

# New Enterprise Allowance

Last updated: 03 April 2017

## Contents

[Introduction](#)

[Claimants who are not currently Self Employed](#)

[Eligibility](#)

[Financial support](#)

[Claimants who are currently Self Employed](#)

[Eligibility](#)

[Conditionality while participating on NEA 2017](#)

[Claimant Commitment](#)

[Sanctions](#)

## Introduction

The New Enterprise Allowance (NEA) programme has been very successful. The evidence on the success of NEA is overwhelmingly positive. NEA is a successful, value for money programme and 80% of businesses started through the scheme were still trading after a year.

## Claimants who are not currently Self Employed

NEA 2017 is contracted provision for those seeking to start a new business and become self-employed. The claimant will need to determine whether they wish to become self-employed.

If the claimant determines they do wish to become self-employed the claimant will be referred to the provider for an assessment to determine the suitability of their business idea.

To start, a pre-NEA 2017 workshop will be arranged called Link Up: Start Up. This is arranged within 15 Days from the referral and the provider will record the result within 20 days.

If the provider accepts the claimant onto the scheme the claimant will receive business development support from the provider up until the claimant decides to start trading and reports a change of circumstances to report that they are gainfully self-employed. This will be for a maximum of 18 months.

This workshop will provide claimants with an overview of the impact, commitment and responsibilities of being self-employed.

While participation in the new business start-up NEA 2017 offer is voluntary participation on the pre-NEA 2017 workshop is mandatory for all who want to progress.

Following the 'Link Up Start Up' workshop, an initial assessment will take place. Providers will undertake an initial assessment of eligible individuals within 10 working days of the referral date and record the result within 15 working days of the referral.

There will be an enhanced mentoring offer. The mentoring support will be for 12 weeks of at least 3 mentoring sessions. The mentoring support will be supplemented with additional workshops covering key areas, for example financial planning and marketing support.

A business plan assessment will take place. The provider is responsible for approving the participants business plans and provide the participant with feedback after the assessment. This will be within 12 weeks of the start date.

The business development phase is up to 13 weeks after the business plan has been signed off. This is voluntary. During this time participants will undertake additional work aimed at building a successful platform for their business launch. An example of this is where the claimant carries out market research and time allocated to apply for a start-up loan. This will help ensure claimants are better prepared for the Gainful Self-Employment Test.

There will be post trading support. The mentoring support available from providers will be up to 12 months / 52 weeks. This will bring the post-trading mentoring support into line with the start-up period within Universal Credit.

New business start-up claimants will also be eligible to receive an allowance for the first 6 months / 26 weeks that they are trading.

## **Eligibility**

Claimants must be unemployed and aged 18 or over.

Claimants in the Intensive Work Search regime (IWSR) can join from day 1 of being placed in the regime, unless they:

- have, or have had a sanction because they left their last job voluntarily or were dismissed for misconduct (if this is the case claimants can't join NEA 2017 until they have claimed Universal Credit for 3 months)
- have stopped running their own business in the 3 months before claiming Universal Credit (if this is the case they can't join NEA 2017 until they have claimed for 3 months and their business idea must be different from their previous business)

Claimants in the Work Preparation, Work Focused Interview only and No Work Related Requirements groups can join from day 1 of being placed in the regime. The aim of NEA 2017 is to support claimants who are interested in self-employment and who intend to start their own business. This intention must be established before a claimant is referred for NEA 2017.

Claimants suitable for referral to the mentoring partner organisation are those who:

- have a clear idea of the business they want to start
- are ready to commit to exploring how to turn the idea into a reality (but don't know or aren't sure what that entails)
- have the occupational training / qualifications necessary for the trade / profession that will be the basis of their proposed business

A claimant who is not clear about what sort of business they want to set-up should be signposted to other more appropriate sources of help.

### **Financial support**

NEA 2017 financial support can be claimed once a claimant has commenced trading and they have a maximum of 5 weeks to claim this allowance. This is from the date trading commenced. The mentor will continue to support claimants while they are getting the weekly NEA 2017 payment.

