Benefit cap evidence session – follow up questions

Thank you for your letter of 27 November containing a number of further questions following my oral evidence session.

In reply, I would also like to record a few points for clarification in addition to responding directly to the questions posed.

Official Statistics

I mentioned the official statistics and in particular the numbers of households moving off the cap and into work. The latest official statistics show that under Housing Benefit:

- 190,000 households have had their Housing Benefit capped since April 2013 to August 2018 (‘cumulative caseload’)
- As of August 2018, 58,000 households in Great Britain had their Housing Benefit capped (‘point-in-time caseload’).
- 140,000 households (70%), who had their Housing Benefit capped between April 2013 and August 2018, are no longer subject to cap under Housing Benefit and 52,000 of these (39%) are exempt because they are receiving working tax credit, indicating they have found work.

and under Universal Credit:
- 15,000 households have had their Universal Credit capped since October 2016.
- At August 2018, there were 7,800 households capped under Universal Credit full service,
• 7,200 households (48% of those capped between October 2016 and August 2018) are no longer subject to cap under Universal Credit and 1,800 of these (25%) are exempt due to earning more than the threshold at which households become exempt from the benefit cap.

In total, this represents nearly 54,000 previously capped households who have moved into work.

**Universal Credit earnings exemption**

In Universal Credit, households who earn £542 or more in an assessment period are exempt from the cap. The threshold of £542 is based on 16 hours work per week at the National Living Wage. This figure is incorrectly recorded in the transcript at Q149 as £524.

**Employment and Support Allowance and the benefit cap**

To clarify the statement at Q166; rather than ‘15% of people on ESA are on the benefit cap’, this should state that 14% (7,900) of capped households are claiming ESA (Assessment Stage and Work-Related Activity Group only, who will also receive a range of other benefits including housing benefit).

**Universal Credit natural migration**

The committee raised some questions around the benefit cap and changes that would lead to a natural migration to Universal Credit (UC). The committee seems to have proceeded on an assumption that this would leave households worse off and without the benefit of transitional protection. To clarify, households who migrate naturally to UC will do so as they will have had a significant change in their circumstances that would have, prior to the introduction of UC, required them to make a new claim to an existing benefit such as starting work or changing their housing costs or household composition.

These changes in circumstances mean they are not comparable with their circumstances on legacy benefits and therefore it is right that their award would be recalculated in accordance with their new circumstances. Taking positive steps to avoid the benefit cap should not lead to an overall reduced financial position. For example, if claimants start work, they may receive a lower benefit entitlement because of the impact of their earnings, but they may also benefit from UC Work Allowances and in addition, if they earn £542 or more per month, they will become exempt from the benefit cap.

Attached in Annex 1 are the specific answers to the additional questions raised in your letter.
Kind regards,

Justin Tomlinson MP
Minister for Family Support, Housing & Child Maintenance
Annex 1

Response to Committee’s questions, as posed in the Chair’s letter of 27th Nov 2018.

For ease I have included the introductory paragraph and questions in italics from the letter where appropriate.

1. Benefit cap savings
You told the Committee the benefit cap saved £190 million in the last year, excluding behavioural changes such as people going into work paying tax. In written evidence to the Committee, the Department also noted that this does not include any Discretionary Housing Payment funding or administrative funding to local authorities to support the delivery of the cap.

1. Could you please confirm whether the Department has done a full cost benefit analysis of savings as a result of the cap and provide detail of what this includes?

DWP undertook an assessment of the additional savings made by the lower benefit cap in the Impact Assessment which accompanied the Welfare Reform and Work Bill, the final update of which was published in August 2016 ahead of the rollout of the lower benefit cap from November 2016.

In that Impact Assessment, it was estimated that the policy would deliver additional fiscal savings of £65m in 2016/17, £155m in 2017/18, £110m in 2018/19, £100m in 2019/20 and £110m in 2020/21 in cash terms, on top of the savings from the original benefit cap.

