private rental properties of this size.
20 Benefit Cap Statistics, DWP, February 2015
Lone Parents in London were 8.4 percentage points more likely.

This analysis also found that “the greater the amount by which benefit receipt was reduced by the cap, the greater the proportion moving into employment.” Three in ten of the small number capped by more than £200 moved onto a WTC claim after a year (compared with 19% of the overall).22

This suggests a small positive labour market effect from the cap. However, while effective at moving a small minority into work or increased hours, there are significant limitations to the benefit cap as means of moving large numbers of households into work. The evaluation found that most of those affected had already been taking action to look for work, but that the cap did increase the frequency or intensity of these action for a small minority.23 Qualitative research around the impact of the cap suggests that it is those who were already closest to the labour market who are managing to find sufficient work to open a WTC claim.24 On the other hand, many others affected by the cap face considerable barriers to finding work, such as availability and/or cost of childcare (43% of those citing a barrier to work), poor health (27%) and caring responsibilities (24%).25

Qualitative evidence from our network suggests that the cap may be pushing some parents into low quality work, or into self-employment without fully understanding the consequences. For example, in one London local authority, several of our clients were no longer affected by the cap because they had become self-employed cleaners. Our advisers noted that these clients had poor understanding of the demands of self employment such as accounting and reporting to various benefit agencies, and were therefore concerned that this is unlikely to be sustainable outcome for these families.

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22 This figure differs from the 23% quoted above as the econometric analysis is based on measuring outcomes for specific cohorts at specific points in time after the implementation of the cap for their households (as opposed to the 23% figures which is simply the proportion who are no longer affected by the cap because they have opened a WTC claim at any time since initial implementation).


Extending conditionality to carers

In recent years welfare conditionality has been extended from those on Jobseeker’s Allowance to numerous other groups, for example those on ESA who may be fit for work in the future. A core principle of conditionality has always been ensuring that primary caregivers are not subject to conditions in order to be entitled to the benefits they need. For this reason those receiving Carer’s Allowance and those receiving income support whose children are under the age of 5 have not been subject to work-related conditionality. The benefit cap introduces inconsistency into welfare conditionality policy by taking no account of the caring responsibilities of those subject to it.

Numerous types of heads of households whose caregiving responsibilities either preclude work or make it much more difficult to find suitable work are subject to the cap including:

- Pregnant women
- Lone parents with more than one child under school age
- Those receiving Carer’s Allowance for someone other than a partner or child dependent (a parent or grandparent for example)

The case study below highlights the difficulties these types of households face in responding to the cap and the types of impact on family life.

Case Study: Conditionality for carers
Ana came to Citizens Advice for support in relation to benefit cap. She is 28 and lives with her husband, her four children aged 7, 6, 3 and 1 and her 15 year old sister. Besides her two children under school age, she has other caring responsibilities: her eldest child is being assessed for Asperger’s syndrome, and she also cares for her elderly grandmother. Both Ana and her husband have previously worked but currently cannot. They both have diagnosed medical issues and receive Employment and Support Allowance in the Work Related Activity Group. This means that they have been subject to an independent Work Capability Assessment and been deemed ill but capable of work at some time in the future, but are not expected to actively seek work at the moment. Ana’s husband suffers from mental ill health and she does not think that he can care for the children in her absence (if she were to work, for example). Her family has been capped by £87 a week and she is worried this will lead them to end up in rental arrears. She is already struggling to pay back other debt, and the stress of the situation has caused her health to deteriorate further.
Other impacts at a household level

Overall, 60% of those who have been affected by the cap at some point since its introduction are no longer subject to it. This breaks down as 25% becoming exempt through a WTC claim and 35% for some other reason. Some (9%) have claimed a benefit such as PIP that makes their households exempt from the cap. Others have claimed a reduced level of housing benefit (6%), either because they have moved or negotiated a reduction in rent.\textsuperscript{26} Another group (6%) have stopped claiming Housing Benefit (it is unclear from the data whether or not these families still have housing costs).

This means that two in five (40%) of households remain subject to the benefit cap. This varies by region, from 36% in the East Midlands to 43% in Yorkshire and the Humber.

