The Cumulative Effect – The impact of welfare reforms on families with disabled children now and for future generations to come

The last 18 months have seen the announcement of a number of major reforms to the benefits and tax credits system, amounting to one of the most far-reaching overhauls of the welfare system in generations. Contact a Family welcomes the government’s determination to create a benefit system that is simpler, easier to understand, and with greater incentives for those who are able to work. However we are conscious that for some families with disabled children work is not necessarily a realistic option. With this in mind we were greatly encouraged by assurances that the governments reforms did not intend to reduce the levels of support ‘for people in the most vulnerable circumstances’.

Quite apart from the emotional and physical challenges involved in caring for a disabled child, families with disabled children face two specific financial challenges that are additional to those faced by all families. Firstly they incur considerable extra and ongoing costs in caring for their child - it costs three times more to raise a disabled child. In addition families with disabled children will face specific difficulties in sustaining employment due to the demands of juggling work and caring. Consequently disabled children and their families are at greater risk of living in poverty.

Against this background, Contact a Family had hoped that the government would endeavour to ensure that its welfare reforms did not disadvantage families with disabled children. However as details of the planned reforms have become clearer, we have become concerned that some of the reforms could substantially reduce the financial support available to some families with disabled children. This is most pronounced in the government’s proposal to halve the basic disability addition paid in respect of a disabled child via the Universal Credit. However other reforms are also likely to cause financial hardship, especially as changes to different benefits will have a cumulative effect on many households. Our specialist welfare rights team have produced four case studies to illustrate the cumulative impact of the welfare reforms on families with disabled children these can be found at the end of this briefing (see Section 7).

Section 1: Cuts in disability additions for disabled children under the Universal Credit

The main disability benefit claimed by families with a disabled child is Disability Living Allowance (DLA). This is non means tested and as such is potentially available to all parents with a disabled child dependent on the severity of their child’s condition. The government has decided to retain DLA for disabled children until such time that it can review the success of the replacement of DLA for adults by the new Personal Independence Payment. Contact a Family supports this policy.

However apart from DLA, a family may also qualify for additional disability payments as part of their entitlement to certain income-related benefits such as child tax credit or housing benefit. Under the Universal Credit the government has proposed a significant cut in the amount of the disability addition paid to all but the most severely disabled children.

Disability additions under the current system

Disability additions are not benefits in their own right, instead they are extra amounts that can be paid as part of entitlement to tax credits and certain means tested benefits. As a result not all families with a disabled child receive a disability addition only those whose income is low enough.

At present, if you claim tax credits and your child gets DLA you may, depending on your income, get an additional tax credit payment called a disability element for that child. This is worth up to £53.62 per week. If your child gets DLA care component at the highest rate you may qualify for further additional payment called the severe disability element. This is worth £21.63 per week. This means that you can get up to £75.25 per week in additional disability payments for a child on high rate care component. For those out of work families who have not yet claimed tax credits, equivalent additional payments known as the disabled child premium and enhanced disability premium exist as part of a claim for income support, or certain other means tested benefits.

Disability additions under Universal Credit

When the Universal Credit is introduced it will replace most means tested benefits including tax credits, income support and housing benefit. Like the benefits it is replacing the Universal Credit will also include additional disability payments for children. The government proposes* that there will be

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1 “21st Century Welfare” Department of Work and Pensions 2010; para 6 Executive Summary
2 Paying to Care: the costs of childhood disability by Barbara Dobson and Sue Middleton
3 Department of Work and Pensions 2006/07 Households Below Average Income showed the risk of relative poverty for families with a disabled child but no disabled adult family member has increased from 20% to 25%, meaning disabled children are now at greater risk of living in relative poverty than non-disabled children.
4 DWP 2011 Universal Credit Policy Briefing Note 1
two rates of child disability addition – a high rate and a low rate. If your child gets high rate care of DLA or has a severe visual impairment you will receive the higher additional payment. This is likely to be paid at a rate broadly equivalent to the current figure of £75.25 per week.

If a child’s DLA award does not include the high rate care component and they are not severely visually impaired then they will qualify for the lower disability addition. The government proposes that this will be a payment of £25.95 per week. Given that the disability element is currently £53.62, this represents a cut of £27.67 per week.

Under Universal Credit entitlement to the higher addition will be limited to two groups -those with a severe visual impairment and those who qualify for the high rate of the DLA care component. In order to get the high rate of the DLA care component a child must require substantial amounts of care throughout the day and also care during the night. A child without any visual impairment who doesn’t require help during the night will only ever be eligible for the low rate disability addition – this will remain the case even if he or she has very complex disabilities requiring continual care for the whole time that they are awake. The only exception to this will be where a child has a terminal illness and their death is expected within 6 months.

Numbers of children affected
Analysis of tax credits and DWP statistics suggests that 289,000 parents currently qualify for disability additions under the existing system of tax credits and means tested benefits. Of these around 170,000 would qualify for the lower rather than higher addition and are at consequently at risk of having their disability addition halved if and when they lose transitional protection.

