



# A Guide to the **Welfare Reform Changes**

Last update on 01/2013

# Introduction

---

The Welfare Reform Act 2012 became law in March, introducing a wide range of reforms to the benefits and tax credits system, administered across government departments, agencies and local authorities.

Many benefits are being changed, or withdrawn and replaced by new systems. There are also complicated transitional arrangements as the reforms are phased in over the next few years, and uncertainty remains in some areas.

This guide is produced jointly by the Welfare Rights Service and the Revenues and Benefits Services, within Leicester City Council.

It aims to give easy to understand guidance around the main benefit and tax credit changes that are currently taking place, many of which will come into force with effect from April 2013. This guidance focuses on the main changes that will impact on Leicester residents however it is not an exhaustive list.

Please note we have also included some references to changes that may have already occurred, but where the effects are being felt on an on-going basis.

Most of the changes will impact upon those of working age, with residents of state pension credit age being largely protected from adverse impacts.

Please note that we are still awaiting some regulations to provide detail so they may be subject to further change.

# Index

---

Benefit Cap .....	4
Council Tax Benefit (CTB) .....	5
Child Benefit (CB) .....	5
Disability Living Allowance (DLA) .....	6
Employment and Support Allowance(ESA) .....	6
Housing Benefit (HB) .....	7
Income Support (IS) .....	9
Jobseekers Allowance (JSA) .....	10
Social Fund (Community Care Grants & Crisis Loans) .....	10
Sure Start Maternity Grants .....	10
Tax Credits .....	10
Universal Credit .....	11
Appeal Rights .....	18
Legal Aid .....	18
Pension Reforms and Pension Credit .....	18
Simple Payment' Service .....	19
Benefits Uprating .....	19
Leicester City Council advice & support .....	19
Further information .....	20
Direct.Gov – Benefit Cap Guidance .....	20

# **Benefit Cap - Phased in from April 2013**

Benefits income will be capped at average earnings level, currently estimated at £350 for single claimants and £500 for lone parents and couples.

All working age benefits are included in the cap although those people claiming Disability Living Allowance / Working Tax Credit / Employment Support Allowance (support component) will be exempt from it.

There will also be a “grace period” of 39 weeks for anyone who has worked for 12 months and has recently lost their job.

The details of the cap are as follows:-

- The cap limits payments to a household to no more than average household earnings.
- Local authorities will reduce Housing Benefit payments to keep total benefits within the cap, although this may not be always possible as entitlement must remain at 50p per week. However the income cap will eventually be made through the Universal Credit.
- It mainly affects large families with several children who get higher than average Child Tax Credit and are more likely to live in large homes.
- The introduction phased in from April 2013 applies to households from September 2013 claiming Housing Benefit. Households who own their own home will not be subject to the change until they are awarded Universal Credit.

**IMPACT** – large families and those with particularly high rents will be disproportionately affected and will have to pay a larger chunk of their rent.

**FOR EXAMPLE** - a family claiming £600 in benefits including £150 Housing benefit would have their Housing Benefit reduced to £50 leaving a rent shortfall of a further £100 to be made up out of existing benefits.

# Council Tax Benefit (CTB) - From April 2013

---

Council Tax Benefit will be abolished and replaced with a local rebate scheme – Council Tax Support.

The government have reduced the funding for the scheme by 10%, but have protected pensioners from this reduction, which will mean a higher contribution by residents of ‘working age’ who pay Council Tax. Local Authorities have discretion how to administer the scheme; part of the process is to consider the options for each authority. Each authority has to conduct a public consultation on their local scheme.

In Leicester the consultation ran between 5/09/12 – 30/10/12. The proposed scheme has been adopted and details can be found at [www.leicester.gov.uk/bigbenefitchanges](http://www.leicester.gov.uk/bigbenefitchanges)

**IMPACT** – most working age people reliant on benefits will potentially have to pay towards their Council Tax under these measures for the first time. This will affect those on the lowest incomes who are least able to pay (similar problems to poll tax).

## Child Benefit (CB)

---

**April 2011** - Rates of child benefit for the first and subsequent children frozen for 3 years

**January 2013** – Child Benefit will be withdrawn where someone in household has income over £50,000.

**IMPACT** – It will mean that a single-income family, earning over £50k loses some, or all, the child benefit. However a couple both earning up to £50k each will keep it.

