Title: Impact Assessment for the benefit cap Northern Ireland **Lead department or agency:** Department for Work and Pensions **Other departments or agencies:** Local Authorities	**Impact Assessment (IA)** **Date:** July 2016 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary Legislation **Contact for enquiries:** workingage.benefitsstrategy@dwp.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
	N/A	N/A	No	NA

What is the problem under consideration? Why is government intervention necessary?

The current benefit cap has been shown to be successful in Great Britain with more households looking for and finding work. The long term positive, intergenerational, effects from people moving into work are well-known and therefore, to encourage more households to move into work, a new lower, cap has been designed to strengthen the work incentives for those on benefits. It also helps in tackling the deficit and consequent reductions in public expenditure that the Government is making to return to sustainable public finances. Evaluation evidence shows that the existing benefit cap, at £26,000, is improving work incentives, promoting fairness between those on out of work benefits and taxpayers and delivering savings. Reducing the benefit cap to £20,000 in Northern Ireland, as it is across the rest of the UK outside of Greater London builds on this, delivering further positive change.

As part of the recent Fresh Start Agreement we agreed with the Northern Ireland Assembly that the current position on welfare was financially unsustainable and parity across the UK on social security must be restored.

What are the policy objectives and the intended effects?

The objective of the policy change is to build on the successes of the existing benefit cap, as shown by evaluation evidence. We will do this by restricting the total amount of benefits that a household can receive to £20,000 in Northern Ireland aligned to the rest of the UK outside of Greater London (and 67% of these levels for single people without children). By doing this the policy will:

1. Further improve work incentives for those on benefits
2. Promote even greater fairness between those on out of work benefits and tax payers in employment (who largely support the current benefit cap), whist providing support to the most vulnerable
3. Further reduce benefit expenditure and continue to help tackle the financial deficit.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

We considered 2 options:

- Leaving the cap at £26,000
- Lowering the cap to £20,000 in Northern Ireland aligned to the cap across the rest of the UK, outside of Greater London to build on the current success of the cap in in improving incentives to work, delivering fairness and benefit savings.

The current cap meets policy intentions; however, there is opportunity to further build on its success with a lower cap. We believe the lower level further enhance work incentives, whilst striking a balance between claimants and taxpayers interests for fairness and spending and ensuring a safety net for the most vulnerable.

Furthermore the Fresh Start Agreement set out that welfare reform would be implemented in Northern Ireland equivalent to those introduced in GB by the Welfare Reform and Work Act 2016.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 12/2018

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: .... Date: 04/07/16

Summary: Analysis & Evidence

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
17/18	17/18	5	**Low:** Optional	**High:** Optional	**Best Estimate:**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate				

Description and scale of key monetised costs by 'main affected groups'

The estimates shown do not take account of the expected behavioural changes from reform as these are difficult to estimate. In a static environment an estimated total 2,440 households could be affected by benefit cap in the implementation year of 2016/17, 2,040 of them additional over the current policy. However, all households taking action to move into work will be unaffected by the changes. Those not responding will have their benefits reduced by an average of around £50 per week through Housing Benefit, a lower amount than across GB.

For many people who will be affected by the cap these reductions are notional changes in entitlement rather than actual cash losses i.e. those who become capped once the policy is in place haven't seen any reductions in their benefit, just a lower maximum limit on the benefit they would otherwise have been entitled to. Households who do not make an adjustment before the lower cap is introduced would face a cash reduction in their benefit receipt.

Other key non-monetised costs by 'main affected groups'

Households who may be affected by the cap will face the same choices as working families over where to live and managing their household expenditure. It is not possible to robustly quantify these costs because they are based on behavioural changes which are difficult to assess.

These costs do not include the operational cost of implementing the benefit cap or support provided to capped claimants.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups'

The benefit cap applied at £20,000 per year in Northern Ireland will deliver additional fiscal savings, these were included in the total UK savings published in the Impact Assessment accompanying the GB Welfare Reform and Work Act 2015.

Other key non-monetised benefits by 'main affected groups'

This measure sits alongside the other measures announced in this Welfare Reform package to continue to improve work incentives, make the welfare system fair and affordable for all. Workless households will see limits in benefit receipt and this improves work incentives, particularly since entitlement to Working Tax Credits will provide exemption from being capped. There are long term, positive, intergenerational, effects from work and improving work incentives helps deliver these.

