What is Welfare Reform?

The Welfare Reform Act received royal assent on 8th March 2012. It introduces fundamental changes to the welfare system in Great Britain. Northern Ireland will introduce its own separate piece of legislation which will mirror the changes happening in England, Scotland and Wales, with some administrative differences.

The Welfare Reform Act aims to reduce dependency on welfare, improve incentives to work, make work pay and reduce the overall spend. It introduces a single working-age benefit called ‘Universal Credit’ which will be phased in from October 2013.

Other changes will begin in April 2013, including:

The introduction of the social sector size criteria or ‘bedroom tax’ which will see reduced rental benefit, for those households of working age, who are under occupying their homes in council and housing association properties.

The discretionary social fund will be abolished. In Wales a new Welsh Social Fund is being set up, which will be entirely grant based. This will be managed nationally by Northgate Public Services who were awarded the contract for 2 years from April 2013.

### Additional changes include

- A total ‘benefit cap’, of £26k per year, for every household will begin in 2013
- Local Housing Allowance (LHA) rates that are paid for claimants living in Private Rented Sector housing will be uprated by Consumer Price Index (CPI) rather than actual market rents.
- A new pension credit limit will replace Housing Benefit for persons over working age.
- Disability Living Allowance (DLA) will be replaced by Personal Independence Payments (PIP), in a phased approach from June 2013
- People under the age of 35 years, living alone were included in the single room rate from 2012 (previously for under 25s)
- Direct housing benefit payments to landlords will end with the introduction of UC, with some limited exceptions.
- There will be an expectation for online applications

### Other changes that have already been made, and that have affected Welsh households, include:

- changes to the calculation of awards and restrictions in entitlement to tax credits (April 2011 and April 2012)
- deep cuts to housing benefit for private tenants through changes to the calculation of the local housing allowance (April 2011 for new claims, and throughout 2012 for existing claims)
- the transfer of incapacity benefit, severe disablement allowance and income support (made on the grounds of incapacity for work) claims onto ESA (employment and support allowance), or if the claimant fails the tougher medical test, JSA (job-seeker’s allowance)

### And further (non-Welfare Reform Act) measures that will also have an impact include:

- the end of temporary measures for support for mortgage interest that were designed to help stabilise the owner occupied market during the credit crunch (January 2013)
- the gradual raising of state pension credit age to 66 by September 2020
- future annual uprating of benefits to be linked to Consumer Price Index (CPI) rather than Retail Price Index (RPI)
Additionally Council Tax Benefit will be replaced by Council Tax Rebate from April 2013.

Universal Credit (UC)

UC is a new single payment for people who are looking for work or on a low income, every eligible household will receive a single payment each calendar month from October 2013. It will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. UC will be available to people who are in work and on a low income, as well as to those who are out of work. Support with housing costs will go direct to the claimant as part of their monthly payment.

There is an expectation that the majority of claimants will apply on-line. This may have issues for many people living in Wales who do not have access to the internet; Welsh Government currently classes 34% of the adult population of Wales as digitally excluded.

The Bedroom Tax (Social Sector Size Criteria)

The Social Sector Size Criteria or ‘bedroom tax’ will begin in April 2013. Housing Benefit will no longer pay for bedrooms that they decide you do not need.

Wales will be affected to a much greater extent than other areas of the country; Welsh social housing has 46% of working age claimants who will be affected, compared to the GB average of 31%. This translates as an estimated 40,000 households in Wales who will have their rental benefit reduced; a total reduction of £27.7 million per year.

Tenants under-occupying their home by one bedroom will have a 14% reduction in the rental element of their benefit, and there will be a 25% reduction for those under-occupying by two or more bedrooms. Those on partial HB (for working households) will have the same percentage of benefit reduction applied.
There are strict rules for calculating under-occupancy:

- Children under 10 of any gender share
- Children of same gender between 10 & 16 share
- Single persons/couples 16+ require own room
- Additional room is allowed where a disabled tenant or partner need a non-resident overnight carer
- Children of separated parents will only be counted in the ‘main carer’ household; where there is joint custody the parent in receipt of child benefit will be used
- Foster children will not be included in assessment
- Couples sleeping in separate rooms will not be exempted
- Single persons under the age of 35 have only been eligible for the ‘single room rate’ since 2012

So for example, a two-parent family with two children of a different gender under the age of 10 will only be entitled to receive the level of benefit for a 2 bedroom property from April 2013, regardless of what the landlords’ lettings policy says or when the tenancy began.

