

Introduction

1. The Zacchaeus 2000 Trust (Z2K) is an anti-poverty charity providing in-depth advice and long-term support for low-income Londoners, including those affected by the Government's cuts to Social Security benefits. This combination of casework and support informs our views about the policies pursued by national and local government and the issues we campaign on. In 2011, we established the *NextDoor* service to help those threatened with homelessness as a result of the cap on Local Housing Allowance (LHA) and the subsequent "Bedroom Tax" and £500 a week Benefit Cap for families with children. We are now seeing families and vulnerable single people hit by the lower cap as well.

Overview

2. Before the Benefit Cap came into force, Ministers argued those households affected would take steps to work enough hours to qualify for working tax credit, renegotiate their rent *in situ*, or find alternative accommodation. In our experience, people in areas of high housing demand are rarely in a position to renegotiate their rents down or find somewhere cheaper nearby. Equally, most of the households actually affected by the cap we have helped cannot move easily into employment because they are disabled / seriously unwell or have young children.
3. Between April 2013 and November 2016, Zacchaeus 2000 supported nearly 300 London households affected by the original Benefit Cap. The overwhelming majority of those were families renting privately. Many of those were actually in tenancies brokered by the local authority previously to "prevent" them from submitting a formal homelessness application. Their homes were expensive because of their location rather than quality. Many were already affected by the Coalition Government's initial cap on LHA.
4. It was usually impossible to negotiate a cheaper rent with their landlord and in most cases it was also impossible to find more affordable accommodation near their home area sufficiently cheaper that it brought them below the Benefit Cap level. Most were left facing significant shortfalls in their rent that had to be made up from other benefits. Despite ministerial claims to the contrary, we saw many families accrue such high rent arrears that they ended up losing their homes.
5. While we are concerned about the cap's impact on everyone it hits, we are especially troubled that the majority of those who are actually capped at the moment are not actually required to be actively seeking employment. We hope the committee will agree to recommend that particularly vulnerable households, such as all disabled or serious unwell people and lone parents should be made exempt from the cap as it recommended for full-time carers prior to the Government's decision to do so in 2016.

How have claimants responded to the lower Benefit Cap?

6. In its written evidence to the committee's original inquiry, DWP claimed that the original Benefit Cap was proving to be a significant incentive encouraging claimants into work. It argued that the lower cap would extend this incentive to a wider group of households, particularly outside London. Zacchaeus 2000 disputes these claims, and we note that others including the UK Statistics Authority, the Institute for Fiscal Studies (IFS) and local authorities themselves have questioned their accuracy too.

Employment - DWP Review of the cap

7. In 2014, DWP published its review of the first year of the Benefit Cap. It concluded that, *"the evaluation reports show evidence of behavioural change. The movement into work for those households affected by the Benefit Cap is higher than movement into work by a comparable group of households not affected by the cap."*¹
8. The statistical basis for this claim that the Benefit Cap has increased the proportion of households moving into employment were the following findings:
 - 19 per cent of capped households in the May 2013 cohort were in work after a year compared to 11 per cent for a similar uncapped group.
 - After controlling for a range of observable differences, capped households were 4.7 percentage points more likely to enter employment than uncapped ones.
9. Z2K is not persuaded these findings support DWP's conclusion. The study does not identify the actual causal factors that explain why more capped households than uncapped ones are moving into work. The proxy used to identify households moving into employment (starting a claim for Working Tax Credits) is at best an inexact measure. And the numbers of claimants involved was small. Behind the 19 per cent figure, for example, are just 2,000 families who had someone move into paid work in the 12 months after May 2013.
10. In a press release in November 2014, DWP claimed, *"More than 12,000 households have made the choice to move into work or stop claiming Housing Benefit because of the benefit cap."* The UK Statistics Authority investigated this claim and concluded that, *"the available numerical evidence does not demonstrate a particularly strong causal link between the Benefit Cap and the decisions made by individuals about moving into work As a result, our view is that it might have been more appropriate to adopt more cautious wording in the press statement."*²

