

Benefit cap: Core Narrative

For use by Local Authorities

12 August 2013

We want to ensure that we agree a consistent narrative around the announcement of national roll-out of the benefit cap to ensure we're all telling the story in the same way and messages from different parts of DWP and local authorities are consistent. This will ensure clarity for claimants and stakeholders.

We intend that this narrative should be used:

- As a basis for external communications, including press notices, letters, products, PR and stakeholder communications;
- As a basis for internal communication products (tailored appropriately to audience);
- As a way of ensuring we make clear what the benefit cap is, particularly in relation to the wider Welfare Reform agenda.

Background

Introduction

The benefit cap is a feature of the **Welfare Reform Act 2012**. This Act contains an ambitious and far-reaching programme of reform which will radically change the structure of the social security system, by:

- introducing Universal Credit to simplify the system of support for people of working age with the aim of ensuring that work always pays;
- making changes which will ensure that claimants understand the requirements they need to meet in return for receiving benefits;
- introducing a series of reforms which will ensure that benefits such as Employment and Support Allowance and Housing Benefit are more clearly targeted on those who need them most, and that (broadly) no household can receive more in benefits than the average after tax earnings of working households;
- replacing Disability Living Allowance with a new benefit (Personal Independence Payment) to support disabled people who face the greatest barriers to leading full and independent lives;
- reforming child maintenance to make it easier for parents to make more flexible private maintenance arrangements;
- implementing new sanctions and punishments for fraudulent claims; and
- localising aspects of the social fund in line with the move to greater local accountability.

Implementation

From April 2013 a cap was introduced on the total amount of benefit that working-age claimants can receive so that broadly, households on out of work benefits will no longer receive more in benefit than the average weekly wage, after Tax and National Insurance deductions.

The benefit cap was implemented from 15 April 2013 in four Local Authorities in London – Bromley, Croydon, Enfield and Haringey, as part of a phased rollout approach. These were chosen as London has the highest percentage of potential benefit cap claimants and a diverse cross section of residents. Choosing those sites allowed all 3 main Local Authority IT systems to be tested as well as there being sufficient difference in the volumes of capped households across the 4 boroughs to test different service delivery models.

This approach isolated the implementation in four discrete areas, targeting some limited additional resources to help manage the implementation locally. It has enabled DWP to properly collect intelligence and to rapidly digest, evaluate and disseminate information to prepare all Local Authorities, partners and stakeholders for national implementation.

Prior to the benefit cap being applied, DWP will be undertaking a 100% check on information drawn from claimants/households' live system records. Once that check is complete the information will be shared with Housing Benefit teams so that they can accurately implement the cap via a deduction from Housing Benefit. This approach has been tested in the phased rollout Local Authorities and has been found to be robust.

The remaining Local Authorities implemented the cap from 15 July 2013, with all appropriate households to be capped by the end September 2013.

Learning from phased rollout as above and in consultation with key stakeholders, including Local Authorities representatives, developed the approach for national implementation. This approach will manage **capping activity over a 10-week period split into two tranches**.

- Tranche 1 included all Local Authorities with 275 households or fewer to be capped and commenced from 15 July;
- Tranche 2 includes all Local Authorities with 276 or more households to be capped and commenced from 12 August 2013. The Project confirmed the start of Tranche 2 activity in writing to those Local Authorities. They communicated with them during w/c 29th July and then again during w/c 5th August. We have kept those Local Authorities in Tranche 2 updated as to when they will receive their first cases.
- Learning from phased rollout and tranche 1, has meant that Local Authorities in tranche 2 will be sent low volumes of cases for capping in the first week to support both DWP and Local Authorities with controlled implementation.

Core Narrative

Why is it being introduced?

The **benefit cap** is a key part of welfare reform and the aim of the policy is to achieve long term **positive behavioural effects** through changed attitudes to welfare, responsible life choices and strong work incentives.

The benefit cap will return **fairness to a system** that has spiralled out of control while ensuring support goes to those who need it by setting a limit to what people can expect to get from the welfare system.

It is intended to **improve work incentives**, and to send out a clear signal that the benefit system is not intended to keep people in long-term worklessness while receiving more in benefit than average household earnings.

The cap limits are set at **£350 a week** for households of a single adult with no children; and at **£500 a week** for couples, with or without children, and lone parent households.

For the purposes of the benefit cap **a household refers to** the benefit claimant, their partner (if they have one) and any children they are treated as responsible for when working out their Housing Benefit. Some houses may comprise of more than one household for the purpose of the benefit cap. For example, a couple may receive Carer's Allowance if they care for an adult child, who receives Disability Allowance in their own right. In this case the adult child, who is in receipt of Disability Living Allowance, is not deemed to be in the same household as the recipient of Carer's Allowance. They will be looked at separately and their individual entitlements will be assessed independently when applying the benefit cap.

It should be seen in the context of the budget deficit and the reductions in public expenditure that the Government is making to tackle it. **Welfare expenditure increased by 45 per cent** in real terms in the decade to 2009-2010. In 2009-10 the Government spent £192 billion on welfare payments, compared to £35 billion on defence, £50 billion on education, and £98 billion on health.

How many are affected?

Approximately **40,000 households**, losing an average of £85 a week.

How does it work?

The cap will apply to combined income from the main out-of-work benefits listed:

Bereavement Allowance/ Widowed Parent's/Mother's Allowance

Carer's Allowance

Child Benefit

Child Tax Credit

Employment and Support Allowance (ESA) (contribution-based and income-related) except where the Support Component has been awarded

Guardian's Allowance

Housing Benefit (not including Housing Benefit paid for Supported Exempt Accommodation)
Incapacity Benefit
Income Support
Jobseeker's Allowance (contribution-based and income-based)
Maternity Allowance
Severe Disablement Allowance (SDA)
Widow's Pension

One-off benefits (for example Social Fund Loans) and non-cash benefits (for example Free School Meals) will not be included in the assessment of benefit income.

