Welfare benefit and tax credit highlights in Budget 2008


Welfare benefit and tax credit related measures outlined by Mr Darling and in accompanying Treasury documents included –

- **Work capability assessment** – from April 2010, all incapacity benefit claimants who started their claim before October 2008 will be required to take the work capability assessment.

- **Child poverty** – from April 2009, the child element of child tax credit will increase by £50 a year above inflation and child benefit in respect of an only or eldest child will increase to £20.

- **Child benefit disregard** – from October 2009, child benefit will be disregarded as income in the assessment of housing benefit and council tax benefit.

- **Tax credit fraud and error** – the Revenue will introduce new ID authentication services by the end of 2008 to help reduce fraud and error.

- **Appeals against Revenue decisions** – measures will be introduced to streamline the way appeals against Revenue decisions are handled, in particular to provide a right to a Revenue review of disputed decisions.

- **Support for pensioners** – alongside the winter fuel payment, an additional one-off payment of £50 will be made to over 60s households and of £100 to over 80s households in 2008/2009.

The full Budget report is available from the Treasury website @ www.hm-treasury.gov.uk/budget/budget_08/bud_bud08_index.cfm

Radical JSA reforms to bring end to ‘passive receipt of cash handouts’

A series of radical reforms to the JSA and New Deal regimes – designed to achieve ‘full employment in our generation’ – will be introduced next year, the government has said.

In ‘Ready for work’, its response to last year’s ‘In work, better off’ Green Paper consultation, the government says the changes will –

‘... see hundreds of thousands of people on benefit moving from being passive recipients of cash handouts to job seekers actively seeking and preparing for work, at the heart of a ‘something for something’ welfare system.’

To this end, during 2009 –

- a more intensive JSA regime will be introduced three months into a claim, with weekly rather than fortnightly attendance at Jobcentre Plus required for the next six weeks; jobseekers required to widen the scope of jobs they look for to include any suitable job; and everyone ‘submitted to a suitable job’.

- a new Gateway stage will be introduced after six months of a JSA claim (or earlier, for example for repeat claimants or younger jobseekers who have not been in education, training or employment for a period prior to claiming JSA). The Gateway will be common to everyone and build on the current New Deal gateways, leading to more intense jobsearch activity and skills assessment. The Gateway will last for up to six months and, for those aged over 25, bring forward more intensive help by a year.

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‘Better off in work credit’ to be piloted later this year

In order to ensure that all long-term claimants see a significant rise in their incomes when they take a job the government is to pilot a new ‘better off in work credit’ from October 2008.

The new payment will be available to those who have been on income support, JSA or incapacity benefit/employment and support allowance for 26 weeks and whose income on moving into work, from earnings and other in-work benefits, is not £25 more than they received on benefit. They will be able to apply to Jobcentre Plus for a top-up payment, that will last for up to 26 weeks, to take their income up to this level.

If the trials prove successful the scheme will be extended nationally in 2009, the government has said.
Radical JSA reforms to bring end to ‘passive receipt of cash handouts’
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- major reform of the New Deal will see those who are still struggling to find work after 12 months in the Gateway referred to specialist intensive help from private, public and voluntary sector providers who will get longer and larger contracts and will be paid by results. The new ‘Flexible New Deal’ will be designed to provide personalised back-to-work support and will combine the current mandatory New Deals, (although voluntary programmes, such as the New Deal for Lone Parents, will continue to be available). After working with a specialist provider for a year, those who have failed to find work will return to Jobcentre Plus for further intensive, personalised support matched by increased obligations.

‘Ready for work: full employment in our generation’ is available @ www.dwp.gov.uk/welfarereform/readyforwork

NB – the government has since announced that the Flexible New Deal programme will be rolled out in two stages, with phase 1 being delivered from October 2009 and phase 2 from October 2010.

Phase 1 will cover –
Birmingham and Solihull; North and East Yorkshire and Humber; Tees Valley; South Yorkshire; Derbyshire; Surrey and Sussex; Kent; Leicestershire and Northamptonshire; Nottinghamshire; Central London; Lambeth, Southwark and Wandsworth; Devon and Cornwall; South Wales Valleys; South East Wales; South West Wales; North and Mid Wales; Black Country; Greater Manchester Central; Greater Manchester East and West; Coventry and Warwickshire; The Marches; Staffordshire; Lanarkshire and East Dunbartonshire; Edinburgh, Lothian and Borders; Ayrshire, Dumfries, Galloway and Inverclyde; Cambridgeshire and Suffolk; Norfolk; and Lincolnshire and Rutland.

