

Update 07-2015

Benefit Cap in London

July 2015

Key Findings

- More than 26,500 London households have had their total benefit payment capped since the benefit cap was introduced in April 2013.
- The proportion whose payments were capped was relatively small, at just below 1.3 per cent in London, but this was still more than three times the proportion of any other region.
- Nearly half (45 per cent) of all households in Great Britain that have received reduced amounts because of the cap on the total payable, up to February 2015, were in London.
- Renting is more prevalent in London than in other parts of England, but a smaller percentage of renters claim Housing Benefit.
- Renting, claiming Housing Benefit and the total benefit cap vary widely across London, with Brent's households hit hardest by the benefit cap.
- London's households receive more in Housing Benefit on average than households in other regions, so the cap on the amount payable has the greatest effect in London, so for more than 2,000 London households, the cap reduced the total benefits payable by over £200 per week.
- Nearly 90 per cent of households with one or two children whose payments have been capped lived in London, whereas only a few households of this size in other regions could have received payments over the cap limit.
- Nearly nine per cent of London households whose payments were capped were single adults with no children, where the benefit cap is lower than for other households.
- A much higher proportion of benefit capped households in London were lone parent households than in other regions.
- London households no longer subject to the benefit cap were more likely to have moved into work than those in other parts of Great Britain

Introduction

The Government introduced a cap on the total amount of benefits a household could receive from April 2013. This was rolled out over several months, with some transitional arrangements in place to help individuals already claiming and receiving more than the new cap allowed to adjust to the new regime. The cap applies only to working-age families not receiving disability benefits and where all adults are out of work (though “out-of-work” can include some individuals working part-time). It only affects households claiming Housing Benefit, that is, those receiving assistance with paying rents. Housing Benefit levels are determined locally by first assessing the housing market to determine maximum allowable rent levels, combined with individual circumstances, including the number and ages of people in the family unit, any income and savings they have and other factors. At the same time as the cap was introduced, an under occupancy charge (also known as the bedroom tax) was brought in, which also reduced the amount of Housing Benefit (HB) payable to families in social housing with more bedrooms than they needed.

The cap on benefits was set to reflect the average income of households nationally, so with a national household average gross annual income of around £26,000, the cap was set at £500 per week for a family and £350 for individuals living alone.

Not everyone entitled to benefits actually claims those benefits, so the figures in this Update relate only to those claiming the benefit. HB does have the highest take-up rate of any of the means-tested benefits. The Department for Work and Pensions have estimated¹ that between 79 and 82 per cent of eligible households take-up or claim HB. However, it is higher than this for pensioner households, who are not subject to the benefit cap in any case, and a little lower for non-pensioner households. It is much higher for lone parent households, at close to 90 per cent take-up rate, but less than two thirds of couples with children estimated to be eligible claim the benefit. Alongside this, the figures show that eligible households in social housing were more likely to be claiming than those renting privately, and households that were in work were much less likely to take up HB than those out of work. The estimates also show that on average, those that were not claiming would have been entitled to less than those that were claiming. These figures are national calculations and it is not possible to break them down to derive figures for London.