Figure 5: Number no longer affected by benefit cap by region

![Bar chart showing the number of households no longer affected by the benefit cap by region.]

Source: DWP Benefit Cap Statistics, February 2015

The evidence on how these households are dealing with the cap is sparse. Quantitative research with capped households carried out as part of the evaluation commissioned by the Department for Work and Pensions found that the most common response to the cap was spending less on households essentials (35% of households affected).\textsuperscript{27} Families with three or more dependents, lone parent households and those those who have a self-defined limiting health problem or

\textsuperscript{26} Econometric analysis of capped households are similar households whose benefit income is just below the level of the cap found that “The benefit cap has not led to significant increases in the proportion of capped households moving.” Source: Benefit Cap: Analysis of outcomes of capped claimants, DWP, 2014, ibid.

\textsuperscript{27} Post-implementation effects of the Benefit Cap (wave 2 survey), DWP, 2014, ibid
disability were more likely than the cohort overall to have spent less on essentials. Qualitative evidence as part of the same evaluation found that some families no longer afford food and utility bills.\textsuperscript{28}

The evaluation also found that families were finding it hard to keep up with their housing costs. Establishing the scale of arrears and threatened homelessness as a result of the cap is difficult. Even those families who manage to find work so that the cap no longer affects them may find their housing costs unaffordable and go into arrears during the period that they are capped.

Several of those who took part in qualitative interviews were under threat of eviction and said this was because of arrears related to the cap.\textsuperscript{29} Quantitative evidence found that, one year after its implementation, those still affected by the Benefit Cap were more likely to say they are in arrears than those no longer affected (45 per cent compared to 21 per cent).\textsuperscript{30} This suggests that the cap does have a significant impact on the likelihood of a household to be in arrears and at risk of homelessness. Our internal evidence supports this: of those who came to Citizens Advice with a benefit cap issue in 2014 or Q1 2015, 26% also asked for advice about rent arrears, 14% for advice about eviction or possession claims for arrears, and 12% for actual (2%) or threatened (10%) homelessness.\textsuperscript{31}

Families may also go into other debt to meet day to day costs while they are capped, or struggle to pay back existing debts. 5% of those surveyed as part of the evaluation said that they had “not paid other household bills and gone into or added to debt” as a direct result of being capped. Our figures suggest that a greater proportion of capped households may be struggling with debt: 39% of those who came to Citizens Advice with a benefit cap issue in 2014 or Q1 2015 also asked for advice about debt.

\section*{Equalities considerations}

\subsection*{Location/Access to employment opportunities and support}

The design of the benefit cap suggests that those with the highest barriers to work are the most likely to suffer negative impacts as a result of the cap. Our evidence from our local offices supports that hypothesis. To end financial year 2014/2015, we have had 2,899 clients come to us for advice about the benefit cap. While most of these clients were concentrated in London offices,\textsuperscript{32} those affected by the benefit cap in London were proportionately less likely to come to us for advice than those

\begin{footnotesize}
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\item \textsuperscript{28} \textit{In-depth interviews with people affected by the Benefit Cap}, DWP, 2014, ibid
\item \textsuperscript{29} Ibid
\item \textsuperscript{30} \textit{Post-implementation effects of the Benefit Cap (wave 2 survey)}, DWP, 2014, ibid
\item \textsuperscript{31} It is likely that these three categories overlap substantially, if not completely.
\item \textsuperscript{32} Over a quarter (27%) of those who came to Citizens Advice about the benefit cap up to end March 2015 visited 10 local offices: Westminster (151), Brent (118), Stockton and District (92), Enfield (75), Birmingham (73), Manchester District (63), Derby (62), East End (53), Merton and Lambeth (47) and Camden (46).
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living in other parts of the country. This may be related to the more buoyant job market allowing more claimants the opportunity to take on work. It may also be related to the quality and availability of the employment support on offer from some of the London local authorities where a large number of people were subject to the cap.\textsuperscript{33}

As greater numbers of people are subject to the cap in areas where the local labour market is growing more slowly, we are likely to see increasing numbers struggling to find enough hours to open a WTC claim and remove their household from the cap.

