Welfare benefit and tax credit highlights in Budget 2007

‘Prosperity and fairness for families’


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

- **Child benefit** – the weekly rate for the eldest child will rise to £20 by April 2010. (Paragraph 5.20)

- **Tax credit rates** – from April 2008, the child element of child tax credit will increase by £150 a year above earnings indexation; the working tax credit income threshold will increase by £1,200, to £6,420 a year; and the rate at which tax credit awards are withdrawn will increase by 2%, to 39%. (Paragraphs 5.13 – 5.15)

- **Tax credit run-on** – from April 2007, a four-week working tax credit run-on will be introduced from the day a claimant ceases to work over 16 hours. This will reduce the number and value of overpayments – occurring when people are late in reporting that they are no longer entitled to working tax credit – and also reflects the fact that, from April 2007, claimants are subject to a one month mandatory reporting period when they cease work or have other changes of circumstances. (Paragraph 4.66)

- **Lone parents** – to provide further help to lone parents to stay in

(continued on page 4 column 1)

‘Reducing Dependency, Increasing Opportunity’

Secretary of State welcomes radical review of welfare to work

Following a ‘radical review’ of the welfare to work system, Secretary of State for Work and Pensions, John Hutton, has welcomed the publication of a report that sets out a ‘compelling framework for the next stage of welfare reform’.

The report – ‘Reducing Dependency, Increasing Opportunity: options for the future of welfare to work’ – was commissioned last year from David Freud who was asked to look at ‘how we can tackle the ‘can work, won’t work culture’ – and help those caught in a cycle of benefit dependency’.

In his foreword to the report, David Freud says that his recommendations are designed to reduce the number of the most socially disadvantaged people in the country ‘at minimal effective cost and risk to the State’ and that the report should be ‘a starting point for a long-term process of transforming the welfare to work system’ and provide ‘a base on which a process of extensive consultation can take place’.

(continued on page 2 column 1)

DWP review rejects case for the continued existence of the Independent Living Fund

The case for the continued existence of the Independent Living Fund (ILF) beyond the medium term has been rejected by a DWP commissioned review.

The review of the ILF – that provides financial support for severely disabled people to enable them to live independently in their own homes – was commissioned in June 2006 to consider –

- whether the ILF should continue to exist, and if not what should replace it; and

- if it should continue, what changes might need to be made, and how could the service be improved.

However, whilst the review concludes that the ILF should remain in its present form at least until 2009/2010, it recommends that in the longer term it should be integrated within a system of personalised budgets – ‘... we do not think it sufficient to ‘tidy up’ anomalies; the issue is to consider where and whether the ILF fits within future strategies on independent living.

The ILF has played a significant part in the short history of independent living. Its achievements over the last eighteen years have been important ... However, it is anomalous to retain a separate (body) with responsibility for a large amount of social care expenditure, operating to different rules and remits from mainstream activities.

With the anticipated move towards individual budgets such incongruence will become more pointed. The case for a separate and continuing existence for the ILF beyond the medium term is not therefore accepted.’

For more information on the Independent Living Fund, see www.ilf.org.uk

(continued on page 4 column 1)
Crucial role of advice organisations in representing claimants should not be underestimated

Advice needs to be properly funded and readily available, says Chief Commissioner

The crucial role of advice organisations in representing claimants before the social security commissioners should not be underestimated, the Chief Social Security and Child Support Commissioner of Great Britain has said.

In his foreword to the Commissioners’ Office Annual Report for 2005/2006, His Honour Judge Gary Hickinbottom, Chief Commissioner to September 2006, highlights that although the commissioners deal only with appeals on points of law, the majority of appellants in England and Wales appear in person. However, because the public funding scheme does not extend to hearings before the commissioners in England and Wales (and funding is rarely granted in Scotland) most appellants do not have the benefits of legal representation.

Whilst, in some cases, appellants are able to put their case to a commissioner adequately, Judge Hickinbottom says, and the commissioners are always willing to assist to ensure that points open to appellants are made and properly developed, since the statutory schemes with which commissioners are involved are often complex, in some cases, if the claimant is not represented, there is a real risk that a fair hearing may be compromised because of ‘inequality of arms’ between the claimant and the respondent government department.

As a result, Judge Hickinbottom says that –

‘The crucial role of voluntary organisations (often in the form of Citizen’s Advice Bureaux or local authority sponsored advisers) in representing claimants should not be underestimated.’