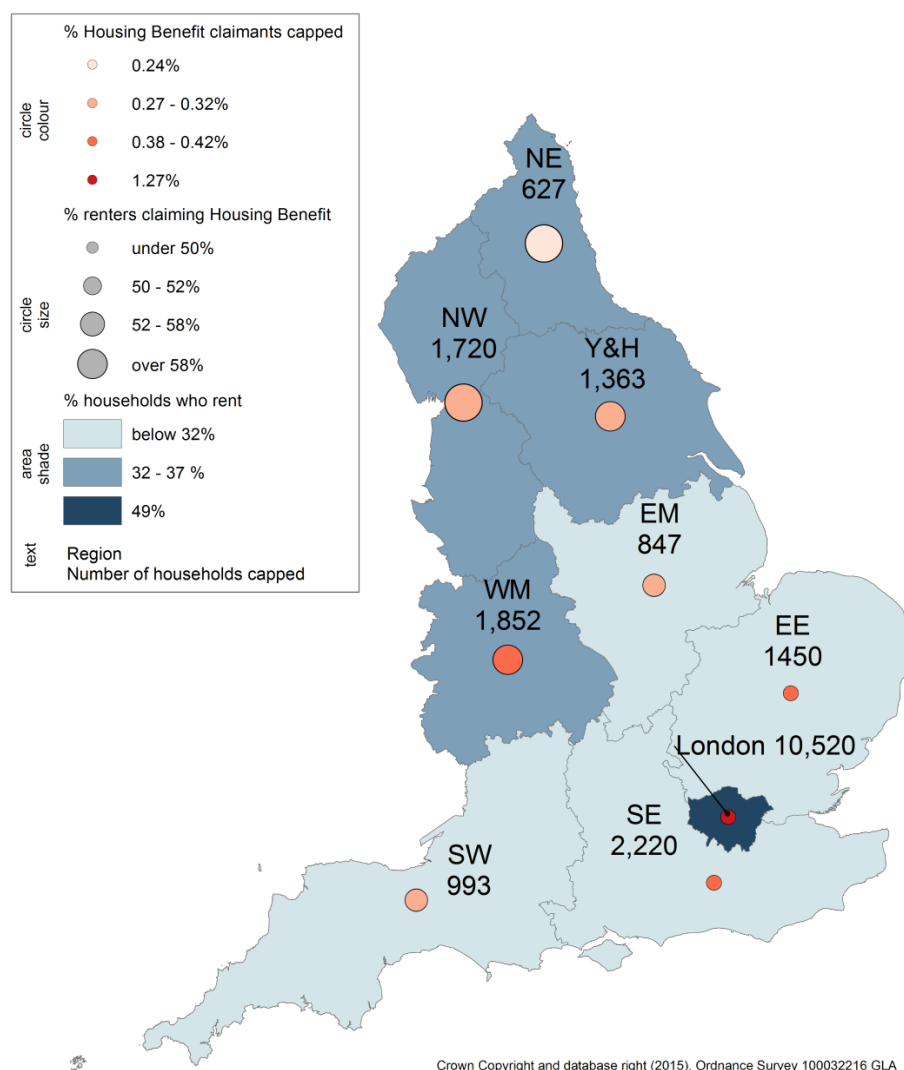
Housing Benefit and the cap in London

Housing Benefit maximum levels are based on the Local Housing Allowance, which is determined in relation to the lowest cost third of actual private rents of various sizes of property in the local area, but with a nationally set maximum. Since the costs of housing in London are higher than in most other parts of the country, the Local Housing Allowance, and thus the HB potentially payable is higher. This in turn means that the benefit cap disproportionately impacts on those living in London. A little below half (45 per cent) of all households in Great Britain that have had their payments capped, between its introduction in April 2013 up to February 2015 were in London. In all, more than 26,500 households in London have received less than the calculations determine