



Crisis response to the Work and Pensions Select Committee inquiry into the benefit cap

April 2017

Introduction

1. Crisis, the national charity for homeless people, is pleased to respond to this consultation on the benefit cap.
2. Crisis is dedicated to ending homelessness by delivering life-changing services and campaigning for change. Our innovative education, employment, housing and well-being services address individual needs and help people to transform their lives. Our eleven Skylight Centres across the UK offer holistic support across a whole range of issues, including support to secure access to adequate and affordable housing. Our dedicated coaches work to an integrated model of delivery that also helps people prepare for, find, sustain and progress in work.

Summary

3. This submission concentrates on the impact of the cap on single person households, since they form the majority of the people we work with. Our experience of supporting people affected by the cap is relatively limited, given that single person households were largely unaffected by the original cap and we are yet to see the lower cap bed in. We do however provide some evidence that the benefit cap is causing difficulties for some of our clients in and around London, particularly those who we have supported into settled accommodation following a period of homelessness, only to find themselves again at risk of homelessness as a result of the cap.
4. Independent evidence has found that the benefit cap has had a limited impact on homelessness thus far, but its impact is likely to increase fourfold in England with the advent of the lower caps.¹ This will make it highly problematic for affected households to find affordable housing.
5. The available evidence is inconclusive as to whether the cap is encouraging the intended behaviour change. What is clear, however, is that people are not being provided with an appropriate package of support to help them address very real barriers to moving into cheaper accommodation or into work.
6. In this submission we make the following recommendations:
 - Government should introduce a new joint model of working between Jobcentre Plus and local authority homelessness services across Great Britain, to ensure that housing-related barriers to moving into work to avoid the cap are identified and addressed.
 - Government should invest in Help to Rent schemes – matching tenants with private landlords and providing financial guarantees and support for both parties – including through a national rent deposit guarantee scheme, to help people affected by the cap access more affordable housing.
 - People with experience of homelessness should be exempted from the cap, in order to reduce their barriers to accessing suitable housing, as well as public spending arising from long periods of homelessness.
 - Government should monitor the impact of the cap on homelessness, as well as its impact on the ability of English local authorities to deliver their new prevention and

¹ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. (2017) *The homelessness monitor: England 2017*. London: Crisis

relief duties contained in the Homelessness Reduction Bill. Government should reconsider the cap if it is found to contribute to homelessness.

- Any conditions attached to awards of Discretionary Housing Payments to mitigate the impact of the benefit cap must be proportionate and only make requirements of claimants that they are capable of meeting.
- DWP should identify innovative ways of communicating with claimants about the cap, including by hosting engagement events in partnership with local authorities and local voluntary organisations.

The cap is intended to incentivise behavioural change amongst claimants and secure savings for the Exchequer. To what extent is it achieving that?

7. It is not clear that the benefit cap is having the intended effect of encouraging people into work. The Government's evaluation of the cap found that just one in ten people affected in February 2014 had found enough work to become unaffected by the cap by the summer.²
8. The Homelessness Monitor 2017, Crisis' latest annual report on homelessness in England, similarly questions the role the benefit cap has played in moving people into work. This independent study finds that it is not clear how far the benefit cap, in itself, has contributed towards the move of impacted households into work, as changes in circumstances and moves in and out of often insecure and low paid employment is an established pattern for many low income households.³
9. If the new lower cap results in an anticipated increase in homelessness,⁴ this is likely to erode at least some of the savings to the Exchequer resulting from the benefit cap. Homelessness is expensive to the taxpayer, incurring costs to homelessness services – including the cost of expensive emergency accommodation – as well as costs to the NHS, the criminal justice system, drug and alcohol and mental health services. Research commissioned by Crisis, based on in-depth interviews with 86 people experiencing homelessness, has estimated that £742,141 of public money was spent on those 86 cases during a 90-day period of homelessness.⁵

To what extent has claimant behaviour responded to the cap, through moving into work, moving house etc? What effect does the lower cap have on incentives, what are the barriers to behavioural change and how can they be overcome?