Employment - Interviews with affected claimants

¹ The Benefit Cap: a review of the first year, (DWP, December 2014)

² <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-sir-andrew-dilnot-to-jonathan-portes-171214.pdf>

11. DWP also commissioned the Cambridge Centre for Housing & Planning Research to undertake in-depth interviews with 50 households affected by the cap. Half of those interviewed had actually moved into employment. In its summary, DWP claims that these interviews found, *“half reported that they had looked harder for work, broadened the type of work they were willing to accept, tried to increase their hours of work, or started to look for work in response to the cap.”*³
12. This research was designed to help understand the impact of the Benefit Cap, but, the author herself makes it clear that *“It is not possible to draw robust generalisations from a small sample such as this.”*⁴ Despite this caveat, DWP repeatedly used this survey to endorse its view that the cap has dramatically improved work incentives.
13. DWP has never commissioned research specifically on work incentives amongst capped disabled people and lone parents, who are not required to be actively seeking work.

Employment – IFS Analysis

14. In 2014, the IFS peer-reviewed DWP’s evaluation of the cap. It concluded that, *“we have fairly robust evidence that about 5 per cent of those affected by the previous cap responded to that cap by moving into work. An even smaller fraction – and only those who lost particularly large amounts of income – moved house in response.”*⁵
15. DWP has never challenged the IFS’ conclusion. It just ignores it. For example, at the Select Committee in 2016, the then Secretary of State said, *“Since 2013, just over 79,000 households have been capped and of those 23,500 have gone into work.”* When asked about the IFS figure of 5 per cent, he said, *“As I remember the IFS line, they said that was something slightly more complex, that that 5% was not just about those who had got into work, it was the difference.”* The Permanent Secretary then added, *“I think they were looking at some rates of change of something. I cannot quite remember what it is.”*⁶
16. A month later the then Secretary of State wrote to the committee, clarifying that, *“The figure of 5% is representative of how much more likely capped households are to flow into employment after a year compared to similar uncapped households and implies causation”.*⁷
17. Despite this admission, DWP persists in over-claiming the impact of the Benefit Cap. For example, a 2017 press release boldly proclaims *“Figures published on 2 February 2017 show*

³ The Benefit Cap: a review of the first year, (DWP, December 2014)

⁴ In-Depth interviews with people affected by the benefit cap (DWP, 2014)

⁵ <https://www.ifs.org.uk/publications/8717>

⁶ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/department-for-work-and-pensions-annual-report-and-accounts/oral/44128.html>

⁷ <http://www.parliament.uk/documents/commons-committees/work-and-pensions/7.%20Letter%20from%20The%20Rt%20Hon%20Damian%20Green%20regarding%20the%20benefit%20cap%20020.12.16.pdf>

that 26,000 households who had their benefits capped have moved into work”⁸, yet again implying causation. And at a subsequent Work & Pensions Questions, the former Secretary of State said, “The research we have done shows that households that have been capped are 41% more likely to go into work than similar, uncapped households. So the policy is very successful in encouraging people to get back to work.”⁹ DWP’s refusal to engage meaningfully with independently verified statistics is deeply troubling.

Employment - Ipsos MORI Survey

18. In February 2014, DWP commissioned Ipsos-MORI to survey 1000 households affected by the cap (Wave 1). Follow-up interviews were conducted with 468 of those in August 2014, to see what changes in their circumstances and attitudes had taken place. DWP’s summary highlights the finding that the proportion looking for work increased from 24 per cent in Wave 1 to 38 per cent in Wave 2. As with the in-depth interviews, however, the researchers added a caveat that, “it is important to keep in mind that results from wave 2 are based on a specific group of claimants and reflect the characteristics of this group at a specific point in time. They will therefore not necessarily be representative of the entire affected claimant population as reflected by official statistics published on the Benefit Cap.”¹⁰

What difficulties are claimants experiencing in adjusting to the cap?