Key assumptions/sensitivities/risks | **Discount rate (%)** 3.5%

No behavioural change has been assumed in the impacts, although we know this change is likely and will reduce the numbers affected. We know that from the implementation of the benefit cap in GB that households capped at the £26,000 level were 41% more likely to go into work than similar uncapped households.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: N/A	**Benefits:** N/A	**Net:** N/A	No	NA

Introduction

The Welfare Reform and Work Act in Great Britain incorporates a number of policy changes designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. This aligns Northern Ireland to the rest of the UK.

In the Fresh Start Agreement, the Northern Ireland Executive agreed an approach to implementing welfare reform in NI. The deal reached included agreement for the Government to legislate for welfare reform in NI reflecting the Welfare Reform Act 2012 and the changes in the then Welfare Reform and Work Bill, which has now become an Act. Consistent with that Agreement, this Order will implement the welfare aspects of the Welfare Reform and Work Act 2016, as well as allowing for NI Ministers to implement mitigation schemes agreed by the NI Executive, from within their own budget.

Alongside this mitigations have been assessed and will be put in place following the Evason report, January 2016.

The current policy

The current cap on the total amount of benefit that working-age people can receive was implemented on 31st May 2016The cap was set at £26,000 per year or £500 per week for a couple (with or without children) and single parent households; and equivalised at 67%, or £350 per week (after rounding), for single adult households without children. However, once measures in the 2016 Act are put in place, Northern Ireland will be out of line with the rest of the UK and parity needs to be restored.

Benefits taken into account

Benefits and tax credits (with the exception of working tax credit) that provide an out-of-work income for adults or support for children and housing are taken into account for purposes of applying the cap.

The cap applies to the combined income from:

- Bereavement Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance except where the support component has been awarded
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Severe Disablement Allowance
- Universal Credit
- Widowed Parent's Allowance
- Widow's Benefit

Currently, where the total amount of welfare benefits exceeds the cap, the Northern Ireland Housing Executive will reduce a claimant's entitlement to HB by the amount of the excess, but increasingly the benefit cap will be administered through Universal Credit. The Impact Assessment focuses on the effects of households claiming Housing Benefit.

Benefits not taken into account

Legislation specifically excludes State Pension and Pension Credit, reflecting that the policy is primarily a work incentive aimed at people of working age. Also excluded are one-off payments, non-cash benefits and those not paid by government, such as Statutory Sick Pay (which, in any event, would be paid while someone was in employment and so exempt from the cap).

Exemptions

Entitlement to Working Tax Credit or those who meet/exceed the earnings threshold in Universal Credit, reflects the main aim of the policy, which is to increase the incentive to work. This includes households who are working sufficient hours to qualify for WTC but whose earnings are so great that they have been awarded a "nil entitlement."

Receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme), the Support Component of Employment and Support Allowance or the Universal Credit Limited Capability for Work Related Activity element. We recognise the additional financial costs that can arise from disability and that disabled people will have less scope to alter their spending patterns or reduce their housing costs, or adjust their circumstances to improve their employment prospects (Attendance Allowance and Personal Independence Allowance are replacing Disability Living Allowance.)

Households in receipt of Guardian's Allowance. This Government values and recognises the service that guardians provide through offering a stable home for children who have lost their parents. An exemption from the benefit cap emphasises that the Government both recognises the difficult circumstances these families face and strongly values the role of guardians in helping vulnerable and bereaved children stay with their families.

Households in receipt, or who have underlying entitlement to, Carer's Allowance (CA). Any households including a claimant entitled to CA will no longer be capped under the policy change; this exemption will also be applied to the equivalent group in Universal Credit. This change fits in with the wider Government strategy to do more to support and invest in carers. Set alongside the investment provided through the Care Act and the help available to find work, the exemption will continue the Government's strategy to enable carers to stay or move into in paid employment where appropriate for them, whilst also fulfilling their valuable caring responsibilities.

War Widows and Widowers receiving a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes are exempt to reflect commitments to support the aim of the Armed Forces Covenant to recognise sacrifice of those seriously injured or killed in the service of their country.