# Disability Living Allowance (DLA) – From June 2013

---

DLA will be replaced by Personal Independence Payment for new claimants of working age (16-64). The components for care will be reduced from 3 to 2 (standard & enhanced) and the assessment process will completely change to being awarded points from descriptors related to various activities in a similar way to the current system for Employment & Support Allowance. People will need to score points on the activities to pass the threshold for the 2 rates of daily living (care) and mobility. Initial claims will be made by telephone but most people will have a face to face assessment to decide if they can receive PIP.

**JUNE 2013** - To start with it will only apply to new claimants.

**OCTOBER 2013** - DLA claimants who report a change of circumstance, reach 16yrs old or whose award ends will be assessed for PIP.

**OCTOBER 2015** - the national reassessment and transfer of working age DLA claimants to PIP begins.

**IMPACT** – The Government anticipate around 500,000 less will be entitled to PIP enhanced rate mobility due to the tougher rules. The Government have anticipated that nationally the caseload will reduce by around 500,000 by 2015 due to the tougher assessment process as more people are turned down.

Some of the other Welfare reform changes protect claimants on DLA, therefore if they no longer qualify for this benefit they will lose their protection from other changes.

## Employment and Support Allowance (ESA)

---

**What is it?** - It is a benefit for people who have limited capability for work because of ill health or disability and replaced Incapacity Benefit and Income Support on grounds of illness or disability.

**STRUCTURE** – It can be either contributory or income based and following medical assessment people are placed in either the work related activity group or the support group depending on level of illness or disability. People in the work related activity group are expected to attend work focused interviews.

**MARCH 2011** – new tougher ‘limited capability for work’ test were introduced

**APRIL 2011** – start of reassessment of all existing Incapacity Benefit (or Income Support for disability) claims to decide if they meet the criteria for Employment & Support Allowance or are fit enough to sign on for work and claim Jobseekers Allowance.

Due to be completed in 2014 approximately 40% fail to meet threshold leading to a large backlog in appeals against these decisions including over 2,000 waiting to be heard in Leicester with delays well over 6 months. Around 8,000 people are still to be reassessed in Leicester.

**IMPACT** – Between 20-40% of people reassessed are likely to be declared fit to work and around 40% who appeal succeed in challenging the decision.

**APRIL 2012** – Contributory ESA is time limited to one year for those in the work related activity group. Time spent on this prior to April 2012 can count towards this.

**IMPACT** - To remove income from sick and disabled people who have a working partner unless they are in the support group.

**DECEMBER 2012** – Sanctions increased for people in the ‘work related activity group’ who fail to attend work focused interviews or work related activity (Work Programme) without good reason. They will lose all their personal allowance (eg £71per week if single) until they comply. This will be followed by a fixed period sanction of between 1-4 weeks. They can apply for hardship payments immediately and have appeal rights against the decision.

**IMPACT** – This means greater and longer reductions in benefit for people sanctioned. Numbers sanctioned are increasing as more people are sent on the Work Programme for the first time.

## **Housing Benefit (HB)**

---

### **What is it?**

Housing benefit is a means tested benefit currently administered by local authorities for the DWP using a national scheme of regulations to help pay rent. As part of Welfare Reform there will be a number of changes and these changes will affect many people in receipt of Housing Benefit with working age families most affected. Many people who get Housing Benefit will see their benefit reduced.

Housing Benefit changes began in April 2011 with more coming through 2012-2013. So far it has mostly affected those in private rented housing with claims from April 2008 (‘Local Housing Allowance’), but further change will affect most working age groups. The benefit will become part of the Universal Credit, planned to be fully rolled out by 2017. It will then be administered by the Department for Work & Pensions rather than local authorities.

**April 2011** – non dependant deductions no longer frozen but are updated on an annual basis.

**IMPACT** – tenants have larger reductions in HB help for adult sons, daughters or others living with them.

**April 2011** – Local Housing Allowance (LHA) rates for private sector tenancies reduced from average local rents to value of lowest third.

