

# Welfare Reform

How Changes to the Benefits System will affect you



# Introduction

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The Government have made changes to the benefits system, and most benefits have changed in some way.

The following pages outline the main changes and show how you and your family may be affected, it also includes links to websites giving more detailed information and updates.

**NB:** The benefit changes shown in this leaflet affect working age claimants only and is correct at the time of publication on 2/10/2013

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# Changes to Council Tax Benefit

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As part of the National Welfare Reform changes, the Government has abolished the current National Council Tax Benefit scheme and all Councils have replaced it with a local "Council Tax Reduction Scheme".

The government has decided that Sefton Council must set the rules on how council tax benefit is to be administered, but the Council must make savings of around 10%.

Under the new Council Tax Reduction Scheme all working age claimants will have to pay at least 20% of their Council Tax Bill. This includes people who did not have to pay Council Tax in previous years.

Working age claimants with capital or savings of more than £6000 will no longer qualify under the new scheme

**Click the following link for more information on Council Tax Benefit:**  
[Council Tax Benefit information](#)

# Changes to Housing Benefit

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From April 2013, social housing tenants of working age (*those who have not reached the qualifying age for Pension Credit*) who under-occupy their property will have their housing benefit reduced by the equivalent of 14% of the rent payable for one spare room and by the equivalent of 25% of the rent payable for two or more spare rooms.

## **The number of bedrooms you are allowed to claim benefit for is:**

One bedroom for each person or adult couple in the household except that:

- Two children of the same sex aged 10 to 15 will be expected to share a room,
- Any two children under the age of 10 will be expected to share a room, regardless of sex.
- In most cases one additional bedroom will be allowed if you, or your partner, are foster carers.

## **The following rules also apply:**

- Where there is shared custody of a child, where the child lives will be based on whoever receives the child benefit.
- If you are disabled and have a need for a spare bedroom for an overnight carer who doesn't live at your home, they may be entitled to a bedroom.

We have written to those who are likely to be affected to alert them to the fact they may be under-occupying and to confirm the information they hold. We will write to you again to confirm any reduction in Housing Benefit and how much the reduction will be, before any such reduction takes effect.

**It is important that you consider what your options are, and where necessary talk to your landlord or the council.**

# Examples:

No. of spare rooms	Example rent	Current Housing Benefit	Benefit reduction from April 2013	New benefit from April 2013
1	£80	<b>£80</b>	£80 x 14% = £11.20	£80 – £11.20 = <b>£68.80</b>
2	£85	<b>£85</b>	£85 x 25% = £21.25	£85 – £21.25 = <b>£63.75</b>
3	£90	<b>£50</b>	£90 x 25% = £22.50	£50 – £22.50 = <b>£27.50</b>

***The difference between the rent to be paid and the benefit you receive will have to be met by yourself.***

If you have an adult living in your home who is not your partner they are expected to contribute to the running costs of the home, including any rent or council tax. The council makes deductions from your benefits, which are called non-dependent deductions.

The tenant is responsible for paying the shortfall to the landlord - the landlord cannot make the individuals pay as the tenancy agreement is with the tenant.

Housing benefit is to be phased out and will be replaced by Universal Credit which will be introduced in stages between 2013 and 2017. Some claimants claiming after October 2013 will claim Universal Credit instead, if they are of working age or, if they are above the state retirement age, Housing Benefit until October 2014 when they will claim Pension Credit.

Anyone over state retirement age who chooses to continue to work can also claim Universal Credit.

# Examples of under occupancy



 Adult Couple Bedroom 1	 16yr old Female Bedroom 2	<p><b>Example:</b></p> <p>As each person 16 and over is entitled to a separate room this example would not result in a reduction of your housing benefit.</p>
 17yr old Male Bedroom 3	 19yr old Male Bedroom 4	



 Adult Couple Bedroom 1	 17yr old Female Bedroom 2	<p><b>Example:</b></p> <p>Male &amp; female under 10 yrs would be expected to share a bedroom. This would give one spare room and reduce your housing benefit by of 14% of the chargeable rent.</p>
 9yr old Male Bedroom 3	 7yr old Female Bedroom 4	



 Adult Male Bedroom 1	 15yr old Male Bedroom 2	<p><b>Example:</b></p> <p>In this example the two boys under sixteen would be expected to share a room leaving two spare rooms and reducing your housing benefit by of 25% of the chargeable rent.</p>
 12yr old Male Bedroom 3	<b>Spare</b> Bedroom 4	



 Adult Couple Bedroom 1	 16yr old Female Bedroom 2	<p><b>Example:</b></p> <p>This would give one spare room and reduce your housing benefit by of 14% of the chargeable rent.</p>
 11yr old Male Bedroom 3	<b>Spare</b> Bedroom 4	



 Adult Female Bedroom 1		<p><b>Example:</b></p> <p>In this example to the 2 females under 16yrs old would be expected to share a bedroom. This would give one spare room and reduce your housing benefit by of 14% of the chargeable rent</p>
 15yr old Female Bedroom 2	 12yr old Female Bedroom 3	

# What options do I have?

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If you are assessed as under-occupying your accommodation and experience a reduction in your Housing Benefit, there are a number of courses of action which may be open to you.