Grace Period provides a fixed period of protection for those with a consistent work history whose employment has ended or those who have been forced to leave work due to a change in their circumstances during which they can adapt to their position and look for alternative employment. The grace period will be for a set 39 weeks (or 9 months in Universal Credit), and if applicable it will remain in place irrespective of any reportable change of circumstances made by the claimant during the 39 weeks.

Disregards

In addition some payments are disregarded for purposes of the benefit cap. Housing costs paid in respect of 'supported exempt accommodation' and "specified accommodation" (e.g. some refuges, hostels) are not included in the benefit cap calculation.

What policy changes are we making and why?

A lower cap level

Our welfare reforms are focussed on transforming lives by supporting people to find and keep work. The changes we are making to the benefit cap will support our ambition of moving to full employment. From 2016/17 total household benefit payments for working-age claimants will be capped so that workless households will no longer be entitled to receive more than £20,000 in benefit (£13,400 for single adults with no children) in Northern Ireland.

Why is the benefit cap being lowered?

- The new lower cap strengthens work incentives, achieves fairness for taxpayers and ensures there is a reasonable safety net of support for the most vulnerable.

- An evaluation[1] of the current £26,000 benefit cap showed capped households were 41% more likely to enter work than comparable households not affected by the benefit cap, and the greater the amount by which benefit receipt was reduced by the cap, the greater the proportion moving into employment.

- A lower cap recognises that many hard working families earn less than median earnings, for example those earning the national living wage – a lower cap provides a strong work incentive.

- People who move into work are not affected by the cap – creating a clear incentive to move into employment. People who are entitled to Working Tax Credit, or who meet/exceed an earnings threshold in Universal Credit are exempt from the benefit cap.

The cap will continue to be administered by either:

- Northern Ireland Housing Executive through housing benefit payments: when a household's total benefit entitlement exceeds the cap the level of housing benefit will be reduced by the excess amount; or

- decision makers when the cap is also applied through Universal Credit: when a household's total benefit entitlement exceeds the cap the Universal Credit award will be reduced by the excess amount. Analysis within this Impact Assessment has focused on households under the Housing Benefit system.

Who is exempt from the changes?

The lower cap will retain the same policy design taken into account and disregarded as the cap at £26,000, but introduce a new exemption for Guardian's Allowance.

Options for policy change that have been considered

We considered 2 potential options for the benefit cap:

(1) Leaving the cap at £26,000 would retain its current work incentives and its benefit savings of just under £1m. Evaluation evidence shows that the existing benefit cap in GB, at £26,000, is delivering savings, improving work incentives and promoting fairness between those on out of work benefits and tax payers, it is right we build on this and go further in extending these positive outcomes. Additionally, this level may not encouraging work in Northern Ireland as much as some regions of the UK as the level remains high relative to earnings and rental costs. It also fails to deliver parity across the UK.

(2) Reducing the benefit cap to £20,000 in Northern Ireland, aligned to the rest of the UK outside of Greater London (chosen option) will build on this existing policy success and help, alongside other necessary reforms, in strengthening work incentives, whilst also helping achieve fiscal stability alongside increasing fairness between claimants and taxpayers and ensures there is a reasonable safety net of support for the most vulnerable

Behavioural change

Estimates of caseload and amounts do not include behavioural responses, which would 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 in Great Britain[2]. This response may be replicated in Northern Ireland. The evaluation of the current £26,000 benefit cap in GB found:

[1] Available at https://www.gov.uk/government/publications/benefit-cap-evaluation

[2] Available at https://www.gov.uk/government/publications/benefit-cap-evaluation

- 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. But this trend didn't 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.

- Where households said they intended to seek work because of the cap in February 2014 (45%), by August, the vast majority of them (85%) had done so – 2 in 5 (40%) of those who said they had looked for work because of the cap in February actually entered employment by August.

The new cap level, strengthens the work incentive for a larger number of households to encourage households to move into work and to increase their hours of work. Couples must, together, work at least 24 hours per week to be exempt from the cap. Lone parents must work 16 hours per week to be exempt. Under Universal Credit either singles or couple households will need to earn £430 per month to be exempt from the cap, less than 16 hours at the National Living Wage.

