

# GB households and individuals in receipt of a letter notifying them they may be affected by benefit cap in April 2013

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## Background

From April 2013, the Government will introduce a cap on the total amount of benefit that working-age people can receive so that households on out-of-work benefits will no longer receive more in welfare payments than the average weekly wage for working households.

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.

On its introduction in 2013, the cap will be set at £500 per week for couple and single parent households and at £350 per week for single adult households without children

The cap will apply to the combined income from benefits including:

- the main out-of-work benefits (Jobseeker's Allowance, Income Support, and Employment and Support Allowance except when the Support Component is in payment);
- Housing Benefit;
- Child Benefit
- Child Tax Credit; and
- other benefits such as Carer's Allowance.

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

In recognition of their additional needs, all households which include somebody who is receiving Disability Living Allowance (including those with a nil assessment due to a stay in a care home or hospital), Personal Independence Payment, Industrial Injuries Benefit (and those receiving the equivalent payments from the Armed Forces Compensation Payments Scheme), Attendance Allowance or receiving the support component of Employment Support Allowance will be exempt from the cap. In addition War widows and widowers will also be exempt.

Households with a member who is entitled to Working Tax Credit will also be excluded from the benefit cap. This will increase the incentive for people on out-of-work benefits to find jobs because once they are in receipt of Working Tax Credit their benefits will no longer be capped.

The Government has announced measures to ease the transition for families and provide assistance in hard cases. It has said that there will be a grace period whereby the benefit cap will not be applied for 39 weeks to those who have been in work for the previous 12 months.

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

In May 2012, DWP sent letters to claimants they had identified who could be affected by the benefit cap in April 2013. New claimants were contacted for the same reason in two further exercises, one starting in July 2012 and the other in September 2012. Claimants were identified by analysts modelling benefit cap conditions and applying these to a newly built benefit cap administrative dataset.

This ad hoc analysis provides the number of household and individuals sent letters in May 2012, new households and individuals contacted in the subsequent two direct mails and the total number of households and individuals contacted over the three direct mails. These figures are broken down by number of children, family type, potential amount of benefit lost, housing tenure type, Local Authority and Parliamentary Constituency.

## Methodology

### Data Source

Data from the following systems has been used to produce the DWP and LA benefit cap data scans:

- DWP benefit awards – General Matching Service (GMS) data from the Jobseeker's Allowance Payment System (JSAPS), Income Support Computer System (ISCS), Pension Strategy Computer System (PSCS) and Invalid Carer's Allowance Computer System (ICACS).
- Housing Benefit awards – Single Housing Benefit Extract data (including, for LA scans, the details of tenure type).
- HMRC benefits/ allowance awards - Tax Credits, Child Benefit and Guardians Allowance information is taken direct from HMRC data feeds.
- Address information – Customer Information System (CIS).

### Establishing the amount of the potential cap from April 2013

To establish the April 2013 impact the benefit award information has been increased in line with historical annual benefit up rating to estimate the April 2013 award amounts. The amount of the potential cap is the amount by which this exceeds the relevant cap threshold.

## Data Timeliness

The number of benefits included in the benefit cap and the range of data sources mean that timing differences between sources are unavoidable. As a result some benefit award information which is used to identify individuals potentially affected by the cap may relate to the individual's circumstances up to three months ago.

For DWP and LA benefits the data used is an extract from the live benefit systems which can be up to 8 weeks out of date when the data is compiled. This lag is extended as there is a gap between the data being compiled and the issue of the letter. In addition new cases and closures with retrospective dates will continue to be entered onto the live system over the following months.

For tax credits data, which is paid on an estimated basis, we do not have a full caseload until the October following the end of the tax year to which the claim relates. However the data is considered to be close to the final released caseloads following the end of the renewal process in September of the year of the claim.

## Changes in claimants' circumstances

The data scans provide a snapshot based on the information available **at that point in time**. There will be instances where, due to changes in circumstances, the information may no longer accurately reflect an individual's situation. However the data scans are the most up to date compilation of benefits in scope for the benefit cap.

*[NB For Local Authorities the scans do not anticipate future changes to LHA award rates where transitional protection was in place at the time the scan was run]*

## Data coverage

Data limitations mean that not all exemptions have applied to the data used by DWP. No information was available that could identify:

- Individuals or households with individuals in receipt of Widows or Widowers Pension.
- Individuals who have been in employment in the previous twelve months who are given a grace period of nine months before the benefit cap applies.

## **Definition of a household**

For the purposes of this analysis, **a household is defined as one or two adults (living together as a couple) plus any dependent children they are living with.** This differs from the Office of National Statistics (ONS) who define a household as one person alone; or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.

## Results

Excel tables 1 and 2 give much more detail. Headline table and key points are:

**Households in receipt of a letter notifying them that they may be affected by the benefit cap.**

*Thousands*

	Mail shot exercise			Total contacted
	May-12	July-12 (new cases)	Sep-12 (new cases)	
GB	62,680	14,150	11,820	88,650
England	58,100	12,590	10,740	81,430
Scotland	2,850	1,060	660	4,580
Wales	1,730	500	410	2,640

**Source: DWP Information Governance and Security Directorate 100% DWP data and SHBE, 100% HMRC data**

- Almost 90 thousand households have been contacted to notify them that they may be affected by the benefit cap in April 2013. This consists of almost 120 thousand individuals who have received a letter from DWP.
- 92% of households contacted were in England, 5% in Scotland and 3% in Wales.
- 59% of households contacted have between 1 and 4 children, 25% have 5 or more children and 15% have no children.
- 46% of households contacted are estimated to lose up to £50 per week as a result of the benefit cap. 18% of households are estimated to lose over £150 per week.
- 46% of household contacted consist of Lone Parents.
- When the households contacted are split by Local Authority, nine of the top ten Local Authorities are in London.

*Totals are broken down by:*

National level- number of children, family type, benefit type, loss amount bands and tenure type.

Local Authority and Parliamentary Constituency level- totals only.

More detailed breakdowns are found in excel Table 1 and Table 2.

**Table 1** shows the number of **households** sent a letter notifying them that they may be affected by the incoming benefit cap. This is broken down at national level by number of children, family type, benefit type, loss band and tenure type. Local Authority and Parliamentary Constituency breakdowns are also included. Figures are rounded to the nearest 10 to preserve the anonymity of households.

**Table 2** shows the number of **individuals** sent a letter notifying them that they may be affected by the incoming benefit cap. This is broken down at national level by number of children, family type, benefit type, loss band and tenure type. Local Authority and Parliamentary Constituency breakdowns are also included. Figures are rounded to the nearest 10 to preserve the anonymity of individuals

#### **Contact points for further information:**

Press enquiries should be directed to the Department for Work and Pensions press office:

Media Enquiries: 0203 267 5129

Out of hours: 0203 267 5144

Website: [www.dwp.gov.uk](http://www.dwp.gov.uk)

Follow us on Twitter: [www.twitter.com/dwppressoffice](https://www.twitter.com/dwppressoffice)

Other enquiries about these statistics should be directed to:

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DWP Information, Governance & Security Directorate - Client Statistics Division

Other National Statistics publications, and general information about the official statistics system of the UK, are available from [www.statistics.gov.uk](http://www.statistics.gov.uk)