19. DWP’s submission to the original inquiry also claimed there was no evidence of adverse impacts either in terms of homelessness or for local authorities. Again, we dispute this claim. In our experience, those affected by the cap end up either falling into rent arrears or trying to make up the shortfall by living on significantly less than the bare minimum deemed necessary to pay for food, heating and clothing.

Housing & Homelessness

20. DWP’s submission states, “evidence from the 2014 evaluation of the cap showed very little, if any, impact on homelessness as a direct result of the cap”. This claim seems to be based upon the finding that only 14 per cent of those in scope for the cap in May 2013 had moved house, compared to 11 per cent for a group just under the cap. Ipsos-MORI’s finding that the proportion of affected households saying they were looking to move house fell from 42 per cent in Wave 1 (February 2014) to 36 per cent in Wave 2 (August 2014) was claimed to provide further proof fears of widespread homelessness had proved unfounded.

21. The first of these figures don’t actually identify all moves. Short-distance moves where the claimant stays within the same postcode sector are not counted. This includes families who have downsized and therefore overcrowded themselves. The relatively small numbers from

⁸ <https://www.gov.uk/government/news/benefit-cap-restores-fairness-to-the-system>

⁹ Hansard 20 February 2017

¹⁰ Post-implementation effects of the Benefit Cap (Wave 2 survey)

this cohort who moved might also be explained by DHPs having covered some of the shortfall, temporarily forestalling the need to move. The latter figures should have been presented with Ipsos-MORI's caveat about it being an unrepresentative sample.

22. The research paints a more nuanced picture on homelessness too. While the eight local authorities outside London did report little if any impact, the two in London *“were concerned about the difficulties they were encountering in finding longer-term housing for homeless families dependent on benefits to whom they had accepted a duty to re-house. Both reported that they had increased difficulties in finding accommodation for this group in the PRS that could be afforded below the cap. This was reported to put strain on the local authorities’ emergency accommodation budgets.”*¹¹
23. On the ground, many local authorities view DWP’s claim that the Benefit Cap isn’t causing homelessness with incredulity. Even Westminster City Council (WCC) now states its adverse impact publicly. For example, a report in January 2017 seeking authorisation to amend WCC’s homelessness policies states, *“there is a considerable gap between market rents and allowable LHA rates, which means landlords are able to achieve higher returns from other kinds of tenants These affordability problems are compounded by the benefit cap.”*¹²
24. One new trend resulting from the lower cap is that it is becoming more and more difficult for Z2K’s Private Rented Access Scheme (PRAS) to find landlords willing to let to single homeless people. When the committee visited the Beethoven Centre in 2015 to meet some of our clients as part of its inquiry into the Local Welfare Safety Net, the PRAS project had brokered private tenancies for around 75 clients in the previous 12 months. However, while demand for this service is as high as ever, the number of people rehoused was only 19 in 2017 and will be a similar number in 2018. The main cause is that single people are now only entitled to a maximum of £296, which usually leaves a shortfall of £20-30 a week.
25. We are also seeing clients we helped previously being affected by the lower cap.

Case Study

“Grace” currently lives in a small flat our PRAS team brokered in 2015 at a rent just below the cap level. It was affordable to start with, but she fell into arrears after the rent was increased in 2016. By 2017, the arrears had grown so high, she was nearly evicted. A one-off payment helped clear some of those arrears, but the lowering of the cap has left her now facing a shortfall of £45 a week. She has been given a three-month DHP until late-October, but told this is unlikely to be renewed.