Children can have their life chances and opportunities damaged as a result of living in households where no-one has worked for years and where no-one considers work is an option. For example:

- Children in households where neither parent is in work are much more likely to have challenging behaviour at age 5 than children in households where both parents are in paid employment[3].

- Growing up in a workless household is associated with poorer academic attainment and a higher risk of being not in education, employment and training (NEET) in late adolescence[4].

The evaluation of the current benefit cap in GB also found that most capped households spoke very positively about the overall benefits of being in work on their health and family life. Most were keen to work for multiple reasons including: health, happiness, self-esteem and overall quality of life benefits. In a few cases, the new employment had brought sufficient financial rewards that people now felt better off such as being able to afford treats for their children.

Encouraging more households to move into work would also help increase the household's income and improve their well-being: research[5] shows for people without work, re-employment leads to improvement in health and well-being whereas further unemployment leads to deterioration. We therefore expect the reduction of the benefit cap to have a positive impact on households moving into work.

We do not have sufficient information to reliably be able to predict, in advance of implementation, the potential magnitude of such responses for a lower cap, but there will be 2 groups affected by a lower cap:

- 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.

- A group of people not 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 respond by seeking employment or moving house etc. We may, therefore, see similar responses to those capped at £26,000, but given there are some small differences between the groups (if these weren't present they'd have already been capped) they may respond differently.

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[3] Economic and Social Research Council (2012) Parenting Style Influences Social Mobility. Economic and Social Research Council Briefing Paper.

[4] Barnes, M. et al. (2012) Intergenerational Transmission of Worklessness: Evidence from the Millennium Cohort Study and Longitudinal Study of Young People in England. Department for Education research report 234

[5] For example, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212266/hwwb-mental-health-and-work.pdf

If those capped responded similarly to those assessed as part of the previous benefit cap evaluation we could expect to see those impacted by the cap being 41% more likely to go into work than a similar group who fall just below the cap's level.

Methodology

The following impacts have been estimated by the Northern Ireland Department for Communities Analytical Services Unit. Estimates are based on Departmental, NIHE and HMRC administrative data in September/October 2015. These are static estimates and do not take into account the changes households can make, such as moving into work in response to the cap. Given known responses to the policy in GB the average caseload is therefore thought to be fewer than impacts here represent. Figures presented here are taken from, or aligned to, the Northern Ireland Benefit Cap Information Booklet[6].

The impacts presented in this assessment are based on static assumptions, transposing the policy change on to a population that we model based on the current benefit system and claimants caseload. These changes therefore do no not show the full dynamic picture as people are now aware of the policy changes that will affect their future benefit entitlement once the policy is implemented. This change has an immediate impact on the financial incentives to move into work. Movement into work will result in them increasing their income rather than face a reduction, or a lower entitlement, in the future. Therefore, households will have to face similar choices faced by working families.

All impacts are shown in a static world, without behavioural change. Impacts are subject to the same sensitivities as noted for the savings estimates.

Impact on Households

In the absence of behavioural responses to the benefit cap 2440 households in Northern Ireland will see their benefit income reduced in 2017/18. All of those households impacted by the benefit cap are in receipt of Housing Benefit and almost all in receipt of Child Benefit.

Number of children

These households contain approximately 9,140 children, an average of 3.8 per household.

Household type

Of the 2,440 households who may be affected by the benefit cap, around 1,900 are lone parents and the remaining 540 couples with children.

Exchequer Impact

As a result of not mirroring the measures contained in the Welfare Reform Act 2012 in Northern Ireland the Executive has had to pay HM Treasury £2m per week to cover additional welfare payments. This is unsustainable and parity with GB needs to be restored, including implementation of measures out lined in the Welfare Reform and Work Act 2016.

The savings from the new Benefit Cap across the United Kingdom are £80m in 2016/17, £235m in 2017/18, £255m in 2018/19, £305m in 2019/20 and £360m in 2020/21 (cash terms). These savings are aligned to those published at Budget 2016[7] excluding the impact of Carer's and Guardian's Allowance exemptions. These are Great Britain figures scaled up using the Barnett formula and take into account the impact of the 4-year working age benefit freeze. Savings estimated for Northern Ireland and published in the Benefit cap information booklet are £8m per annum, estimated by the Department for Communities Northern Ireland.