These estimates did not include any savings to the taxpayer as a result of behavioural changes in response to the cap, for example from households moving into work; any such savings are additional to the savings found by direct reductions in household benefit income. Similarly the Impact Assessment did not account for other Exchequer benefits or costs of capped households moving into work, for example through income tax and National Insurance contributions through taxable employment. These savings estimates also do not include any Discretionary Housing Payment (DHP) funding or administrative funding to Local Authorities to support the delivery of the cap. In 2018/19, £60m has been allocated to DHP funding for Local Authorities in Great Britain to support capped households, and £8m was allocated in 2018/19 to fund benefit cap administration costs and other ‘new burdens’ incurred by Local Authorities in operating the cap.

For many households affected by the cap, the cap means a notional change in their benefit entitlement rather than an actual cash loss. Those who became entitled to benefits and were capped once the policy was in place did not receive

any reduction in their benefit, rather a lower maximum limit on the benefit they would have otherwise been entitled to. Households who did not make an adjustment before the introduction of the lower cap could face a reduction in their benefit receipt.

--------------

2. Cap Limits
The Committee heard that the cap limits — currently £23,000 for Greater London and £20,000 for the rest of the country — must be reviewed by the Secretary of State at least once every Parliament.

2. Could you please update the Committee on when the review is next due to take place?

The Secretary of State is obliged to review the level of the cap once in each Parliament taking into account the national economic situation and any other matters that she considers relevant (section 96A Welfare Reform Act 2012). The Department expects the evaluation of the lower cap to be published in spring 2019. The level of the cap will be reviewed in due course following that publication and in the fullness of this Parliament.

--------------

3. You told the Committee one of the main objectives of the cap was fairness and highlighted that, prior to its introduction, the Department had recognised it was spending £10 million on benefits for 300 families.

3. Could you please provide the Committee with a note on:
   a) the profile of these families,
   b) how much each family was receiving, and
   c) which benefits each family was receiving?

   a) These families were mainly lone parents (with a few couples with children) mostly with 4+ children. These households were located in Greater London LAs.
   b) These families were receiving weekly benefits of £850+ prior to the cap, equivalent to a weekly cap deduction of at least £350 under the original benefit cap (which was £500 per week, or £26,000 p.a.).
   c) These households were receiving a combination of benefits including Housing Benefit, Child Benefit, Child Tax Credits and out of work benefits, mainly Income Support.

--------------

4. Impact Assessment
The Committee heard that there are two strands of research being undertaken to assess the effectiveness and the impact of the cap. This includes a “full evaluation” by the National Centre for Social Research and the Department’s own impact analysis, which will be peer-reviewed by the IFS and published in Spring 2019.
4. Could you please provide the Committee with a detailed note on:

a. the scope and methodology of the research the National Centre for Social Research is doing,

b. and the full scope and methodology of the Department's research

Research by National Centre for Social Research

The Department has commissioned the National Centre for Social Research (Natcen), an independent research agency, to conduct research into the lower, tiered Benefit Cap. Natcen's research has two strands:

- A quantitative, longitudinal telephone survey with a representative sample of claimants affected by the cap, and
- Qualitative case studies in a sample of local authorities, including interviews with local authority, job centre and support agency staff.

The survey of claimants was delivered over two waves, to explore how claimant responses to the cap had changed over time. Wave one was conducted approximately seven months after implementation of the new cap, with 1,900 claimants interviewed. The sample included claimants affected by the cap under both legacy benefit and Universal Credit arrangements, across Great Britain. Wave two was conducted approximately six months later, with over 800 of those same claimants. The survey included questions on the following topics:

- Awareness of the cap and current cap status
- Impacts of the cap on employment and employment related behaviour
- Impacts of the cap on claimants' housing and housing related behaviour
- Awareness and use of Discretionary Housing Payments (DHPs)
- Barriers faced by claimants regarding employment and housing changes
- Broader impacts of the cap (including upon health, relationships and finances)
- Use of available advice and support services

For the qualitative, case study strand Natcen invited people working at a range of Local Authorities, Jobcentre Plus and local advice and support organisations to take part in research interviews. Local organisations included family support charities, financial charities and credit unions, housing and homelessness support organisations, housing associations, information and advice providing services, women's charities, food banks and legal charities. The focus of these interviews was on experiences of the introduction of the lower, tiered Benefit Cap and the impacts it had on the services they delivered, and upon claimants affected by the cap. Forty-two interviews were conducted across the six case study areas.

