Secretary of State sets out plans to ‘revolutionise’ the benefits system

Secretary of State for Work and Pensions, Iain Duncan Smith, has set out plans to ‘revolutionise’ the benefits system.

Launching a DWP consultation, 21st Century Welfare – that includes proposals for the introduction of a single working age benefit – Mr Duncan Smith said – ‘A system developed to help the most vulnerable and support people in times of need is trapping people in a cycle of dependency. We now have children growing up in households where neither parent works and where the only future is one stuck on benefits. This is a tragedy that we must bring to an end.

We are proposing to change forever how the system works. Not tinkering around the edges but a fundamental change from the top to bottom. Making it easier to help people into work, fairer to those who pay for the welfare state and continuing to provide unconditional support to those who need it.’

Options for reform outlined in the consultation paper – designed to simplify the system, for example by reducing the number of benefits and tax credits; and to improve work incentives, for example by removing the current ‘very high’ marginal deduction

October 2010 change to interest rate used when calculating housing costs

New regulations have been issued in relation to a change to the standard interest rate used when calculating housing costs for claimants of income support, income-related employment and support allowance, income-based jobseeker’s allowance or state pension credit.

In force from 1 October 2010, the Social Security (Housing Costs) (Standard Interest Rate) Amendment Regulations 2010 (SI.No.1811/2010) replace the current fixed standard interest rate of 6.08% with a rate based on the average interest rate for loans to households secured on dwellings published by the Bank of England.

The regulations also provide that the initial starting rate will be the rate published in August 2010 and that, thereafter, the standard interest rate will change when the Bank of England publishes an average rate that differs from the standard rate by 0.5% or more.

Changes to claims processes for bereavement benefits, funeral payments and benefits for older people

The government is introducing a number of changes in relation to the claims processes for bereavement benefits, funeral payments and benefits for older people.

In force from 29 July 2010, the Social Security (Claims and Payments) Amendment (No. 3) Regulations 2010 (SI.No.1676/2010) allow bereavement benefits – defined as bereavement payments, widowed parent’s allowance and bereavement allowance – or a funeral payment to be claimed by telephone unless the Secretary of State requires a written claim in any particular case.

In addition a pilot exercise is being launched, by the State Pension Credit Pilot Scheme Regulations 2010 (SI.No.1925/2010), that will involve making awards of pension credit to a random sample of two thousand pensioners for twelve weeks without them having first made a claim. The pilot will run in the Autumn of 2010 and there will then follow ‘extensive evaluation’ which will help to assess the viability of any future initiatives to use existing data to improve take-up of income-related support for pensioners.

Finally, from 2 November 2010, the Social Security (Exemption from Claiming Retirement Pension) Regulations 2010 (SI.No.1794/2010) will allow the Secretary of State to notify a claimant that they do not need to make a claim for a Category A or B retirement pension, except where the person defers their entitlement or elects to be treated as having not retired.

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rates that apply to people’s benefits when their incomes rise – include –

● a Universal Credit –
A new approach to supporting working-age households, the Universal Credit would bring together existing income-related out-of-work benefits and tax credits into a simpler, integrated system to support people in and out of work and would –

○ combine elements of the current income-related benefits and tax credit systems;
○ bring out-of-work and in-work support together in a far simpler system; and
○ supplement monthly household earnings through credit payments reflecting circumstances, including children, housing and disability.

In addition, to improve incentives to work (especially for low earners), people entering paid work would see no reduction in their Universal Credit until they earn over a certain level and, in order to improve the incentive to earn more, the system might involve applying a single taper to reduce the Universal Credit where earnings (net of tax and national insurance) exceed the level of the earnings disregard in place of the current different withdrawal rates across out-of-work benefits, tax credits, housing benefit and council tax benefit. This taper could apply to all earnings, regardless of the number of hours worked.

● a Single Unified Taper –
Whilst the major out-of-work benefits and tax credits would be retained, the introduction of a Single Unified Taper would mean that once eligibility has been assessed, the system could work without earnings disregards and withdraw benefit entitlement in such a way that a person’s marginal deduction rate would be constant, until benefit receipt is exhausted.

This would be achieved, as an individual’s income increased, by withdrawal through a taper that would be applied to their overall benefit eligibility, rather than the individual benefits as is currently the case.

● a Single Working Age Benefit –
Proposed by the Institute for Public Policy Research (IPPR), the Single Working Age Benefit model is based on a single flat rate benefit that would give all working age claimants the same level of replacement income, regardless of whether they were jobseekers, lone parents, sick or disabled.

Other key features of the model would be –

○ no contributory entitlement;
○ a universal non-means-tested entitlement for the first 12 weeks out of work;
○ all benefit beyond 12 weeks to be means-tested; and
○ the option of individualised entitlement for couples.

