The potential impact of lower benefit caps on social tenants in the South East

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Main Findings

CASE[1] commissioned LSE London to undertake this piece of research to understand the current and future impact of the overall household benefit cap on housing associations (HAs) and their tenants in the South East. In particular CASE wanted to find out the likely impact of the household benefit cap in the South East of England, if households in this region were more at risk of being impacted by the cap than in other areas, and in turn what drives this risk.

- The initial impacts of the current £26,000 cap, introduced in 2013, have been more limited than expected. The proportion of social tenants who have been capped in the South East is close to the national average.

- Household composition rather than rent is the most significant factor determining exposure to the benefit cap.

- Rents are sometimes the cause of a household being capped but mainly it affects the *amount* by which the cap is exceeded.

- Social rents in the South East are between £11 and £16 higher per week than for England as a whole depending on bedroom size. Affordable Rents are between £22 and £46 higher per week.

- Lowering the cap would result in more mainstream social tenants being capped and would increase the need for HA services to support tenant households.

- The loss of residual income can be very large - up to around £275 per week for a couple in a 4-bed home on Affordable Rents. However there would be very few instances of such households. Most would still lose under £100.

- Affordable Rent increases the likelihood of exposure and exacerbates any shortfall; some 'typical' CASE households ('2+2 in a 3-bed') would be affected if the cap were lowered to £21,000 and the household was charged Affordable Rent.

- Although currently small, the combined impact of Affordable Rent and the household benefit cap will increase as more such units are built and others are converted from social rent.

- London rather than the South East provides the most compelling evidence for regionalisation. The effect in the South East is mitigated by household composition and a comparatively healthy labour market.

[1] CASE, the Consortium of Associations in the South East, is a group made up of 10 major Housing Associations providing affordable homes in the South East of England. The objective of the consortium is to share thinking on best practice, as well as to carry out and commission research into matters of common interest.

1. Introduction

The policy

The government introduced the welfare benefit cap as a pilot in four London boroughs in April 2013 and rolled it out from July 2013. It applies across the country to working aged households (with a number of exceptions) who are out of employment and limits benefits to £350 per week for a single person with no children and £500 per week for a family (£26,000 per year). It is implemented through Housing Benefit (HB) so applies only to tenants. The Department of Work and Pensions (DWP) impact assessment suggested that (without behavioural responses) some 56,000 households would be affected in 2013/14 and 58,000 in 2014/15 of which 48% would be social tenants and almost half would be in London. One third of those capped were expected to lose £100 per week or more (DWP, 2012c). In reality the numbers have proved to be considerably lower. Although up to November 2014 over 55,000 have been capped at some point in time, the number affected in that month was only 24,000 households, of which 45% were in London. To date just fewer than 22,500, 41% of those capped, have been social tenants. Within this total 46% were in London and 11% in the South East. Overall, only 18% of those capped have lost £100 or more. Thus the impacts have been less than anticipated either because of behavioural responses or because of family circumstances.

Partly for this reason it has been suggested that the cap should be lowered. This could be achieved by reducing the national benefit cap or possibly by introducing caps that better reflect regional variations in costs and incomes. In this context it should be noted that the Conservative manifesto states that they will reduce the welfare cap to £23,000.

If the cap were held constant over time the cap would impact on more households as the value of benefits and rents rise. Even if it were to rise with benefits more households would be affected because rents are enabled to rise by CPI plus 1.5% per annum. Were the cap to be lowered to £23,000 or £21,000 it would include larger numbers of households across the country. This would be particularly true in higher rent areas which are concentrated in London and the South East.

Despite the fact that the number of households capped has been lower than expected, there is continuing concern about its effects on both tenants and landlord budgets and particularly on the potential of the policy to increase child poverty and homelessness rates (Whitehead et al, 2014; CIH, 2013; The Children's Society, 2013; House of Commons, 2014). Worries persist about how even more mainstream households with smaller numbers of children but in higher rent accommodation will be able to cope were the cap to be lowered.

There are also concerns about the direct impact on HA finances and their potential to invest. Here the project builds specifically on previous work (CCHPR, 2014b; Williams, Clarke and Whitehead, 2013; 2014) which shows that thus far, HAs are not experiencing major financial difficulties and that lenders to the social housing sector are 'concerned but comfortable' (Williams, Clarke & Whitehead, 2014: 21). There are, however, concerns in the sector about future potential risks of continued reductions to the cap or of the failure to up-rate the cap in line with future rises in wages or rent levels (CCHPR, 2014b). This report is an attempt to respond to these concerns by modelling potential impacts of further cap reduction and by analysing data on the cap thus far.

Methodology

Detailed questions CASE wanted to address included:

- Are households in the South East of England more likely to be impacted by the household benefit cap than households in other regions?
- If so, what drives this increased impact?
- How could the income and capacity of HAs in the South East of England be impacted by the cap?
- What changes in the design of the cap could create a more consistent impact and avoid undermining the provision of social housing?
- What does current evidence show about how HAs can pro-actively work to limit the impact of the cap upon their organisations and their tenants?
- What would be the merit of the Government introducing a regional benefit cap?

The methodology for addressing these questions included the following elements:

- **Literature review**: We have reviewed existing literature on the implementation of the cap, including the DWP impact evaluations, evidence to the Select Committee and research on initial outcomes. Additionally, we have reviewed policy documents on potential changes to the cap as well as political attitudes to change. We have also examined available statistical data on the spatial patterns of household types, household incomes, the pattern of rents and dwellings sizes using the English Housing Survey, the Labour Force Survey on incomes and employment by household types, HCA data on stock and rents and other sources.

- **Modelling:** We have modelled likely welfare eligibility and levels by household type and rents based on likely scenarios among social tenants. These scenarios have then been used to assess the possible numbers of households likely to be affected within the HA sector at current cap levels and were the cap to be lowered to £23,000 or £21,000. We have looked at the impact in the South East but also at how this differs from London, the North East (the region where rents are the lowest in the country) and England as a whole.

- **Review and recommendations:** Finally, we reviewed the design of the current cap and considered how that might be modified to limit any differential impact on households in the South East as well as on the viability and mission of HAs in the South East. In the light of this analysis we make recommendations for change including how HAs might best prepare to support their tenants and effectively manage change.

2. The evidence so far

The benefit cap is one of a package of welfare reform measures introduced by the Government with the aim of reducing the deficit by delivering savings of £110m in 2013/14 and £185m annually for each of the four following years (these expected savings were revised downward in the 2013 budget) (Wilson, 2014: 1). The cap was first introduced on 15 April 2013 in four London boroughs: Croydon, Enfield, Bromley and Haringey. It was then rolled out nationally in two phases: it was introduced in July 2013 in local authorities with 275 households or fewer expected to be affected; in August 2013, the cap was introduced in all remaining authorities.

The key aims of the cap are 'to improve working incentives for those on benefits, to deliver fiscal savings, and to ensure workless households do not receive more in benefits than the average working household' (House of Commons, 2014: 93). The cap levels were set based on an estimate of median earnings after tax and national insurance contributions produced by the DWP's Policy Simulation Model (DWP, 2012a: 37).

Who has been affected by the cap?

There have been a number of reviews and studies of who is affected by the welfare cap and how housing associations (HAs) and local authorities have managed the process of implementation. These include assessments by the DWP, by the National Housing Federation (NHF) and an inquiry by the House of Commons Select Committee on Work and Pensions. These provide quite a rich understanding of who is being affected and how organisations have supported those affected and managed the potential impact on providers.

The initial understanding was that far larger numbers of households would be affected than actually turned out to be the case – in part because of the long lead time and the proactive approach taken by providers in the pre-implantation stage, but also because of data inaccuracies.

DWP data show that quite large proportions of those affected have been able to move into in-work benefits. This has helped to alleviate immediate difficulties. Equally Discretionary Housing Payments (DHPs) have been used to support those affected. Were the cap to be reduced, more mainstream tenants with large families and large dwellings in higher rent areas would be affected. Such moves have always been part of the rhetoric of the debate and making the cap (which is politically popular) bite is quite likely to be part of future policy. Another uncertain policy area is how the introduction of Universal Credit (were it to be implemented) might impact on the future design of the policy.

The cap limits the total amount of certain benefits that an individual, their partner and any children living with them receive. Table 2.1 summarises which benefits are included and excluded when calculating the cap. Benefits of non-dependants, or individuals who live with a benefit claimant but are an adult relative or friend, are not included in the calculation (Wilson, 2014: 3). The cap is administered through Housing Benefit (HB), and a household's HB will be limited so that the total amount received does not surpass the cap level (DWP, 2015: 3). Currently, households who are not in receipt of HB do not lie within the scope of the cap.