Research by the Department for Work and Pensions

Natcen's research is being undertaken alongside in-house DWP analysis of capped households, which will be peer reviewed by the Institute for Fiscal Studies (IFS). The Department expects to publish the full findings by the spring 2019; the published report will be available on gov.uk.
The in-house quantitative impact assessment will use the Department’s administrative data to assess the net impacts of the policy on a range of outcomes. It will examine the effects of the cap by comparing outcomes of capped claimants with those of a range of comparable uncapped groups. This will be similar in scope to the analysis undertaken for the original benefit cap, referred to as the ‘2014 evaluation’ in the Department’s evidence submission to the inquiry. The focus will be on employment outcomes, as well as other outcomes such as movement onto different benefits or moving house.

The IFS has been contracted to provide expert peer review of the methodology, approach and interpretation of the results. This is similar to the contracted arrangement with the IFS during the 2014 evaluation.²

5. **You said that the Department’s research will include qualitative analysis of the impact of the cap on families.**

5. **Could you please confirm that you will:**
   a. **provide the Committee with a topic guide/script for this research, and**
   b. **allow the Committee to input into the areas covered in this analysis?**

As Mr Pete Searle told the Committee, the Department’s research includes qualitative analysis of the impact of the benefit cap.

The research undertaken by Natcen involves a quantitative longitudinal survey with claimants and qualitative research with local authorities and support organisations. Further information on the scope and methodology of the research is included in response to questions 4a and 4b.

Natcen has completed the survey fieldwork and the qualitative interviews, therefore unfortunately there is no longer an opportunity for the Committee to input into the areas covered in the evaluation. The topic guide used in the case study interviews, and the survey questionnaires, will be available alongside the evaluation results, which the Department expects to publish in spring 2019.

6. **Supply of childcare**

You told the Committee that your analysis of childcare provision showed there is supply available.

6. **Could you please provide the Committee with details of this analysis?**

The Department for Work and Pensions has not published any specific analysis of childcare provision relating to households affected by the benefit cap. In the Department’s 2014 evaluation of the benefit cap, it was acknowledged that childcare

² A brief description of the relationship by the IFS is provided here: https://www.ifs.org.uk/publications/7482
could be a barrier for some households. Of the households surveyed that were affected by the benefit cap the majority (65%) considered there to be major barriers to work. When asked about barriers to work, more than two in five households mentioned the availability and/or cost of childcare (43%), a quarter (27%) said poor health, and another quarter said caring responsibilities (24%).

However the Department for Education (DfE) has published research on the flexibility and availability of childcare provision in its "Childcare and Early Years Survey of parents, 2017" and "Childcare and Early Years Providers Survey 2018". Updated findings for the "Childcare and Early Years Survey of parents" are due to be published on 20 December 2018. The survey findings are limited to the views of parents in England and do not relate specifically to benefit claimants or capped claimants. However they give insights into the flexibility and availability of childcare for parents in England.

DfE’s Childcare and Early Years Survey of parents, found that in 2017:

- 42% of all parents felt the number of local childcare places available was ‘about right’; 29% said they were ‘not enough’; and 27% said they didn’t know.
- Parents were positive about the flexibility of childcare; only one in five (21%) parents reported problems with finding childcare flexible enough to meet their needs; 37% indicated they did not have problems.

Similarly, the Childcare and Early Years Providers Survey 2018 found that there was spare capacity among the different types of childcare providers, as follows:

- In relation to group based providers, 73% had spare capacity in full day provision and the average spare capacity per provider was 20% of the places they were willing to offer;
- For school based nursery provision, 52% had spare capacity in the morning with 16% of places spare and 66% had spare capacity in the afternoon with 27% of places spare; and
- 68% of child-minders had spare capacity with 42% of places spare.

DfE have also published recent research on parents’ attitudes towards the 30 hours’ free childcare offered for working parents of 3 to 4 year olds. The research found that over two-thirds of parents (71%) using the 30 hours offer had some flexibility over how they used the additional childcare hours (e.g. having flexibility over the days and times they could use these hours with their chosen provider). Among

---

5 Childcare and Early Years Survey of parents, 2017
4 Childcare and Early Years Providers Survey 2018
5 Childcare and Early Years Survey of parents, 2018
6 Childcare and early years survey of parents 2017: follow up survey
parents using the 30 hours offer, 13 per cent had entered work since the initial survey.

