



What you need to know about the lower overall benefit cap

The overall benefit cap was introduced between April and September 2013. It limits the amount of welfare benefits that a single household can receive. Currently these limits are set at £26,000 per year for couples (with or without children) and single parents and at £18,200 per year for single people without children.

As part of the summer budget 2015, government announced that these limits will be lowered:

- to £23,000 for couples and single parents and to £15,410 for single people in London
- to £20,000 for couples and single parents and to £13,400 for single people elsewhere in the UK

This briefing for CIH members summarises the most important information about the new, lower overall benefit cap. It covers areas such as who the cap does and does not apply to, when it is going to be introduced and what the likely impact of it will be.

Who the cap applies to

The cap only applies to working age claimants who are not working enough hours to qualify for working tax credits. For a household with children this means that the cap does not apply if one person is working at least 16 hours per week. Those who have only recently left employment are also given a 39 week 'grace period' before they are subject to the cap, if they were previously working for at least 12 months.

In addition, those who are receiving any of the following are also currently exempt:

- attendance allowance
- disability living allowance (DLA) or personal independence payments (PIP)

- employment and support allowance (ESA), if paid with the support component
- industrial injuries benefits
- a war widow's or war widower's pension
- guardian's allowance
- carer's allowance.

Tenants living in supported housing are not exempt from the cap but their housing benefit is discounted from calculations if their home qualifies as 'specified accommodation'. This definition covers the majority of supported housing but not that which is owned and managed directly by a local authority (apart from hostels and refuges).

Which benefits are included and how the cap is applied

The cap covers most working age benefits including housing benefit (HB), child benefit and child tax credits, jobseeker's allowance, employment and support allowance (except if paid with the support component), income support and certain other less common contributory benefits for bereavement and maternity. It does not, however, include council tax rebates. Where the total level of these benefits that a household qualifies for exceeds the cap, their HB is reduced accordingly (except that a minimum of 50p per week HB always remains in payment, so that tenant has the right to apply for a discretionary housing payment).



Differences for those households receiving universal credit

For households which have already started receiving universal credit (UC), the cap operates in more or less the same way - except that any element of UC can be reduced if it would otherwise exceed the cap (not just the housing costs element).

Exemptions under UC are also broadly the same as those under HB. So, for example, those receiving the carer element of UC (which replaces carer's allowance) continue to be exempt from the cap. However the rules around households in employment are slightly different. Rather than needing to work at least 16 hours per week to escape the cap, UC claimants need to earn at least £100 per week in earned income.

Who will be affected

[Government figures](#) show that between April 2013 and November 2015, almost 70,000 households had their HB reduced at some time as a result of the cap. Most of these were larger families living in relatively high cost parts of the country. The cap had the greatest impact in London, with 45 per cent of all those affected living in the capital.

However, when the cap is lowered it will have a much greater impact and will begin to affect households in all parts of the country. Overall the government has said that they expect a five-fold increase in the numbers affected, with a total of 115,000 households likely to see their HB/UC awards reduced initially.

Although the extent of the impact will vary from one area to another, we have estimated that on average a couple with three or more children will not now be able afford a social sector rent, either inside or outside of London. In the private rented sector, where rents are often higher, it is likely that this will extend to smaller families in some areas.

The size of the drop in income will vary from one household to another - however, those who are already affected by the current £26,000 limit are likely to experience the largest falls. Those in London will see their housing benefit reduced by approximately a further £57 per week and those outside of London approximately £115.

When the lower cap will be introduced

It is expected that the lower overall benefit cap will be introduced from 7 November 2016. Claimants who are likely to be affected will receive letters from the DWP during September and local councils will also receive a list of these households in their area.

More information

We are producing a range of resources to help members understand and prepare for the introduction of the lower overall benefit cap. For more information on these, [visit our website](#).