**IMPACT** – benefit tenants can only realistically rent within the lowest third of the private sector.

### **Housing Benefit payments for a maximum of four bedrooms only**

**IMPACT** – Rates for larger households did have a maximum payment for up to five bedroom properties. From April 2011 rates were limited to a maximum of four bedrooms reducing their weekly entitlement.

## **More Housing Benefit for those needing an overnight carer - From April 2011**

**IMPACT** - if a claimant or their partner is disabled and need an overnight carer, who does not normally live with them, they may get additional payment for an extra bedroom. This applies to private tenants from April 2011 and from April 2013 for tenants renting in the social rented sector.

## **Reduction in benefit for people under 35 - January 2012**

The ‘shared accommodation rate’ used to apply to single people under 25 renting in the private sector. It meant they were only entitled to Housing Benefit at the same rate as someone renting a room in a shared house even if living in self-contained accommodation. From January 2012, the rate applies for people up 35 years old.

**IMPACT** – many under 35’s have a reduced level of Housing benefit entitlement, of approximately £28.00 per week.

**April 2013** – Local Housing Allowance rates will be up rated annually by Consumer Price Index, instead of reflecting actual rents.

**IMPACT** – this means HB/LHA increases are likely to lag behind actual rent increases, with tenants having to make up the shortfall.



## The “Bedroom Tax” - April 2013

This change introduces restrictions to Housing Benefit for working age customers living in the social rented sector who are occupying a larger property than their household requires. A size criteria will be introduced to establish any ‘spare’ bedrooms.

The size criteria will restrict housing benefit to allow for one bedroom for each person or couple living as part of the household, with the following exceptions:

- Children under 16 of same gender expected to share
- Children under 10 expected to share regardless of gender
- Disabled tenant or partner who needs non resident overnight carer will be allowed an extra bedroom

Housing Benefit will be restricted by 14% for one extra bedroom and 25% for two or more extra bedrooms.

The Bedroom Tax will only apply to claimants of working age and any claimant or partner over qualifying age for Pension Credit (this is currently linked to a woman’s minimum retirement age and is gradually increasing) will be exempt from these rules. There will also be exemptions for shared ownership, temporary accommodation and some supported accommodation.

**IMPACT** – large reduction in Housing Benefit causing a shortfall in rent payment that needs to be made up. Options are to move to smaller accommodation, finding work, taking a boarder or lodger (if allowed) or asking others living in the property to contribute. It may be possible to apply for a Discretionary Housing Payment (DHP) but guidance says these will specifically be targeted at disabled people with specially adapted accommodation and foster carers.

## Income Support (IS)

---

MAY 2012 – Lone parents must have a child under 5 to qualify for Income Support otherwise they now will need to sign on and look for work and meet the conditions in their Jobseekers Agreement.

## Jobseekers Allowance (JSA)

---

**April 2011** - Mandatory work activity of 4 weeks up to 30 hours can be required to continue to receive benefit. Benefit can be stopped for 13 or 26 weeks for failure to attend without good cause.

**October 2012** - sanctions increased to minimum of 4 weeks with escalation for repeat offences up to 156 weeks in some cases.

**IMPACT** – increased conditions and tougher application of the rules are leading to increased sanctions where benefit is stopped and hardship payments need to be applied for.

## Social Fund (Community Care Grants & Crisis Loans) – From April 2013

---

The system of discretionary loans and grants currently paid by the DWP is to be changed with the money being provided to Local Authorities to develop their own schemes.

**IMPACT** – The new scheme is expected to be based on providing goods, rather than cash hand-outs, the money available will be lower than currently paid out by the DWP and will not be ring-fenced, so there is likely to be a lower budget available to meet the increasing demand.

## Sure Start Maternity Grants

---

**April 2011** – payment restricted to the first child only. The only exception is where future births are multiple (e.g. twins /triplets) then a grant can be made for each extra child in the multiple birth.

