

**Briefing 15/2 Welfare Reform Briefing: Universal Credit and the 'Bedroom Tax'  
May 2013**

**A. Introduction**

The UK Government has been putting in place significant changes to the UK welfare system, which will change both the types of assistance available and the way in which these benefits and entitlements are administered. Changes have already begun, which are already looking set to cause significant financial hardship to many people who currently claim benefits, but the main roll-out of changes is scheduled to take place between 2014 and 2017. This SCPO Briefing sets out the main aspects of the new "Universal Credit", and will focus on one recent aspect of reform: the spare room subsidy, also known as 'the bedroom tax'. Although not intended to be an exhaustive description of the changes taking place this briefing considers the roles of the UK Government, Scottish Government and local authorities in these reforms. At the end of the briefing, there are a number of action points for individuals and congregations to consider. Please note that this briefing does not constitute legal advice.

**B. Welfare Reform: the basics**

**Universal Credit**

The most significant change is that many of the benefits and entitlements currently administered by the Department for Work and Pensions (DWP) will be rolled up into one single payment, known as the Universal Credit.

Anyone who currently receives any of the following benefits or entitlements will see this payment changing to the Universal Credit: income support (IS), income-based jobseeker's allowance (JSA) income-related employment and support allowance (ESA), housing benefit, tax credits and social fund budgeting loans.

Rather than claiming multiple benefits, one single payment, the Universal Credit, will be made. According to the DWP, the new Universal Credit system aims to:

- improve claimants' incentive to work
- make it easier for them to move in and out of work
- be easier to understand than the existing system
- reduce poverty among people on low incomes
- cut back on fraud and error
- be more cost-effective to run<sup>1</sup>

Universal Credit will be available to people who are in work, subject to a means test, as well as those who are out of work. The Universal Credit will take into account the amount being earned, which will count as a 'disregard' towards the money that an individual is entitled to, and so will effectively act as a "top-up". This should mean that people on a variable income, or who are employed on a short term basis, will have a relatively stable level of income.

Universal Credit will be paid monthly. The UK Government state that this is to emulate monthly salaries. However, this is likely to be a significant change for many people, as most of the benefits and entitlements are currently paid more frequently than monthly. It also assumes that most people are used to being paid monthly, which is not necessarily the case. In addition, changes such as housing benefit no longer being paid directly to landlords and becoming the responsibility of individuals to pay rent from their Universal Credit payment is another major change which will have budgetary implications for many people. The demand for money advice services, particularly advice on budgeting, is likely to be extremely high.

Universal Credit will be paid to one individual per household. This means that in a couple, the assessment for entitlements will be made jointly, and only one person will receive the payment. This will also be a significant change for many people.

Benefits remaining as standalone benefits will include contributory JSA and ESA, child benefit, pension credit, carer's allowance, disability living allowance (DLA) (which will be replaced by the new personal independence payment (PIP)– although there are some changes to these benefits too, notably changes to disability benefits.

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<sup>1</sup> Department for Work and Pensions, Universal Credit FAQs, July 2012 <http://dwp.gov.uk/docs/universal-credit-faqs.pdf>

The initial roll-out of Universal Credit began in Ashton-under-Lyne in the North-West of England on 29 April 2013. The other 'pathfinder' areas, Wigan, Warrington and Oldham, have had their Universal Credit start date delayed until July 2013.

### **Benefit Cap**

From July 2013, there will be a national cap on the amount of benefits a single person or family can receive. The cap is limited to £500 per week for a family, and £350 per week for a single person.

### **Changes to Disability Benefits**

The reform of disability living allowance (DLA) will mean that DLA will be replaced by a personal independence payment (PIP) for those of working age from April 2013. This continues to be non means-tested, and is based on an individual's ability to carry out a range of key activities necessary to everyday life, rather than classifying the disability itself. There is no automatic transition from DLA to PIP; people who do not submit a claim for PIP will have their DLA stopped. Between October 2013 and March 2016, DWP will be contacting everyone aged 16 to 64 on 8 April 2013 in receipt of DLA. This applies to everyone, even those who currently are in receipt of indefinite or lifetime DLA. Everyone applying for PIP will be individually assessed. Information will be gathered from the individual, as well as healthcare and other professionals who work with and support them. Most people will also be asked to a face to face consultation with a trained independent assessor as part of the claim process. This is likely to be a stressful process for many people who have to undergo these assessments (particularly those on long-term or lifetime awards).

### **What about Child Benefit?**

Child benefit will continue to be paid separate to Universal Credit, although it may be counted as a 'deduction' to the amount of Universal Credit that a household is entitled to.

Since 7 January 2013, child benefit is now payable at a reduced rate to households where one or more parents earn over £50,000, while households in which at least one person earns £60,000 or more are not be eligible to claim any child benefit.

