HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Benefit Cap, HC 1477

Wednesday 10 October 2018

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Rosie Duffield; Ruth George; Steve McCabe; Nigel Mills; Chris Stephens

Questions 1–68

Witnesses

I: Giovanni Tonutti, Senior Policy and Operations Analyst, Policy in Practice, Carl Emmerson, Deputy Director, Institute for Fiscal Studies, Sam Lister, Policy and Practice Officer, Chartered Institute of Housing and Jenny Pennington, Senior Research Officer, Shelter.

Written evidence from witnesses:

Chartered Institute of Housing

Policy in Practice

Shelter

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Examination of witnesses

Witnesses: Giovanni Tonutti, Carl Emmerson, Sam Lister, and Jenny Pennington.

Q1 **Chair:** We are very excited about other matters, but we are now going to be excited about today's proceedings. Thank you very much for coming and giving us evidence this morning. You know the rules because you have all been here before. Could you identify yourself for the sake of the record and when that is done, we will ask Rosie Duffield to begin?

Carl Emmerson: My name is Carl Emmerson. I am Deputy Director at the Institute of Fiscal Studies. I am also a member of the Social Security Advisory Committee.

Chair: We could quiz you.

Sam Lister: I am Sam Lister, Policy and Professional Practice Officer at the Chartered Institute of Housing.

Jenny Pennington: I am Jenny Pennington, Senior Researcher at Shelter.

Giovanni Tonutti: I am Giovanni Tonutti, Senior Policy Analyst at Policy in Practice.

Q2 **Rosie Duffield:** We are focusing today on the benefit cap, for the benefit of those who are watching. The cap was intended to incentivise claimants to move into work and obviously off benefits. To what extent, in each of your opinions, is it achieving that?

Carl Emmerson: In terms of just the incentive, the financial incentive you have to move into work will be much greater because normally you give more support to people who are out of work than who are in it. In some cases after the benefit cap is in place families might find their benefit income goes up if they move into work. So the financial incentive is made much stronger. That is pretty clear.

The next question is how many people respond to that incentive. How many people end up in work as a result of that stronger incentive that they face? A couple of years ago DWP did an evaluation of the initial benefit cap. At the IFS we helped them, we peer reviewed that evaluation, so we felt that what they were doing was pretty good.

Broadly speaking, what we found is that if you put the cap on 100 people after a year you would find about 10 of them would move into work and would have done anyway, even without the cap. Because of the cap that number would go up to about 15; so you are talking about a 5 percentage point increase in the proportion in work as a direct result of the cap. There has been a little bit of confusion because some people have described that as a 50% increase, which it is. But that is perhaps not the most helpful way to describe it.

The other thing that is clear is that the vast majority of people who are being affected by the cap are not, at least after 12 months, moving into paid work. Even if you just look at the people who are losing more than £200 a week—so the people who are losing a very large sum—after 12 months about 30% are in paid work. Some of them would have been in paid work anyway. Some of it will be because of the cap. But you have about 70% not working at that point.

Rosie Duffield: If we can just move down the panel—

Chair: Also, we do have sections on housing, we have sections on local government, so do not feel you have to speak on every one, but Sam first.

Sam Lister: What we do not know about those people who are affected, if they do move into work, is how that affects the sustainability of their employment later on. A big chunk of those people—three out of every five people who are capped are in the non-job search conditionality group—are lone parents with a child under five, or they are people in the ESA group. What we do not know is whether that does any damage to their long-term employment prospects. For example, lone parents: of the strategies that lone parents employ, one is to use family for informal childcare arrangements. Childcare is one of the biggest barriers to people going into work. If people move as a result of the cap, they might then lose some of those informal support networks that they have. We just do not know what the effect of that is. It is all very difficult to unravel.

Jenny Pennington: As colleagues have said, something that is instructive to think about in this is how disproportionately the cap does affect these groups who have no conditionality within the rest of the welfare system. If, for example, you take single parents with one child under five, that is a very specific set of households; across all households, it is just 3% of households. Within households affected by the benefit cap, that is 56% of households affected by the benefit cap. You have these very specific groups with very specific barriers to work, who make up a huge proportion, over half, of households affected by the benefit cap. As colleagues have said, there are some well-documented barriers to moving into work for those households.

Another example is of people on ESA. We recently helped a council tenant in Dorset who had mental health problems and was unable to work. She was affected by the benefit cap. She did come under the benefit cap terms. Because she was already a council tenant she was already in the most affordable accommodation in her area, if not across the country. Also because of her health problems, she was recognised as not being able to work. When she came to us, because of her lack of choices of ways to adjust her situation, she had run into arrears, she had been threatened with eviction. To make her rent payments she had stopped eating, her weight was down to six stone by the time that she came to seek help with Shelter.

Chair: I want to stop you there, Jenny, because we have other questions, and we will come on to those.

Jenny Pennington: But in terms of the work thing, we would say that there is a very large group of people who have very few choices.

Giovanni Tonutti: We at Policy in Practice have conducted a study very similar to what Carl has described. We pulled housing benefit data across London and tracked the impact of the benefit cap on employment outcomes for affected households after six months since the full rollout of the cap. We compared the employment outcome for this group against a control group and found that households affected by the benefit cap were 21% more likely to move into work.

The evidence suggested that there is a positive impact on employment outcomes. However, when you look at these numbers compared to the overall sample or cohort of households affected by the benefit cap, they are very small. It is around what Carl said. If you take 100 households then it is probably just around four who you can say have moved into work just because of the effect of the benefit cap.

Rosie Duffield: The sense of the whole—it is quite shocking.

Giovanni Tonutti: The number of households that have moved into work after being affected by the cap is larger than that. It is between 15% and 20% but that might be because they might have moved into work anyway without the cap being in place. The only way you can establish whether the cap has had any effect is to compare employment outcome of those affected by the cap with very similar households with very similar characteristics that were not affected by the cap and compare the movement in and out of work across the two groups; so a control group and a treatment group.

Q3 **Rosie Duffield:** A couple of you have touched on this but what would you say are the main barriers to moving into work, bearing in mind the cap?

Chair: The one we know is childcare.

Rosie Duffield: Yes, that is the most obvious.

