Welfare Reform and Work Bill

What might this mean for carers?

Summary

Carers UK has put together this summary of the key changes contained in the new Welfare Reform and Work Bill, in order to explain what they could mean for carers and their families. There are still details to be worked out and the Bill is in its initial Parliamentary stages so there may be changes made to it. We will be pressing for measures to exempt carers from the cuts to support, highlighting the impact of measures on carers and their families and seeking clarification on some of the measures where the impact on carers is unclear.

The Bill is expected to receive its Committee Stage in the House of Commons in autumn 2015. This is where a committee of Members of Parliament will be scrutinising the Bill line by line.

Carers UK is calling for the following changes to the Bill:

- The promised protection of Carer's Allowance from the benefits freeze to be made clearer
- Carers to be specifically exempt from the Benefit Cap
- An assessment to be published of the impact of all measures in the Bill on carers
- More support for former carers seeking to join or re-enter the workforce

What is happening to Carer's Allowance?

There was real concern that Carer's Allowance was to be cut ahead of the Summer Budget and Carers UK has welcomed the protection of Carer's Allowance in the Budget and the inclusion of Carer's Allowance in those benefits to be protected from the benefits freeze. However there is concern that Carer's Allowance is not explicitly listed in the Welfare Reform and Work Bill or in the Explanatory Notes that accompany the Bill.

What is Carers UK going to do?
We will be seeking reassurance from the Government on this issue and asking for greater clarity that Carer's Allowance is a benefit excluded from the benefit freeze by the Bill.

What is happening to other benefits?

Most working-age benefits are to be 'frozen' under Clause 9 and 10 of the Bill – this means they will not increase each year in line with the Consumer Price Index (CPI) and instead they will remain at the 2015-16 rates.

Which benefits **are** affected?

- The main working-age rates of Income Support, Jobseeker's Allowance, Employment and Support Allowance and Housing Benefit; the work-related activity group component of Employment and Support Allowance.
- The basic, second adult, lone parent and 30 hour elements of Working Tax Credit (WTC) and the individual element of Child Tax Credit.
- The corresponding elements of Universal Credit.
- Child Benefit

Which benefits **are not** affected and will rise in line with CPI?

- pensioner benefits including the basic state pension, pension credit and winter fuel allowance
- "extra-cost" disability benefits including Disability Living Allowance, Attendance Allowance and Personal Independence Payments
- Carer's Allowance
- The ESA Support Component and the corresponding Universal Credit Limited Capability for Work-Related Activity element
- Statutory Payments such as Statutory Maternity Pay and Statutory Sick Pay
- It will not apply to the premia within the above working-age benefits relating to disability, pensioners, and caring responsibilities

What could this mean for carers?

This freezing of many working-age benefits is likely to have a great impact on carers and their families, as many are unable to work due to their caring responsibilities. Given that benefits are already set at very low levels, freezing working-age benefits will quickly mean that households will struggle to afford the basics. Carers UK's State of Caring

Survey of over 4500 mostly full time carers found that 48% are struggling to make ends meet[1].

Some carers will themselves still receive a below inflation rise if they receive means tested benefits. This is because the ‘personal allowance’ (the basic amount) of benefits like Income Support will be frozen even though the Carer Premium part of the benefit is increasing by the rate of CPI.

So a carer on Income Support might currently get £107.70 - made up of their personal allowance plus the Carer Premium. They would see the personal allowance part (£73.10) frozen and the Carer Premium part (£34.60) rise by CPI - this means that some carers and the people they are for are still in danger of their incomes falling behind the rising cost of living.

This freeze will add to the financial pressures that carers face and increase levels of stress and anxiety for carers, pushing some carers to breaking point where they may feel unable to continue caring.

The freeze comes on top of a number of other measures which have kept the value of certain benefits below inflation; the Budget in June 2010 announced that CPI rather than RPI would be employed as the default basis for uprating benefits in the future. RPI almost always increases faster than CPI. The Welfare Benefits Up-rating Act 2013 provided for most working-age benefits (excluding benefits relating to the costs of disability) to be uprated at 1 per cent – below the level of inflation.

Carers must be given the support they require in order to carry on caring, if that is what they wish and to do so without experiencing financial hardship.

Benefit Cap

Clause 7 and 8 of the Welfare Reform and Work Bill concern the Benefit Cap and the review of the Benefit Cap. The Benefit Cap, introduced in Welfare Reform Act 2012, limits the total amount of money a person, or a household, can receive in the form of certain out of work benefits. If the total amount is more than the cap, then the amount of housing benefit will be reduced until the household is under the cap. Not all benefits are included in the cap and households who are entitled to or receiving any ‘exempting’

[1] State of Caring Report 2015

benefit will not be capped; these benefits include Disability Living Allowance, Personal Independent Payments, the ESA support component, Attendance Allowance and Working Tax Credits (a person only has to be entitled to these).