¹¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/386213/supporting-households-affected-by-the-benefit-cap.pdf

¹²<https://committees.westminster.gov.uk/documents/s21004/Cabinet%20Member%20Report%20-%20Homelessness%20Policies.pdf>

Poverty

26. DWP's briefing for the most recent quarterly statistics show that 57 per cent of affected households have been capped by less than £50 a week. The implication is that this is a manageable sum for families to find from their other Social Security benefits. (The briefing doesn't dwell on the 43 per cent who are capped by more than £50 a week.) While some of those will be failing to pay their full rent and therefore falling into arrears, our experience suggests that others will be trying to reduce expenditure on food, clothing and heating to make ends meet. Around a third of those affected by the original cap told Ipsos-MORI back in 2014 they were spending less on "household essentials". DWP never commissioned any further research into the health and well-being of families affected by the cap.
27. We believe the impact of the cap is even worse for those who are in receipt of Universal Credit, as is illustrated by Natalie's story:

Case Study

"Natalie" has severe mental health problems which make even leaving the house a massive hurdle. Despite this at her Work Capability Assessment she was refused ESA. That decision automatically stopped her Housing Benefit being paid and she was advised to make a claim for Universal Credit. After six months of no housing costs being paid, substantial rent arrears had built up and Natalie was evicted by her landlord.

Only at this point was Natalie able to access specialist support to make a UC claim. She provided all the documents required to assess her claim, including proof of the temporary accommodation she was placed in after becoming homeless. And yet housing costs were still not being paid. Despite her flagging this issue on her journal several times a week for three months, no rent was being paid. By the time Natalie was referred to us the local authority were trying to evict her.

Three months after her claim for UC, Natalie was finally awarded housing costs. However, as she was at this point in three months' rent arrears, the local authority applied for Managed Payments to Landlord (MPTL) so the housing cost element was paid directly to them. As Natalie wasn't getting ESA, she was now subject to the benefit cap. And as she was placed in expensive accommodation, all of her capped allowance (£1,284) was sent directly to her landlord with £0 left for her living expenses. She was literally penniless.

DWP's reply was that the MPTL *"could be removed but it was not a good idea as all that would happen is Natalie would use the money and not pay her rent putting her at risk of getting evicted."* Clearly her need to eat was not considered as important as paying her rent. There is no right to appeal in these circumstances, and a Judicial Review would need to be carried out. Luckily, we were able to persuade Natalie's local authority to pay a DHP to cover the shortfall. However, the discretionary nature of these payments means they cannot be relied on and undoubtedly there will be similar cases where a DHP is refused.

What is the effect on claimants who are not subject to job-search conditionality in the benefits they claim?

28. DWP's initial Impact Assessment in January 2012 estimated that 40 per cent of those affected by the original cap would be in receipt of JSA. However, the actual proportion in November 2016 was 13 per cent. This equated to just 2,600 households. That figure obviously rose when the lower cap was implemented, but still only stands at 19 per cent or 12,000 JSA claimants. These claimants already face benefit sanctions if they are not deemed to be looking for work sufficiently hard enough. The remainder, who are not subject to job-search conditionality are broken down as follows:

- 15 per cent were in receipt of ESA (Work-Related Activity Group)
- 51 per cent were on Income Support (mostly lone parents with young children)

Zacchaeus 2000 Trust believes the fact that two-thirds of those households hit by a cap that is purportedly designed to encourage people into work are not actually required to be in work is one of its most pernicious features. This probably also explains why nearly half of those capped two years after the policy was first introduced had been so since it was first implemented.¹³ DWP hasn't said whether the same proportion applies to the lower cap too.

Disabled / Seriously Ill Households

29. Z2K has advised many clients on the Work-related Activities (WRAG) level of ESA who simply could not work as a result of injury, disability or illness, and so were not expected to actively seek employment. They were incapable of escaping the cap by moving immediately into work. Our advisors were able to help some of those clients either obtain ESA – Support Group or Personal Independence Payment (PIP), which makes them exempt from the cap. However, others were hit hard by it, as is illustrated by Brenda's story.

Case Study

"Brenda" suffers from a severe liver condition, which means she is not expected to work and is in receipt of ESA (WRAG). She was first forced to move as a result of the LHA caps when her reduced HB left her in arrears and she was evicted. Shortly after moving, she was affected by the Benefit Cap. She was awarded a DHP but this did not cover the whole shortfall. After struggling to meet the shortfall Brenda accrued arrears and her private landlord began possession proceedings.