## Tax Credits

---

**2011** – help with childcare costs reduced from 80-70%

**2011** – Baby element of calculation removed

**April 2012** – working hours for couples increased from 16-24 to get working tax credit.

**IMPACT** – those who cannot increase hours lose their working tax credit.

**April 2012** - Tax credit backdating reduced from 3-1 month

**April 2012** – disregard of £2,500 for in year falls in income.

**IMPACT** – only falls in income over £2,500 per year will result in getting more tax credits

# **Universal Credit – From October 2013**

---

This new means tested benefit will replace the current system of working age benefits and tax credits, by replacing them with one benefit. This will be regardless of their employment status, it is both an 'in work' or 'out of work' benefit.

## **STRUCTURE –**

### **Benefits it will replace**

- Housing Benefit
- Child Tax Credit
- Income -related Employment and Support Allowance
- Income- based Jobseekers Allowance
- Income Support
- Working Tax Credit
- Some of the Social Fund Payments – Budgeting Loans, Surestart  
Maternity Grants, cold weather payments

It is an integrated means tested benefit for working age claimants whether they are unemployed or in low paid work.

### **Benefits not included**

- Council Tax Benefit
- Child Benefit
- Carer's Allowance
- Contributory Jobseekers Allowance
- Contributory Employment & Support Allowance
- Disability Living Allowance AND its replacement Personal Independence Payment
- Parts of Social Fund Payments – Community Care Grants, Crisis Loans
- Passported benefits (entitlements that come with certain other benefits)
- Statutory Sick Pay, Statutory Maternity Pay, Industrial Injuries Disablement Benefit, Bereavement Benefits.

## **How it works**

Claims will be made by households not individuals and amounts will depend on the income and circumstances of all household members. The government will ensure existing claimants do not end up worse off at the point of change.

People with savings over £16,000 will not be able to claim Universal Credit.

## **How much will people receive?**

We do not yet have the detail on how much people will get. There will be a basic allowance with different rates for single people and couples and lower rates for younger people.

There will then be extra amounts available for those with a disability, caring responsibilities, children, childcare costs and housing costs.

## **Limits on amount paid**

As people earn more, their benefit is reduced.

- The rate at which it is reduced is the 'taper rate'. People can earn a certain amount of money though before tapering applies. This is called earnings 'disregards'. The amount disregarded will be based on needs eg a couple with children will have a higher disregard than a couple without children.
- There will be a benefits cap on how much a household can receive based on the average earnings of a working family - £500 a week for a lone-parent or couple and £350 a week for a single person. Some households will be exempt.

## **Conditions and sanctions**

There will be more conditions and tougher sanctions for all benefits. All claimants must accept a 'claimant commitment' and most will be subject to work-related or work-focussed requirements. Sanctions can include reduction of the benefit for up to 3 years.

## **How and when it is paid**

It is a single payment made monthly to a household, but the Department of Work & Pensions can pay more frequently, or split the payment in exceptional circumstances.

## **Transition to Universal Credit**

The Universal Credit will be phased in 2013-2017. It will be done gradually, starting with people whose circumstances change and new claimants.

There are also changes to benefits that will be replaced, including the following items.

**TIME SCALE** – New claimants will go onto UC from October 2013 with existing claimants of the relevant benefits will be transferred onto UC on a rolling programme between April 2014-2017 and transitional protection will mean existing claimants are no worse when transferred. However old rates will not be updated and if there is a relevant change of circumstance they will lose protection.

There will effectively be 2 benefits systems running for this period of 4 years

**CLAIMS** – there will be one application process for all elements of the benefit and they will be paid by a single agency (DWP). Claims will normally be made and administered online.

**IMPACT (positive)** – working claimants particularly those in part time irregular work will be better off due to higher earnings disregards and more generous reduction rates. It will be particularly beneficial for those who work less hours and have childcare as the requirement to work at least 16 hours is removed. It will also be easier to try work or change hours as benefit will not automatically stop and changes of circumstances should be implemented quicker.

**IMPACT (negative)** – there will be longer sanctions of up to 3 years for those who do not comply with the work seeking conditions of their claimant commitment. It will be claimed online with an online account to report changes of circumstances which may create problems of those who do not have access to a computer or are unable to use one. There is also concern that delay or faults with the computer system will affect payment. It will normally be paid monthly to the claimant so there may be budgeting issues for some people. It is also anticipated that overpayments will be recoverable regardless of who made the error.