Chair: Are there any others?

Giovanni Tonutti: We looked at the demographic composition of the group who did not manage to move into work and we find that there is a disproportionate representation of single people, and especially single people on ESA. That seems to be the greatest barrier. Even greater than childcare perhaps. That is what the evidence suggests.

Q4 **Chair:** We are going to come on to that in a moment, is that all right? Any other barriers that in any way reach the same significance as lack of childcare?

Jenny Pennington: Something based into the benefit cap is that you will not move off it until you have reached those 16 hours of work. Some of the people that we have worked with are working but not able to meet that magic 16-hour target. Some of their barriers will be about childcare, it will be about access to work that goes over the 16 hours.

Q5 **Heidi Allen:** Picking up on what Sam and, Jenny, you started to allude to it just now, conceptually I can quite easily see if you can get into more work, you are exempt from this, but what I am struggling to get my head round is why claimants who are on ESA, for example, are subjected to this same set of criteria. Do you want to start off, Jenny, because you were starting to tell us a bit of a story of one of those? How does the system work for people who have limitations or restrictions in terms of health reasons to getting into work?

Jenny Pennington: We do work with clients who—

Chair: Jenny, do you think you could sit nearer? I want to make sure what you say is recorded.

Jenny Pennington: We do work with clients who are in this situation and, as I described, we worked with clients in a very difficult situation as they were already in the most affordable accommodation they could be in and they were recognised as not being in a position to be in work at that time.

Q6 **Heidi Allen:** What kind of benefits were they on at the time?

Jenny Pennington: They were on ESA.

What this illustrates more widely is the issue of people within this situation, whether it is people on ESA or whether it is people with no conditionality in the rest of the welfare system or people with young children; these are not necessarily people who will not ever be able to work. These are people who have been recognised by medical professionals, by the benefit system, by an understanding of how people move through as needing support at different points in their life. The welfare system at the moment recognises that and recognises that there are points in some people’s lives when they will not be able to move into work straightaway. The benefit cap has no such understanding based into it, and that is one of its real flaws, both in terms of no understanding of how housing or other household costs differ across the country, and differ across different households.

Q7 **Heidi Allen:** That is kind of generic; those issues are generic to anybody who is affected by the cap. I was specifically interested in people who have health conditions that might be stopping them getting into work. The cost of housing applies to anybody; that is a generic issue, is it not?

Jenny Pennington: But for the ESA group, as well as people on income support, it is very much that at that moment in time you are not able to move into work.

As Sam was mentioning, which he may want to say more about, there could well be a damaging impact. People could be moved away from work.

Heidi Allen: That is what I want to talk about. Sam, do you want to speak to that? I see Giovanni nodding his head furiously so I will come to you in a second.

Sam Lister: There is some work conditionality for both lone parents and people in the ESA group. It is just it is not full job search conditionality. People in both of those groups are expected to take actions to move towards employment. What this doing is, in effect, is sanctioning people who do not have job search conditionality when they would not otherwise be sanctioned.

Q8 **Heidi Allen:** In a different way?

Sam Lister: Yes, in a different way. The benefit system, the conditionality system, recognises that those people can do things that might progress them towards employment. I am not an expert on this but it might be such things as they have to attend an interview every now and again just to check, what their needs are, whether there is any specific help that they can get that might help with a disability in terms of moving into employment. What the benefit cap does is effectively push people further down and forces them to make those decisions before or else—without it, it would have been recognised that they would not be ready to do that yet. Sometimes people need the time and the space to get themselves ready to prepare for work.

Q9 **Heidi Allen:** Do you have any examples of the tangible effect this cap has had on clients and their ability to find work? I am curious. We can talk anecdotally about, yes, it makes it more difficult because you are further away but—

Chair: You are saying the figures, are you not, Sam, which is slightly different from what is now being asked? Do the figures show that in the longer term, you can identify a group for whom getting work earlier damages their longer-term prospects?

Sam Lister: Yes, that might be the case. What I am saying is we do not know what that does.

Q10 **Chair:** Yes, but Heidi wants to know: can you put a face on that? Can you describe somebody or is that not your field?

Sam Lister: We did do a study of 18 people. We relied on people volunteering themselves. I think most, if not all of those, were lone parents. I can go back and check and see if there were any in the ESA group to see whether there was anything specific about that.

Q11 **Chair:** Giovanni, can you answer?

Giovanni Tonutti: I do not have any anecdotal—

Q12 **Heidi Allen:** I am just trying to have some real evidence. Of course it makes sense that it seems like it is a daft policy to treat people in this way. I think it was you, Jenny, who said that the rest of the system acknowledges that they have health issues but this part of the benefit system does not. I want some evidence statistically or otherwise to prove that.

Carl Emmerson: Part of the argument the Government have made is not about getting people into work. It is about a sense of fairness; about how much money it is reasonable for a taxpayer to give to a household. That is a very different kind of argument. The problem I have with that argument is that the Government are setting the benefit system so if it does not like the outcome of the whole of the benefit system and thinks it is too generous to a particular household, it is probably better to address what it is about the benefit system that is making it too generous.

The Government have started from scratch with working-age benefits with Universal Credit. It has decided to do things like cap LHA across the country. It has decided to have a two-child limit on means-tested benefits for most families. It is doing things that are making the benefit system less generous. It seems strange then to overlay that—despite the fact that we have set the benefit system, we have decided how it should treat people in different circumstances, but we want to put this overall cap in. That is what perhaps is a bit odd about it.

Q13 **Chair:** The emphasis here has been getting people into work because otherwise it is a question of saying, "We will cut all benefits" if that is the sort of rate people should have. I know constituents who have responded to beat the cap, they move into work, and they are very substantially better off for doing so. I always thought the cap was about persuading people to go into work and was not about equity between different groups of claimants and between those different groups of claimants and the working population as a whole because we would not then be lifting the cap when people moved out of benefit into work, would we?

Carl Emmerson: You can make an argument about getting people into work. You do get a few more in work as a result of the cap. That is pretty clear. But I have also heard the Government make the argument about a sense of fairness about what households who are not working should be able to get from the welfare system.

