



# Overall Benefit Cap (OBC)

Left Unity Workshop 30 October 2016

07481 826605 – [joehalewood@gmail.com](mailto:joehalewood@gmail.com)

# OBC - Introduction

- OBC is £26,000 pa or £2166 pcm or £500 pw for families and 70% of that for single persons
- From 7 Nov 2016 £23,000 in London and to £20,000 in the regions and to 67% of that for single persons
- A cut of 11.5% in London and 23% in the regions
- It means at least **400,000 more children at acute risk of eviction and homelessness** and average **£76 per week cut in Housing Benefit - £330 pcm**

# OBC Background

- Introduced in 2013 on the specious ideological basis that “...*no one on benefit should get more than the average wage.*”
- £26,000 was the average wage in 2013 ... for an **individual** ... the Overall Benefit Cap is for **household** income
- Numbers? DWP estimated 56,000 would be affected – actual and latest figure is 20,124

# Can you avoid the reducing OBC?

- Outside of moving from ESA (wrag) to support or DLA / PIP or Carers Allowance – No.
- Only escape is to work enough hours to qualify for Working Tax Credit
  - 16 Hours or 30 Hours pw at NLW – which explains its political rationale of a constant supply of desperate for minimum wage workforce
- Labour Party policy in 2015 GE Manifesto (opposition by focus group?)

# Continued – Figures?

- The current 20,124 families hit by the OBC will increase to (my figures) min 159,000
  - Comprising 209,131 adults and 533,204 children
- The DWP has estimated it will affect:
  - Feb 2016 Between 94,000 and 177,000\*
  - May 2016 circa 120,000
  - Sep 2016 Between 88,000 and 107,000\*
- **DWP estimates always laughable**

# WHO is affected now?

- 74% affected are single parents (94%F:6%M)
  - 64% of these have pre school-age children thus part of the **not expected to work** cohort
- 16% receive ESA (Wrag)
  - Formerly Incapacity Benefit – and thus comprise the **unable to work** cohort
- 14% unemployed
- 8% in receipt of Carers Allowance and also part of the **not expected to work** cohort

# Other known factors

- 44% affected are in London with 56% in the regions - will move to 18% London and 82%
- London now 3 children and in Regions 4/5 children becomes 1 child in London and 2/3 child in the Regions
- Average cut to Housing Benefit is now £58 and will become £76 per week – or **5 times the average bedroom tax cut**
- **ONLY Housing Benefit is cut** and thus a huge risk of eviction and homelessness

# How the OBC works is the key

- From the cap limit (£23,000 or £20,000 pa) the total amount of 'other' income is deducted leaving a maximum Housing Benefit that can be paid
- 'Other Income':
  - **Base benefit (JSA or IS or ESA) +**
  - **Child Benefit +**
  - **Child Tax Credits (inc. Family Premium)**
- NB – Because the same amounts nationally we can say with accuracy what each household type receives



# Worked example – 2P3C

- 2 Parent 3 Child household receives yearly:
  - Base Benefit of £5,988.61
  - Child Benefit of £2,508.07
  - Child Tax Credit of £8,885 (inc. Family Premium)
- Total is £17,381.68 pa thus £2,618.32 is the maximum pa housing benefit [ $£20,000 - £17,381.68$ ]
  - £50.21 pw or £218.19 pcm (Regions)
  - £107.89 pw or £468.19 pcm (London)