Phase 2 will cover –
Merseyside; Forth Valley, Fife and Tayside; Glasgow; West London; City and East London; North and North East London; Essex; Bedfordshire and Hertfordshire; Berkshire, Buckinghamshire and Oxfordshire; Cumbria and Lancashire; South London; Dorset and Somerset; West of England; Gloucestershire, Wiltshire and Swindon; Hampshire and the Isle of Wight; Highland, Islands, Clyde Coast and Grampian; West Yorkshire; Northumbria; South Tyne and Wear Valley; and Cheshire, Halton and Warrington.

Drug users on benefit could be required to attend treatment sessions

Known drug users receiving benefits could be required to attend an assessment for drug treatment, the government has announced.

Launching a new ten-year Drugs Strategy – designed to ensure that fewer young people use drugs, and that those who do use drugs get help to kick the habit and re-establish their lives – Home Secretary Jacqui Smith said that a balance needs to be struck whereby, in return for benefit payments, responsibility is placed on claimants who use drugs to move successfully through treatment into employment –

‘The strategy will use opportunities presented by the benefits system to provide a more personalised approach so that drug users receive tailored support, such as training, and, in return, are required to attend drug treatment sessions.

The aim is to strike the right balance of responsibility and support so that drug users stay off illegal substances for the benefit of them, their families and their communities.’

Welcoming the announcement, Work and Pensions Secretary James Purnell said –

‘We want to make sure drug users get the support they need to help them kick the habit and get back into work, where they can support themselves and their families. Our strategy sets out the first steps in ensuring the benefits systems gives people the access route of drugs while making sure taxpayers’ money is well spent.

Further information about the government’s ten-year drug strategy is available @ http://drugs.homeoffice.gov.uk

Delay in completion of Pension Service IT project results in £169 million overspend

A four year delay in the completion of a key Pension Service IT project is expected to result in a £169 million overspend, the government has confirmed.

Responding to a parliamentary written question on 5 March 2008, Work and Pensions Minister Anne McGuire said that the DWPs Pensions Transformation Project – that aims to ‘transform the Pension Service by bringing together business and IT change in ways that improve claimant service and deliver efficiencies’ – had been expected to have ended in early 2007 at a planned cost of £429 million. However, the project is not now expected to finish until 2010/2011 at an estimated cost of £598 million, the Minister said.

In addition, Ms McGuire said that two other DWP IT projects – the Central Payments System and the Customer Information System – will also be completed late at considerable extra cost –

• the Central Payments System – designed to improve accounting for benefit and pension payments, reduce risks of service failure, increase speed and efficiency, and reduce fraud and error – is not now expected to be operational until December 2010, more than four years late, at an estimated cost that has risen from £90 million to £153 million; and

• the Customer Information System – designed to deliver a database of key claimant information to be shared across the Department – though just 5 months late, is now estimated to be completed for £89 million rather than £40 million.

In mitigation of the delays and escalating costs, Ms McGuire said that ‘the scope of projects can change as they pass through the project life cycle and as plans and costs become more robust. At each stage of this process they are checked to ensure that they continue to fit with Departmental strategy and continue to deliver value for money.’

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Lone parents with older children to be subject to increased work conditionality

More lone parents with older children are to be required to seek work from next year in order to retain entitlement to benefit, the government has said.

With the Organisation for Economic Co-operation and Development having recently recommended that, with the right support in place, the UK should consider further extending work tests for lone parents, the government has announced that the requirement that those with a youngest child aged 12 or over and those with a youngest child aged 7 or over must actively seek work, from October 2008 and 2010 respectively, is to be extended to those with a youngest child aged 10 or over, who will be required to actively seek work from October 2009.

However, the government says that the need to ‘make sure that people on benefits who can work cannot opt out’ needs to be balanced, with ‘strong safeguards’ to ensure lone parents facing ‘difficult times’ are not penalised, and that this balance will be achieved by, for example, amending regulations so that lone parents will not be penalised if they leave a job, or fail to take up a job, because appropriate, affordable childcare is genuinely not available.

NB – other initiatives to support lone parents making the move from welfare to work include the national roll out from April 2008 of the lone parent In Work Credit and the In Work Emergency Discretion Fund; the piloting in London, again from April 2008, of the provision of upfront childcare costs; and the introduction, from October 2008, of quarterly work-focused interviews in the year before a lone parent loses eligibility for income support.