**DISABILITY** – it is expected that there will be no equivalent to the current enhanced and severe disability premiums or elements, so many disabled people who are unable to work will be worse off. These premiums are worth £14.80 and £58.20 respectively so new claimants could potentially be £73 per week worse off under UC. For some disabled children the child element is expected to reduce from £56.57 to £28.15.

# A Quick Guide to Benefits Staying Outside the Universal Credit

---

## Child Benefit

---

### What is it

A tax free payment for those responsible for a child/children, usually up to age 16, potentially longer if in education.

### Main changes

- Frozen for 3 years from Apr2011
- From Jan2013, withdrawn where someone in household has income over £50,000. It means a single-income family earning over £50k loses some or all the benefit, but a couple both earning up to £50k each keeps all the benefit.

## Social Fund

---

### What is it:

Government scheme to help people with costs difficult to meet on a low income. With most you have to be receiving other benefits to qualify.

### Main changes:

- The Council will be given responsibility for discretionary payments from the Fund – Community Care Grants, Crisis Loans.
- Those elements which can be automated will become part of the Universal Credit – Budgeting Loans, Surestart Maternity Grants, cold weather payments

## Pass ported Benefits

---

### What are they:

Entitlement to certain benefits (eg Income Support) gives automatic entitlement to Passported Benefits such as free school meals and free prescriptions.

### Main changes:

More detail to be announced. It is suggested that entitlement will be income related – as income rises, benefits will be gradually withdrawn.

---

## **Contributory Jobseekers Allowance (JSA)**

---

### **What is it:**

A benefit for people not in full-time employment who are capable of and are looking for a job. Paid for up to 6 months to those who have paid enough National Insurance.

(Income-based JSA is paid to those with low income and savings, with no time limit and even if they have not paid National Insurance. It is being replaced by the Universal Credit.)

### **Main changes:**

- Further detail to be announced. Some people will be entitled to both Contributory JSA and Universal Credit so JSA will adopt the same rules where appropriate.

---

## **Contributory Employment & Support Allowance (ESA)**

---

### **What is it:**

Money for people who have limited capacity for work because of sickness or disability but do not get statutory sick pay. Paid for up to a year to those who paid enough National Insurance.

(Income-related ESA is paid to those with low income and savings below £16,000. It is being replaced by the Universal Credit.)

### **Main changes:**

- Contributory ESA in youth to be abolished.
- Further detail on ESA to be announced. Some people will be entitled to Contributory ESA and Universal Credit, so ESA will adopt the same rules where appropriate.

---

## Pension Credit

---

### What is it:

An income related benefit for pensioners. Made up of two parts – guarantee credit to top up pensioners' income to guaranteed level and savings credit to reward those who have saved.

### Main changes:

- Pension Credit is intended to support pensioners not in work and Working Tax Credit helps who are in work.
- As there will no longer be Working Tax Credit, the Government is considering extending Universal Credit so that it covers not only working-age people but also pensioners who choose to carry on working.

---

## Disability Living Allowance / Personal Independence Payment

---

### What is it:

A benefit for disabled adults and children to help with extra costs because of disability.

### Main changes:

- Disability Living Allowance will be replaced by Personal Independence Payment from April 2013.
- It is being phased in 2013- 2016.
- Entitlement is not based on disability, income or savings, and is paid whether in work or not.
- Entitlement is based on personal circumstances and impact the disability or condition has on ability to live independently.
- There is no change for Disability Allowance children under 16.
- Those over 65 will continue to get Disability Living Allowance if they meet the entitlement conditions.



---

## **Carer's Allowance**

---

### **What is it**

Payment to those who care for someone for at least 35 hours a week. The person being cared for must be getting a benefit because of their disability.

### **Main changes**

No changes yet announced by government, although the intention is that recipients will be offered support to maintain links with the world of work, if they are not currently in work.

---

## **Council Tax Benefit**

---

### **What is it:**

Help with council tax for people on low incomes. It is a government benefit, administered by local council authorities.

### **Main changes:**

- In April 2013 it is being replaced by a new local scheme, Council Tax Support, which the Council is developing.
- In Leicester, it is expected approx 20,000 people will have to pay an extra £200 as Council Tax Support will be less than Council Tax Benefit.