that they would need because the amount payable is capped and 40 per cent (10,500) of these were subject to a cap on the amount of benefit received in February 2015. This represents 1.3 per cent of all households claiming HB in the capital, or around three in a thousand of all London’s households.²

¹ Income-Related Benefits: Estimates of Take-up - Financial Year 2013/14 (experimental), DWP, 2015

² Using 2011 Census percentage of renters, DCLG household projections for 2015 and DWP Housing Benefit statistics for Feb 2015

Figure 1: Households renting in England, claiming benefit and with capped benefit payments by region, February 2015



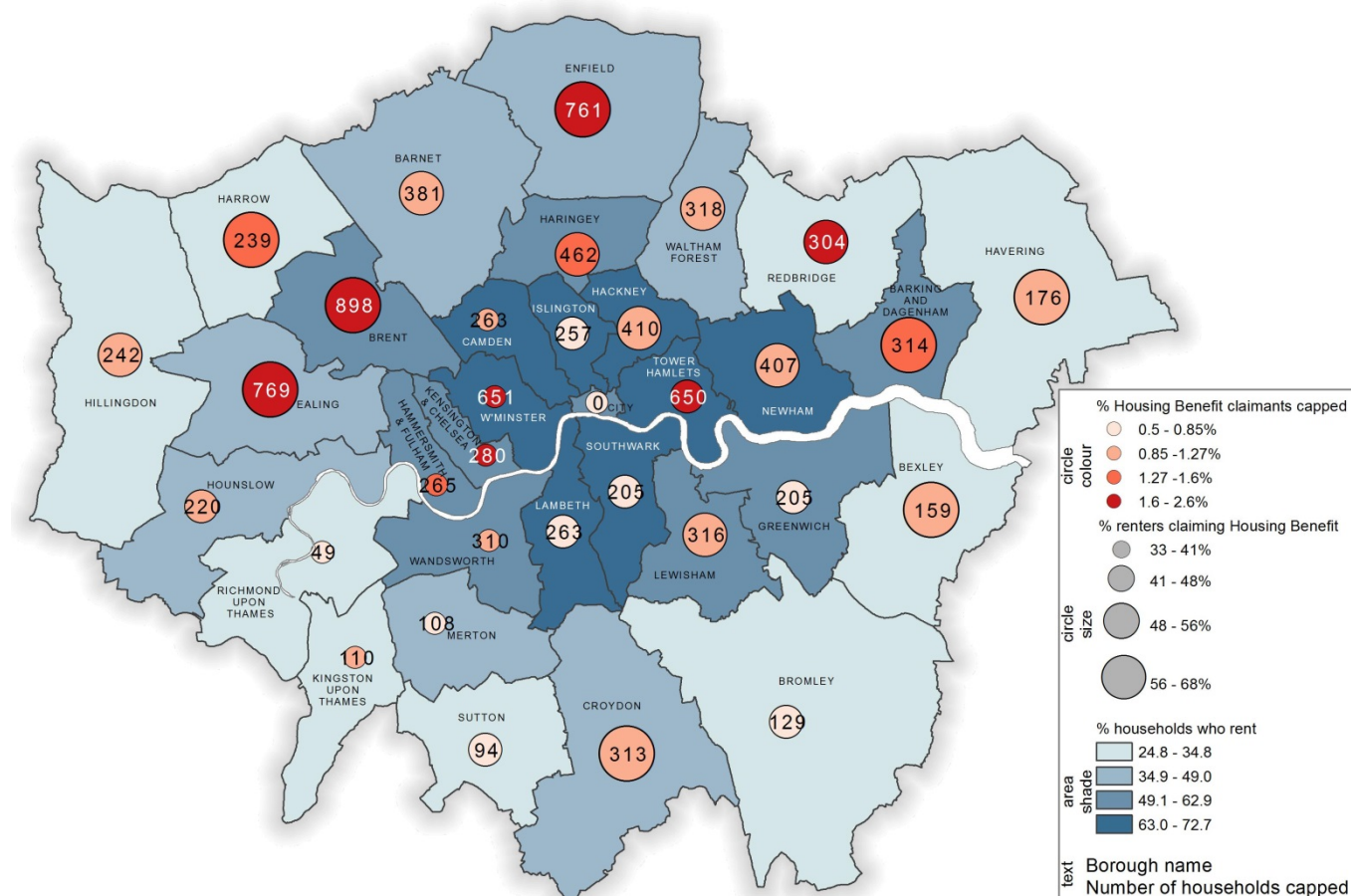
Sources: GLA calculations using 2011 Census and DCLG 2012 based Household projections; Housing Benefit Statistics, DWP; Benefit Cap Statistics for February 2015, DWP

