



# The impact of the extended UK benefit cap in Scotland

A report by Dr Dan Heap and Alison Johnstone MSP

August 2017

# Summary

## What is the extended Benefit Cap?

The UK government has had a ceiling on the amount of benefit payable to a household since 15 April 2013. The Benefit Cap is achieved by reducing the household's entitlement to Housing Benefit<sup>1</sup>.

From then until 7 November 2016, benefits were capped at £500 per week for a couple or lone parent with children, and at £350 for a single person not responsible for children.

This initial Cap impacted relatively low numbers of families in Scotland due to lower average rents, but a revised, lower, Cap is now in force, and has been projected to impact many more Scottish households.

For households outside Greater London, the total benefit received since 7 November 2016 is now capped to £384.62 a week for a couple with or without children, and a lone parent with children, and at £257.69 a week for a single person not responsible for children.

## What has the impact been and what can we do about it?

The data presented in this report vindicates concerns that the new Benefit Cap is having a much larger impact on Scottish households than the initial Benefit Cap in almost all areas of Scotland, and that it overwhelmingly targets children. There has been a more than **400%** increase in the number of capped households in Scotland, rising to more than **900%** in some areas.

Around **90%** of these households have at least one child. This impacts more than **11,000** children, whose families are receiving on average **£2000 - £3000** less than they have been assessed as requiring to meet their basic needs.

The data presented here justifies ending the Cap entirely. But if the UK government cannot be persuaded to do so, it can be fully mitigated by the Scottish Government in the same way as the Bedroom Tax for a relatively small amount of money additional to that currently being spent through Discretionary Housing Payments.

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<sup>1</sup> The Benefit Cap also applies to the Housing Element of Universal Credit but data on this is not yet available, and so the impact of the Universal Credit Cap is not covered.

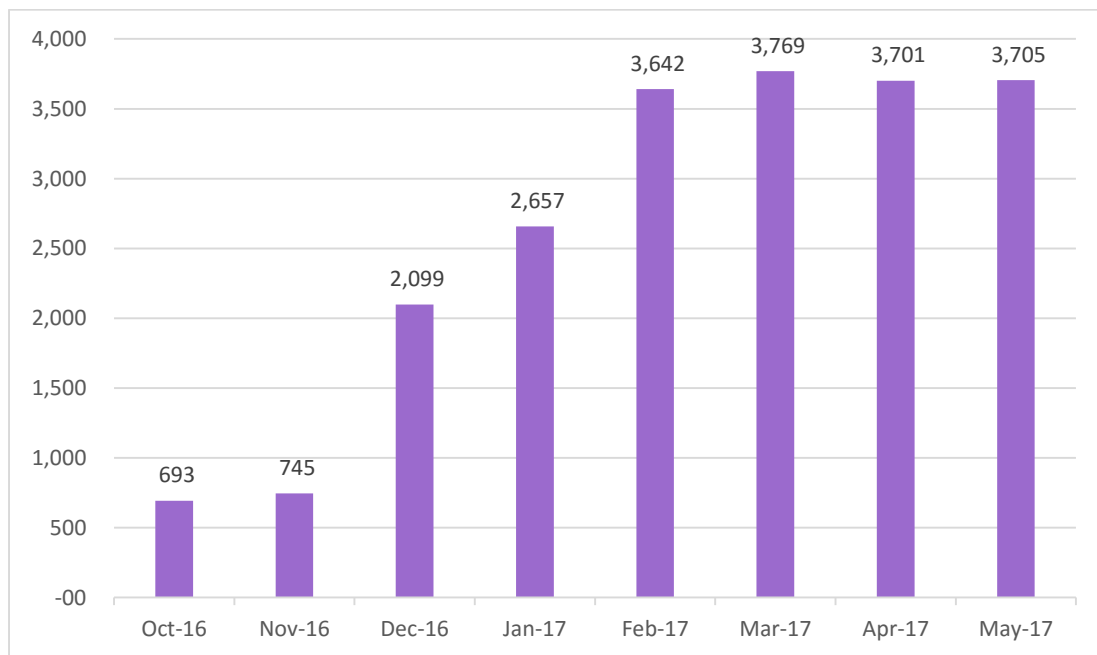
# Impact

## How many more households have been affected by the new Benefit Cap?

The initial Cap impacted a fairly small number of households in Scotland, around 700-800 families a month<sup>2</sup>.