Rolling out the work capability assessment to existing claimants to cost £30 million

Plans announced in Budget 2008 to apply the new work capability assessment to existing incapacity benefits claimants will cost £30 million, Secretary of State for Work and Pensions James Purnell has said.

The work capability assessment will be introduced nationally from 27 October 2008 for all new claimants of employment and support allowance and is designed to assess what a sick or disabled claimant can do rather than what they can’t.

However, whilst the government had already announced that the assessment will be rolled out to existing claimants under 25 from 2009, speaking in a parliamentary debate on Budget 2008, Mr Purnell confirmed that the government intends to test all existing claimants between 2010 and 2013.

Local Housing Allowance is a new way of calculating Housing Benefit. One of the main changes under Local Housing Allowance rules is that Housing Benefit will be paid directly to the tenant, who will then be responsible for paying their landlord.

It will only affect tenants in the private rented sector who make a new claim, change address or move into private sector accommodation. It won’t affect tenants in social housing in any way.

Local Housing Allowance comes into effect nationally on 7 April 2008. To find out more go to www.dwp.gov.uk/ilha
Benefit claimants in poor health should be referred to new ‘Fit for Work’ service

A new ‘Fit for Work’ service – designed to help prevent short-term sickness from progressing to long-term sickness and ultimately worklessness – should be made available not just to those absent from work because of ill health, but also to those claiming incapacity and other out of work benefits, a government-commissioned report has concluded.

In ‘Working for a Healthier Tomorrow’, National Director for Health and Work Dame Carol Black says that whilst evidence suggests that work can be good for health, reversing the harmful effects of long-term unemployment and prolonged sickness absence, much of the current approach to the treatment of people of working age reflects an assumption that illness is incompatible with being in work.

As a result the report sets out a case for ‘urgent and comprehensive reform’ of work-related health services, including intervention in the early stages of sickness absence through the creation of a ‘Fit for Work’ service that would provide access to a wide range of services including advice and support for social concerns such as financial and housing issues as well as more traditional NHS services, such as physiotherapy and counselling.

However, whilst the Fit for Work service would initially focus on supporting those absent from work because of ill health, the report argues that it should be opened up to those in receipt of incapacity benefit and other out of work benefits who would be referred by their own GP or by their Jobcentre Plus personal adviser or, where a claimant is participating in Pathways to Work or the New Deal for Disabled People, by a private or voluntary-sector provider.

NB – the report also recommends that the paper-based sick note should be replaced with an electronic ‘fit note’, switching the focus to what people can do and improving communication between employers, employees and GPs.

Dame Carol Black’s report, ‘Working for a Healthier Tomorrow’, is available @ www.workingforhealth.gov.uk/Carol-Blacks-Review

Whether overpaid tax credits should count as income for benefit purposes

In a new decision, the social security commissioners have considered how payments of working tax credit should be treated when made incorrectly to an income support claimant.

In CIS/1813/2007, the claimant continued to be paid working tax credit despite informing the Revenue on her employment ending. On subsequently claiming income support her request that benefit be backdated over the period in respect of which she had been overpaid working tax credit was refused.

However, in allowing her appeal, Deputy Commissioner Mark holds that it would be ‘an abuse of language’ to treat the tax credits overpaid to the claimant as her income.

NB – in new guidance the DWP advises –

‘If a person who has ceased employment confirms when they claim [benefit] that they have notified HMRC of the change in their circumstances, Decision Makers should not treat … working tax credit paid incorrectly … as [their] income.’

ID cards confirming holder’s right to benefit to be introduced for non-EEA foreign nationals

Identity cards that will confirm whether the holder is able to access social security benefits are to be introduced for non-EEA foreign nationals from November 2008, Home Secretary Jacqui Smith has announced.

Ms Smith said that the cards will initially be introduced for categories presenting the highest ‘risk of abuse’, including foreign nationals seeking to enter or remain in the UK as a student or on a marriage visa. However, within three years all foreign national applying for leave to enter or remain in the UK will be required to have a card, with around 90% of foreign nationals in Britain covered by the scheme by 2014/2015.

From 2009, the ID card scheme will also be extended to UK citizens, the Home Secretary said – with cards initially being issued to people working in specific sensitive roles or locations where verification of identity will enhance the protection of the public, such as airports – before being rolled out on a voluntary basis from 2010. In addition, from 2011/12, all passport applicants will also be registered on the scheme as they apply for new biometric passports containing fingerprints.

For further information see ‘Introducing compulsory identity cards for foreign nationals’ available @ www.bia.homeoffice.gov.uk

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