Note that comparable figures are not available for Wales and Scotland for some elements, so only data for England are shown.

Figure 1 illustrates the variation across the regions of England in levels of renting (the blue shading), and in the proportion of renters claiming HB (the size of the circle) as well as the percentage of those HB claimants whose payments are capped (the red shading in the circle) and the overall number of households whose payments were capped according to the latest figures. It shows that London actually has among the lowest proportion of renters claiming HB, but a much higher proportion of all households renting and how overall the impact of the benefit cap is more widespread in London than in any other region.

Figure 2 shows, using the same schemes, the variations within London. Renting is clearly more prevalent in the innermost London boroughs, but is more common in all but a few of the outermost boroughs than the England average. However, the percentage of renters claiming Housing Benefit is generally highest in the north London outer boroughs, and the benefit cap clearly also hits hardest in boroughs north of the Thames, with all the boroughs with the proportion of claimants whose payments were capped above average for London to the north. Brent, Ealing and Enfield, along with Westminster and Tower Hamlets stand out as having the largest numbers of claimants with capped payments.

Figure 2: Households renting in London, claiming benefit and with capped benefit payments by borough, February 2015



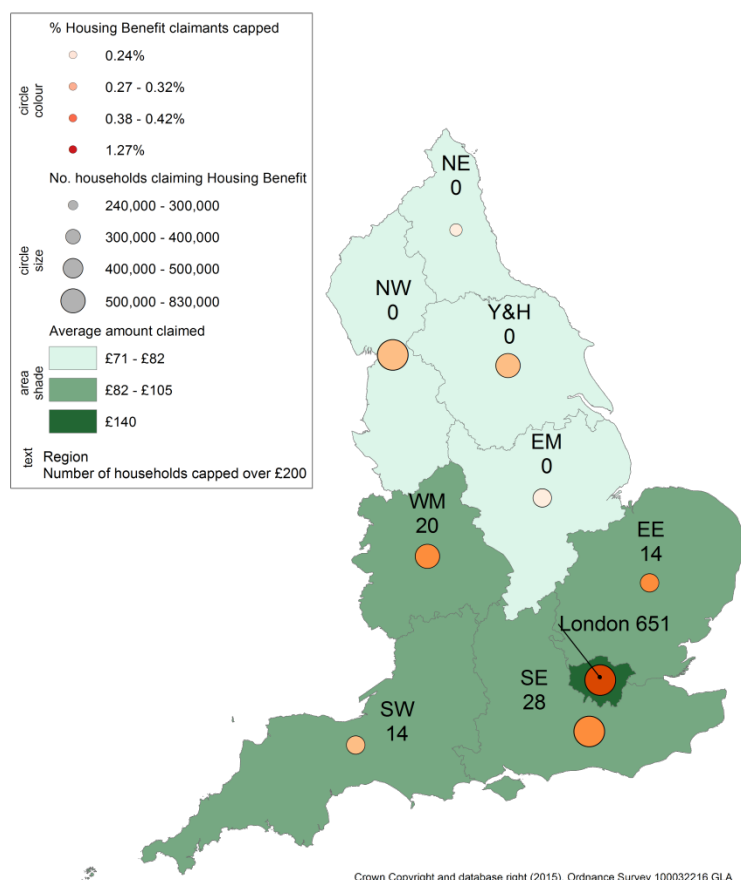
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Sources: GLA calculations using 2011 Census and DCLG 2012 based Household projections; Housing Benefit Statistics, DWP; Benefit Cap Statistics for February 2015, DWP

This snapshot reveals a story that reflects the number of households affected from April 2013 to February 2015 to a large extent. However, what it does not show is by how much these households were impacted. Figure 3 provides further context by showing the average amounts of HB paid to claimants across the different regions and the number of households claiming, in addition to the percentage capped and the numbers whose payments were capped by more than £200 per week in February 2015. This shows clearly that London households receive the highest payments on average (due to the high costs of housing) and that the benefit cap is hitting households in London hardest, with 651 households in London receiving at least £200 less than they need.

