

Benefit cap

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Introduction

The benefit cap is currently set at £2167 per month (the equivalent of £26,000 per year) for couple and single parent benefit units across the country, £1517 per month for single adult households without children.

In the summer budget 2015 it was announced that the benefit cap will be lowered. The reduction will be introduced from 7 November 2016.

Any claimant likely to be affected by the new benefit cap rules will be notified in September 2016 and offered help and support from a work coach to prepare for the changes.

New annual benefit cap amounts:

Claimant/claim type	Greater London	Rest of Great Britain
Single claimants	£15, 410 (£1284.17 per month)	£13,400 (£1117 per month)
Couple/lone parents	£23,000 (£1916.67 per month)	£20,000 (£1667.67 per month)

The new benefit cap aims to achieve long term positive behavioral effects through changed attitudes to welfare, responsible life choices and strong work incentives.

Purpose of the benefit cap

The benefit cap may reduce the amount of Universal Credit a claimant receives.

New benefit cap rules will apply from November 2016.

A benefit cap may be applied when the claimant(s) or members of their household:

- earn less than £430 in an assessment period (either single or joint earnings)
- receive a benefit or payment that makes them exempt
- do not qualify for a 'grace period'

The benefit cap limits a household's total entitlement to the following welfare benefits:

- Universal Credit Jobseeker's Allowance
- Employment and Support Allowance (contribution based and income related except where the support component is in payment)
- Child Benefit
- Carer's Allowance (from 7 November households entitled to Carer's Allowance are exempt from the benefit cap)
- Guardians Allowance (from 7 November households entitled to Guardian's Allowance re exempt from the benefit cap)
- Maternity Allowance
- Bereavement Allowance
- Widowed Mother's Allowance
- Widowed Parent's Allowance
- Widow's Pension

The benefit cap has been introduced to encourage people into work and to promote fairness between those in work and those on out-of work benefits.

Benefit cap exemptions

Claimant(s) or members of their household will not be affected by the benefit cap if they:

- earn more than £430 in an assessment period (either single or joint earnings)
- receive certain benefits (see the list below)
- are responsible for a child or young person who is receiving certain benefits

Benefits that make a claimant exempt from the benefit cap

- Universal Credit payment for Limited Capability for Work and Work Related Activity
- Disability Living Allowance
- Attendance Allowance
- Personal Independence Payment
- Industrial Injuries Disablement Benefit
- Armed Forces Compensation Scheme
- Armed Forces Independence Payment
- War Pension Scheme (including War Widows and War Disablement Pension)
- Guardians allowance
- Carers Allowance or Universal Credit for care

Claimants won't be affected by the benefit cap if they're entitled to one of these benefits, even if they're currently not receiving it. For example, if the claimant is in hospital or residential care.

If there is a delay in reported earnings

The benefit cap won't be applied if a claimant or their partner is in regular employment but no earnings have been reported in an assessment period. For example, this may happen if there's a delay in 'Real Time Information'. However, if the claimant or partner did not earn more than £430 in an assessment period, then the benefit cap will be applied retrospectively, and an overpayment will be created.

Applying the benefit cap

Below is an example of how the benefit cap can be applied:

Illustrative example:

Felix claims Universal Credit. He is single and is not responsible for a child or qualifying young person. The capped amount for a person in this scenario is £1517.00.

Felix's Universal Credit amount is £1632. The Case Manager reduces Felix's Universal Credit amount by the amount of the excess.

$£1632 - £1517.00 = £115$ reduced from Felix's entitlement to benefit.

From 7 November Felix would be capped as follows:

If Felix lived in London: $£1632 - £1284 = £348$ reduced from Felix's entitlement to benefit

If Felix did not live in London: £1632.-£1117= £515 reduced from Felix's entitlement to benefit

Grace period

Claimants who have a history of being employed may not have a benefit cap applied. This is known as a 'grace period'.

The grace period runs for 39 weeks, and continues to apply even if the claimant starts work.

Claimant(s) or members of their household may be eligible if they:

- have been in paid employment or self-employment for 50 of the previous 52 weeks and earned more than £430 a month
- are continuing in employment but have had a reduction in hours or earnings
- are no longer receiving Working Tax Credits
- have recently separated from someone in paid employment or self employment

If claimants or members of their household will be considered as employed if they are:

- on maternity leave
- on paternity leave
- on adoption leave
- receiving statutory sick pay

The start date for the grace period is either:

- the day after the employment ended, if employment ended before the Universal Credit claim was made
- the first day of the assessment period in which their monthly net earnings fell below the in-work exemption earnings threshold (for a new claim to Universal Credit this is the claim start date)
- the date of separation if the claim is as a result of a partnership breakdown

The grace period remains the same even if there are any breaks in the Universal Credit claim. Once the grace period has been applied, it remains fixed, even if two claimants in a joint claim separate after it has been applied.

Illustrative example:

Terry and Petra claimed Universal Credit on 1 November 2013 as Terry finished work on 31 October 2013. On that day Terry received earnings of £3592.27. He had received that amount in each of the preceding 12 months. They have no

children and no other income. Terry and Petra's Universal Credit amount is £2461.43. This exceeds the benefit cap of £2167.00.

However, the Decision Maker decides that Terry and Petra are eligible for a grace period which will run from 1 November 2013 to 31 July 2014, and that the benefit cap cannot apply until 1 August 2014

Illustrative example:

Will and Nora receive a Universal Credit payment of £2463. Their assessment period ends on 12th of each month. They have 2 children but no childcare costs. In addition to Universal Credit, Nora receives CHB of £134.80 every four weeks, her entitlement being £33.70 a week. Will also has earnings of £530.86 per month, which he had received for more than 12 months.

