

Analysis: Who will be
hit if the benefit cap is
lowered?

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Shelter

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Introduction

The benefit cap restricts the amount of benefits that some households can claim. Currently, a family who are not working or working too few hours to claim working tax credits can claim a maximum of £26,000 a year in benefits¹.

The Welfare Reform and Work Bill contains a proposal to reduce the benefit cap. Under these proposals the cap will be lowered to just £20,000 for families outside of London and to £23,000 a year for families in London².

Shelter have a keen interest in the benefit cap. Housing benefit is included in the cap and is cut to ensure that households do not breach the limit. In addition, the high cost of housing across much of the country is the reason that many families find themselves affected by the cap. An unworkable benefit cap can have a major impact on a low income family's ability to afford their home.

The current £26,000 cap has mainly affected larger families living in areas with a lack of affordable homes. More than four out of five (81%) currently capped households in England are families with three or more children. Half of capped families are in London³.

We looked at the impact of lowering the cap on families who are currently out of work and are renting a home from a private landlord in the cheapest part of the market. The analysis compares the different impacts of the two policies (current benefit cap and proposed benefit cap). In particular: would the change affect different sizes of families and would the change affect families in different areas.

¹ Full details of the benefit cap and the benefits that are included as part of it are available here: <https://www.gov.uk/benefit-cap>

² Welfare Reform and Work Bill 2015-16: <http://services.parliament.uk/bills/2015-16/welfarereformandwork/documents.html>

³ Benefit cap: number of households capped to February 2015:
<https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-february-2015>

Method

Stage one: How much housing benefit can families claim before they hit the cap?

- We created four couple families who are currently out of work. Three are small families with one or two children. The fourth is a larger family with four children. We repeated this analysis with four single parent families who are currently out of work.
- We assessed each families' entitlement to non-housing benefits⁴ that are subject to the cap (eg child benefit, child tax credits, jobseekers allowance etc). This is based on current claimants under current rules.
- We then calculated the difference between this amount and the amount allowed under the cap. This is the amount of housing benefit these families can claim before they breach the cap.

Stage two: Where will smaller families be hit by the benefit cap?

- We carried out further analysis to find the places where housing costs are so high that different families would need more housing benefit than the cap would allow. To do this we looked at Broad Rental Market Areas (BRMA's). A BRMA is the area used to determine housing benefit eligibility. It is the local area that the government determines that a family could reasonably be expected to live within, taking into account access to facilities and services. There are 152 BRMA's in England.
- We assumed that each family lives in the private rented sector in a home in the lower third of the market. This meant that they were entitled to full local housing allowance for their area⁵.
- Different sized families need different sizes of home. In order to calculate how many bedrooms each family needs, we used the governments expectations around which children can share bedrooms. The first family needs a two bedroom home. The second family also needs a two bedroom home (as the children can share a room). The third family has older children of different genders and therefore need a three bedroom home. The fourth family needs a four bedroom home.

Stage three: How much will families lose?

- We looked at how much different families would lose in different areas.

⁴ Full details of the benefits that are included as part of the benefit cap are available here: <https://www.gov.uk/benefit-cap>

⁵ Data on local housing allowance is available here: <https://www.gov.uk/government/statistics/local-housing-allowance-lha-rates-applicable-from-april-2015-march-2016>

Main Findings

Couple families

1. The amount of housing benefit each family could claim before hitting the cap

- The maximum amount of housing benefit a family of four (two adults, two children) outside of London can claim would be cut in half by the new proposals. Under the current cap, families with two children can claim £234 a week in housing benefit without hitting the cap. Under the new cap, families outside of London will only be able to claim half this amount.
- Larger families are already squeezed by the benefit cap. They will be squeezed further by the changes. Families with four children will get no housing benefit. The cap comes down so far that they will even also lose around £15 a week of another benefit (eg child benefit).

2. The areas where small families will be hit by the benefit cap

Families with one child

Currently, families with one child are not hit by the cap in any area outside of inner London.

Under the proposed changes, areas where families with one child will be subject to the benefit cap include:

Outside of London

Guildford
Brighton and Hove
Oxford
Reading

Everywhere in London, apart from North West London

Families with two young children sharing a room

Currently, families with two young children sharing a room are not hit by the cap in any area outside of London.

Under the proposed changes, families with two young children sharing a room (a family living in a two bedroom property) will be subject to the benefit cap in over half of areas. These include all areas of London and:

Big cities:

Bristol
Manchester
Leeds
Birmingham

Large towns:

Luton
Northampton
Plymouth
Gloucester

Rural areas:

Yeovil
South Devon

Families with two older children

Currently, families with two older children (and in need of a larger home) are not subject to the cap in any areas outside of London and the Home Counties. In total, these families are currently only subject to the cap in one in eight areas of the country. Under the proposed changes, these families would be capped in over three quarters of areas.