In all, as Table 1 reveals, half of London’s households who had their payments capped between April 2013 and February 2015 had their total benefits paid reduced by no more than £50 per week, but for more than 2,000 London households, the cap meant a reduction in the benefit received of over £200 per week, while fewer than 500 households in the rest of Britain have ever been capped by this amount. Nearly 300 London households have had payments capped by more than £350 per week. Scotland was the only other part of Great Britain where the caps were at this level, amounting to 20 households over the whole period.

Figure 3: Housing Benefit amounts paid, numbers claiming Housing Benefit and capped payments by region, February 2015



Sources: Housing Benefit Statistics, February 2015, DWP; Benefit Cap Statistics February 2015, DWP

Table 1: Cumulative total of households with Housing Benefit capped and amounts between April 2013 and February 2015 by amount capped, regions of Great Britain

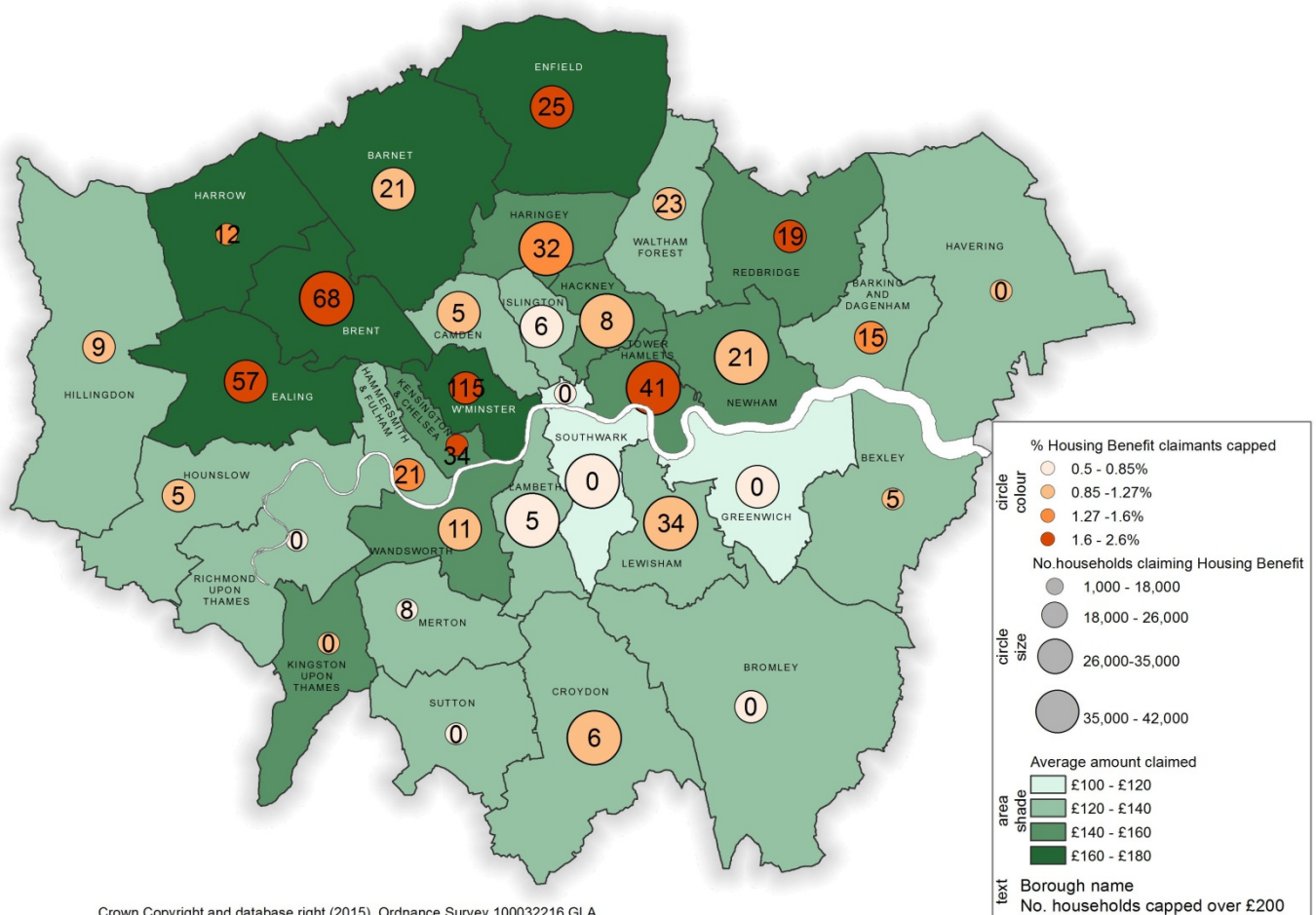
	Total	Amount Capped (£ per week)								
		Up to £50	>£50 - £100	>£100 - £150	>£150 - £200	>£200 - £250	>£250 - £300	>£300 - £350	>£350 - £400	>£400
Great Britain	58,690	31,683	15,103	6,650	2,673	1,238	682	338	197	120
Region										
North East	1,449	868	414	169	-	-	-	-	-	-
North West	4,130	2,316	1,234	474	94	-	-	-	-	-
Yorkshire and The Humber	3,147	1,825	947	325	50	-	-	-	-	-
East Midlands	2,342	1,368	684	233	50	6	6	-	-	-
West Midlands	4,379	2,411	1,299	536	105	21	6	-	-	-
East of England	3,711	2,180	904	403	144	50	24	-	-	-
London	26,636	13,349	6,353	3,141	1,687	963	558	299	186	107
South East	5,953	3,416	1,464	643	237	120	49	17	-	-
South West	2,518	1,528	609	249	93	25	14	-	-	-
Wales	1,736	998	495	194	36	6	-	-	-	-
Scotland	2,692	1,420	700	281	168	44	36	22	12	8