The new Cap, introduced on 7 November 2016, has seen this rise very sharply, with a 434% increase from October, immediately before the new Cap was introduced (see Graph 1)

This national figure masks significant differences between Local Authority areas, with a high of 918% increase in North Ayrshire and a low or no increase in some island Local Authorities (see Table 1).



Graph 1: Number of Scottish households capped, Oct 2016 – May 2017

<sup>2</sup> Unless otherwise referenced, all data is from the latest DWP Benefit Cap statistical release: <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-may-2017>



	Oct -16	Nov -16	Dec -16	Jan -17	Feb -17	Mar -17	Apr -17	May -17	% Chang e
Aberdeen City	27	23	37	121	132	154	147	136	404
Aberdeenshire	15	14	76	90	93	93	92	88	487
Angus	8	9	53	52	55	57	54	59	638
Argyll and Bute	8	7	37	35	31	31	39	31	288
City of Edinburgh	138	136	130	122	517	551	569	555	302
Clackm.	22	20	76	74	67	70	73	73	232
Dum. & Galloway	9	12	63	66	65	70	73	69	667
Dundee City	23	23	115	119	119	129	126	129	461
E Ayrshire	11	14	102	103	100	109	108	110	900
E Dunbartonshire	5	51	50	48	49	46	41	46	820
E Lothian	8	9	47	44	44	33	35	32	300
E Renfrewshire	..	..	24	29	30	30	32	31	29
Falkirk	11	10	73	72	84	83	79	75	582
Fife	40	35	39	273	293	296	290	283	608
Glasgow City	122	118	117	106	682	729	682	668	448
Highland	15	10	72	70	79	75	67	69	360
Inverclyde	6	..	40	38	33	30	27	25	317
Midlothian	24	34	101	94	108	109	103	97	304
Moray	7	26	27	26	26	24	29	34	386
N Ayrshire	17	16	158	156	166	158	156	173	918
N Lanarkshire	43	38	38	205	203	205	204	209	386
Orkney Islands	..	..	7	7	7	7	6	6	-14
Perth and Kinross	10	11	49	50	41	41	38	40	300
Renfrewshire	12	17	88	99	93	99	97	99	725
Scottish Borders	12	10	51	52	48	45	44	46	283
Shetland Islands	..	..	6	7	6	6	6	6	0
S Ayrshire	12	13	81	71	67	71	74	76	533
S Lanarkshire	31	23	103	181	185	178	184	195	529
Stirling	6	7	38	42	36	37	41	40	567
W Dunbartonshire	27	31	117	113	115	108	99	105	289
W Lothian	20	14	93	95	90	96	95	96	380

Table 1: Number of Scottish households capped and percentage change, Oct 2016 – May 2017, by Local Authority<sup>3</sup>

<sup>3</sup> Data for Na h-Eileanan Siar not available

## How much are households losing?

The majority of households impacted by the Benefit Cap will receive up to **£100** a week less than they have been assessed as needing under current benefit rules, with an average of **£57.01**<sup>4</sup> <sup>5</sup>. This varies from a high of £81.84 in Clackmannanshire to a low of £37.94 in Inverclyde.

If applied at that same amount for a full year, this would be over **£2900** less than would be claimable without the Cap.

**13%** of claimants were capped by more than £100 a week and a small number were capped by more than £400 (see Table 2).

Up to £50	1962
£50.01 to £100	1283
£100.01 to £150	289
£150.01 to £200	102
£200.01 to £250	36
£250.01 to £300	14
£300.01 to £350	10
£350.01 to £400	6
£400.01 and above	12

Table 2: Number of Scottish households capped, May 2017, by Amount Capped

## What types of households are subject to the new Benefit Cap?

The Benefit Cap overwhelmingly targets families with children, who represent almost **90%** of the households subject to the Cap according to the latest data available (see Table 3). This equates to around **11,200** children.