Table 2.1: Benefits Included and Excluded When Calculating the Cap

Benefits Taken into Account When Calculating Cap	Benefits/Payments Disregarded When Calculating Cap
Housing Benefit	Discretionary Housing Payments
Bereavement Allowance/Widowed Parent's/Mother's Allowance	Council Tax Benefit or the replacement localised support for Council Tax
Carer's Allowance	Bereavement Payment
Child Benefit	Social Fund Payments
Child Tax Credit	Budgeting Loans
Employment and Support Allowance, except where the Support Component has been awarded	Cold Weather Payments
Guardian's Allowance	Community Care Grants
Incapacity Benefit	Crisis Loans
Income Support	Funeral Payments
Jobseeker's Allowance (contribution-based and income-based)	Sure Start Maternity Grants
Maternity Allowance	Pension Credit
Severe Disablement Allowance (SDA)	Residency Order Payments
Widow's Pension	Statutory Adoption, Maternity, Paternity or Sick Pay (paid by employers
	Winter Fuel Payment

Claimants of Working Tax Credit are exempt from the cap (single earners working over 16 hours a week and couples sharing 24 hours of work a week), as are recipients of Disability Living Allowance, Personal Independence Payments, Attendance Allowances, Industrial Injuries Benefits, and the support component of Employment and Support Allowance. War widows and widowers are also exempt.

Just under half (45%) of all households of 'working age' receive one of the main state benefits (Wilson et al, 2013: 5). The areas with the lowest proportion of households receiving benefits in the UK are predominantly in outer London and the South East. Larger families are more likely to be affected by the cap as household size is not taken into account in the cap levels. According to research by the Institute for Fiscal Studies, all families impacted by the cap live in high rent areas or have a large number of children (Emerson & Joyce, 2014). The Centre for Economic and Social Inclusion suggests that all families with four or more children and all single parent families with five or more children will have their benefit capped, no matter where they live in the country (Wilson et al, 2013: 31).

Because larger families are more likely to be affected, it was reported in the 2012 Equality Impact Assessment of the Benefit Cap policy that households from particular cultural backgrounds or certain ethnic minorities that tend to have higher proportions of large families are more likely to be impacted by the cap (DWP, 2012b: 8). Specifically, the DWP estimated that 40% of households affected would contain someone from an ethnic minority. Additionally, the Assessment estimated that roughly 50% of affected households would contain somebody who is disabled as defined by the Equality Act.

Criticism and responses

Since the announcement of the cap in 2010 the policy has been subject to considerable criticism and debate, and as a result some actions have been taken to ensure that the impact on certain groups of vulnerable households is limited. Much of the initial reaction to the policy centred around the impact the cap might have on households who were not seen as the original target of the reforms and who might find it difficult to respond to the reforms by changing their behaviour or circumstances, such as carers and those currently living in temporary accommodation (House of Commons, 2014: 3); the use of DHPs as a temporary measure to cover some unmet housing costs of affected households; the fact that the cap is calculated based on average household earnings rather than total income; and the wide variation in rent levels in different regions. These criticisms are addressed in more depth in Annex 1.

Evidence on impacts

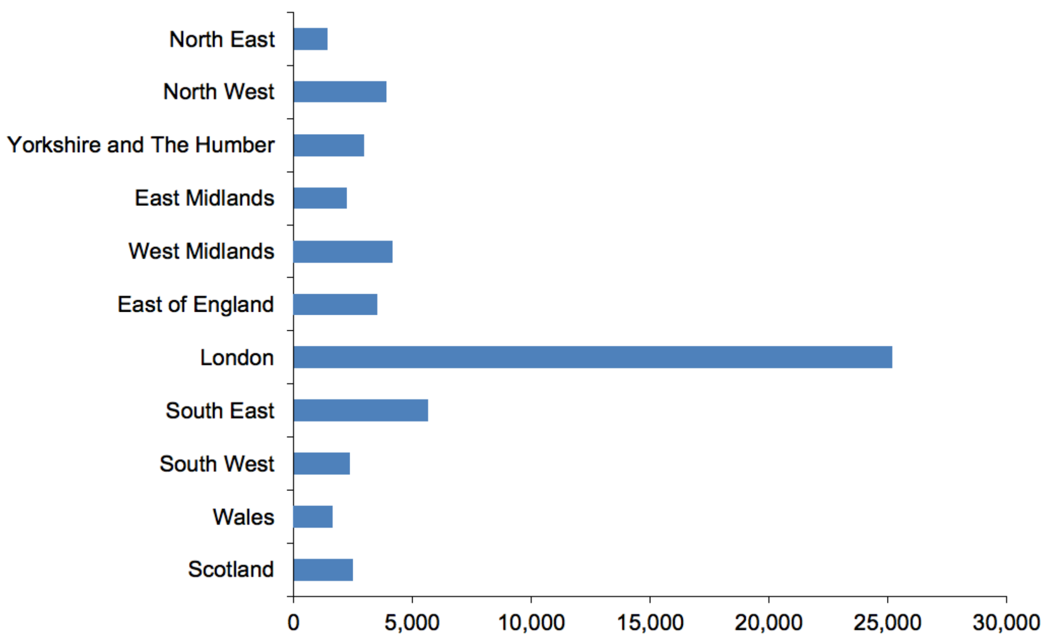
As we have already noted, the benefit cap impact assessment updated in July 2012 estimated that 56,000 households in 2013/14 and 58,000 in 2014/15 would see a reduction in their HB as a result of the cap (DWP, 2012c: 7). In the most recent DWP figures from November 2014, 55,300 households have had their HB capped at some time since the introduction of the benefit cap but only 24,000 were currently capped (DWP, 2015: 1). Numbers of affected households, therefore, have been lower than expected.

Families were, as expected, the most likely to be affected by the cap (DWP, 2015: 9). In the November snapshot figures, 60% of capped households had between 1 and 4 children, and just over a third (34%) were families with five or more children. Almost two-thirds (62%) of capped households were single parent families with child dependants.

Also as expected, the greatest effects in terms of numbers of households affected were in London where rents are higher than in the rest of the country (DWP, 2015: 5). Just under half (45%) of households affected by the benefit cap are in London, and only one of the top 20 Local Authorities with the greatest number of affected households was outside London (Birmingham).

Figure 2.1 sets outs the cumulative number of households capped by region up to November 2014. The proportion of households capped that live in London, at 45%, is somewhat below the government's expectations. The proportion in the South East is the second highest at around 12%.

Figure 2.1: Cumulative Number of Households Capped by Region (from 15 April 2013-November 2014)



Source: DWP, 2015: 5

Most households (82%) across the country were capped by £100 or less a week (DWP, 2015: 8). Cohort analysis conducted by the DWP (2014a: 27) suggested that the mean average loss for the November 2013 cohort was around £70. Impacts in London, however, were greater; the mean loss in the capital for those affected by the cap was £80 per week compared to an average of £62 in the rest of Great Britain. Taking DHP payments into account the mean loss was £61 in London and £56 in the rest of Great Britain) (ibid: 28).

Looking specifically at the social sector Table 2.2 clarifies the proportionately smaller role that social housing plays in the South East as compared to England as a whole and particularly to London. This relatively low profile, especially as compared to London, is important in understanding how the sector operates in accommodating more vulnerable households.

Table 2.2: The Scale of the Social Sector in the South East, 2013

	Social Housing Stock (Local Authority, Private Registered Provider or Other Public Sector)	Total Dwellings	Social Rented Proportion of Total Dwellings in Region	Regional proportion of all social housing stock in England
South East	521,300	3,741,150	14%	13%
London	812,090	3,404,060	24%	20%
England	4,147,000	23,236,000	18%	100.00%
Source: DCLG, 2013				
These 2013 figures come from the DCLG Live Table 100: Dwelling Stock by Local Authority. CASE provided a list of SE authorities, and these were used to calculate dwelling stock by category for the South East region. The Social Housing Stock includes Local Authority, Private Registered Provider and Other Public Sector dwellings.				

Table 2.3 summarises the number and proportion of lone parent households and couples with children who have been capped in the South East, London and England. Given the incidence of social housing across the country (see column 5 on Table 2.2) the evidence suggests that the lone parent families who are capped are almost three times more likely to be in London as compared to social tenants as a whole while the South East has a slightly lower than average incidence of lone parent families who are capped. With respect to couples the South East has close to the average incidence while the numbers in London are about 1.8 times the average.