At the time of writing single person claimants of pension credit age and couples where both partners are over pension credit age will not be affected by the ‘bedroom tax’. However for couples where only one partner is of pension-credit age the following applies:

- Current Housing Benefit Claimants will be exempt when the bedroom tax begins in April 2013 and Universal Credit begins in October 2013
- Claimants who make their first claim after the introduction of Universal Credit will not be exempt from bedroom tax.
- Current claimants who undergo a change in circumstances, after the introduction of universal credit, will be treated as a new claimant, and will not be exempt from the bedroom tax.

People in shared-ownership schemes as well as those living in supported accommodation and sheltered housing where support is delivered by a not-for-profit provider will be exempt from the ‘bedroom tax’. However, people with a disability who are living in general needs housing are not exempt, even if they have had adaptations made to their home.

Changes have been made to rules to allow tenants to take in lodgers to help alleviate the impact of the bedroom tax. However, tenants should check with landlords that they are allowed to do this beforehand. The first £20 per week of income from a lodger is ignored and won’t affect benefits. If the rent charged to a lodger is more than this, it is likely to affect the tenants benefits - although they will probably still be better off. The landlord or an advice agency should be able to give more information about this. Homeowners and tenants who let furnished accommodation to a lodger are exempt from paying tax on rent up to £4,250 a year, and the income will not affect the Child Tax Credit or Working Tax Credit either.
Council tax benefit replaced by council tax rebate

Council Tax benefit ends in March 2013 under the terms of the Local Government Finance Act 2012. A new Council Tax Support Scheme will replace it in Wales. A national framework will be introduced by Welsh Government with some discretionary aspects for local councils, who will continue to be responsible for administering it. The Welsh Council Tax Scheme will mean that any subsidy will remain means-tested, but will have a new ceiling limit of 90% maximum entitlement. This means that everyone in Wales, including those over pension age, will have to pay at least 10% of their Council Tax; many people will be making a contribution to their charge for the first time.

However Welsh Government has announced extra funding going to local authorities to help with Council Tax bills in 2013-14, to continue full entitlement at 100% of Council Tax benefit for eligible households.

Direct Payments

Universal Credit will be paid in a single transaction to each household monthly from the expected start date of October 2013. The aim of this is to mirror how salary payments to working households are usually made and to help improve the financial autonomy of welfare recipients.

Claimants will be responsible for managing all household costs, including rent payments. This means that any benefit payments for rent that are currently paid directly to landlords will stop, and tenants will be required to pay their landlord themselves.

There are some exceptions to this, such as some types of supported housing, however for many tenants who are renting council and housing association properties there will be a requirement to pay rent directly to their landlord for the first time.

This may present a new financial management challenge for many people, especially those who do not currently have a bank account or who have additional needs. As well as financial inclusion issues there will also be digital exclusion issues for many households who do not have access to the internet, or who do not have the digital or literacy skills required to utilise an on-line system.

Household Cap

The aim of the household cap is to ensure that workless households will not receive more in benefits than the average weekly wage for working families. Equating to £26,000 per year, the expected level of the cap is:

- £500 per week for couples and lone parents
- £350 per week for single adults.

Most benefits will be included in the household cap assessment; however some will not be included in the assessment, such as the Council Tax Support Scheme and Discretionary Housing Payments (DHP).

Some households will be exempt from the cap including those in receipt of DLA or PIP and those on working tax credits.

It is anticipated that a relatively small number of households will be affected by the household cap in Wales. However for these households the implications will be very severe.

At the time of writing the introduction of the household cap has been delayed in Wales from the initial date of April 2013. However it will begin in parts of London in April, and will be rolled out across the rest of Great Britain by Summer 2013.
Personal Independence Payments

The Personal Independence Payment (PIP) will replace Disability Living Allowance (DLA) for all working age persons in Wales. PIP will have two components; ‘daily living’ and ‘mobility’. Applicants will be required to make a claim via a free phone claim-line.

Like DLA, PIP will be non means-tested and non-taxable and be payable to eligible persons who are both in and out of work. However, there will be a new assessment criteria that will include a face to face consultation with an independent assessor. ‘Special Rules’ will be in place for some people, who will not be required to go through this assessment, for example people who are terminally ill.

Websites for information and support:

http://www.cih.org

http://www.cutswatchcymru.org/

http://www.yourbenefitsarechanging.co.uk/

http://www.housesharewales.co.uk/

http://www.walescooperative.org/thfitoolkit


Department for Work and Pensions http://www.dwp.gov.uk/

Welsh Government http://wales.gov.uk/

Please note: The contents of this fact sheet were correct at the time of publication February 2013, however changes may have been made to some aspects of the Welfare Reform programme since publication.