Whilst the IPPR envisions that the Single Working Age Benefit would replace existing out-of-work benefits, there would continue to be separate provision for extra costs, and tax credits would remain as now.

● the ‘Mirrlees’ model –
Proposed by the Institute for Fiscal Studies, this model would replace child tax credit, working tax credit, income support, JSA, housing benefit, council tax benefit and child benefit with an integrated ‘family allowance’ paid directly into bank accounts and withdrawn using the ‘withholding system’ for income tax.

Whilst the allowance would be far less generous than current income support levels (£50 for a single person), earnings up to £90 would have no impact, and earnings above this would be subject to a 30 per cent withdrawal rate (with an additional 15 per cent on the housing element). Tax allowances would be adjusted so that tax and NI would be payable once the earnings disregard had been exhausted.

● negative income tax –
This reform would bring together a large number of existing benefits but, unlike other approaches that introduce a single benefit, it would involve the introduction of a negative income tax. This would replace current income-replacement benefits and tax credits, although a number of the current benefits aimed at supporting those with a limited ability to work or who need extra support would be retained.

Under the model, a household’s eligibility for the negative income tax would be based on their characteristics, and set equal to a given proportion of median income. As household income increased from individuals moving into work or progressing in work, the level of the negative income tax would be reduced in such a way that the marginal deduction rate (inclusive of income tax, NI contributions and the withdrawal of the negative income tax) was constant until all support was exhausted. This implies that the system would not have a system of earnings disregards.

Consultation on the proposals for reform will run until 1 October 2010.


Other areas of reform
The consultation paper also sets out proposals for other areas of reform that include –

○ the scope, with the move toward a single payment, for conditionality to be determined not by the benefit received but by the reason for receiving benefit, thereby creating a ‘single progression to higher levels of conditionality’;
○ moving to a less centralised, more devolved welfare system – as is the case in a number of countries, including Switzerland, the Netherlands and the United States – which might stimulate innovation and ensure that systems are more aligned to local circumstances, for example by giving more discretion to advisers at the local level; and
○ consideration of the need to achieve a balance between contributory benefits and targeting support on those with the lowest incomes.

In addition, the DWP outlines the ‘significant implications’ that its ideas for structural reform could have for the way that support is delivered and for how individuals interact with the system, for example –

○ the scope for claimants to be able to make a single application for all major entitlements, ending the excessive form-filling of the current system;
○ the impact on the current organisation of work between the DWP, the Revenue and local authorities;
○ the possibility of introducing a system that uses real-time data – that would involve employers reporting their employees’ earnings to the Revenue at the time the earnings are paid rather than only at the end of the financial year – which could present opportunities to use real-time earnings data in the calculation of entitlement, and remove the need for claimants to notify changes of income; and
○ the impact of significantly reduced complexity on the level of error and overpayments, with fewer mistakes being made by staff and claimants whilst navigating the system, and of having one main gateway for claimants to access the system that should make it impossible for people to represent themselves differently to different parts of an organisation.
Recovery of overpayments and social fund loans where claimant subject to debt relief order

The DWP has issued new guidance to local authority housing benefit departments in relation to the recovery of benefit overpayments and social fund loans where the claimant is subject to a debt relief order.

HB/CTB Urgent Bulletin U4/2010 states that, on 26 July 2010, the High Court ruled, on judicial review, that the Secretary of State does not have the right to recover overpayments of social security benefits (including housing benefit and council tax benefit) and social fund loans when the claimant is subject to a debt relief order.

The bulletin goes on to state that the DWP is studying the decision and its implications and that, meanwhile, both the DWP and local authorities must cease making deductions on cases where the overpayment was included in a debt relief order, and must not commence deductions on any further overpayments which are included in a debt relief order.


Stop Press (12 August 2010) – the DWP has today announced that the Court of Appeal has granted a stay of the High Court judgment and that it is currently considering whether or not it will appeal further.

Social Security Advisory Committee launches consultation on 2011 housing benefit changes

The Social Security Advisory Committee (SSAC) has announced a public consultation on changes to housing benefit to be introduced in 2011.

Further to the announcement of the proposed reforms in the Emergency Budget, the SSAC states that the Secretary of State has asked it to consider changes to be introduced by the Housing Benefit (Amendment) Regulations 2010 and associated amendments to the Rent Officers (Housing Benefit Functions Order) 2010 and that, before it considers and reports on the proposed changes, it would like to hear from organisations and individuals who have views.

The changes, outlined by the DWP in an explanatory memorandum that accompanies the draft regulations include, from April 2011 –

- local housing allowance levels will be restricted to the 4 bedroom rate;
- a new upper limit will be introduced for each property size, with upper limits set at:
  - £250 a week for a 1 bedroom property;
  - £290 a week for a 2 bedroom property;
  - £340 a week for a 3 bedroom property; and
  - £400 a week for a 4 bedroom property or larger.