10. The Government's evaluation of the benefit cap found that many capped households could not move house to reduce their housing costs because they were already living in the cheapest available accommodation in their area.⁶ Close to two-thirds of respondents who were looking to move in summer 2014 reported barriers to moving elsewhere, with the most mentioned barrier being the cost and availability of affordable properties (cited by 51 per cent).⁷
11. Crisis housing coaches in our Skylight centres in London and Brent are negotiating with private landlords to lower rents in some cases, where clients are affected by the cap. Some landlords are

² Department for Work and Pensions (2014), *Post-implementation effects of the Benefit Cap (wave 2 survey)*

³ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. (2017) *The homelessness monitor: England 2017*. London: Crisis

⁴ Ibid.

⁵ Pleace, N. & Culhane, D. P. (2016) *Better than cure? Testing the case for enhancing prevention of single homelessness in England*. London: Crisis

⁶ Department for Work and Pensions (2014), *In-depth interviews with people affected by the Benefit Cap*

⁷ Department for Work and Pensions (2014), *Post-implementation effects of the Benefit Cap (wave 2 survey)*

open to reducing their rents, particularly in cases where Crisis is supporting people into new properties and is able to provide financial support with deposits and rent in advance.

12. Crisis is calling on the Department for Communities and Local Government and the Treasury to **scale up Help to Rent schemes for people with experience of homelessness, including through a national rent deposit guarantee scheme**. Similar to the service provided by housing coaches in our Skylight centres, Help to Rent schemes match tenants with landlords and provide financial guarantees for deposits and rent, as well as ongoing support for both parties.
13. National coverage of such schemes would have the positive benefit of increasing the support available to help people affected by the benefit cap access the private rented sector. Such schemes have particular expertise in negotiating with landlords and promoting the positive benefits to landlords of letting via such schemes, where there is a support offer in place for them and the tenant. If DWP's intention is to reduce rents through the benefit cap, the Government must play a market stewardship role in the housing sector rather than relying on the behaviour change of claimants, many of whom are unable to move to cheaper accommodation.
14. Crisis coaches indeed report that many private landlords are unwilling to lower their rents to provide accommodation to people affected by the benefit cap. Crisis Skylight London reports that some landlords are approaching us to advertise properties that are only available to tenants who are unaffected by the cap, i.e. those who are working or exempt by virtue of being in receipt of qualifying benefits.
15. In terms of moving into work to avoid the benefit cap, the Government's evaluation suggests that, while many people are motivated to find work in response to the cap, many experience barriers to work that are not straightforward to overcome.
16. More than two in five (44 per cent) of survey respondents said in summer 2014 that they felt more encouraged to find paid work as a result of being affected by the benefit cap, rising to 57 per cent among those who said they were unemployed and seeking work.⁸ But despite feeling motivated to find work, almost seven in ten (69 per cent) of those survey respondents who were still capped by summer 2014 reported considerable barriers to employment. 27 per cent of respondents cited poor health as a barrier to work and 12 per cent cited a lack of qualifications or experience, rising to 17 per cent amongst those who were unemployed and seeking work.⁹
17. This echoes some of the barriers to work experienced by our clients, all of whom have current or previous experience of homelessness, or are at risk of homelessness. The lack of a stable and settled home makes it extremely difficult for people to find and maintain employment. At the same time homelessness can create or exacerbate a range of other issues, including poor mental and physical health, substance misuse, lack of basic skills and offending behaviour.
18. Crisis Skylight supports people into work and stable housing through a coaching model that offers holistic support across a whole range of issues. This includes tailored support to overcome the individual's barriers to work, as well as support to address housing need, access mental health services and promote individual well-being. An independent evaluation of Crisis Skylight found that the service delivers progression towards education, training, volunteering and paid work for single homeless people, as well as towards better health, social supports and self-esteem. This is in spite of our clients facing multiple barriers to work.¹⁰

⁸ Department for Work and Pensions (2014), *Post-implementation effects of the Benefit Cap (wave 2 survey)*

⁹ Ibid.