**Figure 6: Citizens Advice clients with Benefit Cap issues by region**

![Graph showing the percentage of adult population, benefit cap households, and Citizens Advice clients with Benefit Cap issues by region.]

Source: DWP Benefit Cap Statistics, February 2015, Citizens Advice Management Information

**Gender**

There are no official statistics on the number of women or female headed households who are subject to the cap, the high proportion of lone parent households affected indicate that women have been disproportionately impacted by this policy so far.\textsuperscript{34} Over two thirds (69\%) of those who have come to Citizens Advice about the benefit cap have been women.

\textsuperscript{33} 28\% of London households who have been capped at some point are now no longer capped because they have opened a WTC claim. This is the highest proportion of any region in England and Wales.

\textsuperscript{34} Women account for 92\% of lone parents. Using this figure we estimate that 51\% of households affected by the cap are headed by a female lone parent. Source: Census 2011, ONS, http://www.ons.gov.uk/ons/rel/family-demography/families-and-households/2011/sum-lone-parents.html
Age
Similarly, there are no official statistics on the age profile of those affected by the current £26,000 cap. The majority are parents of dependent children, suggesting that impact is concentrated among those aged between 20 and 50. The age profile of those who have come to Citizens Advice about the benefit cap bears this out (shown below, with the overall England and Wales figures for comparison). Just under 40% of those who come to us for advice on this issue are aged between 35 and 44.

**Figure 8: Age of Citizens Advice clients with Benefit Cap issues**

Source: Citizens Advice Management Information, Census 2011
Ethnicity
Just over half of Citizens Advice clients with benefit cap issues (55%) are White British, compared with 81% in the overall England and Wales population. 37% are from Black and Minority Ethnic (BAME) backgrounds, compared with 14% in the overall population. These figures suggest that BAME populations are disproportionately affected by the existing benefit cap, likely due to cultural tendencies towards large families among some ethnic groups. It is likely that the lower cap will also disproportionately affect BAME groups.

Figure 9: Ethnic background of Citizens Advice clients with Benefit Cap issues

![Ethnicity Bar Chart]

Source: Citizens Advice Management Information, Census 2011

Potential impact of the lower cap
Taking the responses (described above) to the cap of £26,000 as a base, we can make some assumptions about the potential impact of the lowering of the overall amount. Of the estimated 87,000 households immediately affected by the lower cap, it is likely that:

● Circa 50,000 (around three in five) will stop being affected by the cap due to a change in circumstance, and around a quarter (c. 21,750) by opening a Working Tax Credit claim;

● Circa 30,000 (or just over a third) will struggle with essential living costs; and

● Circa 35,000 (or two in five) will be in rent arrears a year after the introduction of the cap.

However the new types of families that will be affected by the new cap (smaller families in high rent areas, more large families in low-rent areas) may have different
behavioural responses than those currently affected. For example, while very few have moved house as a response to the £26,000 cap, the proportion may be higher for the lower cap, depending on the amount and level of funding available through Discretionary Housing Payments to help people stay in their current homes.

The figures for the £26,000 cap also suggest that after the initial round of ‘capping’ and gradual reduction in the capped count over a year, a steady stream of families will move in and out of the cap, meaning that over time a larger number of households will be affected at some point.\(^{35}\)

This leaves a large number of families who will struggle to adapt to a reduced income, and in some cases (see below) a significantly reduced income. We estimate at least 35,000 new households will be indefinitely capped, on top of those who are indefinitely affected by the current £26,000 cap.