7. Benefit cap interactions with Universal Credit
The Committee asked about the issue of capped claimants on Universal Credit receiving zero income when their rent is paid directly to their landlord. Pete Searle told the Committee "whether the rent is paid direct to the landlord or not should not make any difference". Both Child Poverty Action Group and London Councils raised this as an issue in written evidence to the Committee. (Examples were provided.)

7. Could you please provide a note on how having a managed payment to landlord in place could affect the amount of income a family has left to live on compared to if their rent was paid directly to them?

If a managed payment to a landlord could result in a household’s income being reduced, even removed entirely, as a result of the cap, could you please:
- explain how you expect households to meet their day-to-day living costs in such circumstances, and
- confirm whether you will consider ring-fencing certain amounts, such as the children’s element?

The Department works closely with local authorities to ensure tenants are able to meet their housing costs. Where it is in a claimant’s best interests to have their housing costs paid direct to the landlord, for example because they have difficulty budgeting or have problems with arrears, an Alternative Payment Arrangement (APA) can be put in place, such as a Managed Payment to Landlord (MPTL). These can be asked for by work coaches, claimants or landlords. This does not change the overall amount of the UC award but simply how it is paid.

Who can ask for an APA, and how they do that
- Work Coaches (WC) who identify claimants who may require an APA can request one by recommending to the UC service centre to implement one.
- Landlords both in the private rented and social rented sectors can apply for a managed payment APA.
- Applications can also be made by third parties on behalf of the landlord, for example agents, local authority housing teams and Private Rented Sector Access schemes.
- Claimants can ask for an APA themselves.

The role of work coaches in identifying people who need an APA at the outset as part of the initial interview or identifying claimants who previously had direct payments on housing benefit.

- Work coaches will identify those claimants who may need to be considered for an APA as part of the initial interview or Personal Budgeting Support (PBS) process.
- Where an APA is appropriate, the Work Coach makes the recommendation to the UC Service Centre to implement the APA.
• The Work Coach maintains an on-going conversation with the claimant about their financial capability and reviews the APA when the review date matures. The Work Coach refers claimants who have an APA to PBS money advice so they receive support in managing their money with the goal of removing the APA once greater financial independence is achieved.

• The UC Service Centre staff can also determine if an APA is appropriate, by processing APA requests from landlords. We make claimants aware of APAs through our Work Coaches, gov.uk, UC helpline and Universal Credit at Work

The benefit cap will reduce the amount of the UC award paid to the claimant. Where an APA is in place, a claimant may request that the APA is removed although this may not be in their agreed best interest. As in other cases, claimants can apply for DHPs to help meet their housing costs.

**Ring-fencing of certain elements**

The Welfare Reform Act 2012 introduced a fundamental change to the social security system. Universal Credit is a single benefit payable to households who meet the entitlement criteria and awards are calculated at the end of each assessment period using the maximum total entitlement less appropriate deductions. There are also legal mechanisms, such as the benefit cap, which operate on that calculation. Attempting to extract or ring-fence individual components from the calculation would ignore the interaction between the different stages of the calculation and would not correctly reflect how the new benefit is designed in the legislation and how it operates in practice.

----------

8. You told the Committee the cap is working as intended under Universal Credit, as it is now capping claimants’ total benefit income rather than just their housing benefit, as was usually the case in the legacy system.

Could you please provide the Committee with figures on the number of cases in which the amount capped is:

a) less than the full amount of housing benefit,

b) greater than the full amount of housing benefit, and

c) the total amount of a household’s benefit income?

In the legacy system, the benefit cap can only be applied by reducing the Housing Benefit award, other benefits included in the cap calculation are paid to the households in full. The Department’s latest official statistics show that in August 2018, 57,800 households in Great Britain had their Housing Benefit capped.7

Of these, where the final amount of Housing Benefit paid is known:

a) 52,100 households were capped by less than the full amount of housing benefit, and
b) 5,500 households were capped to the full amount of housing benefit (leaving 50p for passported benefit purposes) which may indicate that potential further reductions above that should have been applied.

