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Future benefit changes – a guide for families with disabled children

The last two years have seen the government announce a number of planned changes to the benefits system. Taken together these changes will amount to the biggest shake-up of the welfare system in generations.

This short guide is aimed at parents who have a child with a disability. It attempts to outline what the main changes are, and where possible to explain what they may mean for families with disabled children. It covers changes to the system scheduled for the period 2012 - 2014.

This guide does not cover all of the changes announced by the government – in particular a number of changes that are specific to people of pension age are omitted. In addition it does not cover changes that have already been implemented prior to April 2012 and which were detailed in earlier versions of this guide.

Please note that detailed information on some of the changes is still limited. If you are worried about what any of the proposals will mean to you and your family, please call **Contact a Family's freephone helpline on 0808 808 3555**.

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Disability Living Allowance (DLA) changes

Disability Living Allowance is the main benefit paid to disabled children (and to adults of working age). It has two separate components:

- a care component, paid where someone needs a lot of care or supervision, and
- a mobility component, paid where someone has difficulties getting around out of doors.

From April 2013, the government has proposed replacing Disability Living Allowance with a new benefit called the Personal Independence Payment (PIP)

Initially this change will only apply to claimants aged 16 to 64. The government has said that it will not seek to extend PIP to disabled children until they can evaluate how PIP is working for disabled adults.

Although this major reform of DLA will not initially affect children, the government does intend to make **cuts in additional disability payments** for children paid as part of means tested benefits and tax credits. This will start to happen from October 2013. For more details see information on Universal Credit at page 12.

The new PIP appears similar to DLA in many ways. It will not be means tested, nor based on national insurance contributions. It will have two separate components – a mobility component based on a person's ability to get around and a daily living component based on their ability to carry out key activities necessary to participate in daily life. There will be special rules for the terminally ill and payments of the mobility component of the PIP can be used to fund a vehicle under the Motability scheme.

However, while similar looking in many ways, the PIP will use an entirely new set of qualifying criteria to decide whether someone qualifies for the benefit, and if so the rate to be paid. In addition there will be a new assessment process involving a face-to-face meeting with a health professional.

The actual weekly payment rates for PIP have not yet been set.

DLA Reform

How is the new PIP likely to differ from DLA?

- Each component will be paid at one of two rates – however, DLA care component currently has three rates.
- Claimants (other than those with a terminal illness) will need to establish that they have needed help for six months before PIP can be paid. This is a doubling of the three month qualifying period currently used in DLA. This means not only having to wait longer to access payment of the PIP itself, but also longer delays in being able to claim Carer's Allowance, etc.
- DLA rules allow for claimants with certain specified conditions, for example, those who are deaf-blind, to automatically qualify for certain DLA components at specific rates. Under PIP no-one (other than the terminally ill) will have an automatic entitlement to DLA
- Entitlement to the PIP will be based on a new type of 'objective assessment'. An independent health professional will look at the evidence contained within your claim. This will include your claim form and medical evidence from your GP or consultant. In most cases there will also be a face-to-face meeting with the independent health professional.
- In order to get PIP a claimant will have to score a certain number of points in relation to specific areas of need. The areas proposed are:
 - preparing food and drink
 - taking nutrition
 - managing therapy or monitoring a health condition
 - bathing and grooming
 - managing toilet needs or incontinence
 - dressing and undressing
 - communicating
 - engaging socially
 - making financial decisions
 - planning and following a journey and moving around.
- The number of points you score in the latter two categories will determine if you get the mobility component and at what rate. Your scores in the other categories will determine entitlement to the component for daily living.
- All awards will be periodically reviewed – which means no more indefinite awards. There will be penalties if a claimant knowingly fails to report a change that would have resulted in a reduction in benefit. The frequency and format of reviews will vary depending on a person's individual needs.

Housing Benefit changes

There have been a number of changes announced to Housing Benefit. Some of these only apply to those tenants in the private sector who are subject to the local housing allowance rules. However, other changes will apply to all Housing Benefit claims.

Housing Benefit is a means tested benefit that helps tenants meet their rent. There are special rules for calculating Housing Benefit for some people with private landlords – these are known as the local housing allowance rules (**LHA**).