Table 2.3: Capped Social Sector Households by Region (cumulative to date)

Region	Number of lone parents with child dependents capped in the social sector by region*	Percent of all social tenants <65 in region who are lone parents**	Regional proportion of all lone parents in the social rented sector with child dependents capped in England	Number of couples with child dependents capped in the social sector by region*	Percent of all social tenants <65 in region who are couples with children	Regional proportion of all couples in the social sector with child dependents capped in England
South East	1,259	19.3%	10%	1,150	24.5%	12%
London	7,008	24.3%	55%	3,385	19.3%	35%
England	12,753	22.3%	100%	9,675	20.1%	100%

Sources: *DWP, 2015; **English Housing Survey, 2012-13

Table 2.4 then summarises the number and proportion of capped households in the South East and London by amount capped.

Table 2.4: Capped Households (both lone parents and couples) in the Social Rented Sector to Date by Region and Amount Capped (cumulative to date)

Amount of benefit lost (in bands)	South East		London	
	Number of households capped by amount in social rented sector in South East	Proportion of total numbers capped in the social rented sector in England who are located in the South East (within each band)	Number of households capped in social rented sector in London	Proportion of total numbers capped in the social rented sector in England who are located in London (within each band)
Up to £25	828	12%	2,606	38%
£25.01 to £50	582	11%	2,264	44%
£50.01 to £75	366	11%	1,393	42%
£75.01 to £100	284	10%	1,069	36%
£100.01 to £150	281	12%	1,344	58%
£150.01 to £200	50	6%	759	88%
£200.01 to £250	16	3%	437	88%
£250.01 to £300	0	0%	237	91%
£300.01 to £350	0	0%	111	97%
£350.01 to £400	0	0%	96	100%
£400.01 and above	0	0%	76	86%
Total	2,407		10,392	
Source: DWP, 2015				

Moving off the cap

The two main ways to avoid or reduce losses from the reforms, apart from re-classification, is by moving home or finding work. According to the most recent data extracted, 56% of households who had previously been capped (according to previous quarterly statistical analyses) were no longer subject to the cap as of November 2014 (DWP, 2015: 10). Of those who are no longer subject to the cap, 40% are exempt because of an open Working Tax Credit claim. Other potential reasons that the cap may no longer apply for a household are summarised in Table 2.5 (Data for the South East and London on the number of capped households that have moved off the benefit cap to date and reason for the off-flow can be found in Table A.2.8 in Annex 2).

Table 2.5: Reasons the Benefit Cap May No Longer Apply

Household has an open Working Tax Credit (WTC) claim.
Household is in receipt of an exempt benefit (Employment Support Allowance support group / Disability Living Allowance / Industrial Injuries / Personal Independence Payment).
Household is no longer claiming Housing Benefit (HB).
Amount of Housing Benefit claimed has reduced.
Household benefit income below cap level without a change to Housing Benefit amount.
Change in original household structure (i.e. change, addition or loss of a partner – does not include dependants).
Change in recorded Local Authority.
Other – includes grace period, operational factors / timing, no longer working age.
Source: DWP, 2015

With respect to the objective of getting people into work post-implementation analysis by the DWP (2014a: 44) suggests, based on Institute of Fiscal Studies modelling, that capped households were 41% more likely to be in employment after a year than similar uncapped households, controlling for a range of observable characteristics including number of children. They also stated that this compares with a lower propensity than average before the cap was introduced. Additionally, they calculated that the greater the loss felt by the household as a result of the benefit cap, the greater the likelihood that the household would move into employment (DWP, 2014a: 39). Just under a third of households capped by more than £200 in the May 2013 cohort (around 84 households based on figures from DWP, 2013b) moved into work after one year.

A series of in-depth interviews with 50 households affected by the cap found that around half of those interviewed felt there had been no change in their attitude towards job seeking as a result of the cap, often because they had already been looking for employment before the introduction of the cap (CCHPR, 2014a: 3). Half of interviewed households said they had increased their efforts to find a job or changed the types of jobs they were looking for as a result of the cap.

DWP data show that a change in Local Authority accounted for a very small number of off-flows, indicating that thus far, the cap has not resulted in a large number of families moving away from their local area to avoid the cap (DWP, 2015: 10).

Impact on housing associations

Through support into work, a small number of moves into more suitable accommodation and other initiatives particularly to ensure tenants were correctly identified as subject to the cap, HAs have been able to manage the impact on their tenants quite effectively.

In turn, the impact of the benefit cap on HAs has not so far been significant. According to research by the Cambridge Centre for Housing and Planning Research (CCHPR), although the social sector size criteria has had a large effect on all interviewed HAs, very few have reported any substantial impacts arising from the benefit cap (Williams, Clarke & Whitehead, 2014: 7). Because of careful pre-planning, the availability of DHPs and a greater concentration on rent collection, rent arrears have not accrued as much as originally projected. The average rental shortfall reported in 2014 by social landlords was £37.57 (CCHPR 2014b: 13). In the autumn of 2013, landlords reported that 33% of capped households had paid their entire rental shortfall, 55% paid part of it, and 12% had paid none (2014b: 34). In the autumn of 2014, surveyed landlords were reporting very low numbers of evictions of capped households, if any. Even in London, the numbers impacted were felt to be small in 2014.

Nevertheless, many associations reported that tenant resilience was declining as other costs rise over time. DHP, furthermore, was seen as a temporary measure, and there were concerns expressed among HAs and tenants about what would happen when and if those payments are reduced. According to the CCHPR research, ‘overall, all associations were pessimistic about the future,’ believing that ‘long term major rethinking would be required’ as a result of far greater challenges to come (Williams, Clarke & Whitehead, 2014: 5).

HAs are not only concerned about the impacts of a potential reduction in the benefit cap. They are also worried that even if it remains static rising social rents and the increase in conversions to Affordable Rents will put more tenants at risk. This would also adversely affect HAs’ income streams and their ability to develop more social homes.

3. Modelling Impacts

Benefits other than Housing Benefit (HB)

The first step in the modelling procedure was to determine the total value of 'other benefits' and therefore the amount remaining for HB under three different cap scenarios: the current cap (£26,000 per year, or £500 per week); a £23,000 annual cap (£443 per week), and a £21,000 annual cap (£404 per week). We did this by first calculating the total amount of other benefits (dependent child allowance, family premium and personal allowance) received weekly by lone parents and couples with 1-6 children, which are the groups most likely to be affected by the cap. This allowed us to calculate the amount remaining after other benefits available for HB. The benefit rates are those for 2015/2016. Table 3.1 shows the results of this calculation[2]. As all benefits except HB are nationally determined these figures apply to all households in Great Britain

Table 3.1: Housing Benefit Remaining for Families Under 3 Cap Scenarios (£26k, £23k, £21k)

Household composition	Children	Dependent Child Allowance*	Personal allowance*	Family premium*	Total other benefits	Weekly amount remaining for HB - £26k Cap (£500/wk)	Weekly amount remaining for HB - £23k Cap (£443/wk)	Weekly amount remaining for HB - £21k Cap (£404/wk)
Lone parent - JSA	1	£67	£73.15	£17.65	£157.80	£342.20	£285.20	£246.20
	2	£134	£73.15	£17.65	£224.80	£275.20	£218.20	£179.20
	3	£201	£73.15	£17.65	£291.80	£208.20	£151.20	£112.20
	4	£268	£73.15	£17.65	£358.80	£141.20	£84.20	£45.20
	5	£335	£73.15	£17.65	£425.80	£74.20	£17.20	-£21.80
	6	£402	£73.15	£17.65	£492.80	£7.20	-£49.80	-£88.80
Couple - JSA	1	£67	£114.85	£17.65	£199.50	£300.50	£243.50	£204.50
	2	£134	£114.85	£17.65	£266.50	£233.50	£176.50	£137.50
	3	£201	£114.85	£17.65	£333.50	£166.50	£109.50	£70.50
	4	£268	£114.85	£17.65	£400.50	£99.50	£42.50	£3.50
	5	£335	£114.85	£17.65	£467.50	£32.50	-£24.50	-£63.50
	6	£402	£114.85	£17.65	£534.50	-£34.50	-£91.50	-£130.50

* 2015/2016 rates

From this, we were also able to determine which families would be facing a reduction in income even before considering rental payments (highlighted in red on the table above). Under the current cap only couples with six plus children run out of benefits before rents are taken into account. As the cap declines lone parents and couples with five or six children enter this group. In all cases where there is a HB claim but the whole of the claim is disallowed because of the cap, a notional fifty pence HB payment is made so that technically the household remains on HB.

