Welfare reform 2014

The coalition government is making radical changes to the welfare benefit system which is intended to bring in an estimated £18bn of welfare savings by 2015. The Welfare Reform Act 2012 introduced major reforms. Most of these have already been implemented although Universal Credit has only started on a small scale in some pilot areas of the country. Here is a brief introduction to the main benefit changes and the dates they came into effect.

Introduction of Personal Independence Payment - June 2013

- Disability Living Allowance for adults aged 16-64 is replaced by a 'Personal Independence Payment';
- The new benefit has two components each with two rates; a 'standard' rate and an 'enhanced' rate. The mobility component is based on the claimant's ability to get around; the daily living component is based on their ability to carry out 'key activities necessary to participate in every day life';
- The qualifying period remains at 3 months but claimants will need to show that they require help for a further 9 months;
- The assessment process will include a face to face consultation with an independent healthcare professional;
- It takes greater account of aids and adaptations;
- Failure to inform of an improvement in health will result in a penalty and all claims will be reviewed periodically;
- New eligibility criteria with points system, designed to remove the benefit from 20% of claimants;
- Claimants must show that they are 'habitually resident' and they will need to have been present in the UK for two of the last three years.
- Planned saving on DLA of £1.075 billion;

Introduction of Universal Credit – Possibly from April 2015 in Brighton & Hove

- The current system of means-tested working-age benefits and tax credits to be replaced with Universal Credit, starting gradually in October 2013 in some parts of the country. Universal Credit will be phased in over four years and the plan is to complete the changes by 2017. UC will replace all means tested benefits, with the exception of the Council Tax and parts of the Social Fund, which are administered locally;

- UC will be the single benefit for new working age claimants, with no claims possible for Income based Jobseekers Allowance, Income Support; Income related Employment and Support Allowance, Tax Credits and Housing Benefit.

- UC will be paid monthly to one member of the household.

- UC will be claimed online.

- UC will be based on different elements, according to circumstances, with larger earnings disregards and a taper or withdrawal rate of 65%.

- Housing costs will be included in the monthly payment.

Abolition of Council Tax Benefit - April 2013

- Council Tax Benefit was replaced in April 2013 with a local rebate scheme with a 10% reduction in spending. In Brighton & Hove this takes the form of a council tax reduction of up to 91.5% of the net council tax bill after any discounts. Under this system every working age household is expected to pay at least 8.5% of their net annual bill.

Social Fund Changes - April 2013

- Community Care Grants and Crisis Loans have been abolished and replaced with local schemes. In Brighton & Hove the new Local Discretionary Social Fund is now administered by the council and will be used for vulnerable households who need help in an emergency or help to return to or stay in the community. Suppliers will be paid directly and there will be no cash provided. Voluntary and charitable services will be used wherever possible and referrals will be made to other agencies where appropriate.

Under-occupancy Rules in Social Housing - April 2013

- Size Criteria now applies in the social rented sector, also known as the 'Bedroom Tax' – ie benefit paid on basis of room allocation for size of family. If a property is deemed as having one spare room there is a reduction of 14% in the weekly Housing Benefit, with a reduction of 25% for two or more spare rooms.

Introduction of the Benefit Cap – September 2013

- Household welfare payments capped on the basis of net median earnings of working households. This is £500 per week, for families, or £350 a week for single households. There will be an exemption for those receiving DLA, PIP or Working Tax Credit or if they are in the Support Group of ESA.

Other Measures

- Entitlement to contributory Employment and Support Allowance for those in the work related activity group limited to one year from April 2012

- Lone parents claim Jobseekers Allowance when their youngest child is 5, from 21 May 2012

- Child Benefit gradually withdrawn from families with a higher rate tax payer whose income is over £50,000 and removed completely where income reaches £60,000, from January 2013

- Most working age benefits and tax credits uprated by 1% for 3 years from April 2013. This excludes disability and carers premiums and the support component of ESA as well as the disability elements of tax credits.

- The equalisation of the state pension age at 65 will be brought forward to November 2018 increasing to 66 by April 2020 and 67 by April 2028

- An improved Habitual Residence Test introduced from December 2013 with more individually tailored questions and more evidence required

- From 1 January 2014 all EEA jobseekers have to wait 3 months before they can get income based JSA.

- If they pass the Habitual Residence Test EEA jobseekers will only be able to get JSA for 6 months. After this they will have to show that they have 'compelling evidence' of a genuine chance of finding work

- A new minimum earnings threshold introduced for EEA migrant benefit claimants from 1 March 2014. New EEA benefit claimants must demonstrate that they have been earnings at or above the level linked to the National Insurance Contributions Primary Threshold – currently £153 a week. If their earnings do not reach this level their work may not be considered ' genuine and effective' and they may not be considered an EEA worker or self employed.

- New EEA migrants jobseekers will not longer be able to get Housing Benefit from 1 April 2014, if they are claiming income based JSA. These changes do not affect British nationals or EEA migrants who are 'genuinely' working or self employed

- A 3 month residency requirement introduced for claimants of Child Benefit and Child Tax Credit form 1 July 2014