

About the Advice Network & Training Partnership (ANTP)

- 1) The ANTP is the network of independent, not-for-profit, quality assured advice centres across Bradford District. All our full members have the national Community Legal Service Quality Mark at the general help, casework or specialist level. For more information, please go to: www.antp.org.uk

About this briefing

- 2) This briefing updates our November 2010 paper on the many far reaching reforms to the welfare benefit and tax credit system that are taking place from now up to 2013 and beyond. It covers the changes announced so far and we expect further announcements in the next 18 months. It gives an overview of the changes rather than detailed information about the impact on individuals. Please see the final paragraph for how to find advice services in Bradford District.
- 3) Overall the government aims to achieve £18 billion of savings as a result of the changes, which will affect different groups of people in different ways and at different times. Almost all tax credits and benefits for people of working age will be affected in some way and this will have a direct impact on thousands of local residents. The Institute for Fiscal Studies (IFS) has forecast that the net impact of the changes will be an increase in child and adult poverty, though the government has criticised the IFS's research methodology.
- 4) The information below is taken from independent sources, including Citizens Advice, Advice UK, www.rightsnet.org.uk and the Disability Alliance. We have highlighted issues that we believe raise particular concerns for deprived communities in Bradford District and for local voluntary and statutory services.

Support for children and people on lower earnings

- 5) There have been a number of detailed changes to benefits and tax credits, which primarily support the incomes of families and people on lower earnings.
- 6) The baby element of Child Tax Credit and the health in pregnancy grant have already been withdrawn, while payment of the Sure Start maternity grant has been restricted to the first child and the basic rate of Child Benefit has been frozen. There are concerns about the reduction of these sources of support which are almost always received by women at times of financial pressure.
- 7) Lone parents are now required to actively seek work in order to receive Jobseekers Allowance, when their youngest child reaches 5 years old. However the help provided with childcare costs as part of the tax credit system, for lone parents and couples on lower earnings, has been reduced from 80% to 70% of

the total cost. There are concerns that this will create barriers to employment for parents, especially lone parents. While the announcement that help with child care costs will be extended to parents working under 16 hours per week from 2013 (as part of Universal Credit) is welcomed, the reduction in the amount of help with those costs seems inconsistent with the aim of 'making work pay'.

- 8) The basic and 30 hour rates of Working Tax Credit have been frozen and the 'taper' which reduces support when earnings reach a certain level has been increased, meaning that support reduces faster as earnings rise. The flexibility of tax credits to respond to changes in peoples' circumstances will reduce from April 2012, when there will be no increase in support as a person's earnings reduce until their taxable income falls by more than £2,500 pa.
- 9) There are concerns about the increased number of hours that must be worked by members a couple with children to qualify for Working Tax Credit from April 2012. This will increase from 16 to 24 per week, with one of the couple required to work at least 16 hours per week. Finally, 'backdating' of payments (eg because a person failed, for a justifiable reason, to claim on time) will reduce from 3 months to 1 month from April 2012.
- 10) The net effect of these changes is that financial support for many people, particularly families, in lower paid work is reducing. While we look forward to learning more about the detailed rules for Universal Credit from 2013, it is a matter of concern that a recent report by the Institute for Fiscal Studies concluded that any increases in support resulting from that new system will be more than offset by the other changes to tax credits and welfare benefits.

Support for sick and disabled people and carers: DLA and ESA

Disability Living Allowance (DLA)

- 11) From 2013, DLA for people aged 16-65 will be replaced by the Personal Independence Payment (PIP). Like DLA, PIP will be paid to disabled adults who have care needs and/or mobility problems due to physical, sensory, mental or learning impairments.
- 12) However PIP will have new, stricter eligibility conditions, a longer pre-qualification period, the care element will be paid at two rates (currently three rates) and assessment will be by a 'functional limitation' test. This test will look at a person's ability to perform a range of activities related to mobility (planning & following a journey and actual ability to move around) and daily living, for which points will be allocated to assess entitlement. Daily living activities relate to:
 - Planning and buying food and drink
 - Preparing and cooking food

- Taking nutrition
- Managing medication and monitoring health conditions
- Managing prescribed therapies other than medication
- Washing, bathing and grooming
- Managing toilet needs or incontinence
- Dressing and undressing
- Communicating with others

- 13) We expect that similar changes will be made to DLA for children though no announcement has yet been made. There are no proposals to change Attendance Allowance, which is the key disability benefit for older people.
- 14) The government has estimated that these changes will reduce current DLA expenditure by 20%. The Disability Alliance believes this will result in reduced incomes for approx 750,000 disabled people, with a 'knock-on' impact on carers because entitlement to disability and carers benefits are inter-linked.
- 15) There are concerns about the reduction of income for sick and disabled people who are already more likely to be living in poverty. Advisers are particularly concerned about the proposed PIP assessment process, based on their experience of poor quality assessments for Employment Support Allowance.

