**Budget 2004**

With “claimant unemployment at 2.9%, the lowest since 1973” and “Britain closer to full employment than for a generation” the government announced a series of welfare benefit related reforms in Budget 2004 designed to promote “flexibility and fairness”, “build a fairer society” and “help pensioners, children and young people”, whilst continuing to strive towards “employment opportunity for all”.

Whilst on Budget day the Chancellor gave only brief information on, for example, reductions in the number of staff in the DWP and extra money for pensioner households, analysis of the accompanying Budget 2004 Treasury documents reveals more detail on the proposals and other social security and tax credit reforms that the Chancellor had not included in his speech in the Commons.

**Extra money for pensioner households**

Announcing extra money for certain pensioners, the Chancellor said that he understood the difficulties faced by older pensioners on fixed incomes facing pressures such as higher council tax bills and reductions in their standard of living.

In consequence pensioner households with someone over 70 will this year receive an extra £100 payment. To be paid in addition to the Winter Fuel Payment, the extra money will mean that pensioners over 70 will receive £300, and households with someone aged 80 or over will benefit by £400.

**Pension Credit backdating extended**

The Government also unveiled plans for more generous backdating rules for Pension Credit. Currently applications for Pension Credit received before October 2004 are backdated to its introduction in October 2003 or the date of entitlement if that is later. For applications received after October 2004, the maximum period of backdating allowed is set at three months.

However the Government announced that for applications received after October 2004, the maximum period of backdating allowed is to be extended to 12 months.

**Reform of benefits for young people**

Following a cross-departmental review, the Government published a report with Budget 2004 that sets out proposals for reform of the financial support available to 16–19 year olds.

Amidst the benefit and tax credit related proposals in the report are:

- removing the distinction, in Child Benefit, Child Tax Credit and Income Support, between full-time education and unwaged training;
- extending the Child Benefit, Child Tax Credit and Income Support 19th birthday cut-off where the young person is on a course of learning; and
- reviewing guidance on Jobseeker’s Allowance, severe hardship and estrangement which will be rolled out with training from spring 2005.

The report also sets out a long-term vision of a single, coherent system of support based on the current model for young people aged 16–18 who are in full-time education and living at home. The Government’s intention is to replicate this for more marginalised groups, particularly young people living independently and unwaged trainees.

**New Deal for skills**

The Government also announced the introduction of a New Deal for skills that will offer a one-stop skills service in job centres, with access, for the employed as well as unemployed, to personal skills advisers and training.

The new initiative – that will see jobseekers required to undergo a skills check and pilots to encourage lone parents, incapacity benefit claimants and partners of the unemployed to gain new skills – is designed to “ensure that individuals are helped to develop the skills they need for employment and employers can develop the skilled workforce needed for the success of their business.”

**Housing Benefit reform**

In relation to reform of Housing Benefit, the Government announced changes to be introduced from April 2005 including – “…a package of measures that will assist, for example, vulnerable students and children in pensioner households, as a first step in an overall programme designed to simplify the rules surrounding entitlement and take-up of Housing Benefit, and the way in which the rules align with those for other support such as tax credits and Pension Credit”

and, in preparation for the full national roll-out of the Local Housing Allowance (LHA) pilots, a second round of Pathfinders that – “…will test the scope for rationalising the extent of the local areas to which various LHAs will apply, and will provide a further opportunity to adopt best practice in implementation before the system is introduced nationally.”

**DWP to lose 40,000 posts**

Building on the merger of benefit offices and jobcentres and the investment of £2 billion already made in new technology, the Chancellor announced massive job cuts in the DWP over the next four years – “DWP plans to make gross efficiency gains equivalent to 40,000 posts between now and 2008, and reinvest some of the savings in meeting significant increases in its own front line work load, such as additional work-focused interviews.”

The Chancellor also announced that he has agreed with the Secretary of State for Work and Pensions a reduction, by 2008, in the DWP budget of in excess of 5 per cent in real terms.

**Payment of Tax Credits via employers**

Finally, plans were announced to consult on phasing out the payment of Working Tax Credit by employers on the basis that, whilst it has helped reinforce the principle that tax credits are a reward for work and has reduced the stigma associated with claiming, the Government – “…accepts the case, in principle, that the benefits to business justify moving to direct payment of the Working Tax Credit, reducing the cost of payroll administration and addressing a key area of business concern.

The Government says that it will consult with employers on the detail of the proposal. □
April 2004

Tax Credits
- Income Support/Jobseeker’s Allowance paid in respect of dependent children begins to be replaced by Child Tax Credit (families on IS/JSA who are already receiving CTC, and new IS/JSA claimants to be transferred first).

Jobseeker’s Allowance & welfare to work
- Actively seeking work regime intensified for new claimants.
- Work-focused interviews extended to partners of claimants of Income Support, income-based JSA, Incapacity Benefit, Severe Disablement Allowance and Carer’s Allowance.
- Back to work help for the over 50s – new Intensive Activity Period pilot schemes.
- Basic skills training – certain Jobseeker’s Allowance claimants in pilot areas to be required to undertake basic skills training.

Lone parents
- New In-Work Credit in pilot areas to assist lone parents in moving from benefits into work.
- Work-focused interviews – lone parents entitled to Income Support required to take part in work-focused interviews regardless of the age of their youngest child.

Housing Benefit
- Benefit periods abolished for all claimants (and moving into work treated as a change of circumstances).
- 30 hour income disregard extended to certain claimants – for example lone parents, couples with children, certain disabled people and people aged 50 or over – who work for 16 or more hours/week.
- Extended payments of Housing Benefit introduced for Incapacity Benefit and Severe Disablement Allowance claimants.

