



Welfare Reform Act 2012

16 May 2012

The Welfare Reform Act has [now received royal assent](#). The Act provides for the introduction of universal credit, which will replace:

- income-based jobseeker's allowance (JSA)
- income-related employment and support allowance (ESA)
- income support (IS)
- housing benefit (HB)
- child tax credit (CTC)
- working tax credit (WTC)

The rules for state pension credit will be amended to allow for a housing element following the abolition of HB. Note: council tax benefit (CTB) will be replaced by a new scheme, administered by local authorities rather than universal credit.

The Welfare Reform Act also makes provision for a new benefit, personal independence payment, which will replace the existing disability living allowance for those of working age.

The Act consists of 7 Parts:

Part 1 – Universal credit

Part 2 – Working-age benefits

Part 3 – Other benefit changes

Part 4 – Personal independence payment

Part 5 – Social security: General

Part 6 – Miscellaneous

Part 7 – Final

In general, the provisions of the Act apply to Wales in the same way as they apply to England. Some of the provisions of the Act will require the consent of the Scottish Parliament.

Part 1 – Universal credit

This contains provisions and confers regulation-making powers for an integrated working-age benefit called universal credit, which, depending on the claimant's circumstances, will include a standard allowance (to cover basic living costs) along with additional elements for responsibility for children or young persons, housing costs and other particular needs.

Universal credit will be paid to people both in and out of work, replacing working tax credit, child tax credit, housing benefit, income support, income-based JSA and income-related ESA. It will provide support for people between 18 (or younger in specific circumstances) and the age at which the claimant becomes eligible for state pension credit.

In order to get universal credit claimants will have to meet certain responsibilities. These are work related requirements which will be recorded in the 'claimant commitment'. The claimant commitment will be a record of the requirements claimants are expected to meet in order to receive benefit and the consequences should they fail to do so.

The work related requirements are:

- work focused interviews
- work preparation
- work search
- work availability

The level of requirement will depend on the claimant's particular circumstances but can be:

- no work-related requirement
- work focused interview requirement only
- work focused interview and work preparation requirements
- all work-related requirements

A claimant can incur benefit sanctions for failure to meet a work-related requirement, though hardship payments may be available in certain circumstances.

The Act also provides for a taper which reduces benefit at a constant rate as earnings increase (Schedule 5 makes similar provisions for claimants on JSA or ESA)

Part 2 – Working-age benefits

Part 2 makes provision for changes to the responsibilities of claimants in the period leading up to the introduction of universal credit and the abolition of the various benefits. What this means is that the claimant commitment will also be a requirement for these benefits prior to abolition.

The work-related requirements and sanctions, apart from small differences, will be the same for those on contributory JSA or ESA as for universal credit.

Other changes include

- time limiting of contributory ESA to one year from April 2012 (see [Abolition of concessionary Employment and Support Allowance \(ESA\) 'youth' National Insurance qualification conditions](#) - impact assessment).
- abolition of youth ESA for new claimants from April 2012 (see [Abolition of concessionary Employment and Support Allowance \(ESA\) 'youth' National Insurance qualification conditions](#) - impact assessment).
- time limiting of youth ESA, for existing claimants, to one year
- removal of entitlement to income support for lone parents with children aged five or six.
- the introduction of entitlement to work as a condition of entitlement for contribution-based JSA, contributory ESA, maternity allowance and all statutory payments.
- removal of requirements placed on claimants to engage in certain activities and also provisions in relation to voluntary and mandatory rehabilitation plans where they are claiming JSA or ESA and are dependent on, or have a propensity to misuse, drugs.

Part 3 – Other benefits

This Part 3 contains changes to a number of other social security benefits, including:

- The ending of discretionary payments under the social fund - This means that community care grants and crisis loans other than those currently available to applicants pending payment of benefit ("alignment loans") will cease. Instead, in England, new locally-administered assistance will be provided by local authorities. In Scotland and Wales the Devolved Administrations will decide the most appropriate arrangements for assistance. Budgeting loans and alignment loans will be replaced by payments on account.
- Changes to HB eligible rent for social housing - Working age housing benefit claimants living in social accommodation (council houses, housing association property) which is considered to be too large will need to make up any shortfall between the rent and their housing benefit entitlement or move to smaller, and more inexpensive, accommodation. For more information see the [social sector housing under occupation impact assessment](#).

