



## 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

DWP figures show that in February 2016 around 20,000 households were affected by the existing £26,000 cap. These were mainly:

- households living in particularly high cost areas. Almost 9,000 of those affected were living in London, and a further 2,000 were living in the wider South East of England, and/or
- larger families. There were nearly 5,000 households with four children affected, and nearly 7,000 with five or more.

However our analysis shows that lowering the cap will both greatly increase the number of households affected and extend its impact to smaller families and to all parts of Great Britain. In summary our analysis suggests that:

- the total number of households affected will increase to at least 116,000
- the majority of these are either two (34,000) or three child families (56,000)

- nearly 60 per cent live in social housing, with the remainder living in the private rented sector.

The size of the drop in income experienced will vary from one household to another. In some cases it will only be a few pounds per week, but many households face significant losses. For example, our analysis suggests that a couple with three children renting privately will stand to lose more than £100 per week in more than half of local authority areas in England. Even in council housing, that same household would stand to lose more than £25 per week in almost all areas with retained council stock.

For a more detailed breakdown of our analysis, download our [summary report](#).

## When the lower cap will be introduced

It is expected that the introduction of the lower overall benefit cap will begin during Autumn 2016, however government has not yet made public any details of how it will be rolled out. This briefing will be updated further as more information emerges.

## 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](#).