The amount capped cannot be equal to the total amount of a household’s benefit income. In all legacy cases, only the household’s Housing Benefit would be reduced. In all Universal Credit cases, the household’s benefit income would be reduced to the lower benefit cap levels which are set at £23,000 pa, £1916.67 per month in London and £20,000 pa, £1666.67 per month outside of London for lone parents and couples (single households without children receive lower amounts).

---------------------------

9. How many claimants have been unfairly capped because of when their paydays and Universal Credit assessment periods fall?

a. When do you expect this issue to be resolved and how are you ensuring claimants are not unfairly capped in the meantime?

Generally, the amount of Universal Credit paid reflects, as closely as possible, the actual circumstances of a household each monthly assessment period, accounting for any earnings reported to DWP during that assessment period, as opposed to which period they relate to. Monthly reporting allows Universal Credit to be adjusted automatically that month, which ensures that if a claimant’s income falls that they will not have to wait several months for a rise in their Universal Credit award. This system is designed to assist claimants in months where their income is low, and assistance is needed most.

However, the Department is aware that some claimants are paid in other patterns, including four-weekly, fortnightly, weekly or on a non-fixed day every month, which means that for some months these claimants receive two or more sets of earnings during one Universal Credit assessment period and may have implications for the benefit cap.

As I told the Committee on 21 November, the Department is aware of the issues raised regarding the interaction of earnings and the benefit cap and is considering this.

There are currently around 1 million households on Universal Credit, of whom 7,800 are subject to the benefit cap (figures at August 2018). The Department does not know how many capped households take up monthly paid work that pays over the benefit cap earnings threshold limit, and have a pay date in close proximity to their Assessment Period end date, but given the circumstances that would need to arise for this issue to occur, it estimates the numbers will be small; less than 1% of the population.

Separately, the Department has received a number of judicial reviews concerning the interaction of earnings cycles with Universal Credit assessment periods; this
issue is currently under review by the High Court with a judgment expected in early 2019.

10. Additional funding for local authorities
The Department announced £8 million of funding to local authorities for benefit cap administration costs and other new burdens for 2017/18.

10. Could you please provide the Committee with a note on:

a. How the Department arrived at the £8 million figure?
b. What proportion of the £8 million is for benefit cap administration costs and what proportion is for other new burdens?
c. What the Department envisaged new burdens would include?

a) How did the Department arrive at the £8 million figure?

In 2018/19, Local Authorities in Great Britain were allocated £7.9 million to support the additional costs (‘new burdens’) of implementing the lower benefit cap. This was part of funding of £20.6 million that was allocated to local authorities (LAs) to support the costs of implementing welfare reform changes such as administering DHPs.8

Table 1 below provides a summary of the funding for the lower benefit cap new burdens between 2016/17 and 2018/19. The allocation to local authorities is based on the expected benefit cap caseload, taking into account the estimated impact of the lower cap and rollout of Universal Credit (UC) to local authorities. Additional funding was provided in 2016/179 and to a lesser amount in 2017/1810 to cover some of the initial costs of implementing the lower benefit cap. When combined with the overall decrease in the benefit cap caseload, this resulted in a £5.2 million reduction in funding from 2016/17 to 2017/18 and a further £1.6 million reduction for 2018/19.

Table 1: Benefit cap new burdens funding by financial year

<table>
<thead>
<tr>
<th>Financial year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funding</td>
<td>£14.7m</td>
<td>£9.5m</td>
<td>£7.9m</td>
</tr>
</tbody>
</table>

*The lower benefit cap was levels were introduced on 7 November 2016

b) What proportion of the £8 million is for benefit cap administration costs, or other new burdens?

Funding is intended to meet new burdens incurred by local authorities as a result of the implementation of this welfare reform. This was divided into initial costs (incurred in 2016/17 as part of the pre-implementation and rollout of the lower cap across local authorities in Great Britain) and on-going costs. Initial costs included costs faced by local authorities in relation to the staff training/awareness, the processing of claims and availability of support on all capped cases. On-going costs are associated largely with new claims and changes of circumstances. In 2016/17, when the lower benefit cap was implemented, a total of £14.7m was allocated for benefit cap new burdens of which £11.1m was for initial costs of implementing the new cap and £3.6m for ongoing costs (which covered on-going costs for the final 4 months of the 16/17 financial year).

c) What other new burdens are envisaged?

