



Welfare Reform Briefing

Spring 2013

Benefit Cap

The Welfare Reform Act gives the Government the power to limit or cap the total amount of benefit which a single person or couple is entitled to. The limit will be introduced from April 2013.

How will it be calculated?

The limit has been set at the average net earnings for a working household, currently projected to be £500 per week (£26K per annum) for lone parents and couples with or without children, and £350 per week for single people without children.

Prior to the introduction of Universal Credit (from October 2013), the cap will apply to the combined income a household receives from the main out of work benefits (Job Seekers Allowance and Employment Support Allowance), Housing Benefit, Child Benefit, Child Tax Credit, and Carers Allowance.

Once households have been transferred to Universal Credit, it will apply to their income from Universal Credit and benefits including Child Benefit and Carers Allowance.

The cap will not include one-off payments eg social fund payments, non- cash benefits and passported benefits, such as free school meals, nor will it include

Council Tax Benefit. The childcare element of Universal Credit will also be excluded.

Who will it affect?

The cap is targeted at out-of-work-families. The DWP estimates that about 67,000 households will be affected. Households will be exempt from the limit if a member of the household is claiming Disability Living Allowance or the Personal Independence Payment, Attendance Allowance, Constant Attendance Allowance, Working Tax Credit or the support component of Employment Support Allowance. However, this exemption does not apply if it is a non dependant member of the household who is in receipt of DLA or Attendance Allowance.

In general, larger than average families and those living in high-rent areas are most likely to be affected by the benefit cap. We do not anticipate that this will have an impact on our tenants.

Work requirements

Households in receipt of Working Tax credit (WTC) will be exempt from the benefit cap. WTC is available to lone parents and those with a disability who are working for at least 16 hours per week and

couples with children who work at least 24 hours a week between them. Eligibility for working tax credit for those without children or a disability is dependent on age; this group must be 25 or older and work at least 30 hours a week to qualify.

There will be a nine month grace period, where the cap will not apply, for those who have been in work for the previous 12 months and lose their job through no fault of their own. It is likely that it will also apply for those who have their hours reduced to below the level where they can receive WTC. For couples the grace period will apply where either partner meets the criteria.

Transitional Arrangements

Those who are affected by the benefit cap will face limited options which will include reducing their non rent expenditure, making up any shortfall in Housing Benefit using a proportion of their other income, moving to cheaper accommodation or a cheaper area or entering employment or increasing their hours of employment.

The Government has confirmed that claimants made homeless by the benefits cap will not be considered intentionally homeless, therefore local authorities will have a statutory duty to house them.

Direct Payments

The Government plans to merge a number of means tested benefits including Housing Benefit, Income Support and Job Seekers Allowance into a new single benefit- the Universal Credit. Apart from a small number of exceptional cases, Universal Credit will be paid monthly in arrears as a single payment to households.

Under the new plans the Government wants to see many more housing tenants receiving the money in their hand rather than opting to have their benefit paid direct to their landlord. The Government argues that this will help ease the transition in to work by being more like a monthly salary.

When will this happen?

The Universal Credit will start from October 2013 for new claimants. Existing claimants will then be moved to the new

benefit between 2013 and 2017.

What will be the impact on landlords?

There has been a number of concerns raised about the consequence of ending the choice to have the benefit paid direct to their landlord for many tenants. These are:

- Increased level of arrears and debt for tenants already living on low incomes
- Increased costs for landlords including:
 1. Arrears recovery, slower payment times and bad debt
 2. Legal costs
 3. Need for additional housing management staff
 4. Need to support tenants and establish new payment collection methods
 5. Transaction costs

- Impact on the attitude of lenders to the sector

The Department of Work and Pensions has stated that if tenants are supported and the right financial products are available then direct payments to tenants should not have an adverse impact on landlords.

The Minister for Welfare Reform announced in 2011 that the DWP would set up six small- scale demonstration projects to prepare for the changes, the reason for this was to ensure the

correct mechanisms, support and financial tools were in place to ensure the landlords position was protected, so there would not be a negative impact on funding for development projects.

The demonstration projects were mainly in England but there was one in Scotland with City of Edinburgh Council and Dunedin Canmore Housing Association.

