Government announces extra £7bn of welfare benefits cuts

Reforms will help Britain step back from the brink, says Chancellor

Chancellor George Osborne announced the results of the 2010 Comprehensive Spending Review to the House of Commons on 20 October 2010.

Setting out the government’s four-year spending plans from 2011/2012 to 2014/1015, that include £7bn of welfare savings in addition to the £11bn announced in June’s emergency Budget, Mr Osborne said –

‘Today’s the day when Britain steps back from the brink. When we confront the bills from a decade of debt. A day of rebuilding when we set out a four-year plan to put our public services and welfare state on a sustainable footing – for the long term.’

Key welfare benefit and tax credit related measures outlined in the Spending

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Government to introduce cap on the amount of benefit households can claim

Announcing plans for a maximum annual limit on the amount of benefits households can claim, Chancellor George Osborne has said that there will be ‘no more open chequebook’ for those who choose to live on benefits.

Ahead of this month’s Comprehensive Spending Review, Mr Osborne said that the current benefit system is ‘unaffordable’ and ‘morally indefensible’ and should no longer support people who have made the ‘mistaken choice’ to live on benefits.

As a result, from 2013, the government proposes capping the maximum amount of benefit – from, for example, income support, JSA, employment and support allowance, housing benefit and council tax benefit, child benefit, child tax credit, carer’s allowance and industrial injuries disablement benefit – to the amount that ‘the average family gets for going out to work’, currently approximately £26,000 a year.

NB – households with a disability living allowance or working tax credit claimant will however be exempted from the cap, as will war widows.

ESA appeals account for more than half of cases waiting to be referred to the Tribunals Service

More than half of the benefit appeals waiting to be referred to the Tribunals Service by the DWP relate to employment and support allowance (ESA), according to government figures.

With recent Tribunals Service statistics showing that there was a 128 per cent increase in ESA appeals in the first quarter of 2010/2011 as compared to last year, Work and Pensions Minister Maria Miller said, in response to a Parliamentary Written Question on 13 October 2010, that of the 59,050 appeals ‘outstanding’ in June 2010, 29,700 related to ESA (with a further 4,700 incapacity benefit appeals also waiting to be referred).

However, acknowledging the likely increase in the volume of appeals expected as a result of the reassessment of all incapacity benefits claimants by 2014 – that started earlier this month with trials of the process in Burnley and Aberdeen – a new DWP equality impact assessment states that –

‘Joint work is underway across the Department for Work and Pensions and the Tribunals Service to mitigate any increased volumes of appeals and to improve decisions on benefit entitlement to reduce the number of decisions that are overturned on appeal.’

In addition, the DWP advises that it has changed the reassessment process so that before a claimant is disallowed benefit they will be called by Jobcentre Plus and asked if they have any additional evidence which they feel the Department should be aware of before it makes a final decision on their claim.
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Review, in addition to the previously announced introduction of the Universal Credit, the cuts to child benefit for higher rate tax payers and the limit on annual household benefit payments, include –

- Employment and support allowance – entitlement to contributory ESA for those in the work related activity group will be limited to one year;
- Working tax credit freeze – from April 2011, the basic and 30 hour elements of the working tax credit will be frozen for three years;
- Working tax credit hours rule – from April 2012, couples with children must work 24 hours between them, with at least one working 16 hours, for entitlement to working tax credit, rather than at least one working 16 hours as now;
- Childcare element of working tax credit – from April 2011, the proportion of costs covered by the childcare element of working tax credit will be reduced from 80 per cent to 70 per cent of costs;
- Child element of child tax credit – the child element of child tax credit will be increased by £30 above indexation in 2011/2012, and by a further £50 above indexation in 2012/2013;
- Tax credits assessments – real time PAYE information will be used to inform tax credits calculations, reducing the emphasis on the claimant to notify HMRC of income changes;
- Housing benefit shared room rate – the shared room rate in local housing allowance, that currently applies to single people aged under 25, will be extended to all single claimants under 35;
- Council tax benefit – spending on council tax benefit will be reduced by 10% from 2013/2014, and localised to local authorities and devolved to Wales and Scotland, with councils given flexibility to tailor the scheme to meet local priorities and to manage spending within lower limits, whilst protecting the most vulnerable;
- DLA for those in residential care – from 2012/2013, payment of the mobility component of disability living allowance to claimants in residential care, other than those who are fully self-funding, will end;
- Support for mortgage interest – the temporary measures introduced to reduce the waiting period for new working age claimants to 13 weeks and increase the limit on eligible mortgage capital to £200,000, that had been due to expire in January 2010, will be extended by a further year;
- Savings credit – the maximum savings credit award in pension credit will be frozen for 4 years from 2011/2012;
- State pension age – the equalisation of state pension age at 65 will be brought forward to November 2018, and both the male and female pension age will increase to 66 by April 2020;
- Cold weather payments – the increase in the cold weather payment to £25 will be made permanent;
- National insurance cards – the DWP will stop issuing national insurance cards to customers and send letters instead; and
- Benefit and tax credit fraud – the government will take a radical new approach to tackling fraud and error, working across departments, to ensure that significant reductions in ‘illegitimate welfare payments’ are realised across both the DWP and HMRC.

