

The Work & Pensions Committee

Benefit Cap Inquiry

Written evidence submitted by the Northern Housing Consortium (NHC)

7th April 2017

1.0 Introduction

- 1.1 The Northern Housing Consortium (NHC) is a membership organisation for housing associations, local authorities, Arms Length Management Organisations (ALMOs), and other stakeholder organisations involved in housing from across the three Northern regions of the North East, North West and Yorkshire & Humberside.
- 1.2 Social housing tenants, who generally rely more heavily on the benefits system, are particularly affected by the lower benefit cap, introduced in November 2016. The reduced cap will have a predominant impact on families with children; the larger the family, the bigger the proportionate impact. The household cap is not tapered by number of children in the family, so a family of five will be capped at the same rate as a single parent family, if their benefits and housing benefit reach the cap.
- 1.3 The reduction in the cap will change the profile of households affected, and those affected will be seen across the whole of the country, not just areas in the South and London as was the case for the higher cap (£26,000 nationally). The policy will become more significant in certain areas of the North - the IFS report highlighted that in the North East, numbers affected will rise from 600 to 4,000; in the North West there will be an increase from 1,400 to 9,000 households, and Yorkshire & Humberside from 1,200 to 7,000.
- 1.4 This call for evidence is welcome and has provided the NHC with the opportunity to present the experiences of NHC members across the North and their tenants affected by the lower benefit cap.
- 1.5 **Summary of the main points:**

- For many NHC members, it is still very early days to gather a true picture of tenants' behaviour as a result of the lower cap.
- The main reasons for exemption from the cap are claims for Working Tax Credits, Carers Allowance and Disability Living Allowance.
- One of the biggest barriers to behavioural change reported by many members is the lack of good quality employment opportunities across the North.
- Many members are reporting an increased strain upon local authorities, not only with regards to Discretionary Housing Payments (DHP), but also in terms of support services required to help and support tenants to manage their finances and sustain their tenancies.
- NHC members have reported that the financial impact of the cap has been mitigated by the local authority's application of Discretionary Housing Payments (DHPs) to cover shortfalls. This is seen as a short term measure, and not sustainable going forward.

Specific Questions:

2.0 The cap is intended to incentivise behavioural change amongst claimants and secure savings for the Exchequer. To what extent is it achieving that?

- 2.1 For many NHC members, it is still very early days to gather a true picture of tenants' behaviour as a result of the lower cap. Many members are reporting that they have managed to reduce the number of tenants impacted by the cap, through their own interventions around targeting, supporting and advising.
- 2.2 The main reasons for exemption from cap are claims for Working Tax Credits, Carers Allowance and Disability Living Allowance. One housing provider reported originally they had 139 families in total affected by the Benefit Cap; following their interventions, the number affected had reduced by 61, leaving 78 families impacted.
- 2.3 Through a survey carried out last year by one NHC member, evidence showed that some of their tenants had moved into work between being alerted that the cap was coming and the cap actually being put into effect. However, it is not clear how many of those people would have gone into work anyway regardless of the cap. The percentage of capped households nationally that are actually expected to look for work (i.e. they are on Job seekers allowance or ESA work related group) is quite low. Most of the people

capped are not actually expected to look for work in order to receive their benefits (e.g. they have very young children) but the cap affects them anyway.

2.4 NHC members have adopted proactive approaches in supporting tenants affected by the lower Benefit Cap, and as result tenants have experienced a smoother transition towards positive behaviour change. Some tenants have gained employment and the benefit of the rewards that brings. At the same time other tenants are in receipt of additional benefits, which has exempted them from the cap.

2.5 These approaches have supported families affected by the cap, by helping them to secure and sustain their tenancy – at least in the short term - and consequently, the income of NHC members. By delaying the cap's impact, valuable time is gained for NHC members to learn how best to support families, to target services and resources, whilst influencing positive change.

3.0 To what extent has claimant behaviour responded to the cap, through moving into work, moving house etc.? What effect does the lower cap have on incentives, what are the barriers to behavioural change and how can they be overcome?

3.1 One of the biggest barriers to behavioural change reported by many members is the lack of good quality employment opportunities. In many areas across the North, opportunities for work are predominantly zero hour and temporary fixed term contracts, as well as low quality and low pay. NHC members where possible are utilising their own resources internally to support their own tenants into employment or training, through local partnership arrangements.

3.2 In addition, tenants who have been subject to the cap thus far are generally quite far away from the labour market and would need extensive support to obtain employment. The quality of employment in many cases is poorly paid, with some customers needing to get three jobs to be able to come off benefits in entirety, as reported by one member.

3.3 The other widely reported barrier is for those with children and availability and access to affordable childcare - tenants are reporting that they would like to go back to work, but due to childcare issues they are looking for part time work.

3.4 Another barrier to behavioural change is the lack of knowledge around what is available to assist tenants in gaining employment, such as changes to nursery provision and free hours, and what people are entitled to. This can be overcome by some training across frontline professionals.

3.5 Due to the structure of the cap, the first thing tenants are losing is their rent, which is leading to tenants saying they can't afford their rent as they no longer receive money for it. NHC members are then supporting them with money and budget advice, and

discussing the need to make changes to outgoings and reprioritise. High interest loans (for example Provident, Money Shop) also account for a significant part of their expenditure. This behaviour is ingrained within geographical areas and is proving very difficult to overcome. Education and information around budgeting from an early age would help with this.