These include the areas above, as well as areas including Coventry, Liverpool, Ipswich and Peterborough.

3. The impact on families

The amount of money lost by large families will become hard to bear in many areas of the country.

- Under the current cap (26k), our model family with four children would have their housing benefit capped in every area of the country. However, in over half of areas (59%) the family would lose less than £100 a week. In some areas (such as Bradford) the family would only lose £23 a week.
- Under the proposed changes, this family would lose over £100 a week in every area in England.
- Under the current cap - the four children family would have a shortfall of more than £200 a week in just 1 in 6 areas.
- Under the proposed cap, families with four children would face a shortfall of more than £200 a week in over half of areas.

Some smaller families will also lose a substantial amount of their income.

- Currently, our family with just two small children would lose more than £50 a week in just one in thirty areas.
- Under the proposed changes, our family with two small children will lose more than £50 a week in more than one in six areas
- Currently, our family with just two small children would not lose more than £100 a week in any area.
- Under the proposed changes, our family with two small children will lose more than £100 a week in 1 in 12 areas.

Under the new cap, four person families (two adults and two children) who tried to avoid the cap by squeezing into a one bedroom flat would still be hit by the cap in a third of areas

Single parent families

1. The amount of housing benefit each family could claim before hitting the cap

- The maximum amount of housing benefit a single parent family with two children, outside of London can claim would be reduced by over one hundred pounds by the new proposals. Under the current cap, families with two children can claim £276 a week in housing benefit without hitting the cap. Under the new cap, families outside of London will only be able to claim £161 a week.
- Larger families are already squeezed by the benefit cap. They will be squeezed further by the changes. Families with four children outside of London will only receive £27 in housing benefit.

2. The areas where single parent families will be hit by the benefit cap

Families with one child

Currently, single parents with one child are not hit by the benefit cap in any area.

Under the proposed changes, single parent families with one child will be subject to the benefit cap in five areas. The research suggests this would include areas like Tottenham and Poplar.

Families with two young children sharing a room

Under the current cap, single parents with two young children sharing a room would not be hit by the cap in any area outside of inner and South West London.

Under the proposed cap they would be subject to the cap in almost one in five areas in England (19% of areas) – including places like Basingstoke, Reading, Brighton, Oxford and Harlow.

Families with two older children

Under the current cap, single parents with two children who need separate rooms would find themselves capped in only 12 areas or 8% of England.

Under the proposed cap, this family would be capped in over a third of areas (39%). Places like Portsmouth, Southend and Luton would be impacted.

3. The impact on families

- The amount of money lost will become hard to bear in many areas of the country. Under the current cap of £26,000, our model family with four children would be able to avoid the cap in some parts of England. Under the proposed changes, this family would be hit by the new cap in all areas across England. Families could face a shortfall of as much as £350 a week in some areas.
- Under the new cap, even single parent families with two children who tried to avoid the cap by squeezing into a one bedroom flat would still be hit by the cap in seven areas.

Appendix

Amount of housing benefit each family could claim before hitting the cap by family size: current cap, proposed London cap and proposed outer-London cap. All figures are weekly.

Couple families

Number of bedrooms needed	Number of children in family	Amount of housing benefit family could claim before being capped (per week)	Amount of housing benefit family could claim before being capped (per week)	Amount of housing benefit family could claim before being capped (per week)
		Current cap	£23k cap (London)	£20k cap (outside of London)
2	One child	£300.82	£242.82	185.82
2	Two young children	£233.92	£175.92	118.92
3	Two older children	£233.92	£175.92	118.92
4	Four children - three girls and boy	£100.12	£42.12	-14.88

Single parent families

Number of bedrooms needed	Number of children in family	Amount of housing benefit family could claim before being capped (per week)	Amount of housing benefit family could claim before being capped (per week)	Amount of housing benefit family could claim before being capped (per week)
		Current cap	£23k cap (London)	£20k cap (outside of London)
2	One child	342.57	284.57	227.57
2	Two young children	275.67	217.67	160.67
3	Two older children	275.67	217.67	160.67
4	Four children - three girls and boy	141.87	83.87	26.87

Research note

If cuts are made to child tax credits, child benefit or other benefits that come under the benefit cap then the amount that new claimants are entitled to may drop. This means that lowering the cap may affect fewer families in fewer areas. This is because some families' benefit entitlement will be reduced, making it less likely that they will breach the benefit cap