The new burdens allocation for the benefit cap covers a wide range of activities which are continuously reviewed, accounting for lessening new burdens for new claimants capped under the housing benefit legacy system and the increased rollout of UC. New burdens activities include:

- answering increased enquiries in response to communications
- processing of Housing Benefit claims from new customers and those with a change in circumstances who have had the cap applied to their award
- handling of reconsiderations and appeals
- housing support for customers
- budgeting support for customers
- landlord liaison
- DHP processing and appeals

The Department is in the process of finalising these activities for 2019/20 and will write to local authorities ahead of the financial year informing them of their allocations.

11. Discretionary Housing Payments

You told the Committee that you would be open to taking a more proactive approach to understanding the variation in DHP policies across local authorities, including looking at the level of demand on local authorities and whether they are having to limit awards through their policies.

11. Could you please confirm:
   a. what steps you will take to achieve this, and
   b. that you will provide this Committee with an update on your findings?
The Department for Work and Pensions publishes statistical returns twice yearly which show the financial details on how local authorities in England and Wales are using their Discretionary Housing Payments (DHPs). This includes breakdowns which indicate which particular welfare reform the DHP has been awarded for and the purpose of the award.

A link to the Department’s DHP Statistical Returns on www.gov.uk can be found below\textsuperscript{11}.

The 2017/18 End of Year publication for England and Wales showed that:

- 95% of central government DHP funding for local authorities was spent in 2017/18.
- 71% of local authorities reported spending less than or equal to their central government allocation (£166.5m) of DHP funding.
- A similar proportion (74%) of local authorities spent more than 90% of the funding allocated to them.
- 28% of total DHP spend was attributed to the Benefit Cap, 27% to Removal of the Spare Room Subsidy, and 13% to Local Housing Allowance reforms. More than a quarter of DHP spend (29%) was for no specific welfare reform.

The analysis of mid-year returns from Local Authorities (April 2018 - September 2018) will be published at 9.30 am on 13 December 2018.

The Department also publishes research on the way DHP funding is used by local authorities.

Links to the research reports Wave 31\textsuperscript{12} and Wave 32\textsuperscript{13} can be found below.

The Department is also currently conducting new research to better understand uses of DHPs by local authorities and future demand. On behalf of the Department, the National Centre for Social Research (NatCen) are currently conducting Wave 36 of the Local Authority Insight Survey, to investigate local authorities’ DHP policies, including questions on demand, effectiveness, and conditionality. NatCen will also be conducting follow-up in-depth interviews with a smaller number of local authorities to explore their DHP policies in greater detail. These findings will be published next year.

\textbf{12. Implicit Consent}

You told the Committee you felt the point of data sharing with consent is an "absolute no-brainer" and that you planned to raise implicit consent with the Secretary of State as a priority.

\textsuperscript{11}https://www.gov.uk/government/collections/discretionary-housing-payments-statistics
\textsuperscript{13}https://www.gov.uk/government/publications/local-authority-insight-research-wave-32
12. Could you please provide the Committee with an update on the outcome of this conversation?

a. When can local authorities expect to have the data they need to identify and support claimants?

In the Department’s response to the Social Security Advisory Committee (SSAC) report on the draft Universal Credit (Managed Migration) Regulations 2018 (published 5th November), we committed to explore options in collaboration with SSAC.

Universal Credit is delivered on a different platform to legacy benefits, and it replaces six major benefits. The amount of personal data available on Universal Credit is far greater than the individual legacy systems, meaning that any data breach has far reaching consequences for claimants. We therefore need to balance the benefits of sharing data against this risk. We have therefore committed to consider how current practices could be enhanced and to publish a report on our joint conclusions.

13. Temporary Accommodation
The Committee heard that the Department does not exempt people in temporary accommodation from the cap as “it is only meant to be temporary” and “keeps all of the organisations, plus that household focused on looking for the long-term solution”. You said that guidance for local authorities states that discretionary housing payments should be available to people in these circumstances.

13. Has the Department done any analysis on the impact of temporary accommodation on claimants’ ability to move into work?

We are not aware of any analysis that has been conducted on this specific issue as part of the 2014 evaluation of the benefit cap, or any other Departmental research.