Welfare and Work Bill 2015

This was announced in the Budget on the 8th July. The changes to welfare will take effect from either April 2016 or 2017.

The changes only affect working age people: with or without children. Claimants may be affected by more than one of the changes to be introduced.

Main changes

Introduction of National Living Wage

Increase of 70p her hour from current National Minimum Wage of £6.50 to National Living Wage of £7.20 per hour.

Freeze on benefits

Most working-age benefits will be frozen for four years from April 2016 including housing benefit applicable amounts and local housing allowance levels: with provision for high rent areas. Other benefits; Jobseekers`Allowance, Employment and Support Allowance, Income Support, Child benefit, tax credits. This doesn`t include Maternity Allowance, maternity pay, paternity pay and sick pay.

Benefit cap reduced

The benefit cap will be reduced; no specific date has been given for this: the bill states that this is being kept open so it can be rolled out at different times for different areas or cases.

The government will reduce the "benefit cap" from £26,000 to £20,000, except in Greater London where the cap will be £23,000. The current exemptions to the cap will continue to apply.

As well as the benefit cap for couples (£23,000 in Greater London, £20,000 outside), the respective limits for single people are £15,410 and £13,400. There is now a requirement to review the cap levels at least once in each Parliament.

The change will see a reduction in a household's Housing Benefit. Affected households will be identified by the Department for Work and Pensions.

Housing Benefit

Housing benefit backdating will be restricted to a maximum of four weeks from April 2016.

The "family premium" will be withdrawn from new HB claims from April 2016.

Tax credits income threshold reduced from £6,420 to £3,850.

The biggest change in this set of welfare reforms. This is targeted at working age people in work. Although this group may also see increases in their wages due to national living wage, in all cases the reduction in tax credits will be greater than increases in wages, leading to a net reduction in income.

The government's stated aim of these changes is to encourage people to work longer hours by removing the adverse incentives of employers paying low wages because their staff can claim enough tax credits to live on. The government assumes that this group of people will work more hours to make up the shortfall in their reduced tax credits.

In effect, this means that the income level at which tax credits can be claimed is going down. The level of earnings at which a household`s tax credits award starts to be withdrawn for every extra pound earned (known as the income threshold) will be reduced from £6,420 to £3,850.

Anyone who is claiming CTS and sees a reduction in their income due to tax credit changes will potentially see an increase in their CTS. Any increase in CTS will not offset their overall reduction in income.

Reductions will be phased in during April to June 2016 as tax credit claims are renewed

Further changes

From April 2017, most welfare support provided to families will be limited to two children; subsequent children born after April 2017 will not be eligible for further support. This will apply to Housing Benefit, tax credits and UC where a new claim is made from April 2017. Households who have been in receipt of tax credits with an interruption of less than 6 months will be protected.

The government will provide £800 million of funding for Discretionary Housing Payments (DHP's) over the next 5 years.

From April 2017, the introduction of Youth Obligation for 18-21 year olds in receipt of UC. They will participate in an intensive regime of support from day one of their benefit claim and after 6 months they will be expected to apply for an apprenticeship or traineeship, gain workbased skills or go on a mandatory work placement to give them the skills they need to move into sustainable employment. Failure to do this will result in benefits not being paid.

From April 2017 the Budget will also remove the automatic entitlement to help with housing costs for new claims in Universal Credit from 18-21 year olds who are out of work. There will be some exemptions: parents whose children live with them, vulnerable groups and those who were living independently and working contnuously for the preceding 6 months will be exempt from this measure. Rough estimates put this at less than 100 in Bury. It appears this will

not apply to Housing Benefit; by this time all single claimants should have been transferred across to UC (except for exempt accommodation).

From April 17, ESA cut by £30 per week for claimants seeking work: ie new claimants of Employment Support Allowance who are placed in the Work-Related Activity Group will receive the same rate as those climing Jobseeker`s Allowance. IE New claimants of ESA who are placed in the Work-related Activity Group (WRAG) will receive the same rate as those claiming Jobseeker`s Allowance, alongside additional support to help them take steps back to work. They currently get an extra £29.05 for the work-related activity component but from April 2017, new claimants judged fit for work-related activity will get the same as people on JSA. That is currently £73.10 for someone over 25 or £57.90 for those under 25.

From September 2017, the provision of 30 hours of free childcare for 3 & 4 year olds will be increased. Families with 3 & 4 year olds will receive 30 hours of free childcare: an increase from the 15 hours they`re currently offered. Parents who are able to work will be expected to work if they`re claiming UC if they have a youngest child aged 3 or over: including single parents.

Social housing:

Provision to cut rent by 1% over 4 years
To achieve savings and bring rent increases within the social sector back into line with the private rented sector the Government will reduce rents in social housing in England by 1% a year for four years from 2016. This will reduce average rents in the social housing sector by around 12% by 2020, from the current forecast. By 2020/21 there will be an in-year housing benefit saving of £1.995bn, which translates to an in-year net saving to the taxpayer of £1.445bn by 2020/21 once the impact on local authorities is taken into account.

Pay to stay: over £30k earners (outside London) to pay a market or near market rent: likelihood is this will be tapered.