Many of these changes to LHA have already been introduced for new claimants from April 2011. However, during the course of 2012 they will also start to apply to existing LHA claimants.

Local Housing Allowance (LHA)

The LHA is a special way of working out Housing Benefit that has applied to private sector tenancies since April 2008. Under LHA rules the maximum amount of help that you can get with your rent is capped at the average rent in your area, for a property of the size that you need.

If your actual rent is above this figure you will have to meet the difference yourself. If your rent is below this figure you used to be able to keep up to £15 per week of the difference.

Please note that the LHA sets the **maximum** amount of Housing Benefit that you can receive. However, the actual amount of Housing Benefit that is paid to you can be lower than this depending on your income and capital.

The LHA rules only apply to tenants with private landlords and not to anyone who rents from a council or a regulated social landlord (such as most housing associations). In addition the LHA rules do **not** apply to you if you are a private tenant who moved into your tenancy before 7 April 2008, so long as you have been getting Housing Benefit with no breaks in your claim since that date.

The Housing Benefit changes that only apply to LHA claimants are:

Since April 2011, LHA rates across the whole UK have been changed to make them less generous

Under previous LHA rules the maximum amount of help you can get towards rent was enough to meet half of all the rents in your area for a suitably sized property. However, from April 2011 LHA has been revised so that it only covers the cheapest 30 per cent of rents in your area. This means that unless your property is among the cheapest 30 per cent in your area you are likely to face a short fall. Initially this change has only applied to new claims or to existing claimants whose circumstances change. However, during 2012 existing claimants will also start to be affected - see later box for details.

Since April 2011, a cap has been placed on the maximum amount of LHA that can be paid

This is £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for all properties with four bedrooms or more. This change in the rules is only likely to affect private tenants living in those parts of the country, such as central and inner London, where even rents in the cheapest 30 per cent of properties are above these figures. As a result of this change some private tenants in London may find that there is a significant shortfall in the amount of help they can claim towards their rent. Initially, the change only applied to new claims, however during 2012 existing claimants will also be affected - see later box for details.

Since April 2011, LHA payments only take into account a maximum of 4 bedrooms

LHA previously included a maximum payment of up to five bedrooms however this has been reduced to four bedrooms for new claimants from April 2011. During 2012 this will also start to affect existing claimants – see later box below for details. If you are in a large family you can still rent a property with more than four bedrooms – but your maximum rent will be based on a four bedroom rate. This will leave you at risk of a shortfall in your rent.

Existing LHA claimants

Existing claimants whose circumstances remain unchanged are not being re-assessed under these new LHA rules until the anniversary of their claim. If you are an existing claimant who would be worse off as a result of the new rules any reduction in benefit may then be delayed nine months from the date of your reassessment. This means that changes will affect LHA claimants at different times depending on when they first claimed.

For example if you first claimed Housing Benefit under LHA rules in June 2009, you would have been re-assessed in June 2011. However, if your benefit would be reduced as a result of the new rules, this drop in benefit could be delayed for a further nine months (for example, until March 2012).

If you are an existing claimant and your circumstances change after April 2011 (for example, you move property or there is a reduction in your household size) – the new rules will apply from the date of that change.

Since April 2011, the £15 excess has been scrapped

Under previous LHA rules, if you found a tenancy that was cheaper than the LHA rate you could keep the difference – subject to a maximum of £15 per week.

This has been scrapped for new claimants from April and will be withdrawn from any existing claimants who get it on the anniversary of their claim (sooner if there are certain changes in your circumstances).

In April 2011, the government amended the size criteria to allow an extra bedroom where a disabled 'claimant' requires a non-resident carer

The maximum amount of Housing Benefit that applies to someone renting in the private sector is dependent on the size of the property that they need, based on household size. Where a disabled person needs an extra bedroom because they need a carer (who doesn't normally live with them) to sleep over, the size of property they are allowed can be increased to take this into account. This rule applies to all private tenants claiming Housing Benefit and not just those subject to LHA.

Unfortunately this only applies where the sleep-in carer is needed by a disabled tenant or their partner and **not** where the carer is needed by other family members such as a disabled child.