In addition the Spending Review announces that –

- the DWP’s core budget will be reduced by 26 per cent in real terms by 2014/2015 with savings being achieved by, for example, centralising support services and rationalising strategy and policy functions; reducing the costs of benefits processing by shifting from paper to digital based services, and sharing information more efficiently within and between departments; and replacing wasteful and ineffective welfare-to-work programmes with the new Work Programme; and
- HMRC’s administrative budget will be reduced by 33 per cent, with savings made by, for example, restructuring the Revenue’s Enquiry Centre network, so that face to face service is provided to those that need it most, and improving on-line support to reduce the need for manual processing.

For more information see the HM Treasury Spending Review pages at www.hm-treasury.gov.uk/spend_index.htm
Administrative Justice and Tribunals Council to be abolished

The Administrative Justice and Tribunals Council (AJTC) is among more than 190 public bodies that are to be abolished, the government has announced.

The AJTC’s role has been to keep the administrative justice system under review with a view to making it accessible, fair and efficient, and to ensure that the relationships between the courts, tribunals, ombudsmen and alternative dispute resolution providers satisfactorily reflect the needs of users.

In response to the government’s announcement, Richard Thomas, Chairman of the AJTC, said –

‘Government bodies and local authorities are taking tens of thousands of decisions every day which are of real importance to individuals and their families. This year there will be about a million appeals to tribunals. Although – as the independent voice of the user – we will no longer be able to oversee the administrative justice system, it will remain essential to ensure that users’ needs are central. Much remains to be done to maximise customer satisfaction and access to justice and minimise cost, delay and complexity.’

NB – the government also confirmed that, amongst the public bodies to disappear and a further 289 that are to be reformed –

- the Disability Living Allowance Advisory Board – that provides independent advice to the Secretary of State for Work and Pensions and to doctors who provide medical advice and examination services to the DWP – is to be abolished;
- it will consult early next year on proposals to abolish Consumer Focus and transfer its function to Citizens Advice;
- proposals on the future of the Student Loan Company will be made in the White Paper on the future strategy for higher education to be published by the end of the year;
- the Audit Commission will be disbanded and audits transferred into private ownership;
- National Tenant Voice and the Tenant Services Authority will be abolished;
- the Valuation Tribunal Service will be abolished and its functions transferred to the Ministry of Justice;
- the Legal Services Commission will be abolished and its functions transferred to the Ministry of Justice;
- the Equality and Human Rights Commission will be substantially reformed; and
- options are ‘still being considered’ in relation to the future of the Independent Living Fund.

More information, and a complete list of the public bodies to be abolished or reformed, is available from www.direct.gov.uk

Three year benefit sanction for ‘third strike’ fraud offences

The DWP is planning to introduce a benefit sanction of at least three years for those convicted of benefit fraud three times, according to a new DWP and HMRC fraud and error strategy.