The Act also provides for the pension credit carer's addition to be paid to people who have regular and substantial caring responsibilities without the need to claim carer's allowance.

Part 4 – Personal Independence Payment

The personal independence payment (PIP) replaces working age disability living allowance from 2013-14. The provisions in Part 4 set out the framework for the new benefit, while the consultation responses will feed into the detailed design of the benefit which will be provided for in secondary legislation.

Personal Independence Payment will have two components:

- daily living component
- mobility component

Each component has two rates:

daily living component standard rate – If the person's ability to carry out daily living activities is limited by the person's physical or

mental condition; and the person meets the required period condition.

daily living component enhanced rate – if the person’s ability to carry out daily living activities is severely limited by the person’s physical or mental condition; and the person meets the required period condition.

mobility component standard rate – if the person is of or over the age prescribed for the purposes of this subsection; the person’s ability to carry out mobility activities is limited by the person’s physical or mental condition; and the person meets the required period condition.

mobility component enhanced rate - if the person is of or over the age prescribed for the purposes of this subsection; the person’s ability to carry out mobility activities is severely limited by the person’s physical or mental condition; and the person meets the required period condition.

The period condition requires the limited or severely limited conditions be satisfied 6 months prior to claiming and to be likely to continue for a period of at least 6 months after claiming.

People with a terminal illness (same definition as for DLA) automatically receive the daily living component enhanced rate and will not have to satisfy the period condition for the mobility component.

The Act also includes situations where PIP will not be paid – people in care homes, hospitals or prison.

PIP will not be paid once someone reaches the age of 65 or pensionable age, whichever is the higher, though subsequent regulations may allow someone to stay on PIP if they claimed before the age cut off point.

Draft regulations for PIP have now been published. You can view these on the DWP website at <http://tinyurl.com/67a88qp>.

Part 5 – Social security: general

This Part 5 contains provisions relating to the administration of social security benefits. It includes provisions relating to the

capping of benefit payments, measures to deal with benefit and tax credit fraud and enabling the Secretary of State to share data with other bodies. They include:

- Subsections (2) and (3) of clause 99 amend section 12 of the Social Security Act to enable the Secretary of State to make regulations setting out the cases or circumstances in which an appeal can be made only when the Secretary of State has considered whether to revise the decision.
- Clause 102 covers the recovery of benefit payments.

Clause 102 of the Welfare Reform Act,

“...will allow all overpayments of universal credit, jobseeker’s allowance and employment and support allowance to be recoverable [there will be some exceptions in the case of housing credit for pensioners]. Similarly, all payments on account and certain hardship payments will be recoverable. The clause will ensure that overpayments of all other benefits remain recoverable, as they are now, but only in circumstances in which there has been a misrepresentation or failure to disclose.”

There will be the discretion not to recover in official error cases. [Source [Hansard 23rd sitting of Welfare Reform Committee](#) - 19 May 2011]

Part 6 – Miscellaneous

Part 6 makes provision to implement those proposals in the consultation document, Strengthening families, which require primary legislation. The document set out the Government’s view that parents should be encouraged and supported to make their own arrangements for the maintenance of their children, rather than using the statutory maintenance scheme. This will enable the Child Maintenance and Enforcement Commission ("the Commission") to focus on those cases where it is not possible for parents to make those arrangements themselves.

More information

- the act and related
 1. [welfare reform act](#)
 2. [dwp welfare reform act resource page](#)
- [dwp press release](#) (8 March 2012)

- [welfare reform \(further provision\) \(scotland\) bill](#) - A Bill for an Act of the Scottish Parliament to enable the Scottish Ministers to make provision by regulations in consequence of the Welfare Reform Act 2012 (in respect of matters other than reserved matters).
- [scottish welfare reform bill moves forward](#) - 16 May 2012

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