The Benefit Cap impacts families of all sizes. Whilst some large families with 5 children or more are impacted, the mean size of family is 3 children, and the majority of households with children that are subject to the Cap have 3 children or fewer.

The Cap hits one-parent households particularly hard, with over **64%** of households subject to the Cap being headed by a single parent (see Table 4). As with many other welfare reforms, women are hit particularly hard, with **85%** of all single claimants subject to the Cap being female (see Table 5).

Number of Children					
0	1	2	3	4	5+
374	83	347	1550	953	393

Table 3: Number of Scottish households capped, Oct 2016 – May 2017, by number of Children in households

<sup>4</sup> DWP Stat-Xplore

<sup>5</sup> The loss to households can be a cash loss or a notional loss, depending on when the household came within the scope of the cap.

Single; no child dependant(s)	Single; child dependant(s)	Couple, no child dependant(s)	Couple, child dependant(s)
365	2374	12	955

Table 4: Number of Scottish households capped, May 2017, by household type

Male	Female	Unknown
361	2340	39

Table 5: Number of Scottish households (Single claimants) capped, May 2017, by gender

The majority of households subject the Cap live in Local Authority or other Social Sector tenancies (see Table 6), but with a significant minority – 35% – living in Privately Rented accommodation and thus at a significant risk of being evicted if they fall into rent arrears as a result of the Cap.

Local Authority	Registered Social Landlord	Private Rented
1564	824	1318

Table 6: Number of Scottish households capped, May 2017, by housing type

Whilst the major official justification for the Benefit Cap has been that it will improve work-incentives and ensure that non-working households do not have greater incomes than working households, the data on which benefits are claimed cast this into doubt (see Table 7).

Only 17% of households subject to the Cap are claiming Jobseeker's Allowance, meaning they're expected to be actively seeking work and to take up employment if offered. The majority, **65%**, of households have an Income Support or Employment Support Allowance claim, which are paid on the basis that the claimant, respectively, has children that are too young or is too ill to be expected to work. More than 9 in 10 households capped claimed Child Tax Credit, which is widely claimed by households both in and out-of-work.

	No of Households	% of Households capped
Jobseeker's Allowance	11,630	17%
Employment and Support Allowance	10,260	15%
Income Support	33,790	50%
Child Tax Credit	62,400	92%
Bereavement Benefit	610	1%
Housing Benefit only	780	1%

Table 7: Number of UK households capped, May 2017, by benefit claimed

# Assisting capped households

## Exemptions

The Benefit Cap has a number of exemptions. Claimants of Carer's Allowance or disability benefit such as Disability Living Allowance are exempt, as are households with a Working Tax Credit Award.

Croydon Council in London have been able to assist claimants by using their own data to identify claimants who could be eligible for an exemption and assisting them through benefits advice and advocacy to apply for an additional benefit or through employment support to, when appropriate, find work or increase their number of hours so they qualify for Working Tax Credit<sup>6</sup>.

As an interim measure whilst the Cap is scrapped or fully mitigated, Scottish Government should issue national guidance to Local Authorities on how to identify people subject to the Cap who may be eligible for an exemption.

## Discretionary Housing Payments

Local Authorities may mitigate the Benefit Cap through Discretionary Housing Payments (DHPs), a type of discretionary payment payable to Housing Benefit or Universal Credit Housing Element recipients who require further assistance with housing costs.

DHPs are used to help people needing extra help with rent stemming from a variety of reasons, including the Bedroom Tax. Applicants asking for support for reasons other than the Bedroom Tax, including the Benefit Cap, are assisted out of a non-Bedroom Tax fund of £10.9m.

For 2016/17, Local Authorities collectively spent **£1.6m** more than the DHP funds allocated, supplementing out of their own budgets<sup>7</sup>.

There is evidence to suggest that some Local Authorities are struggling to meet the demand for DHPs applied for to counter rent arrears caused by the Benefit Cap. The Child Poverty Action Group report that an applicant for a DHP was rejected on the grounds that there were insufficient funds for applicants affected by the Benefit Cap:

*"Due to funding constraints within our discretionary housing payment budget and the increased number of cases, we are not in a position to award discretionary housing payments for cases affected by the benefit cap."*<sup>8</sup>

This evidence points to the need to increase funding for DHPs.

