Welfare Reform – A Summary of the Main Changes to Social Security Benefits

The Government is introducing a wide range of changes to the social security benefits system under the Welfare Reform Act 2012 and the Pensions Act 2011.

Some of the changes are focussed on people of working age, and so will not affect older people in the same way. Younger disabled people will experience many changes and the age at which people are considered to be ‘of working age’ or ‘older’ for benefit purposes will both increase.

Housing Benefit

• The maximum amount of Housing Benefit, to help with paying rent, allowed for people in private sector tenancies is called ‘Local Housing Allowance’. The Local Housing Allowance rates were reduced in April 2011 so that about 3 in 10 private sector properties available for rent in the surrounding area should be affordable to people on Housing Benefit. Previously the rate would have allowed for about 5 in 10 properties. If someone with a private sector tenancy has been receiving Housing Benefit since before April 2011 they may still be receiving the previous higher rate and will see their Housing Benefit change over the next nine months.

• A further £40 million per year will be added to the Discretionary Housing Payment budget available to local authorities to assist people in receipt of Housing Benefit who are experiencing financial hardship.

• In April 2013 the Government will introduce a cap on the amount of Housing Benefit that can be paid to tenants in social housing (council or housing association) who are of working age and ‘under-occupy’ their home. This means that they live in a property which has more bedrooms than the Government says they need. For example, a single disabled person living in a two bedroom council or housing association property will only receive Housing Benefit up to the level for a one bedroom property, unless they need a non resident overnight carer.

• Housing Benefit will become part of the new Universal Credit for people who are working age from 2013 onwards (see below). People who already receive Housing Benefit will be transferred to Universal Credit between 2013 and 2017. Pensioners may receive help with their rent through Pension Credit following the introduction of Universal Credit.
Council Tax Benefit

- From April 2013 the national system of Council Tax Benefit will be replaced by local schemes. This means each district council will have to devise its own scheme. In practice neighbouring council’s may adopt similar schemes to each other. The Government has said that older people should receive the same level of support that they currently receive under the current Council Tax Benefit system. This means that any reduction in assistance available in the future is most likely to be focussed on people of working age.

Contributory Employment and Support Allowance

- For most people of working age payment of Contributory Employment and Support Allowance (ESA) will be limited to one year from April 2012. People who are in the ESA ‘Support Group’ are not affected. People who have been in the ‘Work Related Activity Group’ for more than 12 months will have their Contributory ESA stopped in April 2012 or when they reach 12 months, if that is later. Some of these will be able to switch to Income-related ESA but not if they have a partner in full-time work or have savings above the capital limit, for example.

Disability Living Allowance

- Disability Living Allowance (DLA) will be replaced for people of working age with a new Personal Independence Payment (PIP). From April 2013 onwards all new and existing DLA claimants will be required to undergo a medical assessment to help determine their entitlement. Currently this will not apply to children under 16 or people over 65. It is expected that people in receipt of DLA of working age will be transferred to PIP by 2016.

Universal Credit

- Universal Credit will become the main means-tested social security benefit for people of working age, replacing the current Housing Benefit, Income Support, Income-related Employment and Support Allowance (ESA), Income-based Jobseeker’s Allowance, Working Tax Credit & Child Tax Credit. Universal Credit will be phased in between 2013 and 2017.

State Pension Age

- State Pension age was planned to increase to
  - 66 between November 2018 and October 2020
  - 67 between 2034 and 2036
  - 68 between 2044 and 2046

The government has announced that they plan to bring in the increase to 67 between 2026 and 2028.
**Pension Credit**

- Pension Credit will be changed to incorporate help with rent and any dependent children, following the introduction of Universal Credit. The Government has said that they will introduce a capital limit for Pension Credit in the future, possibly 2016, that will be higher than that used for benefits for people of working age (this is currently £16,000). Also in the case of a couple both members will have to be old enough to claim Pension Credit. If one member of a couple is of working age they will have to claim Universal Credit as a couple.

**Community Care Grants and Crisis Loans**

- Community Care Grants and Crisis Loans, part of the discretionary Social Fund, will be abolished, probably in April 2013. Some money will be allocated to local authorities to provide a local scheme, however, there will be no requirement for them to provide assistance in emergencies.

**Total Benefit Cap**

From April 2013 there will be an overall limit on the amount of benefit payable to people of working age of £26,000 per year (£500 per week) for couples and lone parents and £350 per week for single person households. There is no Benefit Cap on older person’s benefits. The Benefit Cap will not apply to households that are in receipt of Disability Living Allowance/ PIP, Attendance Allowance, Employment and Support Allowance which includes the Support Group Component, Working Tax Credit or include a war widow/widower. Discretionary Housing Payments, support for childcare through Universal Credit and localised council tax support will not be included in the assessment of the total value of benefits received. The cap will be applied by first reducing any Housing Benefit paid by the local authority and then from out of work benefits. Once households have been transferred to Universal Credit, it will apply to their combined income from Universal Credit and benefits including Child Benefit and Carer’s Allowance.