30. DWP's quarterly statistics in May showed that 27,881 of the 117,960 households who are no longer capped are now in receipt of an exempting benefit¹⁴ – usually PIP. Unlike the

¹³ Hansard, Written Answers (17 September 2015)

¹⁴ <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-may-2018>

number who have opened a Working Tax Credit claim – a proxy for moving into work – the number of people who hit by the cap who have become exempt because they have been identified as disabled or seriously unwell never features in DWP press releases. Some of these sick or disabled claimants will have been affected by the cap for months or even years. While they may be exempt now, they may well have accrued rent arrears and other debts while their benefit was being capped.

- **Z2K believes that all ESA recipients should be made exempt from the cap.**

Lone Parents

31. DWP's own statistics shows the Benefit Cap disproportionately hits lone parents. Many of those we have seen face significant barriers to employment. Most want to work, but are unable to accept low paid and insecure jobs because these don't cater for their family's needs. The lack of affordable childcare limits the number of jobs they could apply for, even when children start school. This is almost certainly the reason why the proportion of those hit by the cap who are on Income Support stands at 51 per cent.
 32. Three of the five Supreme Court judges who determined the legal challenge to the cap found that it was not compatible with the UNCRC's stipulation to treat the "best interests" of the child as the primary consideration. Two of these three judges also found the cap to be discriminatory against women. In her concluding statement, Lady Hale stated, "*The prejudicial effect of the cap is obvious and stark. It breaks the link between benefit and need. Claimants affected by the cap will, by definition, not receive the sums of money which the state deems necessary for them to adequately house, feed, clothe and warm themselves and their children. Furthermore, the greater the need, the greater the adverse effect This prejudicial effect has a disproportionate impact upon lone parents, the great majority of whom are women*"¹⁵
- **Lone parents in receipt of Income Support should be exempt from the cap.**

What are the cap's knock-on effects on other public spending, such as local authority expenditure?

33. As the National Audit Office has made clear the costs of homelessness to local authorities, have increased significantly since 2010. This is especially so in London, which accounts for around three-quarters of those homeless households in temporary accommodation (TA). Although much of the cost of homelessness is covered by central Government, either through Housing Benefit or grants, an increasing burden is falling on local authority General Funds, which are already under pressure as a result of real terms cuts in subsidy.

¹⁵ https://www.supremecourt.uk/decided-cases/docs/UKSC_2014_0079_Judgment.pdf

34. While the Benefit Cap is not responsible alone, it is undoubtedly one of the causes of homelessness. Many of those we helped secure a DHP initially, later had their applications to renew the award for a further period rejected. These families ended up having to try to make up the difference from other benefits. Inevitably, most were unable to do so and quickly accrued rent arrears, which resulted in possession action by their landlord. Some of those evicted ended up homeless in TA (often at a higher cost than their previous rent).
35. DWP guidance states that each local authority's total DHP budget can be up to two and a half times the contribution from central Government. This flexibility was rarely used by London Boroughs, but a number have topped up their allocation in recent years. For example, Tower Hamlets set aside £725,000 to top-up its allocation in 2016/17 – specifically to meet the demand anticipated by the introduction of the lower Benefit Cap. This was equivalent to 0.75 per cent increase in Council Tax. Westminster also set aside £1 million from its own General Fund in 2017/18 and 2018/19 to top-up DHPs.