Different people might agree or disagree about whether that is a reasonable principle to have, but the thing I find odd is it is the benefit system that the Government have designed, which is delivering those benefits to those households. If there is something about ESA or housing benefit or Universal Credit, or whatever, that is leading to households getting more than what the Government think they should, it might be better to tackle those issues directly. Indeed, the Government are in many ways making the benefit system less generous in the various ways that I have mentioned.

Sam Lister: In the ESA group—I have just had a look at the study that we did—there were a couple of people who we interviewed who were in both groups. A lot of people in the ESA group have some sort of mental health problem. The increased stress of the cap can push them further back. If stress is part of the root cause of what is keeping them out of work, then a substantial cut under the cap can push them further back.

I have a quote here: "It is probably the most stressful time of my life, I think. The thought of losing my home. You have people saying they will not kick you out on the streets and I am saying, 'Yes, they will'." For that group, those are the sorts of pressures that people face, if a very substantial amount of money is involved.

Q14 **Ruth George:** When the Government brought out the policy they were saying it is part of promoting a fair and healthy society and ultimately reducing poverty, although that might be in the longer term than in the shorter term. To what extent do you agree? What has the overall impact been on poverty reduction, maybe starting with Giovanni?

Giovanni Tonutti: Our evidence highlights how, of everyone that was affected by the benefit cap, just over half did not manage to escape the cap; so got stuck on the cap, if you want to say it that way. We looked at the impact that the cap has had on the living standards and estimated that around 60% of this group faces a shortfall between their monthly income and their estimated costs. This is proportionately three times higher than the overall working age core than housing benefit. There is evidence that the living standards of this group worsen significantly.

We then looked at a sample of council tenants across 11 local authorities across England and compared the levels of arrears between tenants affected by the cap versus all other tenants on housing benefit. Tenants that have had the benefit cap are two-thirds more likely to fall into arrears than the other tenants.

The evidence suggests that the living standards and the capacity and the ability for people that have had the benefit cap to meet the monthly outgoings, and their financial obligation is decreasing and is undermined significantly.

Ruth George: Thank you. So, yes, indebtedness. Yes, Jenny.

Jenny Pennington: I mentioned one of our clients who was in a very desperate situation, unable to move into work at that time and unable to reduce her housing costs as she was already a council tenant. We do see these stories quite regularly and, as a result, we did our own analysis, basically looking at the impact of the cap on household incomes and what that would translate to in terms of their ability to afford basic items.

What we found was that the benefit cap is now so low that in some areas of the country families would not even be able to cover the cost of private rents in their area, bearing in mind how high housing costs are, not just in heated-up cities like London but across the country now as a result of successive failure in housing policy of multiple Governments.

We also looked at what very low-income households spend on a variety of very basic essentials— things like food, personal cleaning products, utility bills—and came up with a very basic basket of goods that a family could not live without. Then we looked at which areas the country a family would be able to take that £20,000 or £23,000, cover their rent and then cover this basket of goods. If you look at a typical family hit with a benefit cap, so a one-parent family with four children, they would be unable to cover that basket of goods in 43% of the country. That shows how even though £23,000 or £20,000 can sound like quite a substantial amount of money, when you look at the unaffordability of housing in so many areas it just fills it up so quickly and means that families are not able to meet those essential needs. That is why we do see these very desperate situations where people are very much under pressure, facing eviction, facing extreme stress and cutting back on food.

Q15 **Chair:** Jenny, for many of my constituents those sums appear a huge amount of money, which is the political basis of the cap.

Carl, you said the Government, as it designs benefits, can set its definition of poverty and for a long period of time researchers have income support levels, whether in poverty or in not, though I do know research may be based on the percentage of average earnings now. Have you done any work that looks at the standard of living people would expect to get from a benefit before Universal Credit and the level of the expected standard of living based on the moneys they are getting once they are on Universal Credit?

Carl Emmerson: So not related to the benefit cap?

Chair: No, just generally.

Carl Emmerson: With Universal Credit, it is now expected on average to be a takeaway—it is going to strengthen the public finances by about £3 billion a year—so on average it is making working age households worse off. That disguises a lot of big changes. The picture is one where you see some groups gaining lots and some groups losing lots. That average disguises quite a lot of variation.

Q16 **Chair:** Do you think you might give the Committee a note on which groups are the gainers and which are the losers because it is on that basis that the benefit cap is being imposed? We then need to look about whether you were already being knocked sideways—

Heidi Allen: Just for the record, the Resolution Foundation have done that analysis already as well. It is very clear which groups went in which direction.

Giovanni Tonutti: We have done some analysis recently and it suggests that lone parents is one of the groups worse affected under Universal Credit, especially lone parents in work—

Heidi Allen: And second earners as well.

Giovanni Tonutti: Because of the loss of working tax credits, and the reduction in work allowance that was introduced following the 2015 Budget.

Heidi Allen: Single parents lose £28 a week, I think, is the figure.

Chair: Yes, all those losing SDA—

Q17 **Ruth George:** Relating to Universal Credit, as we are on it, then obviously under the benefit cap you have to be earning the equivalent of 16 hours a week on the minimum wage to escape the benefit cap. The Government are saying that for every hour of work you work you will be better off, but for those people who move into mini jobs, particularly lone parents and ESA claimants who are most affected, does that mean that is effectively a poverty trap for them, that they will not be better off by moving into mini jobs because of the benefit cap?

Carl Emmerson: I do not think that is quite right. What happens is if they manage to get to the 16 hours then they would be much better off. That is more the point. So going from 10 hours to 12 hours, I do not think is an issue here. They may well be moderately better off.

Ruth George: That is what the Government are saying under Universal Credit—

Carl Emmerson: What you want to do is get yourself to 16.

Ruth George: That they are trying to take away the 16-hour cliff edge but the benefit cap presumably imposes the 16-hour cliff edge into Universal Credit.

Carl Emmerson: Kind of. On that, it uses the national living wage. If you are working at the national living wage and then you lose your job you get a grace period. One thing that has struck me as potentially, one could argue, a bit harsh about that, is what about people under 25, for whom the minimum wage is below the national living wage. I am not talking big numbers here but you could have an individual doing an apprenticeship on 30 hours a week who lost their job, who would not be exempt from the benefit cap because 30 hours a week on the minimum wage that they can get is not enough to clear 16 hours of national living wage. It is slightly odd that the exemptions, for example, for the benefit cap do not vary in the same way that the national minimum wage varies.