Representation is important to claimants, and very much appreciated by the Commissioners, Judge Hickinbottom says –

‘It not only ensures that claimants are not at an unfair disadvantage, but also assists the Commissioners with the interpretation of often difficult statutory provisions. At a time when public resources are at a premium, it is hoped that the value obtained from this facility is properly appreciated and that such advice continues to be properly funded and readily available.’

For more information see www.osscsc.gov.uk


For more information on all these changes see –

www.rightsnet.org.uk
the welfare rights website for advice workers
Online tax credit claims facility to remain closed until 2008

Continuing problems with the tax credit computer system will mean that the Revenue’s online tax credits claims facility will not open again until 2008, if indeed it reopens at all, the government has said.

In evidence last month to the Commons Treasury Sub-Committee, the Paymaster General, Dawn Primarolo, said that whilst the tax credit system is working better, getting to more people, and has a higher take-up than previous forms of support, a series of IT changes still need to be completed before a full assessment of the impact of administrative improvements introduced over the last year will be possible.

However, in relation to the online claims facility – that was closed in 2005 with the Revenue having identified attempts to use it to make fraudulent claims – Ms Primarolo said that the Revenue’s latest advice is that the necessary IT will not be available until the summer of 2008 at the earliest.

Even then, unless she is assured that the system is robust it should not be reopened, the Paymaster General added, before casting doubt on whether it will ever be reopened. In prioritising ongoing work on the tax credits IT system, there will need to be consideration of whether ‘we can do without the e-portal’, she said.

Council tax not broken, but is unfair and under too much pressure, says Lyons Review

Sir Michael Lyons has published the final report from his inquiry into the future role, function and funding of local government – including how the council tax system can be made fairer and more sustainable.

In ‘Place-shaping: a shared ambition for the future of local government’, Sir Michael argues that local government is an essential part of our system of government today, and that its ‘place-shaping’ role – using powers and influence creatively to promote the well-being of a community and its citizens – is crucial to helping to improve satisfaction and prosperity through greater local choice and flexibility.

In relation to council tax, Sir Michael says whilst it is not broken, it is seen as unfair and has been put under too much pressure. In consequence, the report contains a series of short and medium term recommendations, that include –

- renaming council tax benefit ‘council tax rebate’;
- automating the council tax benefit system so that households are billed for council tax net of any rebate entitlement;
- raising the council tax benefit savings limit for pensioners to £50,000;
- encouraging take-up by, for example, building on recent efforts to streamline delivery of council tax benefit through the Pension Service;
- revaluing council tax to update the tax base and improve fairness; and
- adding new bands to reduce bills for those in the lowest value properties, paid for by increased bills for those in higher value properties paying more, in order that there should be no increase in average council tax bills as a result.

In the longer term, future governments could consider more radical reform options, such as local income tax, but, Sir Michael suggests, this may require greater public support and understanding than currently exists.

For more information see www.lyonsinquiry.org

NB – In Budget 2007, delivered the same day that the Lyons report was published, the government said that it remains committed to not revaluing council tax for the lifetime of the current Parliament, and that in the absence of revaluation it is not feasible to change the banding structure of council tax. Proposals for changes to council tax benefit will be considered ‘in light of practicalities and affordability alongside priorities for the tax and benefit systems as a whole’, the government added.

Permitted work earnings rules to be extended to means tested element of Employment Support Allowance

The current permitted work rules, that allow a person claiming incapacity benefit to earn up to £86/week without it affecting their benefit, are to be extended to the means tested element of Employment Support Allowance on its introduction in 2008, the government has announced.

Currently those taking advantage of the permitted work rules who are entitled to income support on the basis of their incapacity can earn a maximum of £20/week before their benefit starts to reduce pound for pound.

However, in the Lords in March 2007, Lord McKenzie of Luton said that the government has been looking for more flexible ways of helping people to take up opportunities without fear of their benefits being removed straightaway, and that –

‘... one of the advantages of introducing a new, unified benefit is that it provides the opportunity to peel back the complex layers and rebuild, making improvements where we can.’

As a result, Lord McKenzie announced that –

‘... within ESA, we will be aligning the existing permitted work higher earnings limit between the contributory and income-related elements of the benefit.

Anyone claiming ESA will be able to earn up to £86 per week for up to 52 weeks, without it affecting their benefit entitlement.’