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

36. In Parliamentary debates, ministers have repeatedly argued that the increased budget for DHPs would support those households worst affected. However, the sums provided for both the original cap and the lower one are nowhere near enough to do so.
37. The amount of DHP specifically for Benefit Cap cases was £65 million in 2013/14, £45 million in 2014/15 and £25 million in 2015/16. The delayed roll-out of the Benefit Cap from August 2013, meant that there was less pressure on DHPs than originally anticipated and some authorities were able to substantially meet the shortfalls of many of those affected. It was much harder in 2014/15 as the cap was in force for all 12 months. Many DHP funding pots in London were significantly oversubscribed and many Boroughs prioritised applications from those social tenants affected by the “Bedroom Tax” or homeless households in TA.
38. These trends continued into 2015/16. In response to our Freedom of Information requests, London's boroughs revealed that £8.5 million of the £21.8 million DHP funding spent supporting Benefit Cap claimants in 2014/15 went to homeless households in TA, despite the proportion of those affected who were homeless being well below 40 per cent. Private tenants are less likely to know about DHPs and that those who do find it much harder to obtain an award. DWP's own research in late 2014 showed that nearly half of those affected by the Benefit Cap had not heard of DHPs at all.¹⁶
39. Most boroughs now have tighter eligibility criteria in their DHP policy. For example, in 2013 Westminster's policy brought in “conditionality” for DHP awards, stating: *“We will normally treat any claimant receiving JSA as if they have the potential to move immediately into work. Therefore **no DHP will be awarded from when the Benefit Cap applies.**”* Furthermore,

¹⁶ In-Depth interviews with people affected by the benefit cap (DWP, 2014)

while “those not receiving JSA (i.e. claimants receiving Income Support, Incapacity Benefit or ESA) will be considered for support from DHP Claimants will be expected to make a contribution of £20 per week from the total non-Housing Benefit income received”.

40. DWP earmarked £40 million DHP funding to help those affected by the Benefit Cap in 2016/17. In 2017/18, that increased to £67.5 million. These sums were distributed on the basis of a calculation, firstly splitting the pot 45 per cent for the original cap and 55 per cent for the new lower cap, and secondly allocating the latter on the basis of each authority’s proportion of total Annual Managed Expenditure (AME) reduction for the new cap.¹⁷
41. While the £27.5 million increase in DHP funding for households affected by the cap in 2017/18 looked generous on paper, it masked some significant cuts in funding locally. For example, Westminster’s total DHP allocation in 2016/17 was £2.7 million, but in 2017/18, it got £1.4 million – a 47 per cent cut in funding. Similarly, Kensington & Chelsea received £1.3 million in 2016/17, but only £895,000 in 2017/18 – a 33 per cent reduction. In 2018/19, the amount for Benefit Cap cases was £54 million. Again, both Westminster and Kensington & Chelsea’s share of the DHP pot fell – to £1,146,630 and £773,586 respectively.
42. As with the original cap, the delayed implementation of the lower cap meant that the 2016/17 funding was only really needed for four or five months, and so more generous awards could be made to those affected. That could not be repeated in 2017/18 or 2018/19. The level of DHP funding being made available is clearly insufficient to support those hardest hit by the new cap.
43. As explained above, in anticipation of these cuts, Westminster topped up its DHP pot to the tune of £1 million. It also revised its DHP policy again. The latest changes put a greater emphasis on successful claimants making a financial contribution to the rent shortfall and a reduction from 6 to 3 months in the duration of awards to assist working households.¹⁸

To what extent is the benefit cap achieving its aims and what steps could be taken to improve this?

44. Zacchaeus 2000 opposes the Benefit Cap on a point of principle. We do not believe those who are out of work should be penalised simply because they live in areas with high rents, especially if they are disabled or lone parents with young children. Even on its own terms, however, the cap is not achieving the aims set for it. In particular, given that the number of households affected is now around 66,000, instead of the 88,000 to 107,000 originally suggested, the annual saving to DWP itself is already significantly less than ministers originally proclaimed. And once the additional costs of homelessness amongst those most severely impacted are taken into consideration, the savings to the taxpayer are even less.

¹⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/497986/s1-2016.pdf

¹⁸ https://www.westminster.gov.uk/sites/default/files/dhp_policy_sept_2017.pdf

Given the cap's consequences in increasing child poverty thereby worsening life chances, the longer-term financial savings may even turn out to be negligible.

45. If the committee is unable to agree that the cap should be abolished, we hope it will at least recommend that all ESA and Income Support claimants are exempted.