

Budget 2003

**SPECIAL
benefit rates
poster issue**

With “the number of unemployed claiming benefit ... below one million for the first time since 1974 (and) one and a half million more people in work than in 1997”, the Chancellor announced a series of welfare benefit related reforms in Budget 2003 designed “to encourage greater flexibility and fairness ... (and) advance our goal of full employment in every region and every nation of the United Kingdom.”

However whilst, as a result, the majority of the new measures focused on welfare-to-work initiatives, there were also announcements relating to, for example, extra money for pensioner households; the abolition of the hospital downrating rules; and a wide-ranging review of financial support for 16–19 year olds.

Carrots and sticks for JSA claimants

With the promise of greater rewards for staff in top performing Jobcentre Plus districts (and the replacement of managers in the bottom performing 5%), the Chancellor announced a package of measures designed to promote greater flexibility and discretion for Jobcentres to respond to local conditions through, for example –

- the creation of a new, annual £20m fund that will allow local managers more discretion to decide how they help local people move into work;
- more flexibility for Personal Advisers to allow early entry into the New Deal; and
- a new £8m fund earmarked over two years for Jobcentre Plus to help people from ethnic minorities into work, and specialist advisers in areas with high ethnic minority populations.

However the package of measures also includes a more intensive ‘actively seeking work’ regime that will see –

- JSA recipients being required to sign on weekly instead of fortnightly between the thirteenth and nineteenth week of a claim;
- the travel to work area for JSA recipients being widened from one to one and a half hours after 13 weeks of a claim; and

- an increase in the minimum number of job applications that all JSA claimants will be expected to make.

Housing Benefit reform

In addition to the new flat rate local housing allowance based on area and family size that is due to replace Housing Benefit in pilot areas later this year, the Chancellor also announced further reform of Housing Benefit designed to “improve financial gains to work (and) facilitate labour mobility”, including –

- from April 2004, the abolition of HB benefit periods for all “working age” claimants;
- from April 2004, not requiring those moving into work to submit a new claim for Housing Benefit. In addition the claimant will remain entitled to the same rate of benefit until the HB award is reassessed; and
- from April 2004, disregarding the first £11.90 of the income of all those eligible for Working Tax Credit in the assessment of Housing Benefit, rather than the current disregard of the 30 hour premium.

More help for families and children

In furtherance of the Government’s goal of bringing about a reduction in child poverty, the Chancellor announced that –

- from April 2004, the restriction in the childcare element of the Working Tax Credit that prevents mothers on paid maternity leave receiving help with the costs of childcare for their new babies will be removed; and

- from October 2004, lone parents in 8 pilot areas will be eligible for a £40 a week premium for a year when they get a job, and £20 extra a week for up to a year while they are actively looking for work. In a further four areas, the in-work bonus alone will be piloted.

Hospital downrating

With immediate effect, claimants in hospital for up to 52 weeks will not have their benefit downrated after 6 weeks as before. In addition, those already in hospital who have had their benefits downrated will have the full rate restored from 21 May 2003.

The measures will apply to Income Support, Minimum Income Guarantee, Pension Credit, Housing Benefit and Council Tax Benefit, Bereavement and Widowed Parent’s Allowance (and widows’ benefits), Incapacity Benefit, Severe Disablement Allowance and Retirement Pension.

Extra money for pensioner households

Resisting pressure to increase the 25p addition to the State Retirement Pension for those aged 80 or over, the Chancellor instead announced that households with a person aged over 80 are to be entitled to an additional £100 annual payment.

Whilst the payment will be over and above the existing Winter Fuel Payment, consideration is being given as to whether it will be paid separately or with the existing £200 lump sum.

Financial support for young people

The Chancellor announced a review of financial support for 16 to 19 year olds, including – the financial incentives for young people to participate in education and training and the interaction between this support and any new minimum wage for 16 and 17 year olds; the financial support for young people and their parents or carers, including those who are living independently and those in very low paid employment; and how the system of financial incentives and support could be rationalised, given the variety of channels through which it is currently delivered.

“coming soon”...

jan 2003

Tax Credit appeals

- Appeals against decisions on Working Tax Credit and Child Tax Credit to be heard by Appeals Service appeal tribunals, on a transitory basis, until the planned reforms of the Tax Commissioners are complete.

Asylum Support

- Restrictions on access to asylum support for those who don't make prompt asylum claims or fail to provide sufficient information in relation to their claim.

march 2003

Child Support

- Introduction of a new calculation and the child maintenance “premium” – a £10/week disregard for Income Support and income-based JSA purposes.

Asylum Support

- Extra support from the National Asylum Support Service for pregnant women and children under the age of 3.

april 2003

Tax Credits

- Child Tax Credit and Working Tax Credit replace Working Families' Tax Credit, Disabled Person's Tax Credit, Children's Tax Credit, New Deal 50+ Employment Credit and the child dependant additions in new claims for National Insurance and 'earnings replacement' benefits.

Child Benefit

- Responsibility for Child Benefit transferred to the Inland Revenue.

Maternity Pay and leave

- Statutory Maternity Pay and Maternity Allowance increased to £100/week.
- Maternity pay period extended from 18 to 26 weeks.

Paternity Pay

- Two weeks Statutory Paternity Pay, paid at same flat rate as SMP.
- Income Support available to those not entitled to Statutory Paternity Pay.

Adoption Pay

- Paid adoption leave for same period, and at same flat rate, as SMP.

Benefits for carers

- Invalid Care Allowance renamed Carer's Allowance.

Benefits in hospital

- Claimants in hospital for up to 52 weeks will no longer have their benefit downrated.

Supported accommodation

- “Supporting People” – transitional Housing Benefit scheme replaced with single Local Authority budget.

Payment of benefit

- Move toward the payment of the majority of welfare benefits by automated credit transfer directly into bank and building society accounts.

information courtesy of **rightsnet** – the welfare

benefits updater

october 2003

Reform of Housing Benefit

- Standard local housing allowances based on area and family size to replace Housing Benefit in the deregulated private rented sector in ten pathfinder areas.

HB benefit periods

- HB benefit periods for pensioners to be abolished.

Incapacity Benefit pilots

- For new claimants, the creation of a new framework of five or six work-focused interviews spaced over the "early stages of the claim."
- A new £40 a week Return to Work Credit paid for 52 weeks to those finding a job that pays less than £15,000 per year.
- For those appealing against an incapacity decision, the removal of the right to claim reduced rate Income Support.

Benefits for the elderly

- Introduction of Pension Credit – will subsume the Minimum Income Guarantee for those over 60, and provide for a Savings Credit for those over 65.
- Abolition of the upper capital limit for the Guarantee element of Pension Credit.
- New tariff income rules – with every £500 capital in excess of £6000 generating £1 of tariff income.

Benefits in residential & nursing care

- Those in receipt of the Income Support/income-based JSA Residential Allowance or local authority "Part III" rate will transfer to the standard Income Support/JSA personal allowance or to Pension Credit.

National minimum wage

- Adult rate increased to £4.50/hour and youth rate to £3.80.

april 2004

Asylum Support

- Local Authority responsibilities under the interim scheme due to end.

Tax Credits

- Child elements in Income Support and income-based JSA replaced by Child Tax Credit.

HB benefit periods

- HB benefit periods abolished for all claimants.

october 2004

Lone parents

- Lone parents in pilot areas will be eligible for a £20/week 'worksearch' premium for up to a year while they are actively looking for work, and a £40/week bonus for a year on getting a job.

april 2005

Reform of Housing Benefit

- Standard local housing allowance pilots to be rolled out nationally.