Before deciding to act on any of them, please give the matter very careful consideration and where appropriate take independent advice or discuss the situation with your landlord.

## **Move**

You may decide that it would be sensible to move to appropriately sized accommodation in the social rented sector. Your landlord will be able to talk this through with you and advise you as to whether this is a viable option. You may decide that moving to the private rented sector would be appropriate. Again your landlord or the councils Housing Options Team will be able to advise you about this.

## **Ask other household members to contribute**

If you decide to stay in your current accommodation and make up the shortfall in rent yourself, you may wish to ask other adults living with you to contribute to the additional rent.

## **Take in a lodger**

Taking in a lodger to fill an extra bedroom may be a good option for some claimants. The lodger would be assessed as part of the household, meaning you may not necessarily be considered to be under-occupying and you may have more income due to the extra rent. However any rental income you have coming in will affect your entitlement to Housing Benefit. You will need to check the terms of your tenancy before you take in a lodger as you may need to obtain your landlords consent.

## **Take up paid employment or increase hours of work**

If you or your partner are not currently in employment, finding a job could help you pay the additional rent. If you are already in employment,

you may consider increasing your working hours if possible to make up the shortfall in rent. However any additional income you have coming in will affect your entitlement to Housing Benefit.

### **Apply for a Discretionary Housing Payment (DHP)**

In certain circumstances a claimant may be entitled to a payment from the DHP Fund. This is a fund administered by the council for those they consider in need of additional help with their housing costs. The fund is cash limited and there is only enough money in it to cover a small percentage of the cases affected by the new under-occupation rules. Additionally, the government has stipulated that priority consideration should be given to foster carers and to tenants of properties where there have been substantial adaptations made to enable a disabled person to continue to live at the property.

**To apply for a Discretionary Housing Payment (DHP) Click the following link: [Discretionary Housing Payments information](#)**

**Click the following link for more information on benefit changes [Housing Benefit Information](#)**

# Benefits Cap

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The government has put a limit on how much a non working household can receive in benefits. The amount has been set to match the average earnings in this country, and so it may change.

- For couples with or without children and/or single parents, the limit has been set at £500 per week.
- For single people, not claiming as a couple, the amount has been set at £350 per week.

The following benefits will be taken into account when calculating the cap: Bereavement Allowance, Widowed Parent's, Mother's Allowance, Carer's Allowance, Child Benefit, Child Tax Credit, Employment and Support Allowance, Guardian's Allowance, Housing Benefit, Incapacity Benefit, Income Support, Jobseeker's Allowance (contribution-based and income-based), Maternity Allowance, Severe Disablement Allowance, Widow's Pension

This limit also includes those benefits which may be paid directly to someone else on your behalf such as Housing Benefit paid directly to your landlord. If the amounts you receive add up to more than the amounts above, your benefit will be cut. This will be taken from your housing benefit and you will have to find the difference yourself. It is likely that this will affect larger families most, for example those with four or more children.

The does not apply to existing pensioners, households with one or more working tax claimant or those claiming certain disability benefits which include disability Living Allowance and Personal Independence Payments.

**Click this link for more information: [Benefits Cap info](#)**

## Personal Independent Payments

*(Phased introduction from June 2013)*

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The government recognises that people with disabilities experience barriers that can stop them leading a full and independent life. Those with a disability have to date been able to claim Disability Living Allowance (DLA) to help them overcome these barriers, this has been replaced by the new Personal Independence Payments. The new benefit is designed to provide similar help and be easier to understand. It should also be more financially sustainable, as there will be regular reviews to make sure people are assessed on their current needs. DLA had a 'day' and a 'night' element, but PIP is assessed across the entire day. It has two components:

- **Daily Living component**, and **Mobility component**, and each component has two rates:
- **Standard rate** and **Enhanced rate**.

If you received either rate of the Daily Living Component your carer may be able to claim Carers Allowance for looking after you.

The decision on any award will be based on input from healthcare professionals (doctor, consultant, nurse or other medically qualified person). Using the evidence provided, the Decision Maker will decide if an award is to be made, for how long and when a review should be conducted. DLA isn't changing for children or those aged 65 or over on 8th April 2013.

**Click the following links for more information:**

[Personal Independence Payment information](#)

[Government website PIP information](#)

[PIP Checker](#)

# Universal Credit

*(phased introduction From October 2013 to December 2017)*

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Universal Credit is a new single payment for people who are looking for work or on a low income. It will help claimants and their families to become more independent and will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment replacing:

- income**-based Jobseeker's Allowance
- income**-related Employment and Support Allowance
- Income Support
- Child Tax Credits
- Working Tax Credits
- Housing Benefit

Sefton residents who currently receive any of the above benefits will be moved over to the new system of Universal Credit sometime between 2016 and 2017, but it is not known at this present time exactly when this will be.

