



Department
for Work &
Pensions

Estimates of the number of households in scope for the new benefit cap in 2016/17 by Local Authority

An estimate of the number of households in scope
for the new £20,000 (£23,000 in London) benefit
cap by Local Authority in 2016/17

February 2016

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Introduction

The Welfare Reform and Work Bill incorporates a number of policy changes designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. One of the measures included is that from 2016/17, total household benefit payments for working-age claimants will be capped at new levels, so that workless households will no longer be entitled to receive more than £20,000¹ in benefit (£13,400 for single adults with no dependent children) outside of Greater London and £23,000 (£15,410 for single adults with no dependent children) in Greater London.

The Government set out its assessment of the impacts of the policies in the Welfare Reform and Work Bill on 20th July 2015². To further support Local Authorities in their planning for the implementation of the new, lower, tiered benefit cap level, the figures in this report presents ad hoc analysis on the estimated number of households in scope for the benefit cap in 2016/17 by Local Authority once the new cap levels have been rolled out; the new levels are expected to launch from Autumn 2016 with roll-out completed by 2017.

These estimates do not take into account the expected behavioural changes from the reform³. Given this, and the uncertainty of any forecast, the figures are presented in bandwidth categories. These estimates take into account the planned exemptions for recipients of Carer's Allowance and Guardian's Allowance which were recently announced during the passage of the Welfare Reform and Work Bill. Due to these policy changes, these figures will not match the estimates provided in the Impact Assessment published in July 2015.

¹ An equivalisation, in line with the OECD modified scale, has been made to derive the single adult rate, which is equal to 67% of the cap level for families. Equivalisation reflects the view that a single person can typically attain the same standard of living as a childless couple on only 67% of their income.

² <http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

³ See the benefit cap evaluation: <https://www.gov.uk/government/publications/benefit-cap-evaluation>

Methodology

The analysis presented in this assessment is based on static assumptions, transposing the policy change on to a population that we model based on the current benefit system and claimants. These changes do not show the full dynamic picture or take into account the expected behavioural changes from the reform which may lower the number of households capped. We have, however, seen clear evidence of positive behavioural responses to the cap at £26,000 (for example, from movements into work); this has been observed from post-implementation evaluation. The evaluation of the current £26,000 benefit cap found⁴:

- Those who would be impacted by the cap are 41% more likely to go into work than a similar group who fall just below the cap's level. This trend did not exist before the cap was in place – indeed those with higher weekly benefit used to be less likely to move into work.
- 38% of those capped said they were doing more to find work, a third were submitting more applications and 1 in 5 went to more interviews.
- Whereas 45% households said they intended to seek work because of the cap in February 2014, by August 2014, the vast majority of them (85%) had done so. Of those who said they had looked for work because of the cap in February 2014, 40% had actually entered employment by August 2014.

The new cap level of £20,000, and £23,000 in Greater London, strengthens the work incentive for a larger number of households to encourage them to move into work and increase their hours of work. However we do not have sufficient information to be able to predict reliably, in advance of implementation, the potential magnitude of such responses for a lower cap, but there will be two groups affected:

- Those already capped at £26,000 will have the new, lower, cap applied to them. Evidence from evaluation suggests households that are capped by larger amounts are more likely to move into employment than those capped by smaller amounts. Therefore, all else being equal, a lower cap will increase work incentives for this group.
- Those not already capped at £26,000. Some of these people will be capped by small amounts and evaluation evidence suggests adjustments, at least initially, are likely to come through changes in spending patterns. In the slightly longer term, this group may be expected to respond by seeking employment or in other ways, such as moving house. We may, therefore, see similar responses to those capped at £26,000, but given there are some small differences between the groups, they may respond differently.

⁴ See the benefit cap evaluation: <https://www.gov.uk/government/publications/benefit-cap-evaluation>

Modelling the benefit cap reform was conducted using administrative records held by the Department for Work and Pensions that dated from November 2014. These data contain amounts of benefit paid (including Child Benefit, paid by HM Revenue and Customs), family structure, and indicators of Working Tax Credit and benefits such as Disability Living Allowance for which claimants are exempt from the cap. This enables the separation of households excluded from the cap, and those which will be subject to the new cap level, in the absence of any behavioural change. Although administrative records relate to November 2014, these have been adjusted to reflect the future benefit regime in a way consistent with the OBR's economic assumptions for the July 2015 Budget. The modelling takes into account a 4-year freeze in working-age benefits from 2016/17, but does not explicitly model Universal Credit. Further information on the data used for this analysis can be found in Annex 1.

Cautionary notes

Data timeliness

Data from November 2014 were used to underpin this analysis. However it should be recognised that benefit caseloads, and the numbers affected by the benefit cap, reflect labour market and other socio-economic conditions in the UK. Therefore these estimates are subject to change over time.

