

Benefits cap factsheet

Introduction

From 8 April 2013 there will be a cap on the amount of benefits a person can receive unless they are considered to be exempt from this rule. Lone parent or couples will only be paid a maximum of £500 a week in benefits even if they are entitled to more. Single people will only be paid a maximum of £350 a week in benefits.

There will be a cap on combined income from the following benefits:

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

There will be a 'grace period' of 39 weeks, when the cap will not be applied for those who have been doing paid work for a period of 50 weeks out of 52 weeks before claiming the above benefits. An individual must not have been entitled to employment and support allowance, jobseeker's allowance or income support during this time.

The grace period starts from the day after work ceases and can include periods of work before the cap is introduced in April 2013. For example a person who finishes work at the end of January 2013 will commence the 39 week grace period from February 2013.

Benefits not included in the cap

The following benefits will not be included in the cap:

- Bereavement Payment (the new Bereavement Support Payment will also be disregarded)
- Cold Weather Payments
- Council Tax Benefit or the replacement localised support for council tax
- Discretionary Housing Payments
- Free school meals
- Funeral Payments
- State Retirement Pension

- Social Fund Payments which are being replaced by local authority discretionary payments (Community Care Grants and Crisis Loans)
- State Pension Credit
- Statutory Adoption Pay
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Sick Pay
- Sure Start Maternity Grants

Exemptions from the cap

There will be an exemption from the cap for those households where someone is claiming:

- Attendance Allowance
- Disability Living Allowance
- Employment and Support Allowance support component. When Universal Credit is introduced the exemption will be for those who are placed in the limited capability for work and work related activity element.
- Industrial Injuries Benefits
- Personal Independence Payment
- War Disablement Pension/Armed Forces Compensation Scheme payments (that are equivalent to industrial injuries benefits)
- War Widow's or War Widower's pension
- Working Tax Credit even if the award is for a "nil entitlement" When Universal Credit is introduced individuals will be exempt from the benefits cap if they (or they and their partner's) gross monthly earnings are equivalent to 16 hours a week at the National Minimum Wage.

How will the cap be applied?

If a person's total benefits assessment is greater than the cap the local authority will reduce Housing Benefit payments. When Universal Credit is introduced deductions will be made from that.

Benefits cap timetable

1st Phase; April 2012 – Work to identify and alert those customers likely to be affected who are on Employment Support Allowance and Housing Benefit.

2nd Phase; April 2013 – The benefit cap is planned to go live, delivered initially by Local Authorities through deductions from Housing Benefit.

3rd Phase; October 2013 – Implementation of the benefit cap through Universal Credit is planned for new claims with existing claims being migrated to Universal Credit between October 2013 and 2017.

Discretionary Housing Payments

Discretionary Housing Payments (DHPs) are available if housing costs have been reduced because of:

- local housing allowance restrictions
- a rent shortfall which may end in eviction
- rent officer restrictions such as local reference rent or shared room rate
- non-dependant deductions on housing costs
- reductions in HB where the benefit cap has been applied;
- reductions in HB for those in the social rented sector (council housing, housing association tenancies) and whose home is under occupied
- reductions in HB due to the income taper

There is no automatic right to a DHP. The discretion is with the Local Authority.

Effect of the benefits cap

The latest estimates are that the cap will affect 67,000 households in 2013/14 and 75,000 in 2014/15. By far the worst affected are those living in Greater London. A breakdown of those affected suggests:

- 54% of affected households are in Greater London
- 9% of affected households are in the South East
- 6% of affected households are in the North West
- 5% of affected households are in Scotland
- 3% of affected households are in Wales

The average benefit reduction is £83 a week per household

- 17,000 households will be subject to both the local housing allowance cap from Jan 2012 and this cap from April 2013
- 44% of households affected by the cap are in the social rented sector
- 56% of households affected by the cap are in the private rented sector
- 69% of households affected by the cap have 3 or more children
- 27% of households affected by the cap have 5 or more children
- 52% of households affected are lone parents
- 39% of households affected receive jobseeker's allowance
- 22% of households are in receipt of ESA
- 38% of households are in receipt of income support

Where can I get more help or information?

The draft Housing Benefit (Benefit Cap) Regulations 2012 are now online at <http://tinyurl.com/c3f5u76>. The Department for Work and Pensions also have a benefits cap page at www.dwp.gov.uk/adviser/updates/benefit-cap/.