The Department for Work and Pensions (DWP) has recently announced that local Jobcentres in Southport, Bootle and Crosby will start to accept claims for Universal Credit from 30th June 2014. Initially, Universal Credit claims will be accepted only from single claimants who are fit for work and are not already in receipt of one of the above benefits. It is expected that couples will be able to claim Universal Credit from later this year.

Under the new Universal Credit system housing costs will be paid directly to claimants and not to their landlord once each month as the Government wants to encourage people to manage their money themselves. There are however alternative payment arrangements in place to support those people who are likely to have some difficulty paying their rent.

The following benefits will remain outside of Universal Credit (*this is subject to change*)

Contribution based Job Seekers Allowance, contribution based Employment & Support Allowance, Child Benefit, Social Fund, Statutory Sick Pay, Statutory Maternity Pay, Maternity Allowance, Industrial Injuries Disablement Allowance, Disability Living Allowance, Personal Independence Payments and Bereavement Benefits.

An award of Universal Credit is calculated as a basic allowance for either, a single person or couple plus additional amounts for:

- each child or qualifying young person for whom you are responsible
- child care costs
- claimants with a 'limited capability for work'
- claimants with regular and substantial caring responsibilities for a severely disabled person
- housing costs including rent (plus mortgage interest payments for unemployed claimants)

You will get the full allowance possible if your household has no other income and has less than £6000 savings. There will be no award if your savings are over £16,000.

Universal Credit claims will be administered by the Department for Work and Pensions at a central location. Local Jobcentre Plus offices will be able to provide more information about how to make a claim.

**Click the following link for more information on universal credit:**

**[Universal Credit information](#)**

# Claiming

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Because all claims in the future are to be administered by the Department of Work and Pensions at a central location, rather than at your local council, Job Centre Plus or Benefits Agency you will have to make your claim via the internet. There is no information available yet about any alternatives for people who do not have internet access but there will be more information on Universal Credit closer to the start of the scheme.

**Click the following link for more information on universal credit:**

[Universal Credit information](#)

# Payday Loans

There are a number of companies currently offering short term “payday loans” of up to £1000, usually charging around 1% per day (often with an additional transaction charge) and repayable after 30 or 60 days (in certain circumstances this can be extended to 90 days).

You should treat this type of finance with extreme caution as interest is compounded, that is each day the amount you owe increases by 1% of an increasing balance—so you are paying interest on top of interest.

The following table shows how much you would have to pay back after borrowing £100, £500 or £1000.

Amount borrowed	Owed after 30 days	Owed after 60 days	Owed after 90 days	Owed after 1 year
£100	£130	£160	£190	£2,192
£500	£660	£872	£1158	£17,146
£1000	£1,332	£1,777	£2,377	£35,997

These companies will not allow you to take more than 90 days to repay a loan, however if you do not meet their repayment terms they will take legal action and interest may continue to accrue until the debt is paid.

To compare: if the same amounts were borrowed using a standard credit card, average APR 18%, the amounts to be repaid would be as follows -

Amount borrowed	Owed after 30 days	Owed after 60 days	Owed after 90 days	Owed after 1 year
£100	£101.5	£103	£105	£121
£500	£508	£515	£523	£598
£1000	£1,015	£1,030	£1,046	£1,196

# Timeline for changes

	Change
 <p><b>April 2013</b></p> <p><b>15th July 2013 to Sept 2013</b></p> <p><b>Oct 2013</b></p> <p><b>Oct 2013 to Dec 2017</b></p>	Abolition of Council Tax Benefit, introduction of localised Council Tax Reduction scheme.
	Abolition of Community Care Grants and Crisis Loans for general living expenses, introduction of Localised Welfare Assistance schemes.
	Replacement of Crisis Loan alignment payments with a new national scheme of short term advances administered by DWP.
	Introduction of Housing Benefit size criteria in social rented housing (bedroom tax).
	Introduction of Personal Independence Payments (PIP) to replace Disability Living Allowance for new claimants.
	Introduction of benefit cap limiting the amount of benefit payable to working age claimants.
	Introduction of Universal Credit to replace Job Seekers Allowance
	Transfer of all claimants on legacy benefits to Universal Credit completed

Timeline for changes

# For more information

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You can get more information from the [www.GOV.UK](http://www.GOV.UK) website which provides information on public service in one place including up to date information on the Housing Benefit changes.

The Citizens Advice service provides a wide range of advice. To find your local Citizens Advice Bureau, look in the phone book or Yellow Pages, or visit the Sefton Citizens Advice Bureau website.

**Click the following link for more information.**

<http://www.seftoncab.org.uk/>

Shelter offers confidential housing, welfare benefits and debt advice through a network of advice services; freephone Housing Advice Helpline on 0808 800 4444 8am-8pm Monday-Friday and 8am-5pm Saturday-Sunday and online at the Shelter website.

**Click the following link for more information.**

<http://www.shelter.org.uk/>

**Sefton Council Benefits Advice Line: 0151 934 3660**