Rents in the housing association sector

The next step was to clarify average rents in the social sector by region. Here we distinguish net rents, target rents and Affordable Rents (noting that in some cases there is no difference between net and target rents). Table 3.3 shows the average (mean) net, target and Affordable Rents in the nine English regions and for England as a whole. Rents are highest across the board in London and lowest in the North East.

[2] We are very grateful to Affinity Sutton and particularly to Kathy Ellis for their help in providing baseline statistics.

Table 3.3: Housing Associations: Average Net, Target and Affordable Rents by Region[3]

Region	Net Rent			Target Rent			Affordable Rent		
	2-bed	3-bed	4-bed	2-bed	3-bed	4-bed	2-bed	3-bed	4-bed
South East	£102	£116	£129	£102	£116	£129	£136	£157	£187
London	£115	£128	£142	£118	£133	£149	£172	£182	£202
East Midlands	£85	£92	£104	£85	£95	£107	£100	£112	£136
East of England	£92	£103	£116	£92	£105	£118	£116	£134	£156
North East	£77	£85	£93	£76	£84	£86	£90	£102	£114
North West	£78	£87	£95	£79	£88	£97	£95	£105	£117
South West	£87	£97	£110	£85	£96	£108	£106	£126	£146
West Midlands	£84	£93	£105	£84	£94	£106	£98	£111	£126
Yorkshire and the Humber	£78	£86	£96	£78	£87	£96	£89	£99	£110
England	£91	£100	£116	£91	£101	£118	£114	£121	£141

Source: HCA SDR (statistical data return), 2014

Average social rents in the South East are between 11% and 16% - £11-£16 per week - higher than for England as a whole depending on bedroom size. However Affordable Rents are 19% (£22) above the national average for 2-bed units; 30% (£36) for 3-bed units; and 33% (£46) for 4-bed units. Social rents in the South East are more than 30% (between £25-£36 per week) above those in the North East, but Affordable Rents are between 51% and 64% higher (between £46 and £73 per week). On the other hand rents in the South East are lower than in London with respect to both social (£12-£13 per week lower) and Affordable Rents (£15-£36 per week lower).

The impact of reducing the benefit cap

Using these rent data, we then modelled the potential impacts if the benefit cap were to be set at an annual level of £23,000 and £21,000 in the South East and in England (we also modelled impacts in London, where mean rents are the highest, and in the North East, where mean rents are the lowest. Tables showing the results of this modelling are in Annex 2).

Assumptions have to be made about the number of bedrooms and therefore the rent that each household type would pay. In these tables we have assumed fairly typical numbers of bedrooms (See table A.2.5 for evidence in the South East). We have no account of gender and age of the children. Later we examine the impact on the 'typical' household type which has one more bedroom than allowed for in these calculations.

The impact of a £23,000 cap

Tables 3.4 and 3.5 show the modelled impact of a £23,000 annual cap (£443 per week) on families in the South East and in England as a whole. As we have already noted couples and lone parents with six children and couples with five children living in minimum appropriate housing would already have a shortfall before claiming HB.

Table 3.4 shows that, in the South East, lone parents with four or more children and couples with three or more children would not be able to pay the current mean net social rents before hitting the cap in the £23,000 cap scenario. All families—lone parent or two-parent—with three or more

[3] These rent figures were those that applied in the latest HCA statistics. Rents are usually raised in April each year and in 2015 may rise by CPI plus 1% - i.e. a maximum of 2.2%.

children would not be able to cover the mean Affordable Rents in the South East under a £23,000 annual cap.

Whether or not any particular household is affected by the cap varies with household type and the assumed rent. At current social rents those with two children are highly unlikely to be affected even if their rents are above average levels. The same probably applies to lone parents with three children even if they have an extra room. However the position is much tighter if the household is living in Affordable Rent accommodation. Couples with three children are worse off and are quite likely to be affected by the £23,000 cap even if their rents are below the relevant average.

The shortfall amounts are the highest for those living in Affordable Rent housing but are still very significant for those with four or more children who pay social rents. In all cases they cannot be managed without large-scale changes in circumstances - notably through moving to in-work benefits.

Table 3.4: Impact of a £23k Cap in South East Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in the South East	Headroom between HB and cap in SE	Mean Affordable Rent in South East	Headroom between HB and cap in SE
Lone parent - JSA	1	£285.20	2	£102.08	£183.12	£135.84	£149.36
	2	£218.20	2	£102.08	£116.12	£135.84	£82.36
	3	£151.20	3	£115.56	£35.64	£156.86	-£5.66
	4	£84.20	3	£115.56	-£31.36	£156.86	-£72.66
	5	£17.20	4	£128.99	-£111.79	£186.67	-£169.47
	6	-£49.80	4	£128.99	-£178.79	£186.67	-£236.47
Couple - JSA	1	£243.50	2	£102.08	£141.42	£135.84	£107.66
	2	£176.50	2	£102.08	£74.42	£135.84	£40.66
	3	£109.50	3	£115.56	-£6.06	£156.86	-£47.36
	4	£42.50	3	£115.56	-£73.06	£156.86	-£114.36
	5	-£24.50	4	£128.99	-£153.49	£186.67	-£211.17
	6	-£91.50	4	£128.99	-£220.49	£186.67	-£278.17

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Comparing the South East to England as a whole, we see that couples with three children are unable to afford mean net rents in the South East whereas nationally most three-child families with two parents would receive full HB under a £23,000 annual cap. Similarly, while lone parents in the South East with three children would be likely to be capped if they pay Affordable Rents, across the rest of the country the chances would be much less. Thus according to this scenario the higher rents in the South East are more likely to result in household benefits being capped for families with three children, but households with four or more children would be unable to pay rents in all regions.

Table 3.5: Impacts of £23k Cap in England given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in England	Headroom between HB and cap in England	Mean Affordable Rent in England	Headroom between HB and cap in England
Lone parent - JSA	1	£285.20	2	£90.70	£194.50	£114.27	£170.93
	2	£218.20	2	£90.70	£127.50	£114.27	£103.93
	3	£151.20	3	£99.53	£51.67	£121.16	£30.04
	4	£84.20	3	£99.53	-£15.33	£121.16	-£36.96
	5	£17.20	4	£115.85	-£98.65	£140.87	-£123.67
	6	-£49.80	4	£115.85	-£165.65	£140.87	-£190.67
Couple - JSA	1	£243.50	2	£90.70	£152.80	£114.27	£129.23
	2	£176.50	2	£90.70	£85.80	£114.27	£62.23
	3	£109.50	3	£99.53	£9.97	£121.16	-£11.66
	4	£42.50	3	£99.53	-£57.03	£121.16	-£78.66
	5	-£24.50	4	£115.85	-£140.35	£140.87	-£165.37
	6	-£91.50	4	£115.85	-£207.35	£140.87	-£232.37

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Annex 2 provides additional tables showing the impact of reducing the cap in London, where mean rents are the highest, and in the North East, where mean rents are the lowest. As noted the families who would be unable to afford mean rents are very similar in London and the South East, However the deficits are larger by the extent to which rents are higher in London. In the North East, as in the South East, families with four or more children would not be able to afford either mean net rents or mean Affordable Rents under a £23,000 cap. Families with three children in the North East would generally be unaffected by the cap. However because rents, particularly Affordable Rents, are lower the negative impact on residual incomes is lower.

Impacts of a £21,000 cap

Looking at the £21,000 annual cap modelled scenarios summarised in Tables 3.6 and 3.7, all families in the South East (and London, as shown in Annex 2) with three or more children paying mean rents would face a shortfall in HB. Nationally, the picture is quite similar to that in the South East (albeit with smaller deficits), except for lone parents with three children who would on average be under the cap.