The new legislation will lower the benefit cap to £20,000 for couples and lone parents, and £13,400 for single claimants. It also regionalises the cap so that families and single claimants in Greater London will be entitled to £23,000 and £15,410 respectively.

The Impact Assessment that the Government has conducted, estimates that there will be an increase in the number of those who are claiming Carer's Allowance and whose benefits are over the cap. It is estimated that 94% of carers who are in receipt of Carer's Allowance **and** whose benefit entitlement is over the cap will still be exempt from the cap. Therefore 6% of this group will be affected by the benefit cap. The Government's Impact Assessment does not provide an estimate of the number of carers affected and Carers UK are working to understand how many carers be capped under the new rules.

What could this mean for carers?

The Benefit Cap currently affects around 1,360 carers[2], who may live with the person they care for but are not considered to be in the same 'benefits household' as the person they care for. It also includes those who care for someone who lives elsewhere, and those who care for a 'non-dependent' who they live with such as an adult child or a parent – as for benefits purposes, they do not count as part of the 'household'. With the reduction of the level at which benefits are capped, more carers will be affected – as noted in the Impact Assessment.

Since it was first proposed in the 2012 Welfare Reform Act, Carers UK has opposed the benefit cap and called for all carers to be exempt from it.

The aim of this policy is to encourage people into work or increased hours. However, many carers are not in a position to pick up work or further work without reducing or withdrawing the care they provide to loved ones. This policy could have an adverse impact on the people that carers look after if carers are forced to take up work and withdraw some of the care they provide. It will increase the financial pressures on carers and their families, along with the added stress and anxiety this can bring.

[2] Benefit Cap Quarterly Statistics: GB capped households to May 2015, Department of Work and Pensions (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/451618/benefit-cap-statistics-to-may-2015.pdf)

Carers UK will be campaigning for an exemption for carers from the benefit cap and continues to gather evidence on the numbers who will be affected by this change.

Tax Credits

Under Clause 11 and 12 of the Welfare Reform and Work Bill, the Government have announced a series of changes to tax credits. In addition to the 'freezing'' of certain elements of tax credits, as listed above for the next four years, from 2017 there are also going to be new restrictions to who can receive Child Tax Credits (CTC) and Working Tax Credits (WTC) which will affect **new claimants only**.

From April 2017 for new claimants of tax credits:

- child tax credits will to be limited to two children.
- the family element of Child Tax Credits will be removed altogether,
- the 'child' element of Universal Credit will also be limited to two children
- the differing rate between the first child and subsequent children will also be removed (the equivalent to the family element of child tax credits)

However, there are some exceptions to this:

- where the child is disabled or severely disabled, the child tax credit element will be paid for every disabled or severely disabled child, at the higher rate, on top of the two child restriction.
- this will be achieved by the creation of a new disability element which will reflect additional individual element currently payable for disabled and severely disabled children
- this will be paid for all disabled children or qualifying young persons.
- this element will be unaffected by the wider freeze on benefits and child tax credits.

What could this mean for carers?

Those whose responsibilities are to someone other than their disabled "dependent" and who have more than 2 children after April 2017 will be financially squeezed. Carers won't be immediately affected by these changes but they could have huge financial implications for some future carers. Those with larger families will be particularly hit by tax credit changes if they have children from April 2017.

The exemption for disabled and severely disabled children from the Child Tax Credit calculation is welcome news for carers whose caring responsibilities are for their disabled child; however the impact of multiple changes to Tax Credits will result in significant reductions to the incomes of carers, including those working part time.

Many working carers will be entitled to Working Tax Credits. Many of these, due to their caring responsibilities, working the 16 hours a week needed to qualify. They are likely to be significantly affected by the changes, they will get less tax credits, and they will lose tax credits at a faster rate when their earnings increase. This is because the income threshold (the amount you can earn before tax credits are reduced) for tax credits is to be reduced from £6,420 to £3,850 and the rate at which tax credits are withdrawn due to earnings will increase from 41% to 48%.

A third of Carer's Allowance claimants are also receiving Child Tax Credits suggesting these changes will have a very serious impact on carers' incomes[3]. Carers UK will be calling for an assessment of the impact of all measures in the Bill on carers and an assessment of the Bill according to the Government's Family Test.