Direct Payments (continued)

The projects will be independently evaluated by Sheffield Hallam University, the tenants who are part of the projects are receiving their Housing Benefit in their hand, monthly in arrears.

The purpose of the demonstration was to test:

- Trigger points for the rent to be paid direct to the landlord
- The impact of direct payments on claimants
- Mechanisms to protect vulnerable groups
- Mechanisms needed to support people with financial management
- Ways of communicating with tenants

- Strategies adopted to minimise the loss of income.

Will there be an arrears trigger?

The DWP has stated that a trigger will operate to switch people in arrears onto direct payments, this could operate by number of payments, amount of money or length of time in arrears.

What about vulnerable tenants?

The DWP has accepted that there are some people for whom direct payments to the landlord remain appropriate. There will be a mechanism within Universal Credit to facilitate the payment of benefit direct to the landlord once someone is identified as vulnerable.

What about people without bank accounts?

The idea of Universal Credit is that all of a claimants money will be paid to them in a lump sum monthly in arrears, the money to be paid in to a bank account. So what about those who do not have an account? The Family resources study 2008/9 indicates that more than 15% of local authority and 13% of housing association tenants do not have a bank account and so would not be able to receive their payment or pay their rent by direct debit.

The DWP is looking at the range of financial products available for low income consumers and overcoming the barriers to opening bank accounts.

Size Criteria

The Welfare Reform Act gives the Government the power to introduce new size criteria (also known as under occupation penalty or bedroom tax) for Housing Benefit claims in the social rented sector. The criteria means that any working age household deemed to be under – occupying their home will lose a part of their Housing Benefit from April 2013.

What do the size criteria mean?

The size criteria in the social rented sector 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 are expected to share
- Children under 10 are expected to share regardless of gender
- Disabled tenant or partner who needs non resident overnight carer will be allowed an extra room.

Any household deemed to have more bedrooms than they require, as defined by the above criteria, will lose a proportion of their housing benefit.

Examples of households who could be affected by the measure include:

- Separated parents who share the care of their children and have been allocated an extra bedroom to do so. Benefit rules mean that there must be a designated 'main carer' for the children, who receives the extra benefit- usually the parent who receives the child benefit.
- Couples who use their spare bedroom when recovering from an illness or operation.
- Foster carers because foster children are not counted as part of the household for benefit purposes.
- Parents whose children visit but are

not part of the household

- Families with disabled children
- Disabled people including people living in adapted or specially designed properties.

How is working age defined?

The size criteria only affects those of working age- ie those below Pension Credit age. The Pension Credit age is likely to be 61 at the time the criteria come in to effect in April 2013, and will rise in line with the womens state pension age. The Government has introduced proposals to increase the state pension age for everyone to 66 by 2020.

What about couples where one partner is of working age and one is of Pension Credit Age?

For couples currently claiming Housing Benefit, both partners need to be below Pension Credit age to be affected by the size criteria. The Government has also stated that those who are already in receipt of Pension Credit at April 2013 will be protected as long as they continue to meet the other qualifying conditions. However, when Universal Credit is introduced from October 2013, if either member of the couple is under the qualifying age for Pension Credit then the couple will be treated as Working Age and would therefore be subject to the size criteria and will lose out on some benefit.

How much benefit will people lose?

The cut will be a fixed percentage of the rent.

This will be set initially at 14% for one extra bedroom and a 25% cut for two or more extra bedrooms.

Will people in work be subject to the size criteria?

Yes –and working people will lose the same amount as those not working. This

is because any deduction is calculated as a percentage of the rent – not as a percentage of the actual amount of Housing Benefit received. This means, for example, that a worker who may be receiving £14 per week in Housing Benefit could lose their entire benefit.

Will people have the option to move to a smaller home?

Unfortunately there is a mismatch between household size and the availability of suitable homes in the social sector for under- occupying claimants to downsize into. This means that there are insufficient properties to enable tenants to move to accommodation of an appropriate size even if tenants wish to move and landlords are able to facilitate this movement. WHHA have 221 one bedroom properties out of a total stock of 746.

Can people rent out a room?