## **C. Practical Changes to the Welfare System**

### **A shift to online applications**

The Universal Credit is intended to be a primarily 'online' benefit. Claimants will therefore need access to a computer with an internet connection (Jobcentres will have computers for people to use for this purpose). This is a significant change as most people who are currently in receipt of benefits do not manage their benefits online. There will be a requirement for people who require to improve their computer literacy skills to be supported to do so. Even for people who are comfortable with using the internet for other activities, managing a Universal Credit account online, with no face to face interaction with officials, may cause further anxiety.

### **Benefit payments will not increase in line with inflation**

The Welfare Benefits Up-rating Act 2013, passed by the UK Parliament in March 2013, means that the annual increases in most working-age benefits will be 1% in cash terms in 2014–15 and 2015–16, in addition to the 1% cap on increases already confirmed for 2013–14. This is very likely to result in a real-terms loss of income for many working-age individuals and families, given that costs for food, fuel and housing are likely to increase with inflation which is predicted to remain around 2% for the next two years.<sup>2</sup>

### **Increased Sanctions**

Currently, Jobseekers Allowance claimants can be subject to their benefit being withheld for up to three months if they fail to comply with the requirements of their benefit, for example missing appointments, not accepting job offers or leaving a job without good reason. Under new rules, the maximum sanction that can be imposed will now be increased to three years. Low level sanctions which are currently penalised with a one week cut in allowance, will now be imposed for a minimum period of one month. Recipients will be required to sign a "claimant commitment"

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<sup>2</sup> Bank of England Monetary Policy Committee "Overview of the Inflation Report May 2013", <http://www.bankofengland.co.uk/publications/Pages/inflationreport/infrep.aspx>

which sets out the responsibilities of individuals in relation to job search activities. This is not only for those who are out of work; in-work claimants of Universal Credit who are in part-time employment will have to commit to prepare, look and be available for more or better paid work. The ability to complete paperwork and manage the new online system, therefore, is vital to avoid unwittingly breaking the “claimant commitment”.

### **Impact on Volunteering**

The Government has stated that claimants of Universal Credit can undertake as many hours undertaking voluntary work as they want but for the purposes of Universal Credit, only up to 50% of their expected hours of work can be counted as voluntary work as a relevant deduction against their work-search activities for the week. Based on the understanding that a working week is 35 hours, claimants would still require to be available for job search activities for at least 17.5 hours a week.

### **What about Crisis Loans?**

Community care grants and crisis loans from the DWP will be abolished, and the Scottish Government has taken on responsibility for the successor scheme from April 2013. Scottish local authorities will administer the Scottish Welfare Fund, and this will be in place for around 2 years until a more permanent scheme is established in law. Grants are intended to meet one-off needs rather than on-going expenses; either to ensure that independent living can continue, or to provide a safety net in the case of emergency. The key change is that payments will be grants, or assistance in kind (eg white goods, fuel cards, food vouchers etc); **not loans – they do not need to be repaid**. The benefit of a locally administered scheme should be that there is more joined-up assistance available, with advisers being more able to identify local support or relevant services to the claimant. The regulated Social Fund (Sure Start maternity grants, funeral payments, winter fuel payments and cold weather payments) will remain the responsibility of DWP.

## **D. Removal of the Spare Room Subsidy: the ‘Bedroom Tax’**

Prior to the introduction of Universal Credit, the Government has amended the conditions of entitlement for housing benefit. From 1 April 2013, the UK Government has introduced a condition into the level of Housing Benefit (HB) available for working age people who are renting from a local authority, a registered housing association or other registered social landlord, based on the number of people living in the household. This is called the ‘removal of the spare room subsidy’, but has been deemed the “bedroom tax” by political opposition and campaigners alike.

The new rules allow one bedroom for:

- every adult couple (married or unmarried)
- any other adult aged 16 or over
- any two children of the same sex aged under 16
- any two children aged under 10
- a carer (or team of carers) providing overnight care

Exemptions are in place for households where armed forces personnel are not permanently resident; and a last-minute amendment to the policy means that foster carers are allowed one additional room in their home provided they have registered as a foster carer or had a placement within the last 12 months. However, this exemption only covers one bedroom; multiple rooms used for housing foster children will still be counted as over-occupying.

If claimants are deemed to be “under-occupying” their property by having more bedrooms than required according to the list above, then Housing Benefit may be reduced.

- 14% for under-occupancy by 1 bedroom
- 25% for under-occupancy by 2 bedrooms or more

The result is that people who experience a reduction in Housing Benefit will now have a shortfall to make up in rent payments. The Scottish Government does not control Housing Benefit, but some campaigners have also called on the Scottish Government to amend Scottish housing law to ensure that tenants are not evicted as a result of this under-occupancy deduction in HB. In response, the Scottish Government has written to all local councils “to encourage them to consider all possible options and use all reasonable means to prevent eviction of housing tenants struggling to pay rent due to the bedroom tax.”<sup>3</sup> Some local authorities have given an assurance that no-one will be

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<sup>3</sup> Scottish Parliament Information Briefing, Briefing for the Public Petitions Committee, PE01468, April 2013

evicted solely due to arrears caused by this shortfall in rent payments, but this is a short-term promise which is not sustainable in the long term – local authorities require to collect rent, and therefore local authority budgets will be adversely affected if local councils absorb the difference between housing benefit and the rent paid.