Table 3.6: Impacts of £21k Cap in South East Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in the South East	Headroom between HB and cap in the SE	Mean Affordable Rent in the South East	Headroom between HB and cap in SE
Lone parent - JSA	1	£246.20	2	£102.08	£144.12	£135.84	£110.36
	2	£179.20	2	£102.08	£77.12	£135.84	£43.36
	3	£112.20	3	£115.56	-£3.36	£156.86	-£44.66
	4	£45.20	3	£115.56	-£70.36	£156.86	-£111.66
	5	-£21.80	4	£128.99	-£150.79	£186.67	-£208.47
	6	-£88.80	4	£128.99	-£217.79	£186.67	-£275.47
Couple - JSA	1	£204.50	2	£102.08	£102.42	£135.84	£68.66
	2	£137.50	2	£102.08	£35.42	£135.84	£1.66
	3	£70.50	3	£115.56	-£45.06	£156.86	-£86.36
	4	£3.50	3	£115.56	-£112.06	£156.86	-£153.36
	5	-£63.50	4	£128.99	-£192.49	£186.67	-£250.17
	6	-£130.50	4	£128.99	-£259.49	£186.67	-£317.17

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Table 3.7: Impacts of £21k Cap in England Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in England	Headroom between HB and cap in England	Mean Affordable Rent in England	Headroom between HB and cap in England
Lone parent - JSA	1	£246.20	2	£90.70	£155.50	£114.27	£131.93
	2	£179.20	2	£90.70	£88.50	£114.27	£64.93
	3	£112.20	3	£99.53	£12.67	£121.16	-£8.96
	4	£45.20	3	£99.53	-£54.33	£121.16	-£75.96
	5	-£21.80	4	£115.85	-£137.65	£140.87	-£162.67
	6	-£88.80	4	£115.85	-£204.65	£140.87	-£229.67
Couple - JSA	1	£204.50	2	£90.70	£113.80	£114.27	£90.23
	2	£137.50	2	£90.70	£46.80	£114.27	£23.23
	3	£70.50	3	£99.53	-£29.03	£121.16	-£50.66
	4	£3.50	3	£99.53	-£96.03	£121.16	-£117.66
	5	-£63.50	4	£115.85	-£179.35	£140.87	-£204.37
	6	-£130.50	4	£115.85	-£246.35	£140.87	-£271.37

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

A typical CASE household

CASE associations house large numbers of families who are'2+2 in a 3-bed', i.e. a couple with two children living in a three-bedroom dwelling. The impact on their ability to pay rent under the £21,000 and £23,000 cap scenarios is modelled in Table 3.8. This shows that couples with two children living in a 3-bed property would still be below the cap under both lower cap scenarios, but families with these attributes would be subject to the cap if they paid mean Affordable Rents and the cap was reduced to £21,000.

Table 3.8: Modelled Impacts on Couples with two children in a 3-bedroom property

Scenario	Weekly Cap	Total other benefits	Maximum amount available after other benefits*	Social Rent		Affordable Rent	
				Mean 3-bed Net Rent in the South East	Headroom between HB and cap in the SE	Mean 3-bed Affordable Rent in the South East	Headroom between HB and cap in SE
£23,000 Cap	£443.00	£266.50	£176.50	£115.56	£60.94	£156.86	£19.64
£21,000 Cap	£404.00	£266.50	£137.50	£115.56	£21.94	£156.86	-£19.36
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations							

On this basis the tipping point for a couple with two children in a 3-bedroom property comes first if they are housed in a property subject to an Affordable Rent and if the cap were to be reduced to £21,000. The couple would obviously be more at risk the more their rent were above the regional average. The risk can be reduced to some extent by allocating to a smaller property to the extent that this would generate a lower rent. Currently, 45% (5,727) of Affordable Rent properties in the South East are 2-bed units and 26% (3,401) are 3-bed units. Whether this would be acceptable on other grounds depends particularly on the gender of the children. The most immediate way of avoiding the possibility that the household would be capped would be to ensure the household was allocated to a social rented property. Equally a couple whose circumstances did not exclude them from the cap (for reasons of for example sickness or disability) might be expected to find work in order to transfer to in-work benefits.

4. Commentary

Principles

The principle behind the UK social security system ever since it was set up in the immediate post-war period has been that it should provide a minimum income that enables household to cover their bare essentials. Except for housing it is assumed that the cost of these essentials does not vary enough across the country to make it necessary to vary the payments across regions. The extent of regional and local variation in housing costs has always been seen as a justification for differential assistance - either through rent subsidies or housing allowances. Ever since income related housing assistance was introduced in the early 1970s housing support has been based on household circumstances.

The evidence suggests that non-housing costs do vary considerably across the country (perhaps by around 10%, see e.g. ONS, 2011; GLA, 2003) but that it has been acceptable to keep to the universal principle, as long as households dependent on welfare are compensated for housing cost variations. The household benefit cap breaks these principles in two ways: first the residual income left for all other essential expenditures – food, clothing, heating etc. - is reduced below what is regarded as an acceptable level by the loss of benefits above the cap; second the households affected by the cap are expected to pay their own rent above the cap. With respect to both elements there is household and regional variation in the impact of the cap because of the variation in rents between areas and households.

Are social sector households particularly affected in the South East?

The modelling evidence shows that the households who will be mainly affected by the household benefit cap are larger families with no member of the family in work for 16 hours or more (or 24 hours or more where two people are affected). It also shows that rent levels will help determine the extent of the shortfall and in a small number of cases affect whether a household is capped.

Thinking about social sector households as whole, whether households in the South East are disproportionately affected depends on five main factors:

1. the relative proportion of lone parents and couples with three or more children in the social sector in the region as compared to other regions;
2. the relative proportion of such households who are out of work or not in the labour force;
3. the rents in the South East relative to other regions;
4. the relative scale and make-up of the Affordable Rents programme in the South East; and
5. HA allocation rules in relation to larger families.

1. The proportion of social tenants who are lone parents or couples with three or more children can be estimated from the English Housing Survey (Table A.2.6). This group represents 11% of working age households in the South East but 7.5% of the full social housing tenant population. In London the proportions are higher at 12.5% and 10% respectively. For England the figures are slightly lower than for the South East at around 10% and 7.2%. Thus in terms of the households who might be affected, there are proportionately slightly more in the South East than in England - but the difference is not significant especially when compared to London.

2. Estimating the proportion of households wholly dependent on welfare, and therefore eligible to be capped, can only be done in the most general terms. We have no means of knowing the proportion of these groups who are working fewer than the number of hours required to avoid the cap. All we can do is look at the proportions of households with no one working at all. This under-estimates the proportions likely to be affected by the cap as some of those with work will not be doing enough hours to avoid it.

The only data available are from the Labour Force Survey and are collected only in two quarters each year. They are potentially subject to error, and are not specific to residents of social housing, but still give a reasonably clear picture. Not surprisingly the proportion of lone parents with three or more children who have no one in the household in work is very high (see Table A.2.7 in Annex 2). In the South East it is just under a third of such households, in London almost 40% and in England overall 42%, reflecting fewer and lower waged opportunities outside London and the South East.

The implications of these figures for lone parents depend on how many of such households have no working member - reflected in Table A.2.7. This suggests that around 5% of social tenants might potentially be in the lone parent capped category without work. However, a large proportion of such households actually have only three children so would receive almost all their HB even were the cap to fall to £21,000.

Among couples the proportions without employment are far lower and very similar, at around 16%, in the South East and London. The proportion is higher at over 20% for the country as a whole. This suggests that this group has more opportunity to find work in London and the South East.

3. We have examined the relative rents story in Table 3.3. It shows that rents are indeed higher than in the country as a whole and that the relative differences are far higher with respect to Affordable Rent than net or target rents. Given that the only non-universal element of welfare in spatial terms is HB, it is these differences which generate different impacts for each particular household type. The modelling evidence suggests that spatial differences in rents will rarely determine whether or not a household is capped but will inherently help to determine the extent of the loss of residual income to capped tenants in different regions. If the cap were reduced to £23,000, the higher rents in the South East are likely to result in household benefits being capped for significant numbers of families with three children, whereas this is not the case in England as a whole. It should also be remembered that the modelling figures are averages - the differences between individual households may well be as great as those between regions.

4. The current numbers of Affordable Rent units are given in Table A.2.9. It shows that the South East has proportionately more units with Affordable Rents than elsewhere in the country, including absolutely and proportionately more than in London. Seventeen percent of Affordable Rent units are in the South East (as compared to 12% of all social rented units) while London has 13% of the total (as compared to 19% overall).

Only 35% of all units in the country with Affordable Rents have three bedrooms or more. These are the ones that are more likely to be relevant to the cap story. The South East has 14% of this total (some 3,775 units), while London's proportion is under 6%. The number of 4 plus bed units in this category, which are much more likely to attract the cap mainly because of the implied number of children, is very small: well under 4% of all Affordable Rent units across the country and only just over 2.5% in the South East and London.

Thus the impact of the Affordable Rents regime on who is affected by the cap at the present time is likely to be very small indeed even if the cap were reduced to £21,000. However if this segment of

HA housing continues to increase it will become an important issue - not just because the rents are higher but because regional differences in rents are so much greater as compared to target and net social rents.

5. We have not directly examined the allocation rules employed by HAs with respect to either larger units or larger households, nor whether any differentiation is made between Affordable Rent and social rent properties or between those dependent on welfare and those in work. There is some anecdotal evidence that some HAs and local authorities are thinking in these terms. At this stage, it appears that this might help individual households but would make very little overall difference.