The Department of Work and Pensions has suggested that people may take in a lodger to fill a spare bedroom. Current benefit regulations allow claimants to keep the first £20 of any weekly income from renting out a room. Social rented tenants require the landlords permission to take in a lodger. The decision to rent out a room is a personal one and will certainly not be one that suits everyone. WHHA will look at each case on its merits but will be sympathetic to tenants requesting to take in a lodger for this reason.

Can Discretionary Housing Payments (DHP) Help?

The Discretionary Housing Payment budget for local authorities has been increased but this support is likely to be under severe pressure given the demands which will be made on this budget. It has been hinted that priority may be given to disabled persons, foster carers and those who will soon be approaching Pension Credit age.

Universal Credit

The Government's welfare reforms will introduce a new Universal Credit which will provide both in and out of work support for working-age claimants. The new system has the twin aims of simplifying the benefit system and increasing work incentives for those who are unemployed or working part-time.

Which benefits will be included?

The Universal Credit will replace Working Tax Credit, Child Tax credit, Housing Benefit, Income Support, Income based Job Seekers Allowance and Income-related Employment and Support Allowance.

It will not replace Disability Living Allowance (DLA) or Carers Allowance. Measures in the Welfare Reform Bill will replace DLA with Personal Independence Payments, which will also be excluded from the Credit.

What components make up the Universal Credit?

The elements that make up the Universal Credit are:

- The Standard Allowance
- An amount for responsibility for children and young persons
- An amount for housing
- An amount for other particular needs and circumstances

The specific amounts for each will be set out in regulations.

How is the award calculated?

For each claimant there is a maximum amount which is made up from the different elements outlined above. From this amount sums will be deducted for earned and unearned income (see tapers and disregards section).

The aim is that it is a simplified system removing the need to claim different benefits from different agencies and when in and out of work. There will be more work incentives via higher earning disregards, and a single 65% earnings taper, there is enhanced conditionality and more support provided to help claimants move into work.

Who is eligible to claim Universal Credit?

Universal Credit can be awarded to a single person or to a couple jointly. Claimants must meet the following basic conditions:

- Be at least 18 years old, but under the qualifying age for pension credit.
- Reside in Great Britain
- Not receiving education (more regulations to follow)
- Have accepted a 'claimant commitment'

Claimants must also satisfy certain financial conditions. Entitlement to Universal Credit will depend on both the claimant's income and capital. Universal Credit will not be payable if either one is above a certain limit. The capital limit is likely to be £16,000.

How do you make a claim?

A claim for Universal Credit must normally be made 'by means of electronic communication' (ie online), with subsequent contact between

the DWP and claimants conducted via online claimant accounts. The only exception is where the DWP authorises a telephone call. There are no clerical claim forms.

Couples will be expected to make a joint claim for Universal Credit. Claiming wrongly as a couple or a single person could result in a recoverable overpayment, although underlying entitlement should be offset. Where two single claimants become a couple, they can automatically be awarded UC as a couple without making a further claim. Where joint tenants cease to be a couple, the partner who notifies this must make a fresh claim, but the other partner can be awarded UC without doing so.

Date of claim

This is generally the date a properly completed claim is received by the DWP. Claimants must be given at least a month to correct a defective claim. Claims can also be backdated for up to a month if the claimants could not reasonably have been expected to claim earlier eg. because of disability, illness (confirmed by medical evidence), DWP computer failure.

What is the claimant commitment?

In order to receive Universal Credit a claimant must have accepted a commitment, setting out the general expectations of and requirements placed upon them. Failure to agree a commitment results in no entitlement to Universal Credit. In the case of couples, both partners must accept an individual commitment, failing which there is no entitlement to Universal Credit. Claimants who refuse to accept a commitment are given a cooling off period of a few days to reconsider.

The claimant commitment is at the heart of the new conditionality regime. It is a record of a claimant's individual responsibilities including:

- The work-related requirements he/she is subject to (see below)
- The amount and duration of benefit sanctions (see below) if the requirements are not met, with notice of appeal rights
- The duty to notify correct information and changes of circumstances

In most cases the commitment is drawn up after an interview with a job centre plus personal adviser. It can be updated and reviewed on an ongoing basis.

