

Welfare Reform – Briefing Note

January 2013

Background

The government's welfare reform agenda is central to their policy programme, and is set to become a reality for many communities from April. This is designed to 'make work pay' and also reduce the deficit. There are many layers of reform that are coming into place, which will affect people in different ways, which this briefing, with thanks to One North West, will summarise.

Universal Credit

This is to be introduced starting October 2013. It will replace income based JSA, IS, income EAS, Working Tax Credit, Child Tax Credit and Housing Benefit. This will be for working age people.

- Paid monthly in one payment.
- No payment to Landlord.
- Taper set at 65% i.e. for every £1 earned over a certain limit claimants will keep 35p;
- Self-employed people will be assumed to have a minimum income;
- Claimants will manage their accounts on line.
- Tougher conditions and sanctions of claimants. People working part-time will be expected to increase their hours or the hourly rate and benefits can be stopped or reduced for up to three years if they do not meet the conditions of the benefit, for example, not looking for work or giving up work.
- Everybody transferred by 2017.

The Universal Credit is designed to make the benefits system more simple, to make work pay and to reduce dependency. However concerns have been expressed about the impact that the roll out of Universal Credit will have on individuals, families and communities. For instance, a recent JRF report showed that Universal Credit could trap people in poverty unless major flaws are ironed out.

A Pathfinder will take place in some areas from April 2013. It will enable DWP to test the new simpler, single benefit payment system and its IT with local authorities, employers and claimants in a live environment before Universal Credit is rolled out across the country in October 2013. Up to 1,500 new claimants are expected to begin receiving Universal Credit each month through the Pathfinder, and throughout the initial Pathfinder period about 9,000 householders will claim Universal Credit.

However, despite the intention that the Universal Credit will make the system much simpler to navigate, there are issues around people having access to the internet; just under three quarters of frontline advice workers surveyed feel that the 'digital by default' delivery of Universal Credit will isolate and exclude the most vulnerable claimants and customers.

There are a range of other areas that appear far from simple and will place demand on voluntary sector organisations who support people to navigate the system. These are detailed below.

Council Tax Benefit

This has been heralded as a key aspect of the government's localism agenda. However, with a ten percent cut, and protection of low-income pensioners, there may be a significant impact on working-age households who are currently in receipt of council tax benefit.

- From April 2013 national scheme scrapped and new one administered by Local Authority who will make up their own rules.
- 10% budget cut.
- Low income pensioners are protected so will be affected.

Social Fund, Crisis Loans and Community Care Grants

This is likely to result in the unavailability of critical emergency support, leaving vulnerable people more susceptible to the scourge of loan sharks simply in order to survive. As the social security net is restricted, many people will fall deeper into the clutches of poverty.

- Social Fund will be scrapped and a budget will be given to the local authority to administer.
- Budget not ring-fenced.
- Local authorities expected to make local arrangements to meet need by connecting with food banks, credit unions and furniture schemes.
- Provision for crisis situations unclear.

Tax Credits

The annual bill for tax credits is over £28billion and it is an area that is much debated; however, these are largely designed to make people who are experiencing in-work poverty be able to survive. There is also a debate on who should be in receipt of tax credits – is it right that higher earners should get them when savings have to be made? A counter-argument to this is that a universal model ensures that those who need them most are receiving them, and also that it is beneficial to the welfare state to have a model that everyone benefits from.

- Couples with children now need to work 24 hours per week, rather than 16 to get Working Tax Credit.
- Increased taper from 39% to 41%.
- Reduction in income limit at which Child Tax Credit is no longer paid from £50,000 to £40,000.
- Removal of additional baby element.
- Removal of 50 plus element.
- Reduction in child care payments from 80% to 70%.

Personal Independence Payments

Disability Living Allowance will be replaced by Personal Independence Payments (PIP) for working age people aged 16 to 65 from October 2013. This is one of the most controversial reforms that is being enacted, and there has been outrage at the way that people are being assessed by the private sector organisation ATOS.

- 20% reduction in the budget.
- Most people to have a medical, done by ATOS.
- No automatic entitlement for certain disabilities or illnesses, as currently the case.
- Existing DLA claimants will be invited to claim PIP sometime between 2013 and March 2016, if they don't DLA will stop.
- Existing DLA claimants will not automatically get PIP.
- Paid at two rates for both daily living and mobility components unlike DLA, which is three rates for care and two for mobility.

Housing

The reforms to housing benefits will have a major impact on many people.

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DWP says that “from April 2013 all current and future working age tenants renting from a local authority, housing association or other registered social landlord will receive housing support based on the need of their household. This includes:

- Bedroom tax – if claimant is in social housing and has extra bedrooms they will have their housing benefit reduced by 14% for one bedroom and 25% for two or more.
- Removal of £15 per week excess if claimants rent lower than Local Housing Allowance (LHA).
- LHA rates now set at 30 percentile of local market rent and not 50 percentile.
- Cap on LHA.
- Non-dependent deductions have been increased.
- LHA rates frozen April 2012.

Conclusion

The welfare reform agenda is likely to have a major impact on communities living in poverty. The full scale of the reforms are not yet known. But One East Midlands will be developing further thinking in this area in order to try to mitigate some of the worst effects and prepare communities to be able to deal with them.

One East Midlands

One East Midlands is the regional voluntary and community sector infrastructure organisation for the East Midlands. We work to ensure that the voluntary and community sector is actively engaged with key regional bodies and other partners, from across the public, statutory, business and social enterprise sectors. We bring together organisations that support voluntary and community groups across the region to influence and shape policy, improve services and provide a point of contact at a regional level.

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