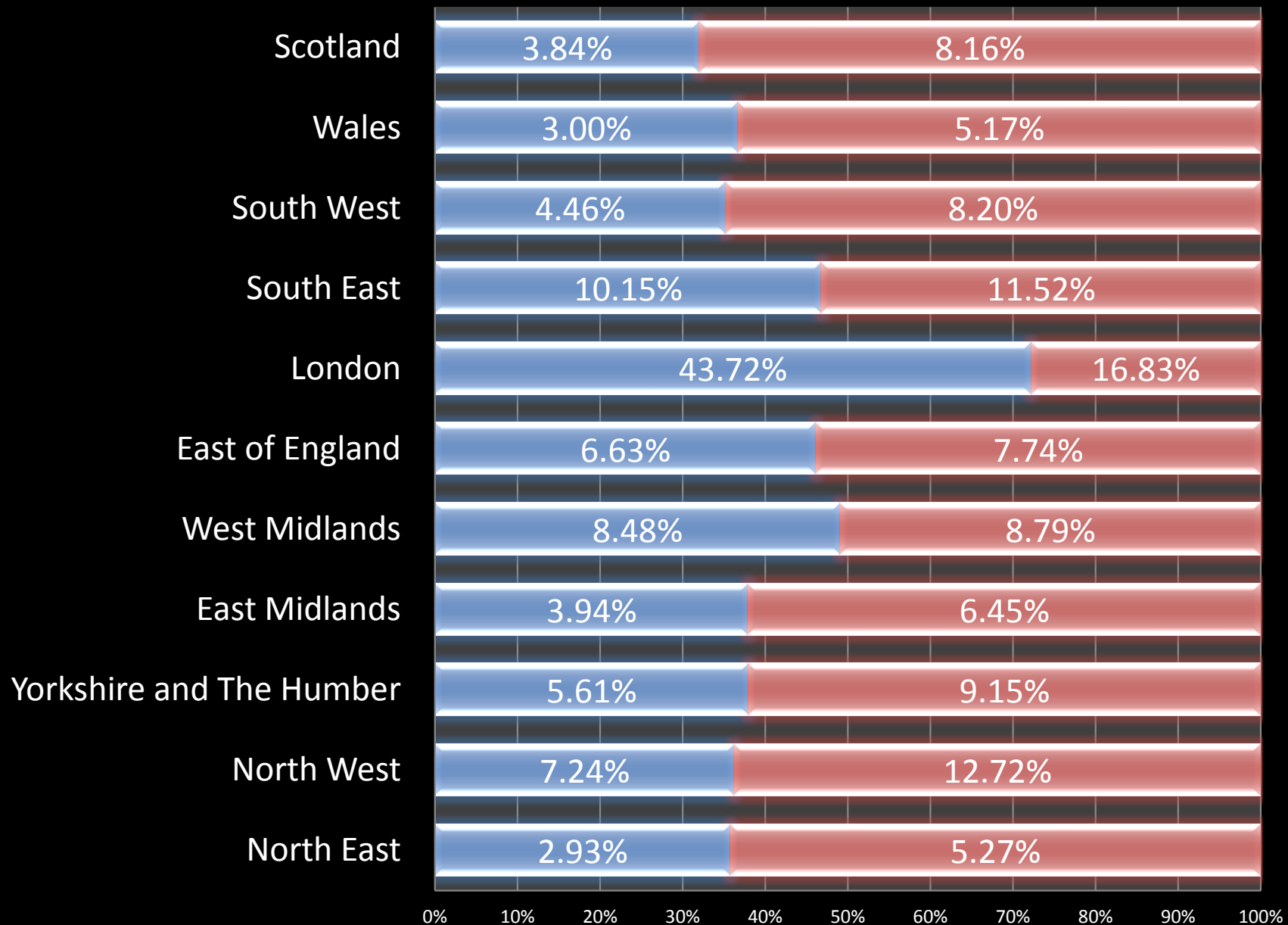
# Rents? HB - £218 (R): £468 (L) pcm

AVERAGE RENTS 3BED	3 BED SR social rent	3 BED AR affordable rent	3 BED PRS private rent	OBC NOW	EST.	INCREASE
Birkenhead	£422	£462	£577	55	1162	<b>21</b>
Birmingham	£482	£482	£602	684	3548	<b>5</b>
Brighton	£544	£841	£1,051	115	1020	<b>9</b>
Cambridge	£637	£637	£769	22	189	<b>9</b>
Cardiff	£429	£555	£694	156	1006	<b>6</b>
Coventry	£494	£494	£585	109	981	<b>9</b>
Doncaster	£386	£386	£473	62	889	<b>14</b>
Exeter	£469	£602	£752	14	294	<b>21</b>
Leeds	£438	£553	£691	260	2170	<b>8</b>
Liverpool	£424	£437	£546	110	1992	<b>18</b>
London - Inner (avg)	£645	£1,294	£1,617	3982	11510	<b>3</b>
London - Outer (avg)	£633	£893	£1,116	4808	15162	<b>3</b>
Northampton	£533	£533	£638	58	538	<b>9</b>
Oxford	£585	£841	£1,051	54	335	<b>6</b>
Stockport	£448	£554	£692	35	582	<b>17</b>
Wigan	£369	£399	£499	46	790	<b>17</b>
York	£473	£515	£644	8	301	<b>38</b>

<b>MONTHLY SHORTFALLS COUPLE WITH 3 CHILDREN</b>	<b>3 BED SR social rent</b>	<b>3 BED AR affordable rent</b>	<b>3 BED PRS private rent</b>
<b>Birkenhead</b>	<b>£205</b>	<b>£245</b>	<b>£360</b>
<b>Birmingham</b>	<b>£265</b>	<b>£265</b>	<b>£385</b>
<b>Brighton</b>	<b>£327</b>	<b>£624</b>	<b>£834</b>
<b>Cambridge</b>	<b>£420</b>	<b>£420</b>	<b>£552</b>
<b>Cardiff</b>	<b>£212</b>	<b>£338</b>	<b>£477</b>
<b>Coventry</b>	<b>£277</b>	<b>£277</b>	<b>£368</b>
<b>Doncaster</b>	<b>£169</b>	<b>£169</b>	<b>£256</b>
<b>Exeter</b>	<b>£252</b>	<b>£385</b>	<b>£535</b>
<b>Leeds</b>	<b>£221</b>	<b>£336</b>	<b>£474</b>
<b>Liverpool</b>	<b>£207</b>	<b>£220</b>	<b>£329</b>
<b>London - Inner (avg)</b>	<b>£178</b>	<b>£827</b>	<b>£1,150</b>
<b>London - Outer (avg)</b>	<b>£166</b>	<b>£426</b>	<b>£649</b>
<b>Northampton</b>	<b>£316</b>	<b>£316</b>	<b>£421</b>
<b>Oxford</b>	<b>£368</b>	<b>£624</b>	<b>£834</b>
<b>Stockport</b>	<b>£231</b>	<b>£337</b>	<b>£475</b>
<b>Wigan</b>	<b>£152</b>	<b>£182</b>	<b>£282</b>
<b>York</b>	<b>£256</b>	<b>£298</b>	<b>£427</b>