From April 2013, LHA rates will rise in line with Consumer Price Index rather than in line with average rents in the local area

This means that if rents increase at a higher rate than inflation, LHA will cover an ever-decreasing percentage of properties in your local area.

Other changes to Housing Benefit apply to all claimants regardless of whether you are subject to LHA rules or not. These are:

From April 2013, restricting the amount of Housing Benefit for tenants in council/housing association tenancies to an amount based on household size

Where a family are held to under-occupy a tenancy the maximum amount of Housing Benefit they receive will be reduced to the average figure for a property deemed more appropriate to their household size. It appears that the formula to be used for assessing the size of property a family requires will assume that any two children under the age of 10, and children of the same sex aged under 16, will share a bedroom.

This formula will apply even if a child's condition means that they cannot actually share a bedroom. Coming into force in April 2013 – but will not apply to pensioner households.

Increasing the government contribution to the discretionary housing payments budget by £10 million in 2011/12 and by £40 million per year from 2012/13

What are discretionary housing payments?

Discretionary housing payments can be made by local authorities to help tenants meet housing costs such as rent and council tax. For instance they can be used by a council to make up any shortfall between the Housing Benefit paid to a private tenant and the actual rent they are charged. These payments are at the discretion of the local authority so you have no legal right to a payment.

Tax credits changes

The tax credits system provides financial support to families on low to middle incomes. There are two types of tax credits – Working Tax Credit which can be claimed by working families, and Child Tax Credit which is paid to families both in and out of work. The amount of tax credits that you receive depends on your family circumstances and on your annual taxable income.

A number of changes have been announced to the tax credits system – many of which will make the system less generous.

From April 2012, scrapping the rule whereby those with an income below £40,000 are guaranteed a minimum tax credit payment of £545

From April there will no longer be any guaranteed minimum payment – you will only get tax credits if you qualify based on a full assessment of your income. Some families who only get £545 per year will lose entitlement to tax credits.

In order to be eligible for Working Tax Credit (WTC) from April 2012, a couple with children will have to work 24 hours between them - with at least one partner working a minimum of 16 hours

Currently a couple with children are eligible to claim WTC if one partner works at least 16 hours a week. From April 2012 a couple wishing to get WTC will need to have one partner working at least 24 hours or they will need to work 24 hours between them - with one partner working at least 16 hours a week. Exceptions will be made if a couple includes a disabled worker or a worker aged 60 or above, and to some cases where one member of a couple is unable to work due to their own illness or disability.

Given their caring responsibilities, some couples with a disabled child may struggle to work these additional eight hours. Couples who cannot increase their hours are likely to lose entitlement to WTC and should seek advice about whether they can claim any other benefits instead (for example, increased Housing Benefit). Those who can potentially increase their hours should seek advice about the impact that higher earnings may have on other benefits they get, for example Carer's Allowance.

From April 2012 falls in income of less than £2,500 will not be taken into account in working out your tax credits

A tax credit award is normally based on your previous year's income rather than your income in the current year. However, if your income is expected to fall your award can be based on an estimate of your current year's income instead. This means that your tax credit award can be increased immediately to take into account your drop in income. However, from April 2012 if your income drops by less than £2,500 you will have to wait until the end of the tax year until your award is reviewed. If your income drops by more than £2,500 your tax credits can be reviewed immediately – but the first £2,500 of the reduction. This will leave those whose income drops (for example, because they have to cut their working hours due to caring responsibilities) worse off than under current rules.

From April 2012 backdating of tax credits following a claim, and following certain changes of circumstances will be reduced from three months to one month

At the moment a claim for tax credits can be backdated three months from the date that you first claim. Similarly if you tell the Tax Credits Office about a change that leads to extra tax credits, this increase can be backdated three months (longer if you tell them about a DLA decision in certain specific circumstances). From April 2012 backdating will be reduced from three months to one month. This change will make it even more important that families do not delay in telling the Tax Credits Office about a change of circumstances that increases their award.

The 50+ element is to be scrapped in April 2012

This tax credit allowance is paid for 12 months where someone aged 50 or above moves from benefits back into work.

Both the lone parent and second adult rates of Working Tax Credit are to be frozen for the tax year 2012/13.

