The Welfare Reform Act 2012 – Policy Briefing

The Welfare Reform Act received Royal Assent in March 2012. This policy briefing provides:

- an overview of the main inclusions in the legislation
- an outline of the current welfare system and how the legislation is changing this
- information on when these changes will be implemented

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More information on the Welfare Reform Act is available:

- on the parliament website – this includes a copy of the Welfare Reform Act
- on the Department for Work and Pensions website – this includes a detailed implementation timetable, consultations on secondary legislation and assessments of the potential impact of the Act on individuals, communities and public agencies.

Summary – the Welfare Reform Act 2012	Status: received Royal Assent on 8 March 2012

The Welfare Reform Act received Royal Assent on 8 March 2012.

The Act makes a number of changes to the welfare system, including:

- the introduction of Universal Credit - a single benefit payment which will replace Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit

- the introduction of a single scheme for tapered reduction in benefits as claimants' earnings increase

- a cap on the total benefits received by individuals (£18,000), and lone parents and couples with children (£26,000)

- changes to the Housing Benefits system – these include the introduction of size criteria for social-sector homes for working age households and the abolition of rent payments direct to landlords

- major changes to contribution based Employment Support Allowance (ESA) – the Act will abolish youth provision and introduce a claim limit for people in the work related activity group and those being assessed for work capability

- the localisation of Council Tax Benefit – local authorities will be responsible for developing local schemes

- replacing Disability Living Allowance (DLA) with the Personal Independence Payment – a new benefit for eligible people aged between 16 and 64 which will focus support on those who experience the greatest challenges in remaining independent and leading full, active and independent lives. Children under the age of 16 will still be able to claim Disability Living Allowance

- abolishing the Social Fund (money local authorities receive from the Department of Work and Pensions for one off grants and payments) and replace it with an un-ringfenced fund paid to local authorities

These changes will be implemented from 2012 until the end of 2017. The government aims to implement the majority of the changes by the end of 2015.

Full details of the implementation timetable are provided on page 10 of this briefing.

Universal Credit: a single benefit	Status: to be implemented between 2013 and 2017

The Act will abolish several benefits in the current system and replace them with a single benefit payment known as Universal Credit. The benefits that will be abolished include:

- Income Support
- income-based Jobseekers Allowance
- income-related Employment and Support Allowance (see below)
- Housing Benefit (see below)
- Child Tax Credit
- Working Tax Credit

Universal Credit will be available to people who are out of education, over the age of 18 and under pensionable age and have income and/or capital below a certain level (this is likely to be £16,000). The amount of money claimants receive will be based on:

- basic living costs
- support for housing costs
- support for those with children
- support for other particular needs and circumstances, such as additional support for long-term unemployment for those with limited capability.

The current benefits system has been criticised for not doing enough to encourage claimants to return to work because potential loss of income actively deters claimants from finding paid employment.

The government intends to support claimants who are out of work to make the transition back into work by introducing:

- a tapered reduction in benefits as claimants' earnings increase. This will make sure no one is worse off when they find paid employment. The taper is likely to be 65%, meaning that for every £1 earned the claimant will still receive 35p in benefits.
- a monthly (rather than fortnightly) benefit payments to replicate the wage cycle of those in employment

Changes to Housing Benefit	Status: to be implemented from April 2013

The introduction of Universal Credit will make major changes to the Housing Benefit system by:

- introducing size criteria for social housing occupied by working-age households claiming Housing Benefit from 1 April 2013
- stopping the direct payment of housing benefit to landlords

Size criteria

The Act will introduce size criteria as a measure of the appropriateness of a social-sector property occupied by a working-age household claiming Housing Benefit. Similar criteria already apply to housing benefit claimants in the private rental sector. Households that are deemed to be living in accommodation that is too large for their needs will lose part of their housing benefit.

The new size criteria for social housing will be based on the number of bedrooms. The general principles will be:

- one bedroom for every couple or individual aged 16 and over
- an expectation that children of the same gender aged under 16 will share a bedroom
- an expectation that children aged under 10 will share regardless of gender
- disabled tenants that require an overnight carer will require an extra bedroom

The maximum amount of rent eligible to be covered by Housing Benefit will be reduced by a percentage rate for each ‘excess’ bedroom – there will be a 14 per cent reduction for one excess bedroom and a 25 per cent reduction for two or more excess bedrooms.