¹⁰ 5 Bretherton, J. & Pleace, N. (2016) *Crisis Skylight, Pathways to Progression: second interim report*. London: Crisis

19. On its own, the benefit cap is too crude an instrument to help people overcome such significant barriers to work. While it provides an incentive to move into work, in order to prevent people from losing their home, it does not provide the means to overcome barriers to work. By putting some people at risk of homelessness, it also creates additional barriers to securing work. People are less likely to be focused on finding work if they are experiencing stress and anxiety about losing their home.
20. While it is the objective of the benefits system to move people into work, Crisis has provided evidence to previous inquiries conducted by the Committee that Government-led employment support is not providing targeted support to address the multiple and sometimes complex needs of our clients, including in relation to housing.¹¹ Jobcentre Plus and commissioned providers have little capability in identifying that someone is homeless or at risk of homelessness, and the impact this may have on their ability to move towards or seek work. Nor do they have the capability, or the appropriate referral processes, to ensure people get the help they need to address those needs, in cases where they are identified.
21. Crisis was encouraged to see some local authorities integrating employment, benefits and homelessness services in response to the original benefit cap. In 2012 Crisis Skylight Brent (formerly Lift) was contracted by Brent Council, using the Flexible Support Fund, to provide employment support to people affected by the benefit cap. This included pre-employment support and one to one coaching support to overcome barriers to work. Participants also had access to support to find and sustain accommodation. While we initially experienced low levels of referrals from Jobcentre Plus, we succeeded in exceeding our contract targets by supporting 50 people into work and 42 into sustained work for at least six months. We are disappointed that this contract has not been reissued since the new lower cap was introduced.
22. Crisis believes we need to see such joined-up working scaled up across mainstream employment support services throughout the country. Crisis is calling for an **integrated model of support, in partnership between Jobcentre Plus and local authority homelessness services, to address housing needs** where these are identified as a barrier to work. This should be offered to, but not be limited to, those threatened with homelessness as a result of the benefit cap.
23. Universal Support offers one potential avenue through which to deliver an integrated model of support between DWP and homelessness services. The evaluation of the Universal Support trials found that holistic support to address wider support needs – including to address housing need in some of the trials – was important in leading to sustainable outcomes.¹²
24. Crisis, along with Newcastle City Council, DWP and DCLG, has developed a homelessness prevention pilot using existing DCLG Trailblazer funding. The pilot seeks to identify the necessary policies and service models from both government departments to better prevent homelessness. The findings of this pilot will support thinking for how Universal Support can be used to create a more effective integrated model of homelessness prevention support. This will include better data and mitigation measures for those who are affected by the benefit cap and are at risk of becoming homeless.
25. The Homelessness Reduction Bill, a Private Member's Bill that has completed its parliamentary passage and is currently awaiting Royal Assent, will introduce new duties on local authority homelessness teams in England to prevent homelessness. It will also require them to support a wider range of people than can access homelessness assistance under the current system. This

¹¹ See, for instance, our response to the Work and Pensions Select Committee inquiry into the future of Jobcentre Plus (2016)

¹² DWP (2016) *Evaluation of the Universal Support delivered locally trials*

will require significant reform to existing Housing Options provision and offers a real opportunity to integrate this support with other services.

26. In order for people to take advantage of support to mitigate the impact of the cap, it's also important they know what support is available. Crisis Skylight Brent notes that communications with claimants about the benefit cap have been poor, with generic letters being sent that claimants have not fully understood. Many of our clients have literacy issues, particularly those whose first language is not English.
27. In response to this, Crisis Skylight Brent partnered with the council's welfare reform team to host an information session in November 2016 to explain the cap to affected claimants and outline the support available. The event was well attended by over 55 delegates and 84 per cent of those who completed a feedback form said they found the event useful and informative. **DWP should identify innovative ways of communicating with claimants about the cap, including by hosting local engagement events in partnership with local authorities and voluntary organisations.**

Does the cap address high underlying rates of housing benefit and child maintenance in a fair way?

28. The benefit cap does not address underlying rates of housing benefit in a fair way. Crisis is concerned that the geographical variation in the application of the benefit cap means that households are penalised for living in higher cost parts of the country. For households without dependent children, this geographical disparity is even more acute; in August 2016, just over two fifths of all capped households were in London, rising to 85 per cent of households without children.¹³
29. Capped households living in the private rented sector are also more likely to be capped by virtue of their housing costs rather than the number of children in the household.¹⁴ Many people renting from private landlords experience an equivalent level of vulnerability as those living in the social sector, but can no longer access social housing due to a shortage of available properties.¹⁵ This means that some people are effectively being capped due to the lack of access to social housing in their area, and their resultant high housing costs in the private rented sector, a situation over which they have no control.

What are the consequential costs of the cap for other public spending, such as that by local authorities?