Overall therefore the South East has a similar proportion of household types that might be capped but they have better opportunities with respect to employment and so are less likely actually to be capped. Affected tenants then face higher rents than elsewhere in the country outside London especially in the Affordable Rent segment and this does mean that those who are capped will be disproportionately disadvantaged.

Is there a case for a regional cap?

Looking at the regional picture, in terms of household attributes the South East looks more like the rest of the country then London. In terms of employment opportunities, the South East stands out with London as having far greater possibilities than elsewhere. Concerning rents the South East looks more like London and certainly has significantly higher rents than in the North East, particularly with respect to Affordable Rents. Where the South East is different to London is in the higher proportion of dwellings subject to Affordable Rents - but this is no longer true when looking at 4 plus bedroom units.

Looking in more detail there are proportionally slightly more families with three or more children—the households likely to be most affected—in the South East compared to England, but there are many more of these larger families in London. There are proportionally more couples with children in the social sector in the South East compared to London and the country as a whole. As discussed in the previous section, couples with children who are currently unemployed or inactive are more likely to be capped but also will have an easier time finding enough employment.

On rent grounds, London certainly has the strongest case with higher rents than all other regions across the board. However, average social rents are indeed higher in the South East than in England as a whole, and the difference is even greater when considering Affordable Rents.

The evidence suggests that better employment opportunities in the South East, however, make it easier for households to avoid the cap despite these higher rents and explains why the South East's incidence of capping almost mirrors the national average. This is not the case in London in part because of the concentrations of single parents with larger families.

Finally on non-housing costs the most recent data on Relative Regional Consumer Price Levels (RRCPL), a price index published by the ONS in 2010, found that London followed by the South East are the most expensive regions in the UK (with RRCPLs of 107.9 and 102.3 respectively) (ONS, 2011). This means that the loss of benefit impacts somewhat more on the household's capacity to buy other essentials.

These factors suggest that the case for a London-specific cap is particularly strong not only because social rents are very significantly higher than in the rest of the country but because there are proportionately more lone parents who find it particularly difficult to work because of child care requirements - and the numbers affected are already disproportionately high. The South East comes closest to London in terms of rents, although not in terms of household attributes.

However the strongest case for regionalisation almost certainly comes from the principle on which the social security system has been built that it should be spatially blind *except for housing costs*. This implies that the benefit cap should follow the principles that lie behind HB rather than those behind our general social security system.

In this context a full individual offset - i.e. which takes account of the tenant's actual rent, so leaving residual income in place to pay for other essentials - could be argued to be appropriate because tenants have limited opportunities to move home. However this clearly goes against the government's general approach to welfare incentives and is very unlikely to be politically successful.

Any averaging process makes some households better off than others. Basing regionalisation on average rents for appropriately sized units would be the most obvious approach, although it would not directly address the problems associated with Affordable Rents.

The position of HAs in the South East

Overall, while the main reason for being capped is the number of children a family has rather than rents, the fact that the cap is applied via HB increases the risk that it will be the rents that are not paid. This in turn means that HAs' revenues are likely to be directly impacted by the benefit cap. For those with the largest numbers of children no money would be available to pay the rent if the funds were used as formally expected on other necessities. DHP would probably help in the short term but is meant to be phased out.

To the extent that rents in the South East are somewhat higher than in the country as a whole, HAs in the region would be more at risk. However rents are still lower than in London so it is the London HAs that can be expected to bear most of the burden (as has been the case under the current cap).

But perhaps the most important issue with respect to reducing the welfare cap is that cutting it even to £23,000 will affect a large proportion of households without employment income right across the country. This is a difference in kind from the current position where it has often proved possible to change household circumstances for social tenants with HA support. This would be far more difficult not least because of the numbers involved. It would mean significant income loses to the HAs and/or large numbers of evictions of vulnerable people. But most importantly it would leave households short of money for essentials across the country. The case to be made is therefore perhaps not one about whether a particular region can be helped but rather whether such a policy is overall value for money to the public purse, given the extent that it goes against the basic principles on which social security is based.

5. Conclusions

Finally, we summarise the research findings on the detailed questions set out by CASE:

- **Q**: *Are households in the South East of England more likely to be impacted by the household benefit cap than households in other regions? If so, what drives this increased impact?*

  A: They are more at risk because of higher rents, but also less at risk because of greater employment opportunities. If the cap is reduced, a higher proportion will be at risk.

- **Q**: *How could the income and capacity of housing associations in the South East of England be impacted by the cap?*

  A: Tenants will mainly suffer losses of under £100 per week - but this will leave a high proportion unable to pay their rents in full. HAs will also have to provide more relational management to mitigate the problems for tenants and for the associations.

- **Q**: *What changes in the design of the cap could create a more consistent impact, and avoid undermining the provision of social housing? What would be the merit of the Government introducing a regional benefit cap?*

  A: A regional cap would reduce risks, as would a shift away from Affordable Rents especially for 3-bed plus dwellings. But the most important message is that lowering the cap would put far more mainstream households at risk of long-term debt and inadequate income to pay for essentials.

- **Q**: *What does current evidence show about how housing associations can pro-actively work to limit the impact of the cap upon their organisations and their tenants?*

  A: The evidence shows that associations can help particularly by supporting people into work and enabling financial management skills. However, this increases management costs. They can also help by enabling greater mobility to cheaper locations. Strategic decisions on the mix of dwellings and rent structures may also help limit the impact in the longer term.

Annexes

Annex 1: Responses to the introduction of the cap

Initial responses

Between the announcement of the cap in 2010 and now, the policy has been subject to high levels of criticism and debate, and as a result some actions have been taken to ensure that the impact on certain vulnerable households is limited. Much of the initial reaction to the policy centred around the impact the cap may have on households who were not the original target of the reforms and who may find it difficult to respond to the reforms by changing their behaviours or circumstances (House of Commons, 2014: 3). These include carers in receipt of Carers Allowance who are not part of the same household unit was the person who they are caring for and households currently living in temporary accommodation, which often require higher rental payments (DWP, 2013a: 21). The National Housing Federation raised particular concern about the fact that, while the cap would not apply to households living in 'supported housing' as defined by the technical definition of exempt accommodation[4], 'a significant proportion of supported and specialist housing projects do not meet the technical definition' (NHF, 2013). As a result, amendments were made to the policy that ensured that 'virtually all supported accommodation will now be exempt' (House of Commons, 2014: 38), including local authority hostels, third and social sector refuges, and supported accommodation that falls outside the existing 'exempt accommodation' definition because the care isn't provided by the landlord or on their behalf (for more information, see *The Housing Benefit and Universal Credit [Supported Accommodation] [Amendment] Regulations 2014 [SI 2014/771])*.

Alongside introducing the benefit cap, the Government has increased funding for Discretionary Housing Payments (DHP), short-term payments given to households by their local authority to cover some unmet housing costs. In response to concerns over the impact on vulnerable households in temporary accommodation in particular, the Government advised that DHP guidance for local authorities would establish that these households get priority for such payments (DWP, 2013: 22). Furthermore, when Universal Credit is fully introduced, the Government has stipulated that the management element involved in temporary accommodation will be separated out and paid directly to local authorities.

While the increased funding for DHPs was welcomed by concerned parties, the House of Commons Work and Pensions Committee still felt that the discretionary nature of these payments left tenants in an uncertain situation depending on where they live and the eligibility criteria applied by their local authority (House of Commons, 2014: 43). Furthermore, the temporary nature of DHPs leave tenants who are in need of longer-term support without sufficient or reliable safeguards. There are calls for further guidance from Government about the allocation of DHPs, particularly for certain categories of claimants who require longer-term assistance.

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[4] 'The exempt accommodation rule dates back to 1996 when new Housing Benefit rules introduced the Local Reference Rent which limited the amount of Housing Benefit payable to many claimants… To be exempt accommodation the scheme must be either: (a) Accommodation provided by an upper-tier county council, housing association, registered charity or not-for-profit organisation where that body or a person acting on their behalf provides the claimant with care, support or supervision. Or b) A resettlement unit' (NHF, 2013).

The cap policy was additionally criticised by groups including Shelter for being calculated based on average household earnings rather than income. Shelter argued that because households in employment earning average wages are still entitled to benefits and tax credits, the cap 'is not based on a like-for-like comparison with the resources available to families on average wages' (Shelter, 2012: 1).

In 2010 after the announcement of the cap, London Councils called on the Government to consider London as a special case when introducing the cap because of disproportionately high rent levels in the capital (London Councils, 2010: 1). Additionally, it argued that London should receive a large proportion of the additional DHP funding to assist in managing the change.