Council Tax Benefit
- Extended to claimants living in properties in bands F, G and H.

October 2004

Tax Credits
- Remaining families on Income Support/Jobseeker’s Allowance have benefit paid in respect of dependent children replaced by Child Tax Credit.

JSA regime
- Actively seeking work regime intensified for existing claimants.

Lone parents
- New Worksearch Premium in pilot areas to assist lone parents in moving from benefits into work (and In-Work Credit rolled out to more pilot areas).
- Lone Parent Run-On replaced by the standard four-week run-on provided for other claimants.

Direct Payments of benefit
- Government aims to have an Exceptions Service ready for those who cannot open or operate a Direct Payment account.

December 2004

Extra money for pensioner households
- Additional £100 paid with the winter fuel payment where the household includes a person aged 70 or over.

For more information on www.rights.org.uk
Reform of Housing Benefit
- Standard Local Housing Allowances rolled out.

In-Work Credit pilots
- Extended to lone parents and couples with children across London who have been on qualifying benefits for a year.

Childcare
- One week of registered childcare paid for everyone on New Deal for Lone Parents who needs it in the week before they start work.

Retirement Pensions
- More generous rules introduced for those deferring entitlement to a State Retirement Pension.

War Pensions
- War Pensions Scheme replaced with new Armed Forces pension and compensation schemes.

Local Authority Asylum Support
- Responsibilities under the interim asylum support scheme due to end.

Lone parents
- Extra work-focused interviews for lone parents on Income Support whose youngest child is 14 or over.

Capital threshold for means tested benefits
- £3000 threshold above which savings reduce eligibility for Income Support, Jobseeker’s Allowance, Housing Benefit and Council Tax Benefit to be increased to £6000.

Jobcentre Plus
- National roll out of Jobcentre Plus due to be completed.

Council Tax
- Bills based on updated property values issued following the first of a ten-yearly fixed statutory cycle of Council Tax revaluations in England.

Appeal tribunals
- The Appeals Service and the Office for Social Security and Child Support Commissioners to have transferred to the Department for Constitutional Affairs.

In all these changes see – snet.org.uk site for advice workers
Backdated benefits for refugees

New regulations have been issued that provide for Child Benefit backdating for those granted refugee status. The Child Benefit and Guardian’s Allowance (Miscellaneous Amendments) Regulations 2004 (SI.No.761/2004) provide that a claim for Child Benefit (or Guardian’s Allowance) shall be treated as having been made on the date on which the claimant first claimed asylum providing the claim for benefit is made –

- on or after 6 April 2004; and
- within 3 months of receiving the notification that s/he has been recorded as a refugee by the Secretary of State.

Joined-up government

On the same day that the new regulations were issued the Government announced that it is to review its policy on the backdating of income Support to those awarded refugee status.

A Home Office spokeswoman said – “We are not convinced this is the right way to help refugees. It is in their interests to make sure they find work and stand on their own two feet, not to receive benefits once they have permission to stay in the UK.”

In response the Refugee Council issued a press release saying “The back payment itself is only paid once people are accepted by the Home Office as refugees who have fled persecution. It is done as a correction; to bring the overall level of support received up to the basic level of Income Support. Ministers themselves have argued the fairness of this in the past.”

The Home Office said on 26 March 2004 that it will make a further announcement on the issue shortly.

Landmark Habitual Residence Test ruling

The European Court of Justice – in Collins v Secretary of State for Work and Pensions – has ruled that the UK’s habitual residence rule cannot be used to restrict an EU national’s access to jobseeker’s allowance unless the Government can show that a period of residence is of itself necessary to show that the person is genuinely active in the labour market.

The Court ruled that the habitual residence test discriminates on the grounds of nationality against non-UK nationals of the European Community who come to the UK looking for work, and is thus contrary to the freedom of movement principle enshrined in the EC Treaty unless the UK Government can show that a period of residence is fundamentally important to establishing entitlement to jobseeker’s allowance.

The case has been referred back to the relevant UK Court (a social security commissioner) to decide the case in line with the principles of law laid down by the ECJ.

Private sector companies to provide debt collection services to the DWP

Parliamentary Under-Secretary of State for Work and Pensions Chris Pond has announced that contracts have been signed with four private sector companies to provide debt collection services to the DWP.

The contractors will act as recovery agents, earning commission on amounts recovered and passed to the DWP, in relation to overpaid benefits, where the overpayment is caused by claimant error, and outstanding social fund loans. The debts transferred will be those where the debtor is not currently in receipt of a DWP benefit, they have refused to repay voluntarily and the DWP has been unable to obtain full recovery.

The main reasons given for the letting of the contracts are –

- to reduce the debts outstanding to the Department;
- to reinforce the message that debts have to be repaid, especially those that arose as a result of fraud; and
- to learn from the private sector and increase the efficiency and effectiveness of the DWP’s Debt Management organisation.

The first cases will be transferred towards the end of April 2004 with each contractor receiving an initial tranche of 50,000 cases. The contract will be for an initial two-year period to March 2006.

Benefits and same-sex couples

The Government has published the Civil Partnership Bill that, amongst other measures, provides for new benefit rights for certain same-sex couples.

For the purpose of social security, child support and tax credits legislation the intention is that, in general, same-sex couples in a civil partnership will be treated in the same way as married couples. In addition same-sex couples who are not in a civil partnership but who are living together as if they were civil partners are treated in the same way as opposite-sex unmarried couples who are living together as husband and wife.