30. As outlined above, an increase in homelessness as a result of the lower cap will result in significant knock-on costs for local authorities and other services. In contrast, preventing homelessness results in savings for the Exchequer. Crisis' research estimates that, overall, public spending would fall by £370 million if 40,000 people were prevented from experiencing one year of homelessness, based on an average estimated reduction in public spending of £9,266 per person per year.¹⁶

¹³ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. (2017) *The homelessness monitor: England 2017*. London: Crisis

¹⁴ Ibid.

¹⁵ The Chartered Institute of Housing predicts losses to the social rented stock of nearly a quarter of a million homes between 2012 and 2020. http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/Nearly_250000_of_the_cheapest_rented_homes_will_be_lost_between_2012_and_2020

¹⁶ Pleave, N. & Culhane, D. P. (2016) *Better than cure? Testing the case for enhancing prevention of single homelessness in England*. London: Crisis

31. The Homelessness Reduction Bill, outlined above, which introduces a new duty on local authorities to prevent homelessness, should therefore result in savings to the public purse. In order to realise these savings, it's vital that those households affected by the benefit cap are able to access appropriate support to avoid the cap, whether by moving into work or reducing their housing costs where possible.
32. There is thus a strong financial incentive to better integrate employment support and homelessness services, and invest in Help to Rent schemes, as recommended above. This would allow councils to direct funds towards providing meaningful support, rather than dealing with people at crisis point.
33. Crisis would also wish to see an exemption to the benefit cap for people with experience of homelessness. This would reduce their barriers to accessing suitable housing, as well as reducing public spending arising from long periods of homelessness.

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

34. For many of our clients affected by the cap, DHPs are the only means of keeping them in their home. Crisis is concerned that DHP funding is already under significant pressure to address rent shortfalls caused by a number of welfare reforms. This means that local authorities cannot grant DHPs to everyone who needs this vital help to meet shortfalls created by the benefit cap. Some of our clients have already been refused DHPs despite facing likely eviction as a result of being affected by the cap.
35. Analysis of DHP spending finds that councils are using their discretion to apply more funds to 'bedroom tax' cases, and as a result less for other cases, including benefit cap related cases. In 2014/15 councils in England and Wales spent 45 per cent of the total DHP spend on 'Bedroom Tax' cases – 29 per cent more than DWP notionally allocated for those cases.¹⁷ Crisis believes the skewing of DHP funding towards 'bedroom tax' cases reflects the challenge local authorities face in managing an insufficient pot of funding in the face of significant need.
36. To manage the funding in benefit cap-related cases, some councils are attaching conditions to DHP awards, such as requiring applicants to demonstrate that they are looking for work in order to qualify for support. **It is vital that any conditions attached to DHP awards are proportionate and only make requirements of claimants that they are capable of meeting.** In Brent, for example, applicants can satisfy the local authority that they are eligible for support if they are working with Crisis Skylight.

Are there unintended consequences (either positive or negative) of the cap?

37. As outlined above, the Homelessness Monitor predicts a fourfold increase in the impact of the benefit cap on, with the introduction of the lower thresholds.¹⁸ It suggests that it will be difficult if not impossible for many larger households to meet a rent anywhere, particularly in higher value areas, and that this is likely to result in homelessness for those who cannot practically move into employment.
38. The Government's evaluation of the benefit cap found that, by summer 2014, 45 per cent of households affected by the cap were in rent arrears (compared to 21 per cent of those who

¹⁷ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. (2017) *The homelessness monitor: England 2017*. London: Crisis

¹⁸ Ibid.

were no longer capped). Households also reported cutting back on household essentials, including by skipping meals, in response to the cap.¹⁹

39. Our services in London and Brent report that the benefit cap is putting some clients at significant risk of homelessness, or preventing them from escaping homelessness, as a result of the difficulty of finding available accommodation that is affordable within the cap. While the Local Housing Allowance rate falls below the benefit cap in some parts of London, there is even more pressure on accommodation at the lower end of the market in these areas, due to the cap pricing out people on benefits from other areas.
40. Crisis believes Government should **monitor the impact of the cap on homelessness**, as well as on **the ability of English local authorities to deliver their new prevention and relief duties** contained in the Homelessness Reduction Bill. Government should **reconsider the cap if it is found to contribute to homelessness**.

¹⁹ Department for Work and Pensions (2014), *Post-implementation effects of the Benefit Cap (wave 2 survey)*