Q18 **Ruth George:** But then they would not be able to get working tax credit anyway unless they were a parent.

Carl Emmerson: There may well be very few but that does not—even if there is a small number of people you could still consider that not appropriate.

Q19 **Ruth George:** Can I ask one other thing? You have talked about the impact of people moving into not just poverty but severe poverty because of the benefit cap. What sort of impact does that severe poverty have on children growing up in those households and their life chances? Would it outweigh the positives that the Governments are saying of an extra 4% or 5% of households moving into work and the impact on those children's life chances? What is the balance?

Chair: Who wants to be Solomon to tell us the answer to that?

Sam Lister: That is difficult to measure but when we did our study about the strategies that people employ—we interviewed mainly the lone parents, and you get this from all studies, not just those on the benefit cap, the benefit cap is often just more extreme—they employ strategies such as buying less food, turning off the heating.

I remember coming to one of the Committee sessions about the social sector size criteria and one landlord had found that there was an increased amount of condensation, dampness and mould growth in the properties where people were affected by it—what people were doing is turning off their heating—and that is how they helped to identify some of those cases.

In our study, we found that the children of several of the lone parents interviewed were missing out on out-of-school activities and obviously that can put them behind relative to their cohort.

Chair: If you have less money these are the consequences, are they not?

Q20 **Nigel Mills:** The other question on the aim of this is whether this is saving any money from the welfare budget. Have any of you looked at whether this cap is saving any money?

Carl Emmerson: In May 2018, 60,000 people were capped, and we know that on average they were losing about £60 a week. If you multiply that figure, it suggests the direct effect, in terms of lower benefit income, is about £200 million a year. In terms of the saving to the public finances, that will be an under-estimate to the extent to which some people have moved into work as a result of this, potentially paying a bit of tax. It will be an over-estimate to the extent to which the benefit cap has imposed other costs on the public sector, for example, on local authorities. £200 million a year is not a bad starting point and it is pretty small in the context of, for example, the package of welfare cuts we have been doing since 2010.

Q21 **Chair:** Can we just remind people the library did a note on this, did they not, and said the cuts on the families were £37 billion?

Carl Emmerson: That sounds about right. The calculation I had in mind is that by 2020 the reforms implemented since 2010 will reduce benefit spending by about £40 billion, with about £25 billion coming from the 2010 to 2015 Parliament, about £15 billion coming from measures announced since 2015.

Chair: The single biggest one is the pause and not uprating.

Carl Emmerson: Yes, the move from RPI to CPI indexation over the first five-year period is pretty big.

Sam Lister: I know this is about the benefit cap, but it is worth noting how the work incentives fit from the other side. Those allowances are also used for in-work benefits so every single cut to out-of-work benefits is also a cut to in-work benefits. We know that in-work poverty is increasing so it is almost lowering the standard for people both in work out of work.

Q22 **Chair:** Nigel's question was a different one. How big is this, the totality of cuts on people sadly being on benefit? Carl's reply was that it was minuscule. We are trying to make a case to critically look at this. Does anybody disagree with the answer that Nigel got from Carl?

Giovanni Tonutti: No, I do not think so. I would just mention, from my experience of working with local authorities, some of the costs to local authorities of uncollected rent from their tenants or council tax support; tenants who have had their benefits capped are two-thirds more likely to fall into arrears. These costs fall into the wider welfare system. Then there is also the cost of discretionary housing payments. Our data shows that close to one in three houses affected by the benefit cap receives a discretionary housing payment with an average award of £900 - £1,000 a year.

As the Chair said, already the savings of £200 million compared to the overall savings of welfare are minuscule. If you add in the costs that local authorities and the welfare system incur as a result of the cap, probably you can offset savings.

Q23 **Chair:** What was more intriguing, to me anyway, was that if you have a cap and people go into arrears, housing associations have these business plans, they have borrowed on stock, and they therefore will need to spread that loss to more tenants to make it up. It ricochets there, does it not? I had not thought of that before.

Sam Lister: Again, we do not know what the long-term effects of all of these are but for almost every Government Department, there would be some sort of knock-on consequences. For Work and Pensions itself, there is spending on DHPs. One of the strategies that people employ obviously is to try to get themselves on to an exempting benefit. There might be more claims for PIP. As a result, health and social care, the short-term impacts on health, education—

Q24 **Chair:** We are behind with our questions but the point I got from Giovanni's answer was that here is a specific policy designed to get them into work—Carl and I might disagree on whether it will get them into work or not—but that has an effect on other claimants who will have to make up these deficits in the longer run with rent increases and so on to keep their housing association viable. In a sense, it is not as targeted as I thought it was before we began this session. It has ripples on the just as well as the unjust, as the Government sees it.

Giovanni Tonutti: We do not have any evidence on how social tenants have adjusted to this but you can expect them having to find that money somewhere else.

Chair: Indeed, and others who find it by increasing rents over time to make good the deficit—the housing associations.

Ruth George: Jenny wants to mention something just because it might lead into the next—

Chair: I literally do not want people to think they have to talk on every topic. You have had the questions, you know where your questions are coming up. We are trying to be disciplined our side, if you could.

Ruth George: I am not worried about it though.

Chair: No, but we are trying.

Q25 **Ruth George:** Looking at the role of local authorities and obviously discretionary housing payments are getting used a lot in mitigating the impact of the benefit cap, are there areas where you think that is not happening either geographically or for particular groups that are affected by the benefit cap? Where do you think the problem areas lie?

Sam Lister: We are just about to embark on a study on this. There are areas where we know that local authorities are not spending their full allocation. We have not yet done any mapping. It is very difficult to unravel because you cannot tell from DHP spend which particular element the local authority is spending it on. They might be spending it on social sector size criteria, they might be spending it for other reasons. What we do know about the people who are capped and do get a DHP is that it tends to be very short term. Often it has conditions attached. Most local authorities that do awards give a maximum of 26 weeks. Half that period is more typical.

