

New Enterprise Allowance (Phase 2)

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New Enterprise Allowance (phase 2)

The New Enterprise Allowance (NEA) programme supports unemployed people who want to start their own business and move into self-employment. This must be established before a claimant is referred for NEA.

It is a successful programme and 80% of businesses started through the scheme are still trading after a year.

NEA phase 2 builds on the success of NEA and increases the support to claimants wishing to start a new business and become self-employed. This includes the introduction of the pre-NEA Link-up: Start-up workshop for claimants interested in starting a new business.

NEA phase 2 also introduced changes to eligibility to include existing Universal Credit self-employed claimants, whose income has fallen below their Minimum Income Floor.

Claimants who are not currently self-employed

Eligibility

Claimants must be unemployed and aged 18 or over. The table below shows which claimants are eligible from day 1.

Claimant group	Day 1 eligibility
No work related requirement due to sickness or disability	Eligible
Lead carer with a child under one	Eligible
Work Focused Interview only	Eligible
Work Preparation Group	Eligible
Intensive Regime (see exceptions below)	Eligible
Earning below the individual AET but in a household earning above the couple AET	Eligible
Out of work with a partner earning above the couple AET	Eligible
Over State Pension Age	Not eligible
Significant caring responsibility, e.g. for a severely disabled person	Not eligible
Working Enough	Not eligible
Working, earning above the individual AET but below the CET	Not eligible

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 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 until they have claimed for 3 months and their business idea must be clearly different from their previous business)

Making appropriate referrals

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 their idea into a reality (but don't know or aren't sure what that involves)
- 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.

Link-up: Start-Up workshop

Claimants who decide they wish to become self-employed need to be referred to a NEA Link-Up: Start-Up workshop. The workshop is arranged within 15 days from the referral and the provider records the result within 20 days.

This is a mandatory workshop for claimants wanting to progress. It provides claimants with an overview of the impact, commitment and responsibilities of being self-employed.

Initial assessment

Following the 'Link-Up: Start-Up' workshop, claimants wishing to continue need to be referred to an Initial Assessment. This is arranged within 10 working days of the referral date.

The provider will assess their business idea and decide whether the claimant would benefit from participation on the scheme. The results are recorded on the Provider referrals and payment system (PRaP) within 15 working days of the referral.

Enhanced mentoring offer

Claimants accepted on to the NEA scheme will then receive an enhanced mentoring offer. This includes:

- mentoring support for up to 12 weeks with a minimum of 3 mentoring sessions
- development of a business plan with support from the NEA provider
- additional workshops covering key areas, for example financial planning and marketing support.

The provider is responsible for assessing and approving the participants business plans. They will provide the participant with feedback after the assessment, this will be within 12 weeks of the start date.

Business development phase

This is a voluntary phase of up to 13 weeks after the business plan has been signed off.

Participants with an approved business plan, who are not yet ready to commence trading, can undertake additional work aimed at building a successful platform to launch their business. This can include market research and time allocated to apply for a start-up loan.

This will help ensure claimants are in a better position to start earning money from their business as soon as they start trading. It may also help them to be better prepared for the gainful self-employment test.

Post trading support

Participants with an approved business plan who commence trading are eligible for the NEA allowance, which is paid over 26 weeks and is worth up to £1,274. Post trading mentoring support is also available from providers for up to 52 weeks. This brings the post-trading mentoring support into line with the start-up period within Universal Credit.

NEA allowance

New business start-up claimants are eligible to receive an allowance for the first 26 weeks of trading. The allowance can be claimed within 13 weeks of the claimant's business plan being approved.

Financial support

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

NEA is disregarded for the purposes of Universal Credit.

Claimants who are currently Self Employed

Eligibility

Existing self-employed claimants are eligible for referral to NEA if they meet the following eligibility criteria:

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

- their earnings are lower than their Minimum Income Floor (MIF) in an assessment period

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.

The claimant must decide whether they wish to be referred to NEA and receive business mentoring.

Initial assessment

Providers will conduct an initial assessment with participants within 10 working days of the referral date. The results are recorded by the provider within 15 working days of the referral to assess the current state of the business.

The provider will assess if the claimant is suitable for NEA, an unsuitable claimant could be someone whose business doesn't have the potential to grow.

Mentoring support

Mentoring support for the existing self-employed claimants:

- lasts for up to 12 weeks
- has a minimum of 3 mentoring sessions over the 12 weeks
- includes additional workshops, for example on financial planning and marketing support

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

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

Conditionality while participating on NEA phase 2

Conditionality will only apply to some of the new start-up participants of NEA. Claimants who have been deemed gainfully self-employed for Universal Credit purposes will not be subject to conditionality.

All start-up participants in NEA are expected to engage fully in the scheme and complete the 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.

The requirements for these claimants must be tailored after the first meeting with their mentor, following acceptance on to NEA (see Claimant Commitment).

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

Claimants on NEA don't 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 in other conditionality groups must attend work focused interviews as required. A claimant's participation on NEA must be reviewed to ensure that self-employment remains a realistic option and NEA is the most suitable option for the claimant.

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

Sanctions

Claimants in the IWSR will be subject to a sanction if, without good reason, they fail to fulfil the participation requirements of NEA as set out in their Claimant Commitment.

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.

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