Source: Benefit Cap Statistics to February 2015, DWP

The South East region, where rents can also be high, had the next highest number of households to whom the benefit cap had been applied, followed by the West Midlands. The two London Boroughs of Brent and Enfield alone had more households subjected to the benefit cap (over 2,000 each) than the West Midlands, the North West or any other region outside the South East. Seven other London boroughs each also had more than 1,000 households affected by the benefit cap. The only local authority outside London with more than 1,000 households affected was Birmingham, which has around three times the population of the largest London borough. Of the 20 local authorities in Great Britain with the largest number of households affected by the cap, 19 were in London. Brent and Westminster stand out as having the most households affected by large amounts. Each has had more than 250 households whose HB payments have been capped by at least £200 per week.

Figure 4 shows that there is no direct link between the average amount of HB claimed and the percentage of claimants that are capped, or the number whose payments are capped by over £200. However, it is clear that the most significant impacts of the benefit cap are again north of the Thames and that households in Westminster and Brent were the most affected by the cap in February 2015, as well as the cumulative total of those impacted as noted above. Westminster alone had more households capped by over £200 than in the whole of England outside London. In all seven boroughs had more households impacted to this level than any other region of England.

Figure 4: Housing Benefit amounts paid, numbers claiming Housing Benefit and capped payments by borough, February 2015



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Sources: Housing Benefit Statistics, February 2015, DWP; Benefit Cap Statistics February 2015, DWP

Table 2: Cumulative total of households with Housing Benefit capped and amounts between April 2013 and February 2015, London boroughs

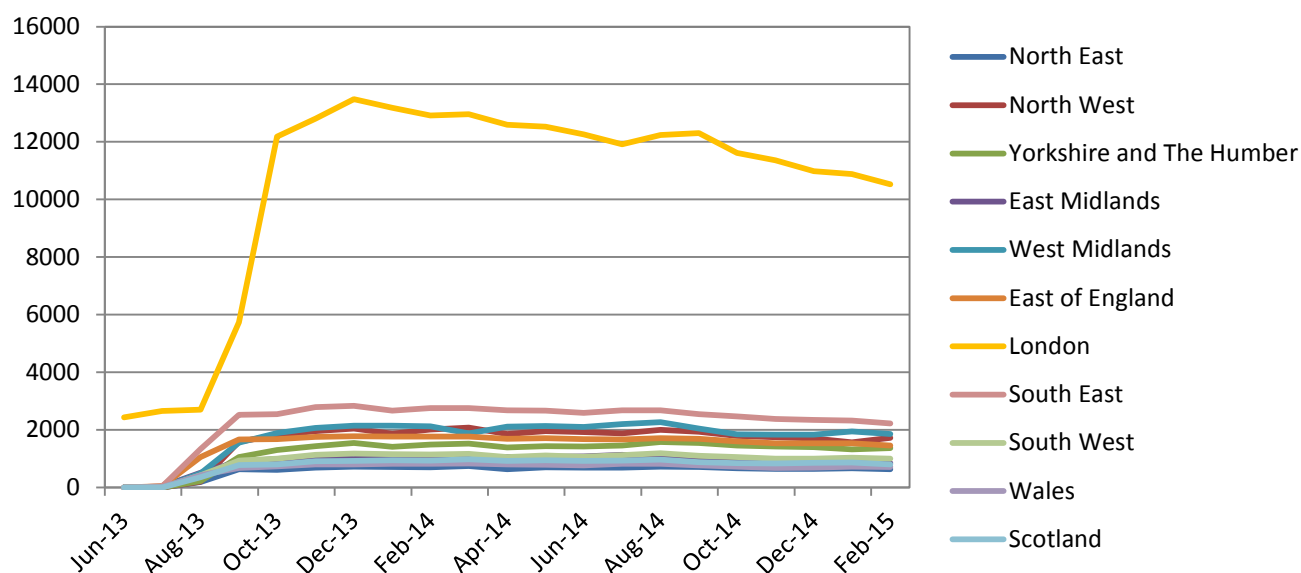
	Total	Amount Capped (£ per week)								
		Up to £50	>£50 - £100	>£100 - £150	>£150 - £200	>£200 - £250	>£250 - £300	>£300 - £350	>£350 - £400	>£400
London	26,636	13,349	6,353	3,141	1,687	963	558	299	186	107
Borough										
Barnet	1,099	572	264	116	60	35	21	18	10	6
Bexley	355	207	80	40	15	7	-	-	-	-
Brent	2,252	1,072	508	261	157	107	61	38	29	25
Bromley	353	224	79	30	11	8	6	-	-	-
Camden	610	375	121	70	29	10	6	-	-	-
City of London	8	9	-	-	-	-	-	-	-	-
Croydon	1,007	544	209	140	53	25	19	6	-	-
Ealing	1,700	827	367	236	128	61	28	19	10	19
Enfield	2,191	920	692	267	146	82	28	23	32	-
Greenwich	504	296	136	48	16	8	8	-	-	-
Hackney	950	538	204	101	56	19	13	9	6	9
Hammersmith and Fulham	661	320	110	102	51	32	10	17	9	9
Haringey	1,305	588	322	166	102	62	32	24	15	-
Harrow	695	278	209	105	47	27	18	14	6	-
Havering	413	252	93	45	14	12	6	-	-	-
Hillingdon	599	317	150	72	32	13	14	-	-	-
Hounslow	592	288	163	84	24	13	8	5	-	-
Islington	626	384	111	46	51	21	8	8	-	-
Kensington and Chelsea	652	289	193	41	47	31	25	11	7	6
Kingston upon Thames	279	147	67	27	13	10	-	-	6	-
Lambeth	675	336	174	85	39	15	14	7	-	-
Lewisham	774	386	183	77	48	33	23	20	9	10
Merton	299	145	73	30	19	17	7	-	-	-
Newham	1,144	532	296	163	82	39	25	7	-	-
Redbridge	791	390	186	92	56	38	16	10	-	6
Richmond upon Thames	122	74	35	8	8	-	-	-	-	-
Southwark	452	259	124	42	21	5	-	5	6	-
Sutton	234	136	60	20	7	5	-	-	-	-
Tower Hamlets	1,472	745	316	220	114	35	26	13	11	5
Waltham Forest	761	422	163	76	49	25	16	9	6	-
Wandsworth	876	468	175	122	61	22	8	11	9	5
Westminster	1,444	594	304	136	105	141	95	34	24	13