From April 2013 only the first £5,000 of an increase in annual income will be ignored for tax credits

Currently the first £10,000 is ignored (this figure having been £25,000 prior to April 2011). As a result of this change tax credits will be less generous for many people who move into work or who increase their earnings. It is also likely that this change will see an increase in the number of tax credit overpayments.

Changes to contributory Employment and Support Allowance from April 2012

The government intends to make two major changes to contributory Employment and Support Allowance (ESA) in April 2012. Firstly it intends to scrap ESA in Youth for new claimants. It also intends to limit payment of contributory ESA to 12 months for those claimants in the work related activity group.

What is ESA in Youth?

ESA is a benefit for people whose ability to work is limited by ill-health. You must be at least 16 to claim. There are two types of ESA – income-related ESA, which is means tested, and contributory ESA. Normally you need to have worked and paid national insurance contributions to get contributory ESA. However, there are special rules allowing young people aged 16-19 (and some 20-24 year olds) to get contributory ESA despite never having worked. This is known as ESA in Youth.

Once ESA in Youth is scrapped for new claimants will young disabled people no longer be able to claim ESA?

The majority of young disabled people will still be able to claim income-related ESA. So long as they have little in the way of income or capital they are unlikely to be any worse off. However there are some young people who may be worse off, for example because they have capital in excess of £6,000 or other income such as student grants or loans.

My child does not currently get ESA in Youth. Should they claim before the law is changed?

This will depend on individual circumstances. So long as your child is likely to get the full rate of income-related ESA they will not lose out as a result of ESA in Youth being scrapped. However if they are likely to be refused income-related ESA or paid it at a reduced rate you will need advice. You also need to be aware that if your child does claim ESA this means that any payments that you get for them as part of your family will stop (for example, Child Benefit, Child Tax Credit or Income Support payments for them as a dependent). Given this, you also need advice about whether a claim for ESA will leave you better or worse off.

My child already gets ESA in Youth. Will this continue once the rules change?

Payment of ESA in Youth will continue so long as they are in the support group. If they are in the work related activity group they will be caught by a separate rule change. From April 2012 anyone who falls into 'the work related activity group' will have payment of contributory ESA limited to 12 months. This will apply to those people in the work related activity group, regardless of whether they are receiving ESA in Youth or contributory ESA under the normal rules for adults.

Unfortunately, time already spent on contributory ESA or Incapacity Benefit immediately prior to April 2012 counts towards this 12 month limit – this means some people's payments will stop immediately in April. Depending on individual circumstances someone losing contributory ESA may be able to get income-related ESA instead.

Other benefit changes

From early 2012

Income Support rules are likely to be changed so that **lone parents whose youngest child is aged five** or above will no longer be able to claim on the grounds of being a lone parent. Unless they are able to claim Income Support on some alternative grounds they will be expected to sign on and claim Jobseeker's Allowance instead. This change is expected to apply both to new claimants and those already on Income Support.

This should not affect any lone parent looking after a disabled child on DLA at the **middle or high rate for personal care as they are entitled to claim Income Support on the grounds they are a carer** - regardless of the age of their children.

Under Income Support rules you are a carer if you provide regular and substantial care to someone on the care component of DLA **at the middle or higher rate** or to someone getting Attendance Allowance (a disability benefit for elderly people). You can also be treated as a carer for up to six months if you care for someone who is waiting for a decision on a claim for Disability Living Allowance or Attendance Allowance.

From January 2013

Child Benefit is to be withdrawn from families with a higher rate taxpayer.

From April 2013

Spending on **Council Tax Benefit** will be reduced by 10 per cent, and councils will be allowed to tailor Council Tax Benefit to local needs rather than it being based on uniform national rules. This may lead to a postcode lottery in terms of means tested help with council tax.

Introduction of a '**benefit cap**'. The total amount of benefits and tax credits that a household can receive will be capped on the basis of average earnings after tax for working households. It is estimated that this will be approximately £500 per week for a family with children by 2013. This cap will not apply to households in receipt of DLA, Working Tax Credit or War Widow's Pension.