Jenny Pennington: Absolutely. Coming back on that point of who is particularly badly affected, through a Freedom of Information request we looked at the capped households that do receive a DHP and the length of time that they are getting them. We found that the majority of DHP awards to capped claimants were for 12 weeks or less, and 92% were for 26 weeks or less. That shows that DHPs are particularly unsustainable and inadequate for those households that we were highlighting earlier, where they have a slightly longer-term need for housing support, for instance if they have young children or they are out of work on ESA.

Chair: In my constituency I would judge that most people are not helped by the discretionary fund and the discretionary fund is quite limited in time.

Jenny Pennington: Yes, that is absolutely right. It does not really work for any households.

We also know that the refusal rate is quite high, so looking across the board at all DHP applications, we found that 30% of applications were turned down. Whereas it is probably particularly inadequate for groups that cannot just have three months to prepare themselves to get into work, it does show it is inadequate for all housing needs.

Q26 **Ruth George:** If there is a time-limited award, can people apply after that award to get a further one?

Jenny Pennington: We looked at a sample of councils' DHP policies because it obviously it is applied across the country. I do have the figures with me. We looked at a sample of 40 councils of which 28 set a maximum time limit for awards; for one in six of those it was 13 weeks. That shows that obviously there is variation across the country but for a significant chunk, the majority, they did say there was a maximum time limit they were going to apply and that was not going to be re-awarded.

Giovanni Tonutti: With regards to DHP, as I mentioned before, we found that less than one in three households affected by the cap have received one from a sample across 11 local authorities. But that does not mean the local authorities are not making other responses to it. We work on the front-line with many local authorities and we help them prepare for the benefit cap and also manage to mitigate the risk of the benefit cap afterwards. There are a huge number of success stories, which I am not going to go through.

I also want to make the comment, a lot of the positive—

Q27 **Chair:** I am sorry, Giovanni. What do you mean by "success"?

Giovanni Tonutti: Success stories in supporting households either to move off the cap or to mitigate the effect the cap has. For example, in Croydon, a benefit-cap taskforce was created just before November 2016, before the lower cap was introduced. We supported them with analysis on housing benefit and council tax support data. They were able to segment the cohort of households potentially affected in six groups and target support accordingly. Within a month from the rollout of the cap, 70 households moved off the cap of which 31 moved into work. That was within four weeks from the rollout of the cap.

In Greenwich there was a very creative initiative. The Greenwich local labour business initiative offered short-term job contracts within the council to some of the households affected by the tax. Not only were the households able to escape the cap but claimants were also helped to re-insert themselves into the labour market, with all the benefits of that.

Q28 **Ruth George:** Have you generally worked in urban areas with unitary authorities, or metropolitan authorities, and have you any experience of doing this at a shire level in rural areas?

Giovanni Tonutti: Our experience is mostly in urban areas. One point I would like to make is that for local authorities, all the success stories were dependent on the ability of local authorities to access information on their most vulnerable residents, mostly through housing benefit and council tax support data. With Universal Credit as it stands now, that is no longer possible because the data is collected by the DWP and there is no arrangement at the moment to share the data between DWP and local authorities. This is an issue of great concern for local authorities because they still have a set of statutory duties to support their tenants and residents, but there is a risk they will not be able to fulfil these duties as Universal Credit rolls out.

Q29 **Chair:** When the Committee visited Croydon, they were much impressed by the local authority and how they had singled out the most vulnerable and offered to talk to them and try to mitigate hardship. You are saying that now they would not have the data to do that?

Giovanni Tonutti: No.

Chair: Pretty awful, isn't it?

Q30 **Ruth George:** In rural areas, housing costs are often higher. Is there any differential evidence on the impact of the benefit cap between urban and rural areas, whether it is much harder for councils to act to support people on the benefit cap, where they have split level councils?

Chair: Do any of you have any information on that? Might we ask you to think about it?

Giovanni Tonutti: Yes, happy to take this back.

Q31 **Heidi Allen:** I was just reflecting on our visit to Croydon, how impressed we were. Slight sales pitch for Policy in Practice because I know it is your bit of software that helps. All councils should buy it.

I seem to remember that two or three years ago people said that the DHP never used to be entirely spent by councils and quite often it was left over. Yet in our prep for the session today, the evidence is that about 99% of it is being spent now. Is that true? Is it changing and do you think it is because of the benefit cap, is that what is soaking it up? A bit anecdotal, but any views on that.

Sam Lister: I think it is better. We are just about—

Q32 **Heidi Allen:** When you say "better" you mean more of it spent.

Sam Lister: Yes, over time. I think the vast majority now are spending 90% of the budget that they are given so they are not sending much back. There are still some areas that we are aware of—this is part of a study that we are about to embark on—where they are spending way under that, only 30%, 40%, 50%—

Q33 **Heidi Allen:** Is there any commonality that any of you know? The highest spending areas, are they the ones that are more expensive and are substituting for the cap or—

Sam Lister: We do not yet know. We have not yet established this, we are speculating, but it seems that there might be clusters of local authorities which are comparing their practices. We know there are some local authorities that have shared services and benefits, so all of Kent for example—

Heidi Allen: I wonder if somebody else does.

Sam Lister: Kent, Worcestershire. That might be what is driving some of those things but we have not been able to dig down yet.

Q34 **Heidi Allen:** You are looking to do some work in that. Do any of the other three of you have any evidence of a relationship between that spend and this topic?

Giovanni Tonutti: It is only anecdotal evidence that suggests that the political majority of some of the councils might determine also whether a council spends all the DHPs or even tops up the DHP. The DWP has allowed councils to top up the DHP funds. In London some councils do top it up, so increase the level of DHPs—

Q35 **Heidi Allen:** What with, council tax revenue or what whatever?

Giovanni Tonutti: With their own funds, yes.

Q36 **Chair:** Carl, given how big some cuts to individuals could be, can you envisage any council that would not need to spend 100% of what is a modest grant to mitigate the effects in this area?

Carl Emmerson: The only thing I can think of is if the data we have are a bit out of date and it was prior to the cap being lowered. There might be some areas where there were very few people being affected by the cap. We know it was very much a London thing under its initial design and now it is much more nationwide. I think under the new design, it is pretty hard to imagine that a council would not find somebody who had lost quite a lot under the benefit cap and therefore could be given that support for a period.