Source: Benefit Cap Statistics to February 2015, DWP

The number of households whose HB payments were subject to a cap in February 2015 shows that around 40 per cent of households in England and Wales who had had a cap applied to their benefits were receiving benefits and were affected by that cap in February 2015. It varied between 37 and 43 per cent across the regions, whereas in Scotland, fewer than 30 per cent of those ever capped were being capped in February 2015. The number of households capped at any point in time over the period has also been far higher in London than elsewhere, as Figure 5 shows. The total number of HB claimants in London, standing at just over 825,000 at February 2015, was also higher for London than for any other region, followed by the North

West, with 610,000 claimants. The proportion whose payments were capped was relatively small, at just below 1.3 per cent in London, but this was still more than three times the proportion of any other region.

Figure 5: Households whose benefit payments were capped April 2013 to February 2015, regions

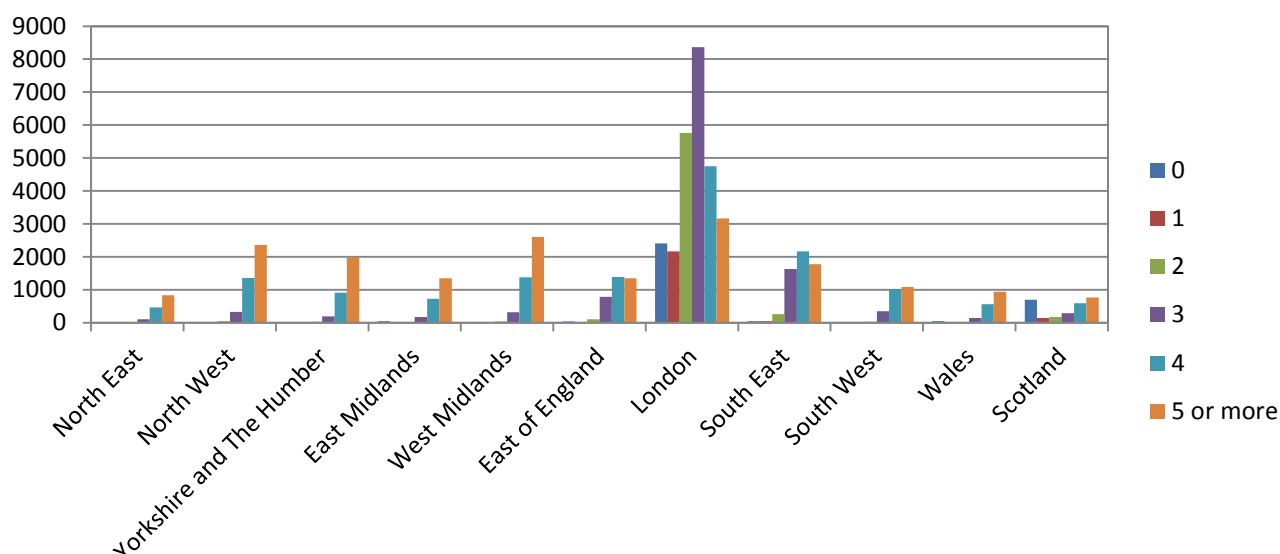


Source: *Benefit Cap Statistics to February 2015, DWP*

Another noticeable difference between London and other parts of Britain is the size of households whose payments were capped, illustrated in Figure 6. Nearly 90 per cent of households with one or two children whose payments have been capped lived in London, whereas only a few households of this size in other regions could have received payments over the cap limit. Over 70 per cent of households with no children whose payments have been capped were in London, and a further 20 per cent were in Scotland. In most regions, as might be expected, the number of households with capped payments increased with the number of children as the space needed, and therefore the cost for larger households rose. However, in areas of higher housing costs, this is not the case. In London's neighbouring regions, the East of England and South East, there were more households with four children whose payments were capped than with five or more children. In London, the largest number were households with three children, showing that the cap impacts at smaller housing sizes, not just for the largest. Even so, there were more households with five or more children whose benefit payments were capped in London than in any other region, at least partially a result of London having far more large households than any other region.

The household composition data shows a similar picture in terms of households with no children whose benefit payments have been capped, but also that these are overwhelmingly households of one adult living alone. This category makes up more than one in four households affected by the benefit cap in Scotland over the whole period, though the proportion of those affected in February 2015 was around half this. This group does have a lower benefit cap threshold than any other group, at £350 per week, compared with £500 for other household types, although the size of accommodation required may not be any less. It is also worth noting that for most adults aged under 35 living without a partner or children, the entitlement is to a "shared accommodation" rate only – assuming that such adults would rent a room in a shared house or flat, and the benefit cap is applied to this rate. Table 3 also shows that it is lone parents that are most affected by the benefit cap in London, and other southern regions whereas in Wales, the midlands and northern regions of England, the majority are couples with dependent children.

Figure 6: Cumulative total of households whose benefit payments were capped between April 2013 and February 2015 by number of children in the household, regions



Source: Benefit Cap Statistics to February 2015, DWP

Table 3: Percentage of households with Housing Benefit capped between April 2013 and February 2015 by household composition, regions

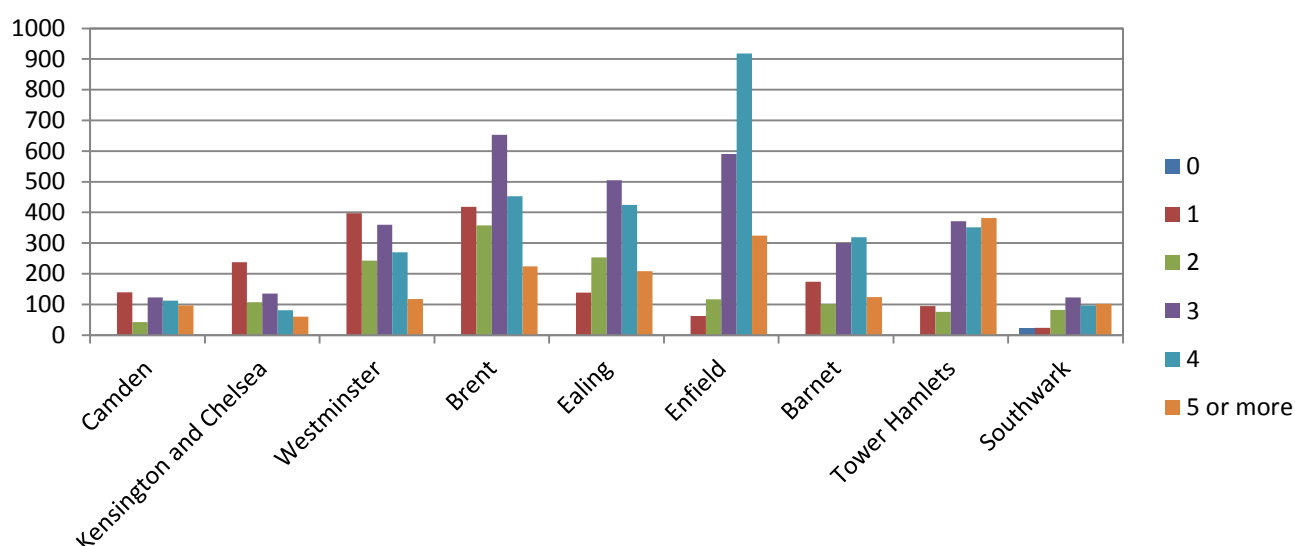
	Total (number)	Single, no child dependent	Single, with child dependent(s)	Couple, no child dependent	Couple, with child dependent(s)
Great Britain	58,690	5.6	55.7	0.2	38.5
Region					
North East	1,449	1.2	42.7	-	55.9
North West	4,130	0.3	48.3	0.1	51.2
Yorkshire and The Humber	3,147	0.5	45.8	-	53.7
East Midlands	2,342	2.0	45.0	-	52.9
West Midlands	4,379	0.3	44.8	0.1	54.8
East of England	3,711	1.0	56.3	-	42.6
London	26,636	8.8	62.9	0.2	28.0
South East	5,953	0.8	59.2	-	39.8
South West	2,518	0.4	55.0	-	44.3
Wales	1,736	2.8	43.1	0.3	53.7
Scotland	2,692	25.2	40.7	1.1	33.0