A DWP memo suggested that, in the absence of behaviour change, 40,000 children would fall into relative poverty as a result of the cap. Taking the DWP figure as a base and making assumptions of changes of circumstances based on the £26,000 cap, we estimate that the £23,000 cap will cause a minimum of 16,000 children to fall into relative poverty.\(^{36}\)

This movement in and out of the cap makes it important that administration is seamless to avoid shocks to household incomes. Once families have moved to Universal Credit, the cap will be calculated and applied on a monthly basis, potentially drawing more families into the cap for short periods of time. Again it will be important that administration is mistake and delay free to ensure that households are not unintentionally deprived of income. Our ideas around the importance of more responsive design and delivery of welfare benefits are explored here: Responsive Welfare, Citizens Advice, 2015, [https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/responsive-welfare.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/responsive-welfare.pdf)

Those who have already been capped will have an income from benefits of £500 per week. This will be reduced by £58 per week or 11.6%. Assuming that private sector rent for a family subject to the cap will be at minimum £210 per week, which means that they would lose 20% of their post rent income (a reduction from £290 to £232)
Advice and support

Our experience of helping families affected by the benefit cap has allowed us to draw out some lessons on the type of information, advice and support they need to either take some action to change their circumstances so that they are no longer capped or adjust to their lower household income.

Most important of all is sufficient Discretionary Housing Payments to support both of these aims. Qualitative evidence from our network suggests that Local Authorities have taken very different approaches to how they use the cap. The most effective have taken a strategic approach to DHPs that focusses on households' long-term stability. Good examples of this in practice include:

- Ensuring that DHP is made available to all lone parents who are pregnant or have children under the age of 18 months, in recognition of their high barriers to work;
- Making DHP available to families where having to move home or being evicted would significantly disrupt their children’s schooling;
- Making DHP available to all those who are applying for an exemption benefit, for example PIP. This is important due to the delayed decision times for some of these benefits;
- Making DHP available to those who need to undertake training to improve their literacy or wider employability;
- Making receipt of DHP conditional on attempting to take action to change circumstances;
- Ensuring that DHP is awarded for flexible terms, dependent on household circumstances (as some may need it for 3 months and others for 18).

The amount of the Discretionary Housing Payment budget allocated for helping those affected by the benefit cap was cut from £65 million in 2013/2014 to £45 million in 2014/2015 to £25 million for 2015/2016.\(^{38}\)

If the cap is to be lowered to £23,000, it is vital that the DHP fund on offer from central government is proportionate to the numbers affected, and that all Local Authorities have access to clear guidance on best practice from those Local

\(^{38}\) This large reduction may relate to actual spend levels by Local Authorities. In 2013/2014, when £65 million was allocated for DHPs for the benefit cap (and distributed to Local Authorities according to predicted benefit cap caseloads), Local Authorities in fact spent £26.3 million on DHPs for the families affected. Source: Use of Discretionary Housing Payments, DWP, 2014. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/322455/use-of-discretionary-housing-payments-june-2014.pdf
Authorities who have already had significant experience of implementing the benefit cap.

Aside from access to DHPs, households affected by the cap may need significant support from local agencies and organisations. Local Authorities must do detailed modelling of the households that are likely to be affected and potential behavioural impacts, which will be impacted by local factors such as the local housing and labour markets. When supporting households, they should ensure that:

- All households have sufficient advance warning of the cap to allow enough time for them to take action prior to being affected. This may require significant proactive communication, especially where households have little current engagement with the Local Authority or a housing provider. Housing associations can be important allies in this work, but sufficient attention should also be paid to houses in the PRS.

- All those affected understand the policy intent of the cap so that they understand what is expected of them.  

- All households have a benefit check to ensure that they are currently claiming the right benefits for their household and all its members.

- All households have access to employment support that helps them find suitable and sustainable employment. This may include targeted support that helps them overcome barriers to work such as needing to find an employer who will make reasonable adjustments, or organising childcare for several children. Signposting to the Job Centre may not be sufficient in these cases.

- Where appropriate and possible, ensure households have access to support in exploring financially sustainable housing options.

- Ensure households that need it have access to money advice, including debt and budgeting. Those with high financial capability may still need advice on adjusting to a lower income.

This kind of holistic and targeted support is expensive to provide. The DWP can help Local Authorities by allowing them to spend a proportion of their DHP budget on funding support rather than direct cash payments to households.

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[39] Many of those who come to Citizens Advice with a benefit cap issue do not understand why their benefits have been capped or what the government expects them to do in response. This is particularly true of lone parents with children under school age who find it hard to understand why the government wants them to work given the high cost of childcare and the practical difficulties of finding childcare providers that fit with the type of jobs they might do.