Scrapping of **Community Care Grants, Budgeting Loans and Crisis Loans** (that is, the current system of one-off lump sum payments that help claimants pay for hard-to-budget for items). Community Care Grants and Crisis Loans will be replaced by 'locally administered assistance' (that is, financial help from local councils).

From October 2013 - Introduction of a new Universal Credit

The Universal Credit will apply to new claims from October 2013, with claimants on existing means tested benefits being moved onto the new credit at some point between 2014 and 2017.

The Universal Credit will be a benefit for working age people, paid both to people who are out of work and to those in employment (although the amount you get will vary depending on earnings). It will replace most of the current means tested benefits for people of working age – that is, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Child Tax Credit, Working Tax Credit and Housing Benefit.

How will the Universal Credit be structured?

The maximum amount of credit paid to a family will be worked out based on family size and circumstances. It will also include an amount for housing costs (whether rent or mortgage interest). Where someone has no other income or capital they will receive the maximum Universal Credit.

What happens if someone has earnings?

As part of trying to ensure that moving into work pays there are earnings disregards for certain groups – that is, an initial amount of earnings that is ignored as income. The amount of a disregard is likely to be more generous than in current benefits but will vary depending on individual circumstances (for example, the number of children you have, whether you are getting help with housing costs). If a claimant has earnings above the disregard figure, a tariff income rule is applied to those 'excess' earnings. The tariff income rate is 65 per cent - this means that for every £1 of excess earnings you have, 65p will be deducted from your Universal Credit payment.

What happens if someone has other income?

With the exception of income that is specifically disregarded (for example DLA) most other forms of income will be deducted on a £1 for £1 basis.

What happens if someone has capital?

The rules will be similar to Income Support rules – that is, the credit will not be paid to those with £16,000 or more, with reductions made if capital is above £6,000.

Will the credit be more generous than current benefits?

The government says that some groups will be much better off under the Universal Credit – particularly many working families. This is a result of more generous rules designed to make sure that work pays. However, Contact a Family is concerned that some families with a disabled child, particularly those who are unable to work, will end up worse off. This is because of planned cuts in the disability addition for children paid as part of the Universal Credit.

Cuts in disability additions for disabled children under the Universal Credit

Disability additions under the current system

At present, if you claim tax credits and your child gets DLA you may get an additional tax credit payment called a disability element for that child. This is worth **£53.62** per week. If your child gets DLA care component at the highest rate you may qualify for a further additional payment called the severe disability element. This is worth £21.63 per week. This means that you can get up to **£75.25** per week in additional disability payments for a child on high rate care component. If you have not claimed tax credits you may get equivalent additional payments known as the disabled child premium and enhanced disability premium as part of a claim for Income Support or certain other means tested benefits.

Disability additions under Universal Credit

Under proposals announced by the government the Universal Credit will have two rates of child disability addition. If your child gets high rate care of DLA or has a severe visual impairment you would receive a higher additional payment. This is likely to be paid at a figure equivalent to or slightly higher than the current figure of **£75.25** per week.

If a child's DLA award does not include the high rate care component and they are not severely visually impaired then they will qualify for the lower disability addition. The government proposes that this will be a payment of **£26.75** per week. Given that the disability element is currently £53.62 per week, this represents a cut of £26.87 per week or around £1,400 per year.

When are these cuts in disability additions likely to start?

The new disability addition rates will start to apply when the Universal Credit is introduced in October 2013. However, the government has promised to 'transitionally protect' anyone who currently receives means tested benefits or tax credits and who would be worse off as result of moving onto the Universal Credit. Anyone in this position will receive a top up – ensuring that their Universal Credit payments are no lower than what they have been previously receiving. However, these transitional payments will be frozen - meaning that 'transitionally protected' claimants will be worse off over time due to inflation. In addition, transitional protection will be of no help to families who first start to qualify for disability additions after the introduction of the Universal Credit.

Disabled carers

The government also plans to change the rules which currently allow a carer who also has health problems to qualify for a disability addition and a carer addition (currently known as the 'carer premium') at the same time. Once the Universal Credit is introduced a disabled adult who cares for a disabled child will either get a disability payment as an adult or an additional payment as a carer – but not both. For some families this could mean a loss of up to £31 per week.

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