Regulations setting out further details on size criteria are expected in May 2012.

Abolition of direct payment of housing benefit to landlords

Currently Housing Benefit can be paid to the claimant or directly to the landlord. Under the new system introduced by the Act, Housing Benefit will be paid directly to the claimant as part of their Universal Credit payment. The aim is to replicate the wage cycle of those in employment.

The Act makes provision for the current system of direct payments to landlords to continue for ‘vulnerable’ people that would not be able to cope with the new system. The government has yet to decide the criteria for ‘vulnerable’ people.

Changes to Employment Support Allowance	Status: to be implemented from 30 April 2012

The change in legislation will make major changes to contribution-based Employment and Support Allowance (ESA) by:

- introducing a claim limit of 365 days for people in the work-related activity group, meaning they have been assessed as able to work but needing additional support to do so.
- abolishing special arrangements known as the 'youth provision' – currently this allows some young people to qualify for contribution-based ESA without having to satisfy the national insurance contribution requirements that apply to other claimants

The 365 day claim limit

The Act will introduce a requirement for claimants to re-apply for contribution based ESA after 365 days.

The 365 day limit only applies to:

- people in the work related activity group
- people being assessed for work capability - the 365 day limit will include time spent in the assessment phase (when the applicant's capability for work is assessed), *unless* the outcome of the assessment is that the applicant should be placed in the support group

People who are in the work related activity or are being assessed for work capability and have already received contribution based ESA for 365 days or more will not be entitled to ESA from 30 April 2012.

The 365 day limit does **not** apply to ESA claimants in the support group – people in the support group will not need to re-apply for contribution based ESA after 365 days to receive money through Universal Credit.

Abolition of youth provision

Currently claimants aged 16 -10 (and in some circumstances aged 20-15) who are not in education and have at least 28 days of medical evidence can use the 'youth provision' to apply for contribution-based ESA without meeting minimum national insurance contribution requirements.

The Act will abolish the 'youth provision.' This means these young people will need to meet the same NI contribution conditions as other claimants to qualify for contribution-based ESA. They will also be subject to the 365 day claim limit.

Replacing Disability Living Allowance with the Personal Independence Payment	Status: consultation on assessment criteria closes 30 June 2012

The Act will replace Disability Living Allowance (DLA) for working age adults with the Personal Independence Payment (PIP). The PIP is a new benefit payable to people aged between 16 and 64 which will focus support on individuals who experience the greatest challenges in leading full, active and independent lives.

Children under the age of 16 will still be able to claim DLA.

Current claimants of DLA will **not** be automatically transferred to the PIP. All current claimants of DLA will be reassessed against the new assessment criteria for the Personal Independence Payment. This will happen over three years, starting in April 2013.

The new assessment criteria for the PIP will consist of two parts:

- a daily living component based on the applicant's ability to carry out everyday tasks
- a mobility component based on the applicant's physical movement and ability to plan and follow a journey

Each part will have a standard rate and an enhanced rate depending on the severity of the applicant's needs and their limitations as a result of mental or physical disability.

The government is currently consulting on detailed proposals for the benefit rules that will underpin the PIP, DLA for children under 16, Carer's Allowance and Attendance Allowance. The results of the consultation will be used to develop secondary legislation for the Welfare Reform Act.

The Department of Work and Pensions has also published a set of frequently asked questions on the Personal Independence Payment.

Introduction of a cap on total household benefits	Status: to be implemented from April 2013

The Act introduces a cap on the total benefits received by individuals (the cap is expected to be £18,000), and lone parents and couples with children (the cap is expected to be £26,000). To promote fairness between those in work and those receiving benefits the cap will be based on the average earned income of working households after tax and national insurance.