NEA is not taken into account as income for the purposes of Universal Credit.

### **Claimants who are currently Self Employed**

NEA 2017 includes existing self-employed claimants. Existing self-employed claimants will be eligible for referral to NEA 2017 if they fall below the Minimum Income Floor (MIF) consecutively for three months in a row. The existing deemed self-employed claimant will need to determine whether they wish to be referred to NEA 2017 and receive business mentoring.

Providers will conduct an initial assessment with participants within 10 working days of the referral date. They will record the result within 15 working days of the referral to assess the current state of the business. Also, it will be decided if the provision could help them, sifting out those who are not suitable. An unsuitable claimant could be someone whose business does not have the potential to grow.

Existing self-employed mentoring will last for up to 12 weeks to develop the business development and growth plan with a minimum of 3 mentoring sessions over the 12 weeks. It will also include additional workshops, for example on financial planning and marketing support.

Mentoring support will be based around developing a business development and growth plan. This will include short, medium and long term activities aimed at improving business earnings to above the MIF and therefore, business sustainability.

Once the business development and growth plan has been assessed a period of 12 months business support will follow.

### **Eligibility**

These claimants will have existing businesses whose income falls below the MIF.

Both of the following eligibility criteria need to be met:

- the claimant must have an existing business and deemed to be gainfully self-employed
- the MIF applies or the claimant is at risk of having the MIF applied

If the claimant is in the first 12 months of their business start-up they must have not already participated in any NEA provision in those 12 months.

### **Conditionality while participating on NEA 2017**

Conditionality will only apply to some of the new start-up participants of NEA 2017. Claimants who are already self-employed will be deemed to be “Gainfully Self-Employed” for Universal Credit purposes and therefore will not be subject to conditionality.

All start-up participants in NEA 2017 are expected to engage fully in the scheme and complete the NEA 2017 mentoring phase within 12 weeks. Discretion is available to extend this period further.

Claimants in the start-up period may be subject to conditionality depending upon their individual circumstances. Some claimants may be subject to a work search requirement that means they should spend up to 35 hours per week looking for employment.

During the mentoring phase, any business preparation activity a participant undertakes, including working on their business plan can be counted toward their work search requirement.

### **Claimant Commitment**

Claimants in the IWSR are required to attend regular Work Search Reviews while on the mentoring stage of the programme. However, after the first meeting with their mentor following acceptance on to NEA 2017, claimant requirements are

different to other claimants in the IWSR and must be tailored. See [Claimant Commitment hub](#).

Claimants on NEA 2017 do not have to undertake work search during the mentoring period. The review meetings are intended to ensure that they are attending all the required meetings with their mentor. The revised conditionality can last no longer than 12 weeks after the first meeting with the mentor.

Claimants who move into self-employment will need to undertake a test of gainful self-employment. This is following the NEA 2017 stage – see [Self-employment and gainfully self-employed](#). Claimants should not be both in start-up and on NEA 2017 as they cannot be assessed as gainfully self-employed until they have completed a business plan with NEA 2017.

Claimants in other conditionality groups must attend Work Focused Interviews as required. A claimant's participation on NEA 2017 must be reviewed to ensure that self-employment remains a realistic option and NEA 2017 is the most suitable option for the claimant.

The Claimant Commitment must explain any requirements of the claimant participating in NEA 2017 and the consequences of not meeting them. See [Claimant Commitment hub](#) and [Sanctions](#).

## **Sanctions**

Claimants in the IWSR will be subject to a sanction if, without good reason, they fail to fulfil the participation requirements of NEA 2017 as set out in their Claimant Commitment. See [Claimant Commitment Hub](#) and [Sanctions](#).

The claimant must:

- attend all appointments with the mentor / mentoring provider organisation if given at least 24 hours' notice of the appointment
- take action each week to develop the business proposal
- tell Universal Credit within 2 working days if the business idea is no longer being pursued and / or the mentoring relationship ends

Failure to comply will result in a low level sanction. See [Sanctions](#).

[Back to contents](#)