

## Emergency Budget: Summary of changes to Benefits and Tax Credits

The Emergency Budget in June and the recent Comprehensive Spending Review brought in a number of welfare benefit changes which together will bring in an estimated £18bn of welfare savings by 2014/15. Here is a list of some of the main measures and the dates they are due to come into effect.

### **Housing Benefit Changes:**

Local Housing Rate is the maximum rate paid in Housing Benefit to new claimants living in privately rented accommodation. After 12 months existing claimants will have their Housing Benefit reviewed and this could be adjusted depending on the latest LHA rate.

#### **From April 2011**

- Local Housing Allowance restricted to 4 bed rate and new upper limits for each property size: - £250 -1 bed rate, £290 - 2 bed rate, £340 - 3 bed rate, £400 - 4 bed rate
- £15 excess removed – entitlement to keep £15 per week above the actual contractual rent where it is less than the Local Housing Allowance will be removed
- Size criteria will include an extra room for a non-resident carer
- Deductions for non-dependents to be up rated on basis of prices
- Discretionary Housing Payments (DHPs) to be increased by £10 million and by £40 million in 2012/13

#### **From October 2011**

- Local Housing Allowance rates to be set at 30th percentile of local rates rather than the median

Brighton and Hove BRMA covers Lewes, Peacehaven, Newhaven						
	1 ROOM	1 BED	2 BED	3 BED	4 BED	5 BED
Current LHA	£82.84	£149.59	£189.86	£253.15	£322.19	£411.37
October 2011 LHA	£77.50	£138.08	£172.60	£227.14	£299.18	£299.18
Variance	-£5.34	-£11.51	-£17.26	-£26.01	-£23.01	-£112.19
Sussex East BRMA e.g. Hastings						
Current LHA	£62.50	£92.00	£116.80	£161.10	£195.62	£275.01
October 2011 LHA	£60.00	£86.30	£103.56	£143.84	£178.36	£178.36
Variance	-£2.50	-£5.70	-£13.24	-£17.26	-£17.26	-£96.65
Eastbourne BRMA covers Seaford						
Current LHA	£73.64	£115.07	£149.59	£178.36	£230.14	£299.18
October 2011 LHA	£68.25	£109.32	£143.84	£172.60	£207.12	£207.12
Variance	-£5.39	-£5.75	-£5.75	-£5.76	-£23.02	-£92.06

**From April 2012**

- The shared room rate in local housing allowance, which currently applies to single people under 25, to be extended to all single claimants under 35

**From April 2013**

- Local Housing Allowance rates to be up rated in line with Consumer Price Index rather than Retail Price Index
- Size Criteria to apply in social rented sector – i.e. benefit paid on basis of room allocation for size of family
- Housing Benefit awards to be reduced to 90% of entitlement after 12 months for JSA claimants

**Tax Credit Changes:****From April 2011**

- The basic and 30 hour elements of Working Tax Credit to be frozen for 3 years
- Second income threshold for family element of Child Tax Credit to reduce from £50,000 to £40,000
- First and second withdrawal rates for Tax Credits to increase from 39% to 41%
- Baby element removed from Child Tax Credit
- Child element of Child Tax Credit to increase by £180 above the Consumer Prices Index (CPI)
- Level of in-year rises of income that will be disregarded to decrease from £25,000 to £10,000
- The proportion of costs covered by the childcare element of Working Tax Credit to reduce from 80% to 70% of costs.

**From April 2012**

- Couples with children must work at least 24 hours between them, with at least one working 16 hours, for entitlement to Working Tax Credit
- Family element for Child Tax Credit to be withdrawn immediately after child element
- Child element increased by £110 above CPI
- 50+ element removed from Working Tax Credit
- Disregard of £2,500 for in-year falls in income introduced
- Backdating for some changes reduced from 3 months to 1 month
- April 2013 disregard for increases in income reduced to £5,000

## **Disability Living Allowance Changes from 2012/13**

- Objective medical assessment
- New eligibility criteria with points system, designed to remove DLA from 20% of claimants
- Planned saving on DLA of £1,075 billion.
- Payment of the mobility component of DLA to end for people in residential care, except for those who are fully self-funding

## **Other Measures**

- Child Benefit frozen for 3 years from April 2011
- Child Benefit to be withdrawn from families with a higher rate tax payer from January 2013
- Entitlement to contributory Employment and Support Allowance for those in the work related activity group to be limited to one year
- Mortgage Support based on Bank of England monthly average mortgage rate from Oct 2010 (currently 3.67%)
- Health in Pregnancy Grant abolished January 2011
- Sure Start Maternity Grant for 1st child only from April 2011
- The equalisation of the state pension age at 65 will be brought forward to November 2018 and both male and female pension age to increase to 66 by April 2020.
- The maximum savings credit in Pension Credit to be frozen for 4 years from 2011/2012
- The increase in Cold Weather Payments to £25 to be made permanent
- Spending on Council Tax Benefit to reduce by 10% from 2013/2014
- Household welfare payments to be capped on the basis of median earnings after tax for working households, approximately £500 per week, by 2013, except for those receiving DLA, Working Tax Credit or War Widow's Pension.
- The current system of means-tested working-age benefits and tax credits to be gradually replaced with the Universal Credit, over the next two parliaments

## **Useful Websites for Information on Welfare Benefits**

[www.lha-direct.voa.gov.uk](http://www.lha-direct.voa.gov.uk) for monthly updates of the Local Housing Allowance for your area.

[www.direct.gov.uk](http://www.direct.gov.uk)

The government website where you can find information on all public services. Go to money, tax and benefits for basic information on all welfare benefits and tax credits.

[www.dwp.gov.uk](http://www.dwp.gov.uk)

The DWP's own website where you can access printable claim forms, leaflets and guides as well as information, policy documents and research and statistics

[www.taxcredits.inlandrevenue.gov.uk](http://www.taxcredits.inlandrevenue.gov.uk)

Gives a range of information on tax credits, as well as providing an on-line claim form and an on-line tax credits calculator.

[www.rightsnet.org.uk](http://www.rightsnet.org.uk)

A very useful website for welfare rights advisers, run by the London Advice Services Alliance. You may need to register but access is free.

[www.adviceguide.org.uk](http://www.adviceguide.org.uk)

The website run by Citizens Advice. The site covers the same range of subject areas as local CAB, with a wide range of information on welfare benefits

[www.cpag.org.uk](http://www.cpag.org.uk)

The CPAG website. Visit this site for information on their full range of books, training courses and other activities

*This paper is based on an article written by Brighton and Hove City Council's Welfare Rights Team . The original article is available on:*

[www.advicebrighton-hove.org.uk/Site/Benefit changes June 2010 budget.html](http://www.advicebrighton-hove.org.uk/Site/Benefit%20changes%20June%202010%20budget.html)