Households which include someone who is entitled to **Working Tax Credit (WTC) will be excluded from the cap**. This should increase the incentive for people to find employment because once they are in receipt of WTC their benefits will no longer be subject to the cap.

All households with someone, including a child, with a current award of:

Attendance Allowance
the support component of ESA
War Widow/Widower's Pension
Disability Living Allowance (DLA) or its replacement Personal Independence Allowance (PIP)
Industrial Injuries Benefits
Armed Forces Compensation Scheme payments
War Pension Scheme payments (includes War Widow's/Widower's Pension and War Disablement Pension)

are exempt from the benefit cap.

The **exemption** will also be extended to households which include a member who is in receipt of War Widow's and War Widower's Pension. This is in line with the Government's commitment to offer special treatment to those who are serving or who have served in the Armed Forces, and to their dependants, in order to avoid disadvantage and recognise sacrifice for those seriously injured or killed.

The cap will only apply to people of working age so income from **State Pension Credit** will not count towards the cap.

In the first instance the cap will be **administered by local authorities through deductions from Housing Benefit** payments. In the long term it will be administered as part of the new Universal Credit system.

There will be a '**grace period**' whereby the benefit cap will not be applied for 39 weeks to those who have been continuously in work for the previous 12 months. This will allow people time to find alternative employment or consider other options to avoid the impacts of the cap.

Options available to lessen the impact of the cap

Finding work and qualifying for Working Tax Credit may be the best way to ensure the cap doesn't apply and employment support will be offered to all those affected. Other ways of minimising the effects of the cap will be to:

- negotiate rents to a more affordable amount, or
- move to cheaper accommodation.

If someone in the household **becomes entitled to an exempting benefit** they will not be subject to the cap.

Behavioural change/Positive outcomes

For the vast majority of people, **employment is the most sustainable route out of poverty**. The priority for Jobcentre Plus remains to enable households to find jobs and move forward into a stable and sustainable working lifestyle, and to encourage them to adjust their circumstances now to live within average earnings.

Support to drive behavioural change

There is a **wide range of support available locally** for those who are affected and it is important that claimants take the opportunity to discuss their options with Jobcentre Plus and the relevant Local Authority.

To help those affected there will be **employment support** offered by Jobcentre Plus, the Work Programme and the Work Choice programme as appropriate. Work can be the best way out of poverty and anyone entitled to Working Tax Credit will be exempt from the cap.

Those potentially affected have been identified and we have been working to ensure that they understand that, based on the information currently available, the cap is likely to apply to them. **We have been working intensively with them**, explaining and identifying the support available locally to help them look for work and how they can look at other options if appropriate.

Jobcentre Plus districts are working closely with **Local Authorities** in their area to offer joint support to those affected by the cap. Potentially affected claimants have been contacted by telephone, with vulnerable claimants and those we cannot effectively engage with on the telephone, being visited to ensure they understand the impact the cap may have on them.

This includes: help to move closer, or into the labour market, money and budgetary advice, housing options advice, support to negotiate rent reductions with private landlords and access to child care provision. Discretionary Housing Payments are also available for local authorities to use as soon as possible to smooth the introduction of the cap before it is applied. **(NB – more detail on DHPs can be found below).**

Direct Mails

We were clear that we wanted to give all existing claimants who could potentially be affected by the cap **as much notice as possible**; and to offer them appropriate support to change their circumstances and move into work. Engagement activity has been underway since Royal Assent with affected households.

Since May 2012 we have been writing regularly to all potential benefit cap claimants to give them advance notice that the cap may apply to them and explaining the support available. Through this process we have ensured that

claimants are aware that the cap was being implemented nationally from the 15th July. The precise date the cap takes effect will be confirmed by the claimant's Local Authority when the benefit cap calculation has been assessed and any adjustment to the Housing Benefit award made.

The direct mail was designed to alert claimants that they **may** be affected by the benefit cap. This will have encouraged individuals to contact the Department and other agencies to help them to understand the potential impact of the cap and obtain support to change their circumstances.

Helpline and other sources of support

A **helpline** is available to answer questions on the cap from those claimants potentially affected. The helpline will provide general information about the changes and the support people can get but they will not have full access to benefit information. The helpline number is **0845 605 7064** or textphone **0845 608 8551** for people with hearing or speech impairments.

We appreciate that some claimants will not be able to afford to remain in the home they currently live in. In these instances the relevant Local Authority will support claimants with their future housing needs, and discuss all possible options with the claimants affected. Additional funding of up to £100 million for the **Discretionary Housing Payments Scheme has been provided**, £65million in 2013/14, and a further £35 million in 2014/15. This will mean that there may be transitional support to help manage families into more appropriate and affordable accommodation.

Some families affected by the benefit cap will be receiving help as part of the **Troubled Families Programme**. DWP work closely with Troubled Family coordinators in Local Authorities, and with the Department for Communities and Local Government (DCLG), to identify these families and ensure that they are aware they may be affected by the cap and can put the appropriate support measures in place.

The **European Social Fund (ESF): support for families with multiple problems** aims to tackle entrenched worklessness by progressing families with multiple problems closer to employment and complements the wider Troubled Families Programme. DWP, DCLG and local authorities will ensure that families suitable for this support are identified and referred appropriately.