Chair: My impression was that in Wirral that they ran out of money so they proportion it to three months so that it does not all go in the first couple of months. I am just shocked that people are not spending it all, that some of it is being returned. Maybe we will publish a list of those guys who are not spending it.

Q37 **Steve McCabe:** I want to stay with this for a second because I notice that Sam said they are creeping up to 90%. I do not know where that evidence is coming from. Aren’t the official figures for last year from the Department that two-thirds of local authorities spent less than half of their discretionary housing payment? I have to say if I was somebody watching this, if I was a Government Minister, I would struggle to understand why it is that this substitute that is meant to deal with all these problems that are being thrown up is still underspent. I would expect it to be spent to the absolute maximum and local authorities to be screaming for some additional funds.

I do not know if you can help me with this but there seems to be a real difference here in the presentation. One picture says this thing is hardly adequate and it is not compensating at all and the other picture says, most local authorities are underspending substantially on this. If I was a Minister trying to make sense of that or if this Committee were trying to advise the Minister and try to make sense of that how would we explain that?

Giovanni Tonutti: One of the issues that can perhaps explain the underspend problem is the fact that discretionary housing payment cannot be awarded automatically. There has to be an application submitted to it and perhaps certain councils struggle to reach out to certain claimants who would be eligible—

Q38 **Steve McCabe:** Is this the argument about people in the private rented sector?

Giovanni Tonutti: I think many council officers would agree if I say that a good chunk of the vulnerable residents are very unresponsive and very hard to reach out to and perhaps these are the people who need this type of support the most but because of underlying mental health conditions and all of the other related issues living in economic destitution bring, they refuse or they struggle to engage with the council even to the extent of claiming more support so, yes.

Jenny Pennington: I think this is absolutely an area that needs more investigation and more research and that is why it is important that CIH and DWP themselves are taking it forward and looking at how it is being used.

It could be explained by the fact that the benefit cap now falls a lot more equally across the country but obviously you do still see more claimants in some areas. Obviously the pot has to cover a variety of households affected by a variety of different changes and cuts as well as the benefit cap but I think also—

Q39 **Chair:** It does not answer Steve’s question, does it? There might be all these other things going on but we have constituents that we write for—I cannot be the exception on this—where they do not get it and they do not get it because councils have thought of six criteria where they give this support as a way of rationing it and the claimants do not fall within them, because councils just do not have enough money to meet people’s needs.

Jenny Pennington: I think the rationing point is probably something that a lot of local authorities face and that does need to be dug into.

Q40 **Chair:** Does Shelter have any cases where you have felt people ought to have been getting support and they are not getting it?

Jenny Pennington: Yes. We do help people get DHPs and we have some stuff—

Q41 **Chair:** I am interested in your refusals, when you are helping them?

Sam Lister: We know that some local authorities attach conditions to the DHP. This is starting to come out in the research that we are doing but it is not fully done yet. Some local authorities do attach conditions. Some of it might be about take up. Some local authorities do not publish that they have a policy. Some do not have a particular policy so they just acknowledge that the money is there but they do not have any set criteria for giving it out at all. It is a very mixed picture.

Q42 **Steve McCabe:** Is this something the research has to uncover or do we know how many different kinds of rationing policies that these different local authorities adopt? Is that information available at the moment?

Sam Lister: That is one of the things we are trying to uncover at the moment.

Jenny Pennington: One thing that we do see is claimants not contacting the council through the correct avenues and not getting a response. That is something else that we do see quite regularly, people not pursuing their claim for DHP because they have tried multiple times and have not heard anything. There is possibly some evidence of gatekeeping or just perhaps systems that are not well set up to support people. That does need further investigation.

Sam Lister: Talking about conditionality, one of the things that come to mind is that some of the policies we have reviewed so far set conditions about, "Well, we will not give a DHP if there is evidence of spending on non-priority debts", for example. Some of those policies are applied fairly rigidly. People might just be refused and if they do not have any advocacy locally then they will just accept the refusal and perhaps not follow it up.

Chair: What I think we will do as a Committee, because we are all spread across the country, is do a standard approach letter to send to our local authorities and find out what is happening

Carl, do have anything to add to this specifically, because we have some questions you will be coming in on? Steve, are you happy with that? Can we move on?

Q43 **Chris Stephens:** Maybe I will focus this question to Sam and Jenny in the first instance. Is the management of the cap different under the legacy system and Universal Credit?

Chair: Does anybody know the answer to that question?

Sam Lister: One of the differences is that under the legacy benefit system only your housing benefit can be capped so once that is reduced down to the 50 pence there is nothing else that can be taken off you, whereas under Universal Credit it is the whole of your UC block—so it can go beyond your rent element potentially and that is the difference.

Q44 **Chair:** That is very important, isn't it?

Sam Lister: Yes.

Carl Emmerson: There is a parallel there with what we were talking about earlier in that when the Government next year moves to ending legacy benefit claims and moving people on to Universal Credit there is an issue whereby the local authorities will know about those constituents that will be happening to when. And if they know they will be able to say, "Well, this person is on a benefit cap, they are getting 50 pence a week for housing benefit, and they are going to get hit for some more, so perhaps we can provide some support". If local authorities are not informed when individuals in their areas are moved across to Universal Credit, they will not know when that is going to happen so they will not be able to step in with some extra help.

Giovanni Tonutti: No, I do not have anything about that.

Q45 **Chris Stephens:** To what extent does local support depend on whether the claimant is receiving Universal Credit or legacy benefits?

Giovanni Tonutti: Croydon was one of the first local authorities to experience full service Universal Credit and while they were very successful at reaching houses affected by the cap, on legacy benefits of course it was much harder for them to reach out to those on UC affected by the same policy because of the lack of information on them. I would assume that awarding the discretionary housing payments would become more of a challenge under UC and if local authorities are not provided with information from the DWP.

Jenny Pennington: Our understanding is that there is less granular data on capped claimants under Universal Credit than there is under the legacy benefits.