Housing association responses

A number of HAs reported that they had introduced structural changes as a result of the reforms. The management of rent collection and arrears was altered in response to the cap in many associations, leading to HAs having increased information on their tenants and improvements in efficiency and use of IT and data analysis. Additionally, some HAs noted that tenants were likely to need more personalised, sensitive support as a result of the cap and other welfare reforms, which requires partnership working and is very resource intensive. Nevertheless, most HAs reported that the structural and management changes made as a response to the size criteria and the benefit cap were an 'appropriate starting point for working on UC' (Williams, Clarke & Whitehead, 2014: 19). Still, it was a commonly shared assumption that the welfare environment is going to continue to evolve and change, adding even further challenges for HAs.

While arrears arising from the cap have not thus far been a major concern for HAs, a number of associations are reporting the possibility of modifying rent structures in order to set rents to a level where larger households would be below the benefit cap (Williams, Clarke & Whitehead, 2014: 22). Many associations were moving or considering moving re-lets onto the Affordable Rents regime in order to have more flexibility in rent setting. Nevertheless, concerns remain about the ability of households to afford Affordable Rents in high rent areas like London and the South East. According to a House of Commons Note on the Benefit Cap from March 2014:

> 'Housing organisations highlighted an apparent policy tension between the drive to reduce expenditure on benefits by imposing a weekly cap that will take effect by 'squeezing' Housing Benefit entitlement while at the same time giving housing associations an incentive to charge rents of up to 80% of market levels.' (Wilson 2014: 16)

In a 2012 report CASE, suggested that their models showed that Affordable Rent would not work for larger homes, and consequently, as they stop building four bedroom properties, they expect their ability to provide homes for larger households to be reduced substantially (CASE 2012: 3).

Concerning lending to the social housing sector, research has shown that thus far lenders are 'concerned but comfortable' (Williams, Clarke & Whitehead, 2014: 21). The concerns are not about any immediate impacts of the cap as the proportion of affected tenants remains small, but more about the risk of continued reductions to the cap in the future or failure to up-rate the cap in line with future rises in wages or rent levels (CCHPR, 2014b: 13). Consequently, the Council of Mortgage Lenders concluded in 2011 that the changes to the welfare benefits system had ‘significantly raised potential risk to the sector’ (CML, 2011: 2).

The cap has, according to work by the CCHPR, had an impact on planned development programmes of HAs. While many HAs stated that they were maintaining their plans in terms of numbers of units, the mix of the units was being reviewed in many cases, with some HAs avoiding larger homes because larger families are more likely to be affected by the benefit cap (Williams, Clarke and Whitehead, 2013: 4). This, in turn, will have implications particularly for associations that house a large proportion of BME families.

Concerns for the future

As data from the first two years of the benefit cap are analysed, certain concerns persist, namely related to the potential for the policy to increase child poverty and homelessness rates and the acute difficulties faced by families in the private rented sector (PRS) and temporary accommodation. In their joint analysis of the impacts of the cap in the London Borough of Haringey, the Chartered Institute of Housing and Haringey Council concluded that the cap could have a detrimental effect on levels of child poverty because the policy overwhelmingly affects families. Furthermore, wider welfare reforms have hit at the same time, further reducing household income. Over 2,300 children live in households whose income has been capped in Haringey, and some of the effects these children could face as a result of the decreased household income include: ‘instability in education, increasing tensions within the home, sudden relocation and loss of social and educational opportunities or networks’ (CIH, 2013: 5). The Children’s Society contributed data to the Select Committee about how the cap might affect the poverty level of families in private rented housing under Universal Credit, presented in Table A.1.1 (The Children’s Society, 2013).

Table A.1.1: Disposable Income After Cap Applied for Out of Work Couple with Average Private Rental Sector Rent for Relevant Property Sizes

	Average PRS rental prices	Disposable income after cap applied	Poverty line (after housing costs deducted)
1 child	£146	£196	£272
2 children	£175	£261	£367
3 children	£175	£325	£413
4 children	£236	£264	£508
5 children	£236	£264	£553
6 children	£236	£264	£649
Source: The Children’s Society, 2013			

The CIH concluded that for families who are facing large shortfalls, are unable to find work quickly and are not receiving substantial DHPs, the ‘move into serious financial problems will be rapid’ (CIH, 2013: 6). Witnesses to the Select Committee in 2014 additionally voiced concerns that households were being made homeless as a result of high, unmanageable levels of arrears (House of Commons, 2014: 14). The committee concluded based on the oral and written evidence provided that, despite the increased levels of support for local councils, housing providers and support organisations since the cap introduction, entering work for many people is not an immediate option due to obstacles such as skills gaps, language barriers and family commitments.

According to findings from in depth interviews with households affected by the cap, almost all households were on tight budgets before the reforms were introduced (CCHPR, 2014a: 3). Consequently, coping with the cap has involved further stringent budgeting and cuts to spending on both essentials and non-essentials. A quarter of households interviewed stated that they were in arrears on their rent payments and were therefore under threat of eviction. An Ipsos MORI telephone survey in 2013 (DWP, 2014b: 8) found that in the short term, the most frequent coping strategies involve reducing household expenditures, whereas long term, almost half of all affected households predicted they will look for a job.

The situation is most severe for families affected by the cap who live in the PRS, particularly in temporary accommodation. CIH concluded that, although they are disproportionately affected by the largest losses and are the people least likely to seek help, households in the PRS are receiving less attention from councils and agencies (CIH, 2013: 6). Evidence suggests that PRS landlords are becoming more and more reluctant to rent to HB recipients because of concerns that these households will not be able to pay rent[5], and the properties remaining in the PRS that are affordable to benefit recipients are poor quality (House of Commons, 2014: 3).

Within the PRS, a significant proportion of households affected by the benefit cap live in temporary accommodation used to house statutorily homeless families (House of Commons, 2014; CIH, 2013). In the London Borough of Haringey for example, 43% of households subject to the cap live in temporary accommodation. This temporary accommodation is often more expensive than other rented housing but falls outside the definition of exempt accommodation. Consequently, housing homeless people in the PRS had become more difficult and expensive for local authorities, who are having to look further afield to find affordable options (House of Commons, 2014: 32).

[5] According to Joanna Kennedy of London-based charity Z2K, in 2014 around 18% of private sector landlords were renting to tenants on Housing Benefit, while two years ago the proportion was closer to a third (Kennedy, 2014).

Annex 2: Supplementary Tables

Table A.2.1: Impacts of £23k Cap in London Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in London	Headroom between HB and cap in London	Mean Affordable Rent in London	Headroom between HB and cap in London
Lone parent - JSA	1	£285.20	2	£114.95	£170.25	£171.64	£113.56
	2	£218.20	2	£114.95	£103.25	£171.64	£46.56
	3	£151.20	3	£127.68	£23.52	£182.38	-£31.18
	4	£84.20	3	£127.68	-£43.48	£182.38	-£98.18
	5	£17.20	4	£141.75	-£124.55	£201.60	-£184.40
	6	-£49.80	4	£141.75	-£191.55	£201.60	-£251.40
Couple - JSA	1	£243.50	2	£114.95	£128.55	£171.64	£71.86
	2	£176.50	2	£114.95	£61.55	£171.64	£4.86
	3	£109.50	3	£127.68	-£18.18	£182.38	-£72.88
	4	£42.50	3	£127.68	-£85.18	£182.38	-£139.88
	5	-£24.50	4	£141.75	-£166.25	£201.60	-£226.10
	6	-£91.50	4	£141.75	-£233.25	£201.60	-£293.10

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Table A.2.2: Impacts of £23k Cap in North East Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in the North East	Headroom between HB and cap in NE	Mean Affordable Rent in the North East	Headroom between HB and cap in NE
Lone parent - JSA	1	£285.20	2	£77.03	£208.17	£89.96	£195.24
	2	£218.20	2	£77.03	£141.17	£89.96	£128.24
	3	£151.20	3	£85.16	£66.04	£102.26	£48.94
	4	£84.20	3	£85.16	-£0.96	£102.26	-£18.06
	5	£17.20	4	£92.99	-£75.79	£114.33	-£97.13
	6	-£49.80	4	£92.99	-£142.79	£114.33	-£164.13
Couple - JSA	1	£243.50	2	£77.03	£166.47	£89.96	£153.54
	2	£176.50	2	£77.03	£99.47	£89.96	£86.54
	3	£109.50	3	£85.16	£24.34	£102.26	£7.24
	4	£42.50	3	£85.16	-£42.66	£102.26	-£59.76
	5	-£24.50	4	£92.99	-£117.49	£114.33	-£138.83
	6	-£91.50	4	£92.99	-£184.49	£114.33	-£205.83