- the size criteria will be adjusted to provide for an additional bedroom for a non-resident carer where a disabled claimant has an established need for overnight care.

In addition, from October 2011, the local housing allowance will be set at the 30th percentile of rents in each broad rental market area, rather than the median.

NB – the DWP memorandum also includes its impact assessment on the proposed changes, which shows that an estimated 99% of local housing allowance cases will be affected, with an average decrease in benefit of £12 per week.

The deadline for responses is 10 September 2010.

The SSAC consultation on the proposed changes to housing benefit, and a link to the DWP explanatory memorandum is available from www.ssac.org.uk/consult.asp

Crisis loan applications without need for a signature

The DWP has introduced a new electronic process which allows for social fund crisis loan applications to be made without the need for a signature.

In a letter to members of the Jobcentre Plus Representative Group Forum in July 2010, the DWP says –

‘In May we introduced the fast electronic payment (FEP) method of paying social fund crisis loans for living expenses. This is a fast, secure, cost effective, same day urgent payment into a customer’s bank/Post Office account which would otherwise be made by cheque.

Building on this, on 14th July, Jobcentre Plus introduced a new application process for social fund crisis loans for living expenses that does not require the customer’s signature. This streamlined process will significantly reduce the amount of time it takes for a customer to receive their loan once approved and, for many, removes the need for them to attend the Jobcentre at all.

The new ‘signatureless’ process will be available to those customers applying for their first or second social fund crisis loan for living expenses. A signatureless application will still involve a telephone call to crisis loans direct where a decision maker will confirm the customer’s identity and, if the loan is approved, confirm the customer agrees to the terms and conditions of the loan, including repayment. However, customers receiving these loans who also fit the criteria to be paid by FEP, will no longer need to attend the Jobcentre Plus office. Those customers electing to be paid by cheque will still be required to attend to collect their payment.’

The letter goes on to advise that applications for alignment or rent in advance payments and claimants making their 3rd or subsequent application will continue to be required to sign the application, but that the DWP is looking at amending legislation to allow 3rd applications to be dealt with without a signature in the same way as for 1st and 2nd applications.
Migration of incapacity benefits claimants onto ESA and jobseeker’s allowance

The DWP has published details of its plans for migrating claimants on ‘old style’ incapacity benefits onto either ESA or jobseeker’s allowance.

In particular, the DWP highlights that the migration process will be trialled with 1,700 claimants in Burnley and Aberdeen from October 2010, before migration begins nationally from February 2011.

The DWP states that the change will not affect claims for attendance allowance; people who are already in receipt of ESA; or people who reach state retirement age before March 2014. However, whilst it adds that claims for disability living allowance will not be reassessed as part of the process, it goes on to say that –

‘... if someone receives disability living allowance as well as incapacity benefit it is possible their DLA claim may be affected if new information comes to light as a result of the reassessment.’

The DWP has also announced that, to ensure fewer very sick people will be asked to attend an assessment, new measures will be introduced to –

● treat people waiting for or between courses of chemotherapy in the same way as those already receiving it; and

● extend the criteria for people with severe disability due to mental health conditions.

NB – the DWP has also issued a call for evidence as part of an independent review of the work capability assessment to be carried out by Professor Malcolm Harrington. Introducing the call for evidence, the DWP says –

‘Prior to the launch of ESA, the expectation was that around 50% of claimants undertaking the WCA would be found fit for work. Since the launch, around 66% of people have been found fit for work. While this is higher, it may still be in keeping with changed attitudes towards health, disability, and capability for work; focusing on what people can do, rather than what they cannot. However, DWP have had representations from some stakeholders indicating that this figure may be too high, with people being allocated to a group that does not best match their needs, or being found fit to work where this may not be appropriate.’

For more information on the call for evidence see www.dwp.gov.uk/docs/work-cap-ass-call-for-evidence.pdf

Higher rate of the mobility component of DLA for those with severe visual impairment

New regulations have been issued that extend entitlement to the higher rate of the mobility component of DLA to those with a severe visual impairment.

In force from 15 October 2010 for the purposes of assessing claims and making decisions on eligibility, and 11 April 2011 for all other purposes, the Social Security (Disability Living Allowance) (Amendment) Regulations 2010 (SI.No.1651/2010) amend regulation 12 of the Social Security (Disability Living Allowance) Regulations 1991 so as to provide that a person will qualify for the higher rate of the mobility component of DLA if that person has the prescribed level of severe visual impairment and has been certified as being severely sight impaired or blind by a consultant ophthalmologist.

For more information on all these changes see –

www.rightsnet.org.uk

the welfare rights website for advice workers