Employment Support Allowance (ESA)

- 16) From April 2012, contribution-based ESA, paid on the basis of a person's past national insurance contributions, will be limited to one year for the majority of ESA claimants. It is currently paid for as long as a person is incapable of work.
- 17) This means that people whose incapacity for work is accepted, but who are nonetheless required to undertake 'work-related activity' as a condition of receiving ESA, will see their incomes reduce or stop completely after one year. As with the changes to DLA, there are concerns about the reduction of income for sick and disabled people who are already more likely to be living in poverty.
- 18) In addition, all existing Incapacity Benefit claimants and new claimants for ESA are being assessed using the revised Work Capability Assessment (WCA). This process is estimated to affect more than 20,000 people in Bradford District.
- 19) Advisers are very concerned about the poor quality of WCA assessments completed by Atos Healthcare, who are contracted by the DWP. Advisers believe that many people with serious health problems are wrongly being found fit for work and note that 39% of appeals against WCA decisions are successful. Nationally this results in approximately £50 million of public funding spent on correcting the flawed decisions of DWP decision-makers, who are highly dependent on reports produced by Atos Healthcare.

Support with rented housing costs

- 20) There have been a number of detailed changes to Housing Benefit (HB), which supports people on lower earnings who live in rented accommodation.
- 21) These changes include a cap on the maximum Local Housing Allowance (LHA) rate, which is used to calculate HB entitlement for private sector tenants, a reduction of the LHA rate used from the mid-range of local private sector rents to the lowest 30% of local rents and increased reductions of HB where 'non-dependants' (eg adult relatives) live with HB claimants.
- 22) From April 2012, there will be an overall limit on the LHA rate to a 4 bedroom rate (no matter what the size of the household / family) and there will be a limit on the maximum HB paid to social rented sector tenants, equivalent to the rent level of a property deemed an appropriate size (ie not too large) from April 2013. From April 2012, the 'shared room rent' rate (whereby the maximum HB support available is capped at the equivalent level of renting a room in a shared house) will be applied to single people up to age 35 (currently up to age 25).
- 23) The net effect of these changes is that more people will find their HB falls below the level of rent charged, even if the person needing help has a very low income and/or a large number of dependants. They will be faced with the options of making up the shortfall from another income source (if they have one), trying to negotiate a rent reduction with their landlord or moving house, with potential implications for their work or their children's education.

'Localisation' of support: Council Tax bills and Social Fund payments

- 24) As part of the government's 'localisation' agenda, responsibility for help with Council Tax bills and for support with one-off payments for people in need of essential items (eg cookers) or in crisis, will be devolved to local authorities.
- 25) From April 2013, the budget for Council Tax Benefit will be reduced by 10% and devolved to local authorities. Councils will be given responsibility to decide local eligibility rules, except that support for people over pension age cannot be reduced and work incentives must be retained.
- 26) This will present a major challenge to Bradford Council and there are concerns about the consistency of rules, both across different local authority areas, among different client groups and over time. The separation of Universal Credit from help with Council Tax bills seems inconsistent with the policy aim of 'making work pay' and there are concerns that Council Tax arrears will increase.
- 27) Also from April 2013, the budget for discretionary Social Fund payments (one-off Community Care Grants and Crisis Loans) will be devolved to local Councils.

However there is no ringfence on that budget so it is unclear how accountability for its use can be ensured. Social Fund payments are relied on by the most vulnerable people at times of greatest need and there are concerns about how their continuation in a period of financial constraint on Council budgets.

- 28) Local advisers would welcome the opportunity to discuss with Bradford Council how both these devolved areas of responsibility can be made to work as well as possible, despite the challenging circumstances.

General changes: annual uprating, household debt and total benefits cap

- 29) The annual uprating of benefits and tax credits is now linked to Consumer Price Index (CPI) not the Retail Price Index (RPI). The CPI is generally lower than the RPI and its use will have a significant cumulative impact on benefit and tax credit rates over time. The overall reduction of incomes resulting from the many proposed reforms is likely to increase household debt problems for local people.
- 30) From April 2013, the government intends to introduce a cap on the total amount of benefits that can be paid to working age households. At present this will be set at approx £500pw for families and lone parents, or £350pw for single adults. However we understand that there will be certain exceptions to this total cap, including disabled people.
- 31) There are concerns that this cap will cause severe hardship for some people (eg large families) and we hope that further exceptions will be announced before 2013. If they are not, then we anticipate that some people will be pushed into severe poverty and we need to consider how they can be supported.

