

CIH response to: work and pensions benefit cap inquiry



About CIH

Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: www.cih.org

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Summary of our views about the benefit cap

CIH is very concerned about the impact of the lower, £20,000 benefit cap (£23,000 in London).

[Our previous research](#) has shown that the lowering of the cap has substantially increased the number of households affected from around 20,000 in February 2016 to an estimated 116,000 (based on looking specifically at one – four child families). There are more than 300,000 children living in these households.

In addition the reach of the cap has been expanded to such an extent that it can no longer be regarded as a targeted cut aimed at those households whose claims are unusually large, either because they have large families or because they live in very expensive areas. The impact of the lower cap is now widespread, for example our research suggests that:

- most of those affected (90,000 households) are families with either two or three children
- the cap is now having a significant impact even in the most affordable parts of the country. There are 5,000 capped households in the North East of England and 6,000 in Wales.

The amounts which individual households are losing will be highly variable, however in many cases these are extremely large. Our research suggests that a couple with three children living in a council house will be more than £25 per week worse off as a result of the cap in almost every part of the country. This rises to more than £50 per week in more than a third of areas, and it is important to bear in mind that in most parts of the country council housing is already the cheapest option available. The same family would face even greater losses if they were renting privately. These will exceed £75 per week in three-quarters of all areas and £100 per week in half of all areas. Very few families will be able to absorb these kinds of losses.

A [BBC Panorama investigation](#) has estimated that 7,500 families have been left with only 50p per week of housing benefit (a notional amount intended to allow them to apply for a discretionary housing payment) as a result of the lower cap. We are concerned that if these households are not able to move quickly into work they will become entirely dependent on discretionary housing payments (DHPs). Without these, they would have no viable housing options anywhere in the country. It is also worth noting that these families would be even worse off under universal credit, as the amount by which their benefits can be reduced will not be limited to the just the housing costs element.

We therefore consider that the decision to lower the cap to £20,000 (£23,000 in London) is likely to cause real hardship and to lead to a further increase in homelessness. In a recent survey of our member opinion panel, 89 per cent of CIH members agreed that it would lead to an increase in rent arrears and 80 per cent agreed that it would lead to an increase in homelessness. 64 per cent disagreed with the decision to lower the cap from its previous level.

More generally, we are concerned that government policy on housing and welfare is not sufficiently joined up. We welcome the government's commitment to tackling rising levels of homelessness, via the Homelessness Reduction Bill. However changes such as the lower overall benefit cap, together with other cuts to housing benefit, risk undermining this commitment by leaving many families with very few viable housing options. We therefore recommend that the benefit cap is returned to its previous, higher level of £26,000.

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Answers to the committee's specific questions

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

We are concerned that in most cases the actual effect of the cap is simply to push families into reliance on DHPs or, where these are not made available, into serious hardship.

The reduced benefit cap is intended to deliver savings of £100 million per year in the long run. Although the impact on those affected is extremely large, this is only a small proportion of the total savings which government is seeking to make to the total welfare bill over the lifetime of this parliament. It will also be partly offset by increased spending on DHPs. As a result the [Institute for Fiscal Studies](#) (IFS) has described the net savings from the lower benefit cap as "trivial".

There is some evidence that the benefit cap may lead to a small increase in the number of claimants who find work. The IFS estimate that five per cent of those affected by the original £26,000 cap responded in this way, however we consider this a relatively small return when set against the severity of the consequences for those who are unable to move in to work.

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?

We consider that the lower cap is unlikely to lead large numbers of families to seek to move to cheaper accommodation. In many cases those affected are already living in social rented housing, which is likely to be the most affordable accommodation in their area. [Our experience of working with the London Borough of Haringey](#) when the original £26,000 cap was introduced also suggests that relocation to a cheaper area is not a viable option for many families because of the impact it would have on their children's education and/or because it would mean moving away from vital support networks. Furthermore, now that the cap has been lowered it is likely that many households will find that there are very few areas where they could still afford suitable accommodation.

The cap may lead to more households actively seeking work. However, we are concerned that many of those affected are households who are not likely to be able to work in the short term. Our research suggests that only one in six of those affected are currently receiving job seekers allowance. The majority are either receiving income support (i.e. they are generally single parents with young children) or employment support allowance (i.e. they have health problems which are currently preventing them from working). In both of these cases if these households were receiving less than £20,000, (£23,000 in London) their benefits would not be conditional upon them looking for work. Therefore the benefit cap is not merely strengthening existing work requirements, it is extending them to groups who would not usually be required to seek work.

Our experience of working with LB of Haringey also suggests that many of the households affected face substantial barriers to moving in to work. Many have been out of work for long periods of time and require considerable, personalised support over the long term to help them return. While DHPs

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can help to support these tenants in the meantime, we are concerned that the discretionary nature of these payments combined with the fact that they are generally offered as short term awards, means that that these may not always be sufficient. Many effectively face a 'race against time' to move in to employment before their awards run out. If they are not successful and they are not given a further DHP award, the consequences may be severe.

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

We do not consider the £20,000 (£23,000 in London) cap to be a fair way of reducing the benefit bill.

The level at which the cap has been set appears to be arbitrary and does not bear any relationship with the actual cost of living. The comparison with those who are in work is also misleading, as a family with children with a net income of £20,000 would still be reliant on some benefits to top up these earnings. For example, a couple with two children would still receive £3,370 in child tax credits, £1,790 in child benefit on top of their earnings and would qualify for housing benefit if their rent exceeded £106 per week.

In addition, as noted above, the majority of those affected are households who would not usually be required to seek work, and we do not consider it reasonable to require them to do so in the short term.

Finally, we are concerned that the size of the reductions in income that some households face will leave them vulnerable to real hardship. If not supported with DHPs many will simply not be able to pay their rent as well as paying for basic necessities like food and utilities. There is a high risk that some will be forced to rely on foodbanks and/or will fall behind on their rent, putting them and their children at risk of homelessness.

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

Although difficult to quantify, it is likely that there is some element of 'cost shunting' associated with the lower benefit cap, with savings to central government being offset to some extent by increased costs elsewhere. Most obviously many of those affected will continue rely on DHPs. In addition, local authorities and housing associations are likely to incur additional costs in working with capped households to provide budgeting and debt advice and employment support.

There is a danger that the cap will lead to a rise in levels of homelessness and a corresponding increase in the use of expensive temporary accommodation. The precise cost of this will vary from one local authority to another but, for example, a recent [House of Commons Library briefing](#) on temporary accommodation estimates that in London this could be as much as £440 per week for a family with three children.