Work-related requirements

There are four types of work related requirements:

- Participation in work-focused interviews to assess and enhance the claimant's job prospects
- Work preparation, which is specific activity aimed at increasing the likelihood of obtaining paid work eg. training courses, drawing up a CV and undertaking work experience
- Work-search, which is all reasonable action and any particular action specified to obtain paid work including looking and applying for jobs. The default requirement is that all claimants must spend at least 35 hours

per week looking for paid work (unless all reasonable action has been completed in less hours) which is within 90 minutes (each way) travelling distance of their home.

- Work availability, which is an ability and willingness to immediately take up paid work. The default requirement is immediate availability for paid work within 90 minutes travelling distance, including immediate availability to attend a job interview. This can be modified in certain circumstances.

Conditionality Groups

There are four groups and claimants may move in to different groups as their circumstances change. Partners in couples may be placed in different groups:

1 No work related requirements

The following have no work-related requirements (but still have to accept a claimant commitment)

- Claimants with Limited Capability for Work Related Activity (currently the ESA 'support group')
- Claimants caring for a person entitled to the middle or higher rate care component of DLA or the daily living component of PIP
- Claimants responsible for a child under the age of one year old
- Recent victims of domestic violence are exempt for up to 13 weeks (this applies to those who have suffered actual or threatened violence within the previous 6 months, by a family member with whom they no longer live, evidenced by an official such as a social worker or doctor.
- Women who are pregnant and within 11 weeks of their due date, and for 15 weeks following the date of confinement.
- Adopters, for 12 months from the date of adoption
- Claimants above the qualifying age for state pension credit
- Students with student income, or under 21 in non advanced education
- Claimants with earnings above their conditionality threshold.

2 Work-focused interviews only

The following groups are only required to attend work-focused interviews:

- Claimants responsible for a child aged over one and under 5.
- Foster parents of a child aged 1-16, or a qualifying young person with care needs.
- 'Friend or family carers' responsible for another person's child for up to 12 months.

3 Work preparation and work focused interviews only

Claimants with Limited Capability for Work fall into this group. They must prepare for work, but cannot be required to look for, or take up work (including work experience)

4 Subject to all work-related requirements

All other claimants are subject to full conditionality ie work-focused interviews,

work preparation, work search and work availability. This includes jobseekers (all EEA Jobseekers and their family members who would otherwise not be subject to full conditionality), claimants with a youngest child over 5, and claimants with earnings below a certain level.

Certain claimants can restrict their work search and availability at the discretion of decision-makers eg claimants with a child under 13 can restrict their work search and availability to their children's normal school hours.

In work conditionality

This is a new concept. It applies to claimants below an earnings conditionality threshold, the default threshold being the weekly national minimum wage for a 35 hour week. These people have a requirement to look and be available for more or better paid work.

Claimants subject to in-work conditionality are expected to increase their hours or pay in their current job, or find new or additional employment. Their preferred option determines the activity they are expected to undertake to obtain more or better paid work, but any requirements should be reasonable, proportionate and compatible with their current work commitments.

Sanctions

Sanctions, in the form of loss of benefit, are designed to incentivise claimants to meet their work related requirements and punish them for unreasonable failures.

The regime is harsh, and there is concern that some claimants who repeatedly fail to comply with the system could be sanctioned and forced to survive on below subsistence income for long periods. This could include vulnerable claimants with mental health or social functioning problems, who find it difficult to comply with directions.

There are four levels of sanctions

Higher level sanctions

These apply to claimants subject to all work-related requirements who:

- Cease working or lose pay because of misconduct, or voluntarily for no good reason
- Fail for no good reason to apply for a specified vacancy for paid work or take up an offer of paid work
- Fail for no good reason to undertake required Mandatory Work Activity.

The higher level sanction is the loss of the standard allowance for 91 days for a first

failure, 182 days for a second higher level sanction within a year, and 1095 days (3 years) for another failure within a further year. For couples, 50% of the couple allowance is lost if one partner is sanctioned, and 100% if both partners are sanctioned.