In ‘Tackling fraud and error in the benefit and tax credits systems’, the DWP and HMRC state that they are looking to introduce new tougher ‘one strike’ and ‘two strike’ sanctions, with a loss of benefits of three months for a first conviction, and six months for a second. In addition, the DWP plans to introduce a ‘third strike’, where those convicted of benefit fraud three times will have their benefits removed for at least three years, with the sanction being applied following a single offence in the most serious and aggravated cases of fraud.

The strategy document also states that ‘minor offenders’ such as ‘those individuals who fail to take reasonable care of their claim, perhaps knowingly letting a change in circumstance run on and incurring a small overpayment’ will be issued with an instant civil penalty of £50.

In addition, the DWP states that it will seek powers to enable it to widen the range of debts it can recover, to include those resulting from official error, and that –

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Welfare to work contractors have universally failed ‘by considerable margin’ to meet targets

Welfare to work contractors have universally failed ‘by a considerable margin’ to meet contractual targets, according to a new report by the Public Accounts Committee.

In ‘Support to incapacity benefits claimants through Pathways to Work’, the Committee highlights that –

‘The target job rate agreed with contractors was to move, on average, more than one in three of the claimants required to participate in the programme (37%) into work over the life of contract. To date, on average, providers have found work for 12% of mandatory participants.’

With 70% of payments to providers linked to performance, and the remaining 30% paid monthly as a service fee, the Committee says that, as a consequence of poor performance, providers are not finding the contract profitable –

‘Providers got their contracting model for Pathways wrong in as far as they priced their bid on the basis that they could deliver a high volume of job outcomes for only limited investment per participant.’

The Committee also states that contractors in provider-led Pathways areas have performed worse than Jobcentre Plus despite, in general, operating in parts of the country with lower incapacity benefits numbers and unemployment levels, and relatively strong demand for labour.

In addition, noting that in 2008/2009, £94 million (38% of Pathways expenditure) was spent on employment support that did not deliver additional jobs, the Committee recommends that –

‘The Department should fundamentally review the nature and funding of its employment support for claimants of incapacity benefits. It should provide clear guidance to those involved in delivering the Work Programme on the type of support that is most likely to deliver additional jobs, drawing on robust evidence.’

The Public Accounts Committee report is available from www.publications.parliament.uk

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Secretary of State for Work and Pensions, Iain Duncan Smith, has formally announced the introduction of the ‘Universal Credit’, a single benefit designed to replace all means-tested working age benefits, which he said would ‘restore fairness and simplicity to a complex, outdated and wildly expensive benefits system.’

Speaking at the Conservative Party conference, the Secretary of State set out a new ‘welfare contract’ in three parts – a contract with the unemployed; a contract with the most vulnerable; and a contract with the taxpayer.

In relation to the contract with the unemployed, the Secretary of State said that the implementation of the ‘Universal Credit’, alongside the comprehensive work programme, would make sure that everyone out of work would be given the ‘greatest support to find work and every financial incentive to stay in work, because work will pay.’ In addition, Mr Duncan Smith announced a ‘New Enterprise Allowance’ – a grant of up to £2,000 towards the cost of setting up a business for those who have been unemployed for more than six months – before going on to say that –

“We will break down the barriers to work and ensure work pays but in return, we have the right to insist that when work is available you take that work and work hard to keep that job. For those who want to choose not to work, under this government this will no longer be an option.’

With regard to the contract with the most vulnerable, the Secretary of State said that those who are ‘genuinely sick, disabled or are retired’ have nothing to fear and that –

‘We will crack down on fraud and help able people off welfare. This means we will have enough resources to provide peace of mind to the very vulnerable… It is a proud duty to provide financial security to the most vulnerable members of our society and this will not change.’

Setting out the government’s contract with the taxpayer, the Secretary of State said –

‘I want to look every taxpayer in the eye and be able to say that their money is either going to people who are on the path back to independence or their money is going to people who, without question, deserve society’s care.’

Stop Press – in the 2010 Comprehensive Spending Review, the government confirmed that the Universal Credit will be introduced ‘over the next two Parliaments’ and that £2bn has been set aside over the next four years to fund the early stages of its implementation.

For more information on all these changes see –

www.rightsnet.org.uk

the welfare rights website for advice workers