NB – Advisers can follow the progress of the Welfare Reform Bill that provides for the introduction of the Employment Support Allowance @ www.publications.parliament.uk/pa/pabills/200607/welfare_reform.htm
Welfare benefit and tax credit highlights in Budget 2007

(continued from page 1 column 1)

employment, the In-Work Credit will continue to be available to eligible lone parents in the current pilot areas until June 2008 and, to address the higher costs of living in London and the consequently reduced returns to work, the credit will be increased in London to £60. (Paragraph 4.33)

● 16 and 17 year-olds – the Learning Agreement pilots – launched in April 2006 and aimed at 16 and 17 year-olds who are in work but not receiving accredited training – will be extended into the 2007 Comprehensive Spending Review period, and the Activity Agreement pilots will be extended for 16 and 17 year-olds not in education, employment or training and in receipt of JSA (on the grounds of severe hardship), to help them to re-engage, and take up their statutory right to an appropriate place in education or training, or find a job with training. (Paragraphs 3.116 and 5.23)

In addition, a Green Paper – Raising the participation age – will consult on raising the compulsory age for participation in education and training to 18. (Paragraphs 3.117 and 5.23)

● HB and temporary accommodation – the government intends to work closely with local authorities on future structural changes to housing benefit arrangements to identify and separate out reasonable costs for the rent and management of temporary accommodation. The changes will be designed to improve transparency and value for money and contribute to improved work incentives for tenants and to the government’s 2010 target to reduce the number of households in temporary accommodation. (Paragraph 4.59)

● HB fraud and error – to ensure both that tenants continue to receive appropriate levels of housing benefit and that fraud and error in the administration of the benefit is reduced, investment will be made in further IT development to – improve information gathering processes in Jobcentre Plus and The Pension Service; develop enhanced data links between the DWP and local authorities; and extend the collection of fraud and error data. (Paragraph 4.57)

● Benefit simplification – a package of ‘alignment measures’ will be introduced that will streamline rules on – benefit payment periods; the ‘backdating period’ for disability living allowance and attendance allowance forms; the treatment of rental income; and termination payments. (Paragraph 4.60)

● New Deal – changes to the New Deal for Young People will be made to test the impact of (a) restricting the choice of options for those who already have the basic level of skills needed to compete in the labour market; and (b) enabling low-skilled participants to return to mainstream education and training leading towards a first level 2 qualification, and ending the separate full-time education or training provision procured by Jobcentre Plus.

In addition, to make sure that New Deal participants are able to access appropriate support once they move into work, the government will develop and test measures to ensure that New Deal advisers and Train to Gain brokers together provide a seamless link from New Deal to in-work training. (Paragraphs 4.15 and 4.16)

● Partnership for jobs – Local Employment Partnerships between Jobcentre Plus and retail employers – including Tesco, Sainsbury’s, Asda, B&Q, and Marks & Spencer – will incorporate steps which employers will take to help Jobcentre Plus in supporting benefit claimants into work.

These measures will include one or more of – offering two to four week work trials to a number of local benefit claimants; increasing the number of subsidised employment places available to New Deal participants; helping Jobcentre Plus and partners design pre-employment training programmes that meet employers’ needs, and agreeing in turn to guarantee interviews or jobs to local benefit claimants who complete this training; encouraging their employees to volunteer to provide mentoring for long-term benefit claimants, to help prepare them for work; and reviewing their application processes to ensure that local benefit claimants are not inadvertently excluded by, for example, requirements for qualifications or overly complicated procedures. (Paragraph 4.18)

● Skills – further to the publication of the Leitch Review of Skills in December 2006, the government will publish a full implementation plan in the summer setting out in detail how the recommendations made by the Review will be taken forward and the timetable for implementation. (Paragraph 3.107)

In addition, steps to improve the vertical and horizontal coordination across government, and between government, business and the private and third sector, to help the low-skilled enter, remain in and advance in the labour market, will include the establishment of a Commission for Employment and Skills by the end of 2007 (Paragraph 3.112), and closer working between Jobcentre Plus and the Learning and Skills Council to deliver a seamless service to low-skilled individuals. (Paragraph 4.11)

● English as a second or other language – short, work-focused approaches to provide training in English as a second or other language (ESOL) will be trialled in the London Cities Strategy pathfinders for parents on benefits or tax credits. (Paragraph 4.39)

NB – paragraph references are to the full Budget report that is available @ www.hm-treasury.gov.uk/budget/budget_07/bud_bud07_index.cfm