The cap does not apply to:

- Disability Living Allowance/ Personal Independence Payment
- Additional amounts for people assessed as having limited capability for work or work-related activity because of their physical or mental condition.
- Attendance Allowance
- Working Tax Credit
- The first nine months after redundancy for individuals that have worked for at least 12 months
- Childcare costs – parents will be able to recover 70 percent of a maximum of £760 per month for one child and £1,300 for two or more children

An amount may also be included for carers, such as claimants who have regular and substantial caring responsibilities for a severely disabled person. It is also the Government's intention to provide an amount for working claimants who pay for formal childcare in respect of a qualifying child or children.

Regulations may specify or provide for the determination or calculation of the rates of any such additional amounts

The abolition of the Social Fund	Status: to be implemented from April 2013

The Social Fund is a discretionary fund from the Department of Work and Pensions which provides grants and zero-interest loans to help vulnerable people deal with sudden costs incurred in a crisis, including:

- Community Care Grants – non-repayable payments to support people leaving accommodation in which they have received care, help people remain in the community, or to help people on resettlement programmes set up their home

- Budgeting Loans – interest-free loans that help spread the cost of certain one-off expenses over a longer period.

- Crisis Loans – support to meet expenses in an emergency (for example funeral costs) or costs incurred because of a disaster (for example flood damage)

- Cold Weather (Winter Fuel) payments – money that contributes to extra heating costs when there is a very cold weather

- Sure Start Maternity Grants – these help pay for anything related to a new baby

The Act abolishes the Social Fund (including Community Care Grants and Crisis Loans) and replaces it with an unringfenced fund for local authorities. Local authorities will be expected (but not obliged to) provide emergency support in cash or payment-in-kind in accordance with local circumstances.

Under the new arrangements some aspects of the Social Fund will be handled differently:

- Budgeting Loans will become a nationally-administered service available under certain conditions to those in need prior to receipt of benefits
- Cold Weather Payments and Sure Start Maternity Grants will be incorporated into Universal Credit and paid automatically when the qualifying criteria are met.

Localisation of Council Tax Benefit	Status: Local authority schemes to begin by 31 January 2013

Currently households that pay council tax and have an income or capital of below £16,000 are eligible for council tax benefit under a national scheme run by the government. The current scheme does not take the employment status of the applicant or whether the home is rented or owned into account.

The Act abolishes the national scheme and replaces it with a new localised mechanism of council tax support. This means local authorities will be responsible for developing their own local schemes of council tax support. The government will reduce spending on council tax benefit by ten per cent from April 2013.

In developing these schemes, billing authorities will be expected to:

- be aware of the current mechanism for Council Tax Benefit and replicate this where possible
- consult with the public and partner agencies on the schemes
- consult with major precepting authorities where appropriate
- consider their responsibility to certain vulnerable groups
- consider other changes introduced under the Welfare Reform Act
- prepare for revisions to the scheme only at the end of the year

Implementation timetable for changes to the benefits system	
Changes to the current benefits system under the Welfare Reform Act 2012 will be implemented in a phased roll-out from 2012 to 2017. The key dates in the government's planned implementation timetable are outlined below.	
30 April 2012	Payments of contribution-based Employment Support Allowance will stop for people who have been claiming for 365 days or longer (except for people in the support group). The contribution-based ESA 'youth' provision will end. New claims will be assessed against the standard criteria, including the new 365 day limit. ESA will no longer be paid to people who have been claiming under the 'youth provision' for longer than 365 days.
31 January 2013	Deadline billing authorities to adopt localised schemes of support for council tax benefit.
April 2013	Disability Living Allowance for people of working age will be replaced with the new Personal Independence Payment for new claims. Children aged under 16 will continue to claim Disability Living Allowance. The Social Fund, Community Care Grants and Crisis Loans will be abolished and local authorities will be given an unringfenced grant to support the one-off costs incurred by vulnerable people.
April 2013 – March 2016	Existing Disability Living Allowance claimants will receive a letter inviting them to apply for the new Personal Independence Payment.
October 2013 – April 2014	Universal Credit will replace Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit for: • claimants whose circumstances have changed • new claimants
April 2014 – end of 2015	Universal Credit will replace Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit for existing claimants. People that will benefit most from moving to Universal Credit will be prioritised.
End 2015 – end 2017	All remaining claimants of Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit will be transferred to Universal Credit.