Universal Credit: fundamental reforms from April 2013

- 32) Universal Credit is intended to provide a single system of means tested support for people of working age. From April 2013 onwards, it will replace all the current means tested benefits for people from 16 years old up to pension age: Income Support, Income-Based Jobseekers Allowance, Income-Related Employment Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit.
- 33) Many of the changes and reductions in financial support outlined above will be carried through into the Universal Credit. However the detailed rules for this new system have not yet been fully published.
- 34) The stated aims of Universal Credit are to 'make work pay' (ie to ensure people are always better off financially by working) and to make it easier for people to understand that 'work pays' by simplifying the system. At the same time, there will be stricter conditions of entitlement and higher expectations on claimants in

respect of finding paid work, along with powers to impose higher penalties for failure to comply with those requirements – eg a new power to impose civil fines for incorrectly completed claim forms.

- 35) A key change is the removal of the '16 hour rule'. Currently, in-work support from Working Tax Credit is available to people who work 16 or more hours per week, while people not working at all or working below that threshold claim Income Support, Jobseekers Allowance or Employment Support Allowance. Child Tax Credit, Housing Benefit and Council Tax Benefit are available to people above and below the 16 hours per week threshold.
- 36) Instead, all financial support (including help with housing costs but excluding Council Tax bills) will be paid via Universal Credit. In return, claimants will be expected to seek work for 35 hours per week, unless their personal circumstances make that unreasonable, eg due to childcare, disability, caring responsibilities. Financial support will be available from zero hours of work per week upwards, until a person's income reaches a threshold amount above which no support is available. For a single person this is proposed to be the equivalent of the national minimum wage for 35 hours per week.
- 37) While there is widespread agreement about the need to reform the means tested welfare system and support for proposals to increase work incentives by simplifying that system, there are also serious concerns about aspects of Universal Credit. For example, the proposed total cap on the amount of benefit paid to a household (see above) could affect over 200,000 children in the poorest households nationally. In addition, the rate of allowances for disabled children and carers are expected to be lower than the current levels.
- 38) The proposal that housing costs can only be paid to the claimant, and cannot be paid direct to the landlord, has led many public and private sector landlords to anticipate increased rent arrears, as people on low incomes struggle to manage their household budgets. There are also concerns about the proposal to make payments of Universal Credit monthly, rather than fortnightly or weekly as is currently the case for most welfare benefits. The risk is that some people will run out of money before their next payment and be left without any income at all for a period of time. Access to 'localised' Crisis Loans will be particularly important.
- 39) The government expects administration of Universal Credit to take place primarily online, using a new IT system that is intended to respond to peoples' changes in income in 'real-time'. While the DWP has lead responsibility for implementing Universal Credit, HMRC will be responsible for the IT systems that assess and amend people's payments as their income changes. There is a target that 80% of claims and almost all reporting of changes of circumstance, will be conducted online by 2015. We understand that employers and claimants will be responsible for providing updated information about changes of circumstance to the DWP/HMRC.

- 40) There are real concerns among advisers about the government's ambitious plans for online administration of the Universal Credit system and about their confidence in HMRC's IT systems. Adviser's experience of HMRC's administration of tax credits and the track record of large scale government IT projects in general, gives grounds for concern about how smoothly the new system will work in practice.
- 41) It is also unclear how many people on lower incomes in Bradford District have easy access to, and confidence using, the internet. There may also be concerns about whether all local employers will prioritise reporting salary changes to the HMRC as quickly as possible, which is essential if Universal Credit payments are to reflect the 'real-time' changes of income experienced by claimants.
- 42) Failure to make the Universal Credit administrative system work reliably will result in financial hardship for people on low incomes. These are people with few, if any, savings to tide them over periods when Universal Credit payments are either not made at all or do not reflect reduced incomes. It is a matter of some concern that the Chair of the Commons Public Accounts Committee has been quoted as describing the administrative arrangements for Universal Credit as 'a train crash waiting to happen'.
- 43) However the introduction of Universal Credit is not due to start until April 2013 and many of the detailed rules and administrative arrangements have not yet been finalised. It will have major implications for thousands of Bradford District residents, therefore we believe that awareness raising, risk assessment and planning for new local responsibilities should begin as soon as possible, involving all the stakeholder groups affected.

How to find quality assured advice services in Bradford District:
www.divabradford.org.uk/advice-services

- 44) ANTP advisers help people to deal with their benefits and tax credits and to deal with debts and other problems. The ANTP and DIVA have created this website which gives details of more than 100 advice sessions delivered by advisers, some legal aid solicitors and national telephone helplines across the district. It is a searchable online database which allows the public and professionals working with the public to find free, independent, confidential, impartial and quality assured advice services.

Contact details for the ANTP

Nick Hodgkinson, Achieving Quality Advice Project, Programme Manager

Tel: 01274 597743. Email: nickh@antp.org.uk

Please note: this is an administrative office – we cannot give advice to the public.