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<sup>6</sup> <http://policyinpractice.co.uk/preparing-lower-benefit-cap-lesson-croydon/>

<sup>7</sup> <http://www.gov.scot/Resource/0051/00518568.xlsx>

<sup>8</sup> <http://www.cpag.org.uk/content/early-warnings-about-lower-benefit-cap>

For 2017/18, the Scottish Government estimates that the Benefit Cap extension will mean a reduction of benefit paid by around £9m<sup>9</sup>. This is in addition to the reduction of around £2m<sup>10</sup> as result of the initial Cap. Whilst funds for assisting people hit by the Benefit Cap are not ringfenced, the Scottish Government has notionally allocated around £8m of the DHP budget for Benefit Cap mitigation<sup>11</sup>.

Given the small gap between the amount lost in benefit and the amount currently provided for mitigation, the Scottish Government should consider providing the limited extra funding needed<sup>12</sup> to allow for full mitigation, as it has done for the Bedroom Tax.

It is not yet possible to investigate whether there is a correlation between the revised Benefit Cap and homelessness as the data is not yet available , but it is likely that the new Cap will lead to some increases in homelessness, especially when the families impacted are living in a privately-rented home. Given the high cost of responding to homelessness, additional investment in DHPs would prevent the much higher costs incurred when households are evicted due to rent arrears and assistance becomes the legal responsibility of the Local Authority, and so would be the more cost-effective response.

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<sup>9</sup> <http://www.gov.scot/Resource/0052/00521895.pdf> (p.30, Table 5)

<sup>10</sup> <http://www.gov.scot/Resource/0052/00521895.pdf> (p.24, Table 3, October 2016 entry for 'All other smaller non-uprating measures', which includes the Benefit Cap).

<sup>11</sup> Scottish Government figures made available through SPICe

<sup>12</sup> The figures here do not take into account any behavioural impacts that the Benefit Cap achieves, which full mitigation may negate to a greater or lesser extent, therefore increasing the cost of full mitigation.



# Conclusions

The extended Benefit Cap is a poorly-conceived policy that, as this analysis of the UK Government's own statistics shows, has swiftly had a large, negative impact on thousands of households in Scotland, with a more than 400% increase compared to the previous £26,000 Cap.

Many of these households will be losing thousands a year, and, most worryingly, almost all of these households have children. The Cap targets poor families with children and makes them even poorer.

This is likely to have a serious immediate term impact in terms of homelessness, but the effect of plunging 11,000 children into poverty, or further into poverty, will be felt for many years into the future, as these children grow-up in poverty, with all the risks of poor health; social exclusion and other impacts of poverty.

The UK Government should scrap the Benefit Cap now. The Cap is projected to save around £110m across the UK<sup>13</sup>, and the net saving it realises is likely to be significantly reduced by the additional costs arising from increased homelessness and other knock-on effects.

In the absence of any such decision from the UK Government, the Scottish Government should increase funding to Discretionary Housing Payments so that the Benefit Cap can fully mitigated for all those who apply for DHPs, an approach it is already taking towards the Bedroom Tax. The Scottish Government's own figures show that it has notionally earmarked £8m for Benefit Cap mitigation in 2017/18, and that this is only a little less than the projected £11m benefits reduction.

With Child Poverty reduction targets likely to be set in law by next year, the trapping of 11,000 children in poverty will be a major challenge to meeting those targets, and a strategy to help the children impacted by the Benefit Cap will be vital in ensuring those targets are met.

Most fundamentally, such a move would restore a key principle of our social security system: that it should identify and meet need. Aside from the terrible impact on families, the Benefit Cap is also a threat to the integrity of our social security system as it identifies and accepts a need exists, but then does not meet it, by arbitrarily reducing the amount that is paid.

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<sup>13</sup> [researchbriefings.files.parliament.uk/documents/SN06294/SN06294.pdf](https://researchbriefings.files.parliament.uk/documents/SN06294/SN06294.pdf), p.46