Medium Level Sanctions

These apply to claimants subject to all work-related requirements who fail, for no good reason, to comply with the work search requirement to take 'all reasonable action', or a work availability requirement. The sanction is a loss of the standard allowance (50% of the couple allowance) for 28 days for a first failure, and 91 days for a subsequent medium level failure within a year.

Low Level Sanctions

These apply to claimants subject to all work-related requirements and work

Preparation and work-focused interviews only, who fail, for no good reason, to comply with a specific work search requirement, a work preparation requirement, or a requirement to take part in a work-focused interview or a conditionality compliance interview. The sanction is the loss of the standard allowance (or 50% of the couple allowance) until the requirement is met, or is no longer required to be met, plus a further fixed period of 7 days for a first failure, 14 days for a second low level failure within a year, and 28 days for a subsequent failure within a further year.

Lowest Level Sanctions

These apply to claimants subject to work-focused interviews only, who fail, for no good reason to take part in an interview. The sanction is the loss of 40% of the standard allowance (or 50% of half of the couple allowance) until the requirement is met or the claimant no longer has work-related requirements.

40% deductions

The amount of the sanction is reduced to 40% of the standard allowance if

- A claimant becomes subject to work-focused interviews only; or
- A claimant becomes subject to no conditionality because s/he has a child under 1, adopts a child, or is pregnant: or
- Is aged 16 or 17. Higher level sanctions for 16 or 17 year olds are 14 days for a first failure and 28 days for subsequent failures. Medium level sanctions are 7 days for a first failure and 14 days for subsequent failures. Low level sanctions are open ended, plus a fixed 7 days for a repeat failure within a year.

How will Universal Credit be paid?

For most households Universal Credit will be paid in arrears as a single monthly payment. Where a couple make a joint claim they will have to decide who receives the payment.

This is a change for those who are currently used to budgeting on a fortnightly basis. For households who currently claim Housing benefit there are changes to the system as Housing costs are to be paid direct to the tenant as part of the Universal Credit payment rather than direct to the landlord.

The Government has acknowledged that in exceptional cases a single monthly payment may not be suitable. In some cases split payments may be made between members of a couple in joint claims. There will also be an 'exemptions service' to allow for more frequent payments where necessary. Vulnerable tenants will still be able to have the housing element paid direct to their landlord, however, this is likely to be in very few cases and only for a relatively short period of time.

When will people be transferred to Universal Credit?

Universal Credit will be rolled out in three phases from October 2013 to the end of 2017.

Phase 1 (October 2013 to April 2014) will see all new claims to current benefits and credits phased out. New claims to Housing benefits and Tax credits will be the last to end in April 2014. Existing claimants who have a change of circumstances will also be migrated across to Universal Credit in this period.

Phase 2 (April 2014 until the end of 2015) will see existing claimants whose circumstances have not changed begin to be migrated across to Universal Credit. It is expected that the majority of these households will either have people in part-time work or be economically active.

Phase 3 (end of 2015 to end of 2017) all remaining households will be transferred to Universal Credit.

Transitional Protection

The Government has pledged that no-one will lose benefit when they are transferred onto Universal Credit during the migration process. Transitional additions will be paid with UC to bring up the award to the amount of benefit in payment at the point of change. The protection is only given to those transferring to Universal Credit via the migration programme, not to those who have a change of circumstances. The additions will not be updated and will reduce on any increases in entitlement to Universal Credit.

West Highland Housing Association are aware that Welfare Reform is going to impact on our tenants incomes.

We are sympathetic to the needs of all our tenants in these difficult times. We want to help minimise the impact of the reforms if it is possible for us to help. Some of the ways we can help are:

- We will try to help our tenants to downsize if they wish, either by helping to arrange transfers or mutual exchanges.

- We will assist by offering to help people make claims by providing computer access in the office or by coming to your home;
- We will help if you need to set up a bank account [we cannot advise on bank accounts]
- If you need a copy of your claim + enclosures then we can do this for you

If you are worried please contact as soon as possible.

We are working with our partner organisations to help our tenants as much as we possibly can.

Please note that West Highland Housing Association do have an obligation to inform the benefits department of any changes to your circumstances that we may be aware of which could affect your entitlement to benefits.

Please give us a call to voice your concerns or queries on Welfare reform

Margo Allan on 01631 566451.