Q46 **Chris Stephens:** I think some of would want to make sure that people are treated consistently whether they are on the legacy system or on Universal Credit. Are there any changes that you believe are needed to ensure that is consistent?

Giovanni Tonutti: I think the Government and the Prime Minister considered the issue of Universal Credit data sharing between DWP and local authorities, especially, as Carl said, as we are approaching the so-called managed migration phase, which is going to be an unprecedented shift in the type of supports that the most vulnerable citizens will receive. That is going to become critical and the DWP does not seem to have any systematic plan on sharing this information and I think that is quite concerning at the moment.

Q47 **Chair:** Isn't it important, Carl, because if you are on housing benefit, a number of local authorities have used that data to automatically enrol children for free school dinners and the school premium? If the local authorities do not have access to that data that automatic use of, "Thanks, parents; unless you object you are eligible for free school dinners and your children's school will get the school premium", all of that will drop away, won't it?

Carl Emmerson: Potentially. To be honest I am not sure about the extent to which local authorities do that automatically or whether individuals have to tell the school that they are—

Q48 **Chair:** You have to get local authorities to do it and quite a lot of authorities do it now but according to what Giovanni is saying, they will not necessarily know who is in effect claiming housing benefit until problems arise.

Giovanni Tonutti: Yes. They will have some information on council tax reduction claimants, which is similar to the information they have on housing benefit, not as granular and not as complete because there is a whole set of information on housing that is missing from it, which is quite critical. They will continue to have some information on the residents but they are very concerned right now about what their sector will lose.

Jenny Pennington: I think that is particularly relevant for the reduction of homelessness and their duties, including the new duties that were brought in in April, to prevent homelessness.

Q49 **Chris Stephens:** Should we not look at recommending to the Department that there should be some sort of ring-fencing of funding to do with the needs of children and adults' basic needs? One of the organisations has a written to us suggesting that as a way of dealing with some of the problems.

Giovanni Tonutti: Could you repeat that?

Chris Stephens: Certainly. I think it was the Child Poverty Action Group that has asked us to look at recommending to the Department ring-fencing amounts for children and adults' basic needs as well as disability elements to avoid situations of zero or near-zero income arising for some vulnerable families. Is that something that you believe we should be looking at? Obviously there is a concern about how the cap is being operated differently under UC than it is under legacy benefits.

Giovanni Tonutti: With regard to the cap in itself, I think what Policy in Practice believes in is a review of the exemptions criteria, which are necessary, off the back of the conversation we just had about the impact on ESA claimants and lone parents with young children and their inability to meet the conditionality and the work incentive that is imposed on the cap.

Jenny Pennington: I agree that the exemptions are a key point. There is a concern about how UC will allow the cap to come lower into people's income. That is a concern to those families.

Q50 **Nigel Mills:** Can we switch back to housing? Do you have any evidence as to how landlords and even the social or the private sectors have been responding to the cap? Have they changed their behaviour? Have they tried to lower rents or anything? Have you seen any suggestion that they are changing in response?

Jenny Pennington: We know that private landlords are already very reticent to let to any benefit claimants. Our survey of landlords found that 43% say they do not let to any benefit claimants and a further 18% say they prefer not to. If 61% of landlords prefer not to, or do not let to, benefit claimants, the proportion of the market that will be prepared to let to benefit claimants is already quite small.

We also know that Universal Credit is making landlords less willing to let to benefit claimants. Landlords told us that in the same survey. The benefit cap is making landlords very nervous about the people who are in their stock at the moment and I think it is likely to make them even more nervous from an already quite risk-averse position. We do also see affordability tests being applied by social landlords and that can affect benefit-capped households.

Carl Emmerson: I would be surprised if the benefit cap reduced rents. If you imagine having a load of landlords and tenants and people receiving housing benefit, and reducing housing benefit across the board, you might think that that could feed through into a reduction in rents but if you cut the benefits for a very small set of people in each area those landlords have alternative people they can let to who are not affected by the benefit cap. Most people receiving benefits are not near the benefit cap so I think I would be surprised if it had much effect, if any.

Jenny Pennington: I think an early DWP study of the previous cap, the higher cap, found that 1% of people who had been able to move off the benefit cap did so by being able to negotiate a lower rent. That was evaluating a different policy but it was a very small percentage of people who were able to—

Sam Lister: So 58% of the people who are capped are already social tenants so they are already in the cheapest form of housing that they could be in. I am not aware of any social landlord ever having accepted a negotiated down rent at all. It would just be those in the private sector. I think you did a study, Jenny, and that you found that only, was it, 1% or something had—

Jenny Pennington: I think that was the DWP survey.

Sam Lister: That was a DWP study.

Q51 **Chair:** You would not know who your landlord was most of the time in the private sector, would you? You would not in Birkenhead. Properties in privately rented sector are owned by people all over the world and God knows how you would negotiate with your landlord. They would have agents, whether they could hound the agents—but these are mysterious figures who just claw the rent back all the time.

Sam Lister: Quite often they are already accepting lower level rents anyway because of the LHA cap and another one on top of that is just too far but, as Carl said, if they have an alternative market to go to—and we know there is a housing crisis so there is way more demand than there is supply—then that is what will happen. They will go elsewhere.

Q52 **Heidi Allen:** A little more on this point: how realistic is it, and how often does it happen, that people move to cheaper accommodation? You talked a lot about the work side of things, moving into work to avoid the cap. How often does it happen that people can move somewhere cheaper or negotiate with the landlord? By the sounds of it, the landlord is pretty unlikely. Do any of you have any information about how often it happens that people can move?

Sam Lister: Partly I think it depends on what their family circumstances are. If they are in a three-child or more household, then there are very few areas of the country where—in fact I think none at all—

Q53 **Chair:** Do you have any evidence on the theories of it? Do you have any cases where people have responded?

Giovanni Tonutti: In our London study, we saw that around 15% of all households escaped the cap by moving property. This might be an under-estimation because there were a few households that just disappeared from our sample and might be households that moved out of London voluntarily and are therefore not captured.

Q54 **Heidi Allen:** Was that within London that the 15% moved?

Giovanni Tonutti: Yes, within London, where—

Q55 **Heidi Allen:** Moved within the same local authority area or a different area?