Employment Support Allowance – Work Related Activity Group Component

Clause 13 of the Bill will mean that from April 2017 **new claimants only** who are not fit for work but are placed in the ESA Work-Related Activity Group will receive £29.05 less per week than under current rules. This will bring them in line with those on Job Seekers Allowance. Universal Credit will gradually replace income-related ESA and those claimants will be similarly affected with the removal of the limited capability for work element.

What could this mean for carers?

This is a worrying change for those that have been assessed as being unfit for work as all of those receiving ESA have been. Carers, and others, who have been placed in this will need to receive support to return to work and will require different and in many cases longer term support to those on Job Seeker's Allowance.

These changes mean that many will have to manage on very low incomes. As well as impacting directly on some carers, these changes will place further pressure on the finances of disabled people and those that are caring for them.

[3] Developing a clearer understanding of the Carer's Allowance claimant group (2011) Gary Fry, Benedict Singleton, Sue Yeandle and Lisa Buckner; commissioned by the DWP

Employment

The first three clauses of the Welfare Reform and Work Bill cover the new Reporting Obligations that the Government will have to commit to. This includes annual reporting on the progress towards full employment – aiding the halving of the disability employment gap and keeping both disabled people and carers in work.

What could this mean for carers?
Half of carers juggle work alongside caring and it can be difficult sustaining both roles. Over 2 million people have given up work to care[4] and many carers and former carers would like to return to full or part time work alongside caring or after their caring role has come to an end. Greater support for former carers seeking to re-enter or join the workforce is needed to ensure they are able to participate in employment and prevent long-term financial hardship.

There is hope that these measures will encourage the Government to increase back to work support for former carers who wish to re-join the workplace and Carers UK will be pushing for paid care leave in order to prevent employees being forced out of work to provide care for relatives or friends.

Mortgage Interest Relief

Clause 16 of the Bill will change the current provisions for help with mortgage payments. Currently, homeowners who are getting certain income related benefits can apply for help with interest payments on mortgages and loans taken out for certain repairs and improvements to their home. This is known as Support for Mortgage Interest – it is paid directly to the lender and only helps with the interest, not the amount borrowed. However, the Bill will mean that in the future this help with interest will be in the form of a loan, secured by a charge against the person's property. Under these regulations, this loan will also accrue interest and incur an administration fee. The outstanding loan, plus the accrued interest and administration fees, will be recovered from the available equity in the property, when sold. If the outstanding debt is more the

[4] Carers UK and YouGov (2013) as part of Caring & Family Finances Inquiry UK Report (2014) Carers UK

value of the home, the remaining balance will be written off. A person can also volunteer repayments – such as when they go back to work.

What could this mean for carers?

This will have an impact on carers who own their own home and who will, in future have to repay the support for mortgage interest they have received. , When they sell their house the loan and the interest accrued will be taken out of the proceeds, they will in effect be paying interest on the interest. Carers often need to move and sell their home to be closer to the person they care for

Carers are less likely to work and be able to pay back the loan than most. Our research with carers (who are largely caring round the clock) also suggests that many are in debt – of those carers responding to our survey, who are struggling to make ends meet, 26% are borrowing from family and friends and 38% are using up savings to get by[5]. The prospect of further debt for these families is not sustainable in the long term

Social Rent Caps

Clause 19 of the Bill required that 'registered providers of social housing' must reduce the rents payable by 1% each year, for the next four years. This will apply to both social and affordable rents – and to both housing association and council tenants.

What could this mean for carers?

Those carers who live in social or council housing, will find that their rents will be reduced (and any related housing benefit reduced too). This will be welcome relief to those struggling with the annual uprating of rents in the social housing sector.

What is Carers UK doing?

Carers UK is gathering evidence on how these measures will affect carers and their families. The impact of the changes on carers was raised during the Bill's first debate in Parliament and as these plans are debated in Parliament, Carers UK will continue to brief Parliamentarians and where necessary, asking them to table amendments to the

[5] Carers UK, State of Caring Report (2015)

Bill to protect carers from the changes. We will seek to ensure that the impact on carers is highlighted and debated throughout the passage of the Bill.

We will also work with others in the disability sector to push for change. The Disability Benefits Consortium is a group of organisations representing people with disabilities and carers who are sharing evidence and resources to press for changes to the Bill.

We will seek further meetings with the Department for Work and Pensions to tell them what the impact of these plans would be on families, and to call for a detailed assessment of what these proposals will mean for carers.

Most of the other welfare reform changes announced in the Summer Budget will be brought in using secondary legislation. This is likely to include changes to tax credit thresholds and the removal of housing benefit for 18 to 21 year olds. Carers UK will be looking at the detail when these are published – especially how the planned changes to tax credits and housing benefit will impact on carers. We will be seeking an exemption for young adult carers from the changes to housing benefit.

Contact us

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