The benefit cap does not apply as household earnings exceed earnings exemption threshold of £430 per month.

Will's hours reduced and on 31 March 2014 he receives £423.62. The Decision Maker decides that Will and Nora are eligible for a grace period which will run from 13 March 2014 to 12 December 2014 and that the benefit cap cannot apply until 13 December 2014.

Benefit cap offer and support

Work-related support is offered to claimants who are subject to the benefit cap. Claimants who are subject to the benefit cap or have a grace period applied must be made aware that work-related support is available. Claimants must be told about all the support that is on hand to help them find work.

The benefit cap offer aims to deliver support through existing work search interviews for those in the Intensive Work Search Regime.

Claimants in all other regimes listed will be offered up to 6 additional interviews (240 minutes), plus signposting to help with issues such as childcare and where needed the Flexible Support Fund:

- Light Touch
- Work Preparation
- Work Focused Interview
- No Work Related Requirements
- Working Enough

This support is purely voluntary and will be tailored to the individual claimant. Other areas of support can be offered to the claimant.

Any support not already offered regardless of the regime should be considered and discussed with the claimant.

The list below gives examples of the support available:

Current Policy/Activity	Eligibility Now	Eligibility for claimants affected by the benefit cap
Support to get into work delivered by a Work Coach	Universal Credit is resourced to provide full support to claimants in receipt of an out of work benefit and light touch signposting support to those in employment	Yes – anyone in receipt of a qualifying benefit including those affected by the benefit cap
Flexible Support Fund Advisor Discretionary	Available for Universal Credit claimants to move them closer to employment/remove barriers to work	Yes – Work Coach discretion may identify opportunities to support customers using the FSF move closer to/into employment
Flexible Support Fund Grant Activity	Available for Universal Credit claimants to move them closer to employment/remove barriers to work and wider community	Yes – Work Coaches can refer customers to engage in Partnership activity
Work together	Available to any individual regardless of benefit status	Yes – volunteering could be targeted at this group to help move them closer to employment
Jobcentre Plus Support Contract	Available to Universal Credit claimants not in the Work Programme	Yes – Work Coach discretion may identify referrals to the modular support for those customers affected by the benefit cap
Work Clubs	Available to any individual regardless of benefit status	Yes – attending these may motivate customers towards employment
New Enterprise Allowance	Day 1 eligibility for JSA, Lone Parents on IS and ESA claimants	No – National policy, only those in receipt of a qualifying benefit may participate
Work Experience	16-24 year olds in receipt of JSA	No – mandatory components prevent

		Universal Credit from attaching conditionality, however customers could source opportunities elsewhere
Sector based work academies	JSA and ESA claimants aged 19+ years	No – National policy, only those in receipt of a qualifying benefit may participate
Work Programme/Work Choice etc.		Yes – if the claimant is subject to the benefit cap

Claimants can also be signposted to the following as appropriate:

- their local authority for advice and support with housing costs including accessing [Discretionary Housing Payments \(DHP's\)](#)
- Barriers to work – childcare, language, available training
- Flexible Support Fund
- [Personal Budgeting Support](#)

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See also *(enter the names of related guidance)*

Other Related items *(enter the names of related ALPs, forms, leaflets etc)*

Wales

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Stakeholders/Sources

Stakeholder's name	Work Area e.g. policy- (housing), L&D	Date Reviewed prior to QR

Version control (record details of updates to guidance or key sign off for each version)

Date	Version number	Comments/changes	Author	Reviewed by
02/12/2015	V0.1	Initial draft		
04/12./2015	V0.2	Updates following scoping session		
07/12/2015	V0.3	Updated with angelas commnets		
29/12/2015	V0.4	Aligned with L&D		
30/12/2015	V0.5	updates	Kelly	
12/1/16	V0.6	Peer review	Daryl Beesley	
12/01/2016	V0.7	Updated following peer reveiw	Kelly	
15/1/16	V0.7.1	Peer review	Sarah Duckworth	
15.1.16	V0.8	Updates following per reveiw	Kelly	
20.01.2016	V0.9	Update following validation by KL	Kelly	
20/01/2016	0.10	Final check before assurance		Shirley H
15.02.2016	0,11	Updates following meeting with Angela	Kelly	
29/02/2016	V0,12	Updated with comments from Tracey coombs.		
	V0.12	No comments from Jill Hilton OED		
02.03.2016	V0.13	Updated with comments from TC	Kelly	
23.03.2016	V0.14	Incorporated with comments from Core policy (Winston)	Kelly	
12/04/2016	V0.15	Updated with details from Elaine Hewitt	Kelly	
12/04/16	V1.0	Published		
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11/08/16	V2.0	Published		
01/09/2016	V2.1	Updated to include		

		nov changes, incorporated jarred comments		
12/09/2016	V2.2	Updated with comments from assurance, Jared (BA and people prep)	Kelly	
12/09/2016	V2.3	Updated with comments from Steve Brooke (Ben cap strategy)	Kelly	
16/09/2016	V2.4	Update from Leigh Money, double capped to be taken out, Leigh's suggested wording to be used as doesn't change policy intent, and is the same wording as in the revised masterclass product	Martina	
19/09/2016	V2.5	Updates following FSO	Kelly	
19/09/16	v2,6	Wordstyled for publication	Brian Harrison	
19/09/16	v3.0	Uploaded to Intranet DDP	Brian Harrison	