The benefit cap level may be reviewed in line with a range of factors and considerations at least once in a Parliament and any change to the level would impact the savings from the policy change. Any additional welfare reforms (other than the four-year out-of-work working age benefit freeze) may also have an impact on the number of households affected by the benefit cap and the average reduction in benefit entitlement.

[6] https://www.communities-ni.gov.uk/sites/default/files/publications/dsd/ni-benefit-cap-information-booklet.pdf

[7] https://www.gov.uk/government/topical-events/budget-2016

Changes in Household income

Households making a behavioural response to the cap will not face a reduction in their benefit receipt from the benefit cap. For households not making a behavioural response to the change their benefit entitlement will be reduced by an average of around £50 per week[8], reduced through Housing Benefit. When Universal Credit is implemented in Northern Ireland this reduction will be £63 per week, which is similar to the average reduction across Great Britain.

For many people who will be affected by the cap these reductions are notional changes in entitlement rather than actual cash losses. Those who do not currently have a benefit income in excess of the cap level will not see their benefit income reduce, but rather not see it increase to the level that it would have reached prior to this change. Households who do not make an adjustment before the lower cap is introduced would face a cash reduction in their benefit receipt.

However, if those capped responded similarly to those assessed as part of the previous benefit cap evaluation we might expect to see those impacted by the cap being 41% more likely to go into work than a similar group who fall just below the cap's level

Impacts of the policy on people with protected characteristics are set out in the following sections. It's important to note these do not include any behavioural response to the cap, which might affect both numbers and types of cases impacted. For example, additional moves into employment, as observed with a £26,000 cap, may reduce the overall capped caseload.

Impact on Income for Protected Groups

Households that include someone with a protected characteristic (as defined by the Equality Act 2010) will be affected by this policy if they receive one or more of the affected benefits. Overall, those groups who are more likely to be in receipt of affected benefits are more likely to be affected by this policy change. The protected groups according to the Equality Act 2010 are:

- Age
- Disability
- Gender
- Ethnicity
- Gender reassignment
- Pregnancy and maternity
- Sexual orientation
- Religion or belief
- Marriage and civil partnership

In undertaking the analysis, where applicable, the Department has also taken into account:

- the United Nations Convention on the Rights of the Child (UNCRC) and, in particular: Article 2 (the duty not to discriminate); Article 3 (the duty to treat the best interests of the child as a primary consideration); Article 6 (the right to life and to develop to the maximum extent possible); Article 9 (the right for children not to be separated from their parents against their will); Article 16 (prohibition against arbitrary or unlawful interference with private life, home and family); article 26 (social security); and article 27 (standard of living).

- the Convention on the Elimination of all forms of Discrimination Against Women in particular articles 2 (policy measures), 3 (Guarantee of Basic Human Rights and Fundamental Freedoms) and 13 (economic and social benefits);

[8] Calculated as the sum of benefit income from administrative records projected forward to 2017/18. Where the total in excess of the cap is greater than the amount of HB then HB is reduced to the minimum amount of 50p.

- and the UN Convention on the Rights of Persons with Disabilities.

Age

The vast majority of adults affected by this policy (96%) are estimated to be aged between 25 and 54. Of these approximately half are in the 25-34 age band; approximately 40% in the 35-44 age band. Under 6% are aged 45 or over.

Disability

Households where someone is in receipt of Disability Living Allowance (or its replacement, Personal Independence Payment), Carers Allowance, Attendance Allowance, Industrial Injuries Benefit or the support component of Employment Support Allowance are exempt from the benefit cap.

The total number of households in Northern Ireland to have payment in excess of the £20,000 Cap is estimated to be 55,440, the vast majority of whom are exempt from the cap. An estimated 45,440 (82%) of these are exempt because an adult in the household is in receipt of DLA.

All households which include someone who is entitled to Carers Allowance or the equivalent payment for carers in UC will be exempt from the benefit cap. This change will have a positive impact on disabled persons, helping to ensure that a cared-for disabled person has access to appropriate care and also that a disabled person can choose their primary carer.