### **Why is this change to Housing Benefit so controversial?**

Although the exact numbers of people affected cannot be predicted, the UK Government estimates that 80,000 claimants will be affected in Scotland<sup>4</sup>, although most campaign organisations are placing this figure slightly higher at 100,000.

Particularly vulnerable to these changes are:

- Disabled people whose homes have been specially adapted, and therefore the move to another property would be complex;
- Single parents who share custody of children;
- People who through ill health have to sleep apart from their partner;
- People stuck living in two bedroomed houses because the one bedroomed housing is in extremely short supply.

People often have informal caring arrangements within families, particularly grandparents who care for grandchildren. This will not be criteria taken into account when determining under-occupancy of properties. The resultant disruption and possible upheaval of having to relocate to another property is likely to have negative impacts on people's social ties and, often, removing people from the community in which they currently live. For many, however, the option to down-size is simply not there.

## **E. Coping with the changes: what can churches do?**

### **Pastoral Support**

Simply by being aware that there are significant changes about to take place ministers, district elders and pastoral care teams will be better equipped to respond to the additional stress or strain which people who are part of your church or local community will be feeling.

### **Be informed**

The Church of Scotland (in conjunction with the Joint Public Issues Team from the Methodist Church, Baptist Union of Great Britain and United Reformed Church) recently published a report called "The lies we tell ourselves: ending comfortable myths about poverty". This report is available to view here: <http://www.jointpublicissues.org.uk/truthandliesaboutpoverty/>

This report contains a number of case studies and easy to use "infographics" which set out some of the truths and lies about poverty that are portrayed by politicians, media, and in every day conversations. The report equips Christians to challenge misconceptions, and the website has a very useful section with resources.

On this website, there are links to resources including:

- A sample children's talk
- Bible study materials, suitable for small group discussions
- Discussion leaflets on money
- Help to email your MP or to contact local newspapers to challenge their use of negative rhetoric about 'scroungers'.

### **Reach Out**

#### Support local food banks

There has been a significant rise in the number of food banks as people are struggling to make ends meet. Are there already food banks operating in your local area?

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<sup>4</sup> Department for Work and Pensions, "Under-occupation of social housing- impact assessment", p10

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/138017/social-sector-housing-under-occupation-wr2011-ia.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/138017/social-sector-housing-under-occupation-wr2011-ia.pdf.pdf)

If so, could you run an appeal for the food bank at your church? A monetary collection or a food collection? Offer to place posters about the food banks in the halls that you use.

#### Make information available

Church buildings have a significant foot fall not just from the congregation but from others who use the halls throughout the week, including parents or carers. Make sure you have a well displayed notice board where you have resources such as phone numbers / opening times for local Citizens Advice Bureaux, food banks, Money Advice Services etc.

#### Invite speakers to your events

Consider having a meeting where you invite someone from Citizens Advice, or a Money Advice Service to come and give more details about the changes to the welfare system. The Church and Society Council are also happy to come to speak at meetings, such as Presbytery meetings.

#### Volunteering: people and computers

Do you have volunteers who could offer to help people who are lacking in confidence about their computer skills? Perhaps you have time to drive someone to the local Jobcentre or accompany them to a meeting about their new benefit entitlement?

If your church office computer is lying unused for much of the week, perhaps you could consider making it available for those who do not have internet access at home?

#### **Actions for individuals**

##### Writing letters to policymakers

If you are going to write to a politician, it is often useful to include some local examples to illustrate your point. MPs and MSPs are accountable to the people living in the constituency or region that they represent, and you have a right to contact them and to ask them for assistance or support. The UK Parliament and the Scottish Parliament have responsibility for different aspects of the welfare changes, so if you are in doubt as to who best to contact, then please get in touch with SCPO: [info@actsparl.org](mailto:info@actsparl.org) 0131 220 0246

#### **We are looking for your help!**

SCPO is shortly going to be carrying out a short research project into Scottish Churches' response to welfare changes. If you wish to share information with us, please contact SCPO: [info@actsparl.org](mailto:info@actsparl.org) 0131 220 0246

#### **Other Key Church Resources**

Faith In Community Scotland has produced an excellent leaflet which sets out very concisely the main welfare changes, and a few useful case studies for consideration:

<http://faithincommunityscotland.org/wp-content/uploads/2013/03/Welfare-Reform-leaflet.pdf>

This leaflet has already been distributed to ministers in the Glasgow area.

Scottish Churches Parliamentary Office Briefing: How to Lobby (contains hints and tips as to how to effectively engage with your elected representatives): <http://www.actsparl.org/resources/how-to-lobby.aspx>



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