Giovanni Tonutti: Yes, within the same local authority area; 26% of those were households already living in temporary accommodation and were moved from one borough to another, and 4% were housed in temporary accommodation and moved outside of London by their council.

Jenny Pennington: That sounds very similar to evidence we got from the DWP on the previous cap. The study looked at capped households and a comparator cohort that was not capped, and also looked at their moving behaviour before and after the cap come in. The study found that found that people do move; that people move around. The cohorts had relatively similar moving behaviour but there was no difference between the rate at which people moved before the cap was applied and after the cap was applied. That study concluded that people were not moving because of the cap. I think that additionality point is clear.

Q56 **Heidi Allen:** In your work at Shelter, or, Sam, yours at CIH, do you have any case studies of where somebody has come to you who just cannot afford living in Town X or Street X and you have helped them find somewhere cheaper? Have you ever done that?

Jenny Pennington: I am not aware of our work doing that but we do have a lot of private-renter access schemes so it is probably quite likely that we do.

Q57 **Heidi Allen:** If you do have some evidence that you could send us in separately then perhaps

Jenny Pennington: Yes, absolutely.

I think Sam's point about looking at moving behaviour under the old cap is critical. Now the cap is so much lower, there is a question of whether this is feasible for families any more. Our analysis of the rental sector around the country is that if you are a single parent family with three or more children there is nowhere in the country now that you could move to and find something at the LHA rate and come off the cap. You would still be capped everywhere in the country now, so you would not be able to move and come off the cap. You would be able to move and probably—

Q58 **Heidi Allen:** So three children is the threshold where that becomes difficult.

Jenny Pennington: Yes. Comparing the caps is also very helpful. If you are a couple family with two children, under the previous cap you would only be capped in 6% of areas of the country. In theory, you could move to another part of London and still be close by to your support network; you could move somewhere else in the country. Now it is 60% of the country, so that is all the main areas everywhere around the south-east.

Q59 **Chair:** How recent is the 60% of the country figure? Jenny, do you know? What year does that relate to?

Jenny Pennington: That is the most recent. That is 2018. That is now 60% of the country.

Q60 **Chair:** Now?

Jenny Pennington: Yes.

Chair: Giovanni, do you have anything to add and then Carl?

Giovanni Tonutti: As part of the study we have done, we looked at whether there is any correlation between being affected by the cap and subsequently presenting to the council as homeless. We have not found any correlation, but maybe that is because the period we looked at is a bit too short. It was six months. I was discussing with Jenny before this session that probably the effects are felt as arrears accrue in a longer timeframe. However what we did find is that households already in temporary accommodation were disproportionately affected by the benefit cap because the temporary accommodation—

Q61 **Heidi Allen:** It is expensive?

Giovanni Tonutti: Because it is expensive, the LHA rates are different; sometimes it is a bit higher than normal accommodation.

Q62 **Heidi Allen:** Is it fair that the temporary accommodation is included in this anyway?

Jenny Pennington: We believe temporary accommodation should be exempt—

Q63 **Heidi Allen:** Because it is not your choice to be in it. It is not your choice of building. It is not your choice of rent. You have no control over it at all, however you are responsible for what it costs in that regard.

Jenny Pennington: Temporary accommodation has a huge impact on local authority budgets. When we were speaking earlier about the additional fiscal costs because local authorities have a duty to make sure people are housed, if they plan to place them in temporary accommodation and there is a shortfall because that family is benefit capped, the local authorities have to make sure that shortfall is paid.

We looked at this when the cap was lowered and we got responses from 287 local authorities about the number of homeless households they were supporting. Looking at the shortfalls local authorities were having to cover, the benefit cap was taking the equivalent of £20 million a year from homeless households in temporary accommodation and those costs in the main will be passed to councils and have to be covered.

Heidi Allen: As with agency teachers in schools or agency nurses in hospitals, it just absolutely annihilates your budget.

Q64 **Chair:** Do you have any link between those authorities you got a response from and those not using their full entitlement?

Jenny Pennington: I think that would be fascinating.

Q65 **Chair:** Giovanni and Carl, can I go on to my last question about the evidence of rent arrears because it links with this? Are you picking anything up on that, Giovanni, in your work and, Carl, has—

Carl Emmerson: No.

Chair: You have not, no.

Giovanni Tonutti: Yes. We have recently done some analysis of the level of arrears of council tenants in 11 local authorities across England. As I mentioned before, tenants affected by the benefit cap are two-thirds more likely to fall into arrears. The levels of arrears are similar but the proportion of households falling into arrears is much greater among those affected by the cap.

Q66 **Chair:** All right. Last question to you, Jenny. What has been the impact of this on homelessness?

Jenny Pennington: As Giovanni mentioned, some of the initial studies found arrears and people not yet moving into homelessness. Part of the reason that people in TAs are disproportionately is because TA costs can be higher. Part of that is because capped households are becoming homeless. We do see households who are building up these levels of arrears and then facing eviction and the result is going to be greater homelessness but that is certainly something that is vitally important for the Government to be monitoring—the results of people's incomes coming down.

Q67 **Chair:** Right, Jenny. So you are saying, quite reasonably, the Government should tell us the relevant information. I am just wondering, has anyone looked at similarly placed claimants—apart from the benefit-capped households? What is the likelihood of homelessness among one group compared with the other? Does anybody have a study on that for us?

Giovanni Tonutti: Yes. As I have mentioned we have done some analysis and there was not any correlation that emerged from it but it might be due to the timeframe, the six-month period from the rollout of the lower benefit cap, which constituted our study period.

Q68 **Chair:** Sure. Logic would tell you that it would increase homelessness, wouldn't it?

Sam Lister: Yes. There tends to be a slow feed though. In terms of rent arrears, before somebody is going to be at the point where they have run up enough rent arrears to be evicted, and due to the strategies that people employ in trying to delay the inevitable by borrowing off family and friends, they might get the rent covered or part of it covered for a short period. Probably even now we probably have not seen the full knock-on effects of what the total effect might be.

Chair: We will take up your challenge and consider that as a recommendation.

A huge thanks for you all coming in and helping us, and guiding us into thinking in other areas as well. You have been very helpful. Thank you very much.