Benefit cap official statistics

The estimates provided here are not Official Statistics. Official Statistics are quality assured to standards set out by the UK Statistics Authority, and are available on a quarterly basis for the current £26,000 benefit cap level⁵. This ad-hoc analysis estimates the potential number of households by Local Authority which, in the absence of any behavioural change, may be affected by the £20,000 (£23,000 in London) benefit cap. However our estimated levels for the £26,000 benefit cap converge closely with the actually capped caseload providing some confidence in the reliability of our estimates of those in scope for the new cap levels.

⁵ <https://www.gov.uk/government/collections/benefit-cap-statistics>

Results

In order to reflect the uncertainty, the estimated number of households⁶ in scope for the new benefit cap in 2016/17 by Local Authority are presented in nine bandwidth categories. These can be found in the Excel workbook accompanying this document.

The categories of the estimated average number of households, in the absence of behavioural response to the cap, in 2016/17 are presented in the table below.

Band	Estimated number of households in scope for the new benefit cap in 2016/17 (in the absence of behavioural response)
1	0 to 199 households
2	200 to 399 households
3	400 to 599 households
4	600 to 799 households
5	800 to 999 households
6	1,000 to 1,999 households
7	2,000 to 2,999 households
8	3,000 to 3,999 households
9	4,000 to 4,999 households

Please note, as Local Authorities have been placed in bands, some Local Authorities will be towards the higher end of one category and some Local Authorities will be towards the lower end of one category. For example, a Local Authority with an estimated 190 households would be placed in Band 1 and a Local Authority with an estimated 210 households would be placed in Band 2.

⁶ For the purposes of the benefit cap, household refers to a benefit unit. This is an individual or a couple and any dependent children, who are for the purposes of welfare payments assessed as one unit. There may be more than one benefit unit residing in a dwelling, even if these individuals are related.

Contact Points for Further Information

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Annex 1: Data used to model the benefit cap

This analysis has been performed on bespoke datasets commissioned for the purpose of evaluating the benefit cap, created from a range of administrative benefit records from different sources within the Department for Work and Pensions, Her Majesty's Revenue and Customs (HMRC) and Local Authorities (LAs) including:

The Single Housing Benefit Extract (SHBE): SHBE is a monthly electronic record of claimant level data compiled from scans directly taken from Local Authority Housing Benefit administration systems and is the main source of data on Housing Benefit. Local Authorities (LAs) send DWP data on a rolling timescale, therefore this data is the best information on Housing Benefit payments in that month, but is not a snapshot across all LAs on a specific date. It provides contextual information such as the current claim amount, postcode and tenure type. Where a record is not found, for example due to a non-return, the most recent return is used instead. The vast majority of returns are received every month so this is not a widespread flaw in the data.

This is then matched to the:

Work and Pensions Longitudinal Study (WPLS): WPLS links benefit and programme information held by DWP on its claimants to employment records from HMRC. This provides information on weekly Child Tax Credit and Working Tax Credit entitlement (including nil entitlements), benefit income data, and demographic details about claimants.

Further input is then provided from other data sources to obtain information on other benefit types including Personal Independence Payments and Child Benefit. Where all claim information across sources are linked to the HB lead claimant and, where applicable, partner.

The benefit cap datasets were created for each month using the latest information available. Each dataset presents the best information we have on benefit income of households in that specific month from our administrative data. For example, for the April 2013 benefit cap dataset, data was used from the 2nd May 2013 scan from SHBE, March 2014 from WPLS, and April 2013 for other datasets.

As data is drawn from administrative records, some variables are not available or are incomplete in the data. However we explored the use of more variables than were eventually included in the data. For example, ethnicity was considered as a possible variable to include in the dataset, but due to the number of missing records, it would not provide an accurate breakdown and is therefore not available on the dataset.

The datasets were created retrospectively, therefore will include households who were not identified as in scope for the cap at the time. For example where the scan of the administrative data takes place on a Monday and a household's benefit claim was processed on Tuesday, but backdated to when they initially became eligible for the award on the previous Friday then they will be included in our data, but would not be identified and capped until they appeared in the data. It may also be the case that a household is identified as in scope, but then changes circumstance prior to the cap being applied by the LA. These operational data-lags means that our estimates of those capped are not the same as the Official Statistics which identify capped households as a starting point, they use a different methodology. The Official Statistics are quality assured to standards set out by the UK

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Statistics Authority, whilst our methodology for this analysis has been developed with the advice of the Institute for Fiscal Studies. However our estimated levels converge closely with the actually capped caseload (as shown in official statistics) providing confidence in the reliability of the estimates of those in scope for the cap.