## Other Issues:-

### **Appeal Rights – April 2013**

---

The right of appeal, for DWP benefit decisions, may only be allowed after a revision has been considered by the DWP.

### **Legal Aid – April 2013**

---

Most Government legal aid for welfare benefits, debt and housing is being abolished, drastically reducing advice provision in the city as many of the changes start to take effect and demand for advice and representation increases.

**IMPACT** – capacity for specialist welfare rights cases in the city will be lost with the reduction in advisors at a time when demand due to the changes will substantially increase.

### **Pension Reforms and Pension Credit**

---

People or couples where one meets the qualifying age for State Pension Credit are excluded from most of the changes and can claim Pension Credit instead of Universal Credit. However the qualifying age is gradually increasing to 66 and when Universal Credit starts the Pension Credit qualifying age for couples will start when the youngest reaches it instead of the oldest.

**IMPACT** – people will be subject to many of the cuts for longer than they are now and will have to look for work and meet the claimant commitment into an older age.

Pension Credits may be changed to cover pensioners who work, or the government may decide to extend the Universal Credit to cover working pensioners. The state pension age is also going to rise at dates still to be announced.

# Simple Payment' Service

---

Under a new 'Simple Payment' service, those claimants with no bank or Post Office card account will be issued with a card to get their benefits from Paypoint outlets in shops, garages and similar instead of receiving benefits cheques. It starts this summer, and those affected will be sent an information pack.

## Benefits uprating

---

**APRIL 2011** – indexation of most benefits and tax credits changed to Consumer Price Index (CPI) from Retail Price Index (RPI).

**IMPACT** – CPI usually increases at a slower rate leading to smaller annual benefit increases

**APRIL 2013** – Most working age benefits and tax credit uprating frozen at 1% rather than by prices for 3 years. It will not apply to premiums within these benefits for disability, caring, or pensioners. It also does not apply to Disability Living Allowance, support group component of ESA or the disability elements of tax credits. The State Retirement Pension and Pension Guarantee Credit are protected from these changes.

**IMPACT** – the Government estimates around 30% of households will be affected losing on average £3 per week. Lone parents are expected to lose £5 per week.

## Leicester City Council advice & support:

---

Please refer to the "Advice Services in Leicester" booklet for full details of Free advice available in Leicester.

The Booklet can be found at <http://www.leicester.gov.uk/your-council-services/social-care-health/adults/about-our-adult-social-care-services/social-welfare-advice-services/>

## Further information

---

With the scale and breadth of the changes, the array of organisations responsible for effecting them, and the range of people who will feel their impact, locating easily digestible information is quite a challenge. There is no succinct and readable summary looking across the piece.

The most accessible information tends to be available from organisations who represent particular interest groups (e.g. young people, disabled people) and information is therefore slanted toward them. However, the following are useful starting points for further detail:

**Turn2Us** - Benefit changes news, timetable and information sheets on main benefits

[http://www.turn2us.org.uk/information\\_\\_resources/benefits/benefits\\_news\\_and\\_changes.aspx](http://www.turn2us.org.uk/information__resources/benefits/benefits_news_and_changes.aspx)

**Leicester City Council** – Housing Benefit & Council Tax Changes

<http://www.leicester.gov.uk/your-council-services/housing/housing-and-council-tax-benefits/big-benefit-changes/>

**Child Poverty Action Group** - Universal Credit (factsheet)

<http://www.cpag.org.uk/universal-credit-factsheet>

**DWP** - Policy, draft regulations, policy briefing notes (very detailed)

<http://www.dwp.gov.uk/policy/welfare-reform/>

<http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012/welfare-reform-draft-regulations/>

## Direct.Gov – Benefit Cap Guidance

---

- An online calculator is available to use at [www.direct.gov.uk/benefitcap](http://www.direct.gov.uk/benefitcap).
- Claimants can use this to get an estimate of how much their HB could be reduced by if the amount of benefit they receive is more than the cap limits; and their circumstances remain the same until the cap is applied.
- The helpline number is 0845 605 7064 or textphone 0845 608 8551 for people with hearing or speech impairments. The helpline is open 8am to 6pm Monday to Friday.