Source: Benefit Cap Statistics to February 2015, DWP

The household characteristics of benefit capped households vary tremendously across different boroughs within London, although in every borough, more households affected by the benefit cap have had one adult than had a couple. Figure 7 shows a selection of boroughs by the number of children in the household. Some boroughs such as Camden and Islington have relatively level profiles, with similar numbers of benefit capped households in each category, though in Islington, these households are more than four times more likely to have just one adult as to have a couple, whereas in Camden the difference is less marked. In central west London the largest number of benefit capped households is for those with no children, such as in

Kensington & Chelsea where the number of benefit capped households with one adult outnumber those with couples by more than six to one. Brent and Ealing are examples of boroughs where more households with two children are capped than of any other size, while Enfield is the most extreme example of a borough where the largest number of benefit capped households have three children. Tower Hamlets stands out as the only borough with more benefit capped households with four children, and also the largest number of benefit capped households with five or more children. It also has a lower proportion of benefit capped households with just one adult than any other borough. Southwark's profile is more like Britain's profile than any other borough, with the number generally increasing with the number of children, but still differs in that households with three children make up the largest group of benefit capped households in the borough though Southwark has more single adult households impacted than average. Merton, Harrow and Redbridge are among the boroughs where the numbers of households impacted with one adult are only a little higher than those with two adults.

Figure 7: Total number of households whose benefit payments were capped between April 2013 and February 2015 by number of children in the household, selected boroughs



Source: Benefit Cap Statistics to February 2015, DWP

Quite clearly, not every household that has ever been subject to the benefit cap is still affected by it. Comparison of the latest data, for February 2015, with the figures for those ever effected shows that overall, around 40 per cent (30 per cent in Scotland) of those ever affected had their payments capped in February. This cannot be regarded as a rate at which households are removed from the benefit cap, since some households become affected by the cap at different times and then may be removed from the cap. Figure 5 shows how the numbers have changed over time and in London have fallen from a peak of almost 13,500 in December 2013 to around 10,500 in February 2015. That fall is replicated in other areas, with the numbers affected by the cap in February around 75 to 85 per cent of the maximum number for any month in each region. The regions were also consistent in that, as at February, households in all areas had spent around eight months on average affected by the benefit cap³, except in Scotland where the figure was closer to six months.

There are many reasons why the benefit cap may no longer impact on a household such as moving into work, moving home, reaching pensionable age or someone moving into or out of the household. Table 4

³ This assumes that a monthly snapshot of the numbers of households affected by the benefit cap is equivalent to the number who have been affected for one month.

shows that nearly half of London households had started to claim Working Tax Credit, which means that they had moved into work or increased hours, but were in low paid employment. This was a higher rate than for other regions. Households no longer claiming Housing Benefit or with reduced Housing Benefit may also have gained employment, possibly at higher income levels.

Table 4: Households no longer subject to the cap as at February 2015 by household outcome, regions

	Total	Working Tax Credit claim	Other Exemption	Household no longer claiming housing benefit	Reduction in Housing Benefit	Household benefit income below cap level	Change in household structure	Change in recorded Local Authority	Other
Great Britain	35,593	14,421	5,119	3,968	4,000	4,411	509	353	2,820
Region									
North East	822	253	158	70	56	171	24	5	92
North West	2,406	826	487	255	150	360	56	25	252
Yorkshire and The Humber	1,788	683	235	231	121	298	38	17	177
East Midlands	1,495	582	254	187	84	204	27	19	142
West Midlands	2,536	925	397	320	144	423	50	25	260
East of England	2,272	903	359	261	203	300	36	20	187
London	16,079	7,485	1,870	1,659	2,105	1,534	154	156	1,110
South East	3,735	1,523	585	406	356	494	62	41	266
South West	1,529	612	250	146	121	233	34	9	122
Wales	1,037	305	203	99	89	204	16	10	106
Scotland	1,893	329	323	335	572	192	15	15	103

Source: Benefit Cap Statistics to February 2015, DWP

Notes: There may be multiple reasons for the cap to no longer apply (and these may change over time). Thus, to avoid multiple counts a hierarchical approach to the household outcome is used for reporting. Table 4 shows households who have (previously) been capped that are no longer subject to the cap as per the latest reporting month. For reporting purposes, as households circumstances are subject to change, the outcome group reflects the latest reason at the point of reporting

Outcomes

1. Household has an open Working Tax Credit claim.
2. Household is in receipt of other benefit resulting in exemption (Employment Support Allowance support group / Disability Living Allowance / Industrial Injuries / Personal Independent Payment).
3. Household is no longer claiming housing benefit.
4. Amount of Housing Benefit claimed has reduced.
5. Household Benefit income below cap level without a change to Housing Benefit amount.
6. Change in original household structure (i.e. change, addition or loss of a partner – does not include dependents).
7. Change in recorded Local Authority.
8. Other – includes grace period, operational factors / timing, no longer working age.

For more information please contact Social Exclusion Team, GLA Intelligence
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