- 3.6 Some NHC members are finding that many of those households and individuals impacted by the cap are those furthest removed from the labour market, and are not in a position to look for work. Perhaps the cap would be more effective if it was targeted just at those who are expected to work (those on JSA and ESA work group) and not those with babies and small children who have significant barriers in terms of their ability to enter the employment market. The cap may push them into poverty which in the long term affects the life chances of those children.
- 3.7 In terms of the new cap (£385 per week); moving house is unlikely to make the financial situation any better. Families are still likely to face a similar shortfall in their rent unless they live in very expensive accommodation to start with.

4.0 Does the cap address high underlying rates of housing benefit and child benefit in a fair way?

- 4.1 In terms of housing benefit, an area with higher rents will see more families capped, but the Local Housing Allowance (LHA) rate will also be higher in those areas. In many areas across the North the LHA rates are low, so fewer people have been capped – although NHC members have seen a dramatic increase in numbers since the lower cap was introduced in December, as highlighted in section 1.3
- 4.2 One member reported that of the 50 of their tenants who contacted the housing solutions service, only one landlord was prepared to negotiate a lower rent for his tenant. Private landlords continue to set rent levels at LHA rates which are sometimes higher than rents on neighbouring properties unaware of when a tenant is capped, which in turn is increasing the amount of cap.

5.0 What are the consequential costs of the cap for other public spending, such as that by local authorities?

- 5.1 Following introduction of benefit cap for one NHC member, an additional 50 private rented sector tenants accessed the housing solutions service during January and February, stating financial hardship as a direct result of benefit cap.

- 5.2 Many members are reporting an increased strain upon local authorities, not only with regards to Discretionary Housing Payments (DHP), which will be covered in the next section, but also in terms of support services required to help and support tenants to manage their finances and sustain their tenancies.
- 5.3 Local authorities have had to pull in resource from other departments to help manage demand since the introduction of the lower cap. They are faced with supporting families impacted through scarce social care budgets (to top up rent shortfalls), costs of tenancy enforcement action and/or having to respond to families becoming homelessness. The longer term impact on life chances/health outcomes for families that are pushed into extreme poverty, criminal justice system costs etc. are difficult to establish.
- 5.4 One member has reported that two of their cases have had their children removed from them and put into care. They cannot confirm whether this was as a result of the benefit cap, but wide research indicates increased effects on child poverty, and as a result other services have to pick up the cost. The housing provider has had to invest a large amount of resource on their money advice service to contact tenants affected by the cap, and in some cases these tenants are very hard to engage.

6.0 What are the consequences for Discretionary Housing Payments (DHPs) and what impact does use of DHPs have on behavioural change?

- 6.1 NHC members have reported the financial impact of the cap has been mitigated by the local authority's application of Discretionary Housing Payments (DHPs) to cover shortfalls. This has been carried out in order to counteract the cap's potential consequences: significant financial hardship and the potential loss of homes.
- 6.2 While this approach remains sustainable for some, for other local authorities this isn't the case - it is seen as a short term solution, and many local authorities are providing individual targeted support (cap awareness, budgeting training and support to get in work). Moving forward, it is unlikely that DHP can continue to be used to entirely meet the shortfall for tenants. The use of DHPs has helped support customers to get finances in order to bridge the gap, but they are certainly not looked upon as a long term solution to the reduction in income.
- 6.3 One member reported that one of their tenants – a single parent of four children impacted by the cap - still had a significant shortfall even after receiving a DHP award. The housing provider supported the tenant, the tenant started part time employment, which did increase their income, however the employment didn't continue. The housing provider is currently supporting the tenant into self- employment.

7.0 Are there unintended consequences (either positive or negative) of the cap?

- 7.1 It could be said that the cap has led to geographical inequality, as the actual financial impact it has upon a claimant can be entirely dependent upon where they live, the discretion of the Local Authority and its ability to support claimants through the DHP. Those members who work across different local authority areas have had different experiences and have seen a variety of different approaches to the cap, ranging from a heavily supportive approach by some authorities, to others who are limiting their DHP support and in some cases instigating a staged withdrawal over a fixed term.
- 7.2 As previously highlighted, some tenants are increasing their working hours to receive Working Tax Credit, and therefore are exempt from the cap, or are having to take a number of jobs to come off benefits altogether – this in turn can have a detrimental impact on the health and wellbeing of tenants.
- 7.3 Some tenants have accepted the reduction in their benefits and are reprioritising their budget - how sustainable is this, and the concern for NHC members is how are they actually managing and what are they going without?
- 7.4 One member has reported that around 160 households will be losing their housing benefit under the cap. Around 29 of these households will be effectively losing all of their housing benefit, receiving just 50p per week, when their prior entitlement was £106.04 per week. The questions of concern are; how does a household manage with such a shortfall, and how does this affect tenants and their families in the medium to long term?
- 7.5 Another member has reported that of their 36 tenants affected by the cap, the shortfall equates to around £54 per week.
- 7.6 NHC members are finding that some of their tenants are moving onto disability a benefit, which is taking them out of the cap. This could be perceived as a positive, as tenants were unaware that they qualified for these in the first place and are now receiving the benefits they are entitled to.
- 7.7 Further to the point made above, this also applies to tenants who are claiming Carers Allowance. There are tenants who have been caring for a long period of time and were unaware that they were entitled to Carers Allowance. However, claiming Carers Allowance can have an impact on the income of both the carer and the person being cared for, so this can have a positive and negative impact.
- 7.7 There is also an issue around properties affected; in most cases it is three bedroom homes, which is a key issue for housing providers, as they have traditionally built these

types of family homes. There is no solution to this over the short to medium term, due to development plans having around a five year time lag.

- 7.8 This adds additional pressure onto NHC members as a result of increased rent arrears and extra resource having to be put in place to chase payments. This is proving to be very challenging, particularly for those with very little income in the first place. The households affected are in most cases the same ones affected by other benefit reforms, experiencing a further reduction in their household income.