HOUSEHOLD COMPOSITION	BENEFIT EXCL. HOUSING BENEFIT	MAXIMUM HB REGIONAL £20K CAP	MONTHLY HB EQUIVALENT
LONE PARENT 1 CHILD	£8,216	£11,784	<b>£982</b>
LONE PARENT 1 CHILD ESA	£9,731	£10,269	<b>£856</b>
LONE PARENT 2 CHILDREN	£11,710	£8,290	<b>£691</b>
LONE PARENT 2 CHILDREN ESA	£13,225	£6,775	<b>£565</b>
LONE PARENT 3 CHILDREN	£15,205	£4,795	<b>£400</b>
LONE PARENT 3 CHILDREN ESA	£16,719	£3,281	<b>£273</b>
LONE PARENT 4 CHILDREN	£18,699	£1,301	<b>£108</b>
LONE PARENT 4 CHILDREN ESA	£20,213	-£213	<b>-£18</b>
COUPLE 1 CHILD	£10,393	£9,607	<b>£801</b>
COUPLE 1 CHILD ESA	£11,908	£8,092	<b>£674</b>
COUPLE 2 CHILDREN	£13,887	£6,113	<b>£509</b>
COUPLE 2 CHILDREN ESA	£15,402	£4,598	<b>£383</b>
COUPLE 3 CHILDREN	£17,382	£2,618	<b>£218</b>
COUPLE 3 CHILDREN ESA	£18,896	£1,104	<b>£92</b>
COUPLE 4 CHILDREN	£20,876	-£876	<b>-£73</b>
COUPLE 4 CHILDREN ESA	£22,391	-£2,391	<b>-£199</b>

## % of UK Total Capped Households Today and in 2017 - By Region



# Where will the 'benefit tenant' live?

- £76 per week average cut to HB means private landlords, HA landlord and council landlords will INEVITABLY evict.
- Many tenants will be the **not expected to work** and the **unable to work** cohorts
- Children to have their life chances irreparably damaged due to the “**Sins of their parent(s)**”
- Couple with 3 children – if lucky – may get 1 family room at a Travelodge ... Else a dingy B&B (shared kitchen & bathroom etc)

# Existing Tenants

- Average £76 pw cut = private tenants evicted
- Social tenants – same will happen and arrears will build up very quickly indeed and existing social tenants will be evicted en masse
- £76 pw is £3965 per year
- Ground 8 or mandatory evictions will become the norm for HA tenants (due to £ imperative)

# Prospective Tenants

- 385,000 new social tenancies each year and 75% (c.290k) are on HB... HOWEVER
- No social landlord can afford the 'benefit tenant' (unemployed, **not expected to** or **unable to work**) due to the £76 HB cut
- 36% of all social housing is 3 bed and larger and a fully occupied 3 bed is financially toxic
- As **NO** landlord will take them go directly to homeless dept and put in temp homeless accommodation.



# Homelessness Triple Whammy

- **Existing** tenants very quickly evicted and as they are families LA cannot avoid temp accommodation and its huge cost
- **Prospective** social tenants refused as 'benefit tenant' and too financially risky – so they go direct to LA homeless dept.
- LAs cannot **mitigate with DHP** either
  - e.g. Liverpool now £2m DHP pot [£6.7m BT & £0.3m OBC cut] - £6.7m BT and £7.6m OBC cut
  - So those reliant on Bedroom Tax DHP now will no longer get one = further increase in eviction and homelessness

# Local councils position

- Tenant evicted as only qualifies for £50 pw HB
- Tenant goes to council as homeless
- Council has to put up in temp accommodation
- e.g. Travelodge 2 rooms at £49 room / night is £686 per week cost of which LA get £50pw HB
- Net £636 per week cost to local councils per family and £35,770 per year cost to LA sees **£20k cap = £36k cost to local councils!!!**

# Summary

- The OBC is by far the most severe of all cuts to Housing Benefit (misnamed 'welfare reforms')
- Social and personal level it makes children pay for the 'sins of their parents!'
- Irreparably damages children's life chances
- Homelessness will rocket (4, 5 maybe 6-fold)
- Transfer of £ risk from central to local govt
- The general public love the idea!! (76% approval rating in Populus Poll)