Gender

Modelling suggests that around 98% of claimants who are likely to have their benefit reduced by the cap will be female. The vast majority of heads of lone parent households are female. Households containing couples make up 22% of the estimated caseload, suggesting that female partners are the main claimant in the majority of these households.

Ethnicity

The administrative data upon which these estimates were made does not contain reliable recording of ethnicity. It is unknown whether the ethnic composition of the Northern Ireland caseload affected by the cap is similar to that of GB.A large proportion of those affected by the benefit cap are larger families. Those from cultural backgrounds with a high prevalence of large families and households from certain ethnic minorities that tend to have a higher proportion of large families are more likely to be affected. A large proportion of the caseload is also in London which, relative to the rest of the country, has a more diverse population. An indicative proportion can be taken from the Ipsos MORI survey of affected claimants (with the cap set at £26,000) which found that 37% of households sampled in the cohort were from a black or minority ethnic background; however, the new cap will, relatively, have a greater proportion of its caseload outside London, so this finding needs to be treated with some caution.

Gender reassignment

The Department does not hold information on its administrative systems on gender reassignment. The Government does not envisage an adverse impact on these grounds.

Pregnancy and maternity

The Department only holds information on pregnancy and maternity on its administrative systems where it is the primary reason for incapacity. It cannot therefore be used to accurately assess the equality impacts. The Government does not envisage an adverse impact on these grounds.

Sexual orientation

The Department does not hold information on its administrative systems on the sexual orientation of claimants. The Government does not envisage an adverse impact on these grounds.

Religion or belief

The Department does not hold information on its administrative systems on the religion or beliefs of claimants. There may be some religions with a high prevalence of large families that are more likely to be affected. However, the Government does not envisage an adverse impact on these grounds.

Marriage and Civil Partnership

The Department does not hold information on its administrative systems on the marital or civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

Life Chances

The Welfare Reform and Work Act 2016 places a duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

The benefit cap is supportive of the Life Chances legislation in that this policy gives the incentive for people to make the choice to move into work. The £26,000benefit cap in GB has been shown to be successful with more households looking for, and finding work. The new, lower cap aims to build on this success by strengthening the work incentive for households. In this way the number of children living in workless households could fall over time.

Mitigations

The benefit cap is one of the four welfare reform policies with an explicit amount of funds allocated in mitigations by the Evason report. A recommended £25m over four years has been suggested, this is based upon the £26,000 cap being in place for one year with further regulations implementing the change to cap level to £20,000 in the three subsequent years. The NI assembly will bring forward regulations to enable this to start concurrently with the policy change. This fully mitigates the estimated impact of the policy in Northern Ireland.

The Fresh Start Agreement committed to additional funding for the advice services to ensure they were adequately resourced during implementation of welfare reform. The report makes recommendations on how any additional funding for advice services should be used to support claimants during the implementation of welfare reform.

There is evidence to show behavioural change prior to implementation for the £26,000 level of the benefit cap in GB:

- Of those who entered work prior to implementation: over three-in-five people (62%) of those who took action said they looked for a job after being notified they would be affected by the benefit cap.

- Around 14% of households in scope for the cap in May 2012 (a year before implementation) moved into work after a year compared to around 11% for similar uncapped households. After controlling for a range of observable characteristics, those in scope for the cap were 1.5 percentage points (14%) more likely to enter employment after a year compared to similar uncapped households.

Childcare Costs

Support for childcare costs for those in work is currently provided through Working Tax Credit and households in receipt of Working Tax Credit are exempt from the cap. Under UC childcare support will be paid via an element within UC and will be available to all lone parents and couples, where both members are in work, regardless of the number of hours they work. Payments to support childcare costs through UC will not be affected by the cap and will continue to be received in full. This will help mitigate the impacts of the cap for parents whilst maintaining the work incentive effects of providing support for the costs of childcare for those in employment.

Those on low incomes, eligible for Working Tax Credit, can already recover 70% of childcare costs, up to a limit of £175 per week for one child and £300 for two or more children and under Universal Credit. The previous Government announced that support will be increased to cover up to 85% of childcare costs, where lone parents or where both parents are in work, regardless of the number of hours they work.