

Welfare Reform Bill – House of Lords Report Stage Joint briefing on Clause 94: the overall benefit cap

We are promoting amendments to:

- Exempt homeless households in temporary accommodation (TA) from the cap (amendment 61)
- Allow all households a 26 week grace period before the cap is imposed (amendment 60)

We are also supportive of amendment 59 which would exempt child benefit from the calculation of the cap, as this would reduce its disproportionate impact on children and mitigate the harm to the fight against child poverty.

We support the principle of a Universal Credit and recognise the need for reform of the benefit system. However, clause 94 of the Welfare Reform Bill, which introduces a new cap on the maximum amount of benefits households can claim, **undermines many of the principles of the proposed Universal Credit.**

The reform will enable the Government to arbitrarily reduce the overall level of benefits payable to a household regardless of their entitlement to specific benefits, past contributions, or need. This runs counter to the original intention that the Universal Credit would be made up of accumulated components based on a household's needs (for example the number of children a family has, and their housing costs). Clause 94 will also undermine the aim of creating a seamless transition between being in and out of work, by reintroducing the divide between 'working' and 'non-working' households which Universal Credit was originally intended to abolish.

The Government's impact assessment suggests that 50,000 households will be affected by this measure, with an average loss of £93 per week.

The cap will make it more difficult for many families to find and keep a roof over their heads. **It is a crude measure** which ignores the considerable variations in housing costs that exist across the country. The cap is set at the average take-home pay for all households, regardless of variations in local and regional housing costs and incomes, and the difference in incomes between those that do and don't have children. As a result it will impact disproportionately on households with higher than average housing costs, which mostly applies to those living in London or the South East, or in the expensive private rented sector. Although the cap has been characterised as a policy targeted at large families, analysis by Shelter shows that in practice it will also affect smaller families: **high**

rents in London mean that families with just two children will be subject to the cap in all inner London and many parts of outer London including Newham, Haringey and Hounslow. The cap is also targeted at all out of work families, regardless of their ability to take up work or the availability of jobs.

For private renters, this is effectively a **second cap on housing benefit** because it comes on top of extensive reforms to Local Housing Allowance (LHA) introduced in April 2011, which prevent LHA being claimed for very high rents and restrict claimants to living in the bottom third of the rental market. It will also affect people living in the social housing sector even though they are already charged below market rents and their options for reducing their housing costs are limited.

Finally, the cap is also at odds with the Government's own housing policies, which require housing associations to charge rents of up to 80% of the market rate to fund the development of much needed affordable homes. Social housing tenants who receive housing benefit to cover these higher rents are more likely to be hit by the cap.

The DWP's impact assessment predicts that the cap will cause family displacement, rent arrears, evictions and homelessness, and create knock-on costs for local authorities.

Amendment 61: to exempt households in temporary accommodation from the cap

Clause 94, Page 64, line 6, at end insert—

“() Regulations under this section must provide for an exemption from the application of the benefit cap for individuals or couples owed a duty to be provided with interim or temporary accommodation under sections 188, 190, 193 or 200 of the Housing Act 1996.”

In the Commons, Ministers confirmed that the benefit cap will apply to households in non-mainstream forms of accommodation, including those who have been placed in TA after having been found homeless. We anticipate that it will be difficult for local authorities to secure TA that is affordable under the cap, creating the prospect of a **spiral of homelessness** where households lose their home because of the overall benefit cap, but are unable to access accommodation under the main homelessness duty because they are still subject to benefit restrictions.

Homeless households in TA are liable for a “reasonable charge” for their accommodation, which can be covered by housing benefit if the household is on a low income. When placing a household in TA, a local authority must ensure that the accommodation is suitable for the family, including that it is affordable. This means that the family must be left with sufficient income to pay for all essentials, taking into account family size. Because TA tends to be more expensive than mainstream private rents and considerably more expensive than social housing, local authorities may struggle to procure accommodation which is affordable once the cap is implemented. This creates the risk that homeless families will be placed far away from their local area in the cheapest locations in the

country, or that local authorities will have to shoulder more of the cost of TA, including paying for expensive bed and breakfast accommodation.

Responding to concerns raised in Lords Committee, Lord Freud said it was too early to say how homeless families would be treated in 2013, due to separate reforms to TA funding. He told Peers: “We are exploring options for the treatment of housing benefit for people living in temporary accommodation within universal credit and the overall benefit cap.” We do not believe that this is sufficient guarantee that our concerns will be addressed and therefore **urge Peers to vote in favour of amendment 61.**

Amendment 60: to allow 26 weeks grace period from the cap

Clause 94, Page 64, line 5, at end insert—

“() Regulations under this section shall provide that the benefit cap shall not be applied for the first 26 weeks from the date on which the claimant’s total entitlement to welfare benefits exceeds the relevant amount.”

The purpose of this amendment is to allow new claimants a period of grace of 26 weeks, during which the benefit cap will not be imposed (following the date from which a claimant’s total welfare benefit entitlement exceeds the cap). During that period the claimant will be exempt from the cap and will receive his or her full benefit entitlement. **This would help to prevent families who have experienced a sudden drop in income from slipping into poverty and homelessness and provide a more stable foundation from which to rebuild their lives following a sudden change in circumstances.** It builds on the precedent set by existing housing benefit legislation, which gives households 13 weeks protection from restrictions on the level of housing benefit payable if they have not claimed HB in the past year. Similar arrangements grant families 52 weeks grace following a bereavement.

In Lords Committee the Minister said that the DWP was looking at “what transitional arrangements might be appropriate”. He acknowledged that “there will be occasions when changes occur that are beyond a household’s control”. However, as currently drafted the benefit cap would undermine public confidence that if you work hard and pay into the system then there will be a safety net available for you if you temporarily suffer a setback. Under the new system many households would find they were not able to claim the full range of benefits for which their circumstances would currently make them eligible, even if they have spent several years paying into the system. As a consequence households may be unable to afford their housing costs and be forced to move house and uproot their families, even though a few weeks of support might have been enough to allow them to get back on their feet.

The cap has been billed as a work incentive and is designed to reinforce the message that work pays and a life on benefits is not sustainable in the long-term. However, it risks impacting on many

newly unemployed households who have an established work ethic and a desire to work but are unable to find jobs because of factors beyond their control. It cannot be right to penalise people who are doing all they can to make a swift return to employment.

We urge Peers to push Amendment 60 to a vote to ensure there is adequate protection for families to get back on their feet and back into work without losing their home.

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