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Table A.2.3: Impacts of £21k Cap in London Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in London	Headroom between HB and cap in London	Mean Affordable Rent in London	Headroom between HB and cap in London
Lone parent - JSA	1	£246.20	2	£114.95	£131.25	£171.64	£74.56
	2	£179.20	2	£114.95	£64.25	£171.64	£7.56
	3	£112.20	3	£127.68	-£15.48	£182.38	-£70.18
	4	£45.20	3	£127.68	-£82.48	£182.38	-£137.18
	5	-£21.80	4	£141.75	-£163.55	£201.60	-£223.40
	6	-£88.80	4	£141.75	-£230.55	£201.60	-£290.40
Couple - JSA	1	£204.50	2	£114.95	£89.55	£171.64	£32.86
	2	£137.50	2	£114.95	£22.55	£171.64	-£34.14
	3	£70.50	3	£127.68	-£57.18	£182.38	-£111.88
	4	£3.50	3	£127.68	-£124.18	£182.38	-£178.88
	5	-£63.50	4	£141.75	-£205.25	£201.60	-£265.10
	6	-£130.50	4	£141.75	-£272.25	£201.60	-£332.10

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Table A.2.4: Impacts of £21k Cap in North East Given Mean Net Rents and Mean Affordable Rents

Household composition	Children	Maximum amount available after other benefits*	est. no beds eligible	Social Rent		Affordable Rent	
				Mean Net Rent in the North East	Headroom between HB and cap in NE	Mean Affordable Rent in the North East	Headroom between HB and cap in NE
Lone parent - JSA	1	£246.20	2	£77.03	£169.17	£89.96	£156.24
	2	£179.20	2	£77.03	£102.17	£89.96	£89.24
	3	£112.20	3	£85.16	£27.04	£102.26	£9.94
	4	£45.20	3	£85.16	-£39.96	£102.26	-£57.06
	5	-£21.80	4	£92.99	-£114.79	£114.33	-£136.13
	6	-£88.80	4	£92.99	-£181.79	£114.33	-£203.13
Couple - JSA	1	£204.50	2	£77.03	£127.47	£89.96	£114.54
	2	£137.50	2	£77.03	£60.47	£89.96	£47.54
	3	£70.50	3	£85.16	-£14.66	£102.26	-£31.76
	4	£3.50	3	£85.16	-£81.66	£102.26	-£98.76
	5	-£63.50	4	£92.99	-£156.49	£114.33	-£177.83
	6	-£130.50	4	£92.99	-£223.49	£114.33	-£244.83

*Where these values are negative, HB recipients would receive £0.50 per week as a minimum entitlement.
Source: HCA SDR, 2014 and DWP, 2015; Own Calculations

Table A.2.5: Typical Number of Bedrooms for Lone Parents and Couples with Dependent Children in the Social Rented Sector in the South East, HRP <65 (% of total)
Yellow cells show the most typical sizes

Household composition	Number of dependent children in household	Total no of bedrooms household actually has		
		2	3	4
Couple with dependent children	2	57 %	37%	6%
	3	14%	76%	11%
	4	0%	76%	24%
	5	0%	100%	0%
	TOTAL	42%	50%	5%
Lone parent with dependent children	3	29%	71%	0%
	4	21%	33%	46%
	TOTAL	56%	40%	2%

Source: English Housing Survey, 2012-13 (latest)

Table A.2.6: Regional Proportion of Households in the Social Rented Sector by Number of Children

Region	Household Type	no of children	Percent of all social tenants in region	Percent of social tenants in region under 65
South East	lone parent with dependent children	3	1.8%	2.6%
		4	0.6%	0.8%
		*Total**	*13.2%*	*19.3%*
	couple with dependent children	3	4.3%	6.3%
		4	0.7%	1.1%
		5	0.1%	0.2%
		*Total***	*16.8%*	*24.5%*
	all families with 3+ children		***7.5%***	***10.9%***
London	lone parent with dependent children	3	2.6%	3.2%
		4	0.8%	0.9%
		5	0.5%	0.7%
		Total	*19.5%*	*24.3%*
	couple with dependent children	3	4.1%	5.1%
		4	1.6%	2.1%
		5	0.4%	0.5%
		Total	*15.4%*	*19.3%*
	all families with 3+ children		***10.0%***	***12.5%***
England	lone parent with dependent children	3	1.9%	2.6%
		4	0.6%	0.9%
		5	0.2%	0.3%
		6	0.0%	0.0%
		7	0.1%	0.1%
		Total	*15.9%*	*22.3%*
	couple with dependent children	3	2.9%	4.1%
		4	0.9%	1.3%
		5	0.5%	0.7%
		6	0.1%	0.1%

		Total	*14.4%*	*20.1%*
	all families with 3+ children		***7.2%***	***10.1%***

*All lone parent families with any dependent children
**All couples with any dependent children
Source: English Housing Survey, 2012-13 (latest)

Table A.2.7: Percentage of Households in the Social Rented Sector in which Persons are Unemployed, Economically Inactive, or Both by Region

Region	Lone parent or couple	Number of dependent children in family aged under 19	Percentage of households of each size in which all persons are unemployed and/or inactive
South East	lone parent	3	57.81%
		4	84.70%
		5	46.15%
		7	0.00%
		8	100.00%
		TOTAL	**31.90%**
	Couple	3	20.96%
		4	51.53%
		5	22.57%
		6	0.00%
		TOTAL	**16.22%**
London	lone parent	3	55.62%
		4	66.66%
		5	42.68%
		6	51.50%
		7	0.00%
		TOTAL	**39.57%**
	Couple	3	14.48%
		4	22.92%
		5	25.69%
		6	0.00%
		TOTAL	**16.60%**
England	lone parent	3	62.83%
		4	68.63%
		5	64.69%
		6	37.90%
		7	0.00%
		8	100.00%
		9	0.00%
		TOTAL	**42.01%**
	Couple	3	20.85%
		4	33.08%
		5	30.24%

		6	12.54%
		7	42.80%
		8	100.00%
		TOTAL	**21.26%**

Source: Average of Quarterly Labour Force Survey Household survey, April-June 2014 & Quarterly Labour Force Survey Household survey, October-December 2013

Table A.2.8: Number of Capped Households that have Moved Off the Benefit Cap To Date and Reason for the Off-flow

Reason for off-flow	Number of households that have moved off benefit cap in South East	Regional proportion of off-flows in England	Number of households that have moved off benefit cap in London	Regional proportion of off-flows in England
Household has an open Working Tax Credit claim	209	9%	1491	66%
Household is in receipt of other benefit resulting in exemption (Employment Support Allowance)	68	11%	299	50%
Household no longer claiming Housing Benefit	70	10%	334	47%
Amount of Housing Benefit claimed has reduced	57	6%	654	72%
Household benefit income below cap level	126	13%	390	40%
Change in original household structure (i.e. change, addition or loss of a partner; does not include dependents)	11	11%	47	47%
Change in recorded Local Authority	0	0%	14	24%
Other (includes grace period, operational factors / timing, no longer working age)	57	9%	291	47%

Source: DWP Data, 2014

Table A.2.9: Affordable Rent Stock Size

Region	Bedrooms	Stock Size
South East	*2-bed*	5727
	3-bed	3401
	4-bed	361
	5-bed	12
	Total	12849
London	*2-bed*	4360
	3-bed	1268
	4-bed	239
	5-bed	8
	6-bed +	7
	Total	10330
East Midlands	*2-bed*	760
	3-bed	520

	4-bed	75
	5-bed	2
	Total	1483
East of England	*2-bed*	4233
	3-bed	2315
	4-bed	294
	5-bed	20
	Total	8770
North East	*2-bed*	3278
	3-bed	2082
	4-bed	155
	5-bed	13
	Total	6008
North West	*2-bed*	7272
	3-bed	6931
	4-bed	863
	5-bed	52
	6-bed +	10
	Total	16557
South West	*2-bed*	4008
	3-bed	2203
	4-bed	161
	5-bed	14
	6-bed +	1
	Total	7718
West Midlands	*2-bed*	3341
	3-bed	2783
	4-bed	310
	5-bed	15
	Total	7257
Yorkshire and the Humber	*2-bed*	2399
	3-bed	2392
	4-bed	209
	5-bed	16
	6-bed +	7
	Total	5671
England	*2-bed*	35378
	3-bed	23895
	4-bed	2667
	5-bed	152
	6-bed +	25
	Total	76643

Source: HCA SDR, 2014

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