The government has promised transitional protection to ensure existing claimants do not lose out when they are moved over onto the Universal Credit. However we do not yet know how long this protection will last nor what sorts of changes of circumstances would bring it to an end. In addition, transitional protection will be of no assistance to those future generations of disabled children who first start to qualify for disability additions after the introduction of the Universal Credit. It is likely that more than half of these new claimants will qualify for the reduced lower addition rather than the higher addition. These children will receive £1438 less per year than would have been paid under the existing system. For a child who qualifies for DLA from age 3 months, this could mean a loss of more than £22,000 by the time they reach 16.

Aligning payment rates does not mean equality of treatment
The government has justified cutting the basic disability addition for disabled children, on the grounds that it is aligning payments with the additions paid to disabled adults. Presumably this is seen as ensuring that all disabled people receive similar levels of financial support regardless of their age. However the government’s proposals will not result in equity of treatment. This is due to differences that will exist in the eligibility criteria for the higher disability addition.

Disabled adults will qualify for the higher addition if they fall into the support group for Employment and Support Allowance. The low rate disability addition will therefore apply to those adults who have been assessed as having a reasonable prospect of eventually moving into work despite their health problems. However the test that will apply to children is significantly harder to satisfy – a child will only qualify for the higher addition if they have a severe visual impairment or are so severely disabled that they need both day and night care. As a result it is likely that many severely disabled children whose conditions are such they will qualify for the higher addition as an adult (for instance a child in receipt of DLA at the high rate for mobility component and the middle rate for care component) will be restricted to lower rate additions until they turn 16.

Alongside DLA, disability additions play a crucial role in helping families to meet the financial challenges that are often triggered by having a child with a disability. Even at the current rates of payment many families with disabled children struggle financially. A recent survey carried out by Contact a Family found that 90% said that financial worries had a detrimental impact on family life with 23% going without heating, 14% going without food and 51% having had to borrow from friends and family to keep afloat or pay for essentials. Against this backdrop a halving in the amount of the basic disability addition will lead to significant financial hardship for large numbers of parents looking after children with disabilities.

The Universal Credit and payments to disabled parents caring for a disabled child
The government also plans to change the rules which currently allow a carer who also has health problems of their own to qualify for a disability addition and a carer addition (currently known as the ‘carer premium’ at the same time). Under Universal Credit a disabled adult who provides care for a disabled child will either get a disability payment as an adult or an additional payment as a carer – but not both. For some families (although not those transitionally protected) this could mean a loss of up to £31 per week.

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5 According to HMBC figures there are 145,400 in work families receiving an additional disability payment via child tax credit. Of these, 87,800 receive the basic (i.e. lower) disability element. There are also 118,300 out of work families receiving a disability payment via child tax credit. Of these, 67,300 qualify for the basic disability addition. In addition, the DWP state that around 25,000 families receive disability additions for children via income support or income based job seekers allowance rather than tax credits. Assuming that the percentage of these claimants qualifying for the lower addition is consistent, this represents a cut of £27.67 per week.

6 64 % of all DLA claimants aged under 18 do not receive the high rate care component. Even allowing for a small cohort who qualify for the higher addition by way of a severe visual impairment, more than half of disabled children in the future will qualify for the reduced lower disability addition.

7 Counting the Cost 2010 Report – Contact a Family

8 Para 3e, Universal Credit Policy Briefing Note 1
Section 2: The Universal Credit and help with childcare costs

One of the main barriers to work for families with a disabled child is childcare. Many parents with a disabled child report a lack of suitable provision. This not only applies to regulated forms of childcare such as childminders or nurseries but also to informal childcare. Some parents report that friends and extended family are less likely to offer to help look after a child who has special needs – particularly if those needs are complex. Even where suitable childcare is available, it will often be more expensive e.g. because a child may require one to one support.

Cuts in the percentage of childcare costs

Under working tax credit rules, 70% of childcare costs can be met. It has been suggested that the percentage met under Universal Credit will be broadly similar. It is therefore tempting to assume that the support available with childcare under the Universal Credit will be roughly equivalent to existing provision. However for families on low incomes in rented properties, there is likely to be substantial cut in help with childcare costs. Where someone is currently in receipt of housing benefit (HB) and council tax benefit (CTB) alongside working tax credit they can currently receive help with up to 95.5% of childcare costs. This is because 100% of childcare costs (subject to certain caps) can be offset against earnings in calculating entitlement to HB/CTB.

Restricting the amount of childcare costs that can be met

Apart from those affected by a reduction in the percentage of costs met, other families are likely to lose out if, as expected, the cap on maximum childcare costs is more restrictive under Universal Credit.

Under Universal Credit the government intends to extend help with childcare to those working under 16 hours. However the government has also said that there will be no increase in spending towards childcare costs. If the numbers of beneficiaries are to increase but costs remain static it seems likely that the maximum amount of weekly childcare costs to be taken into account will be restricted.

Options under consideration by the government include:

- Retaining help with 70% of costs but reducing the amount of childcare costs that can be taken into account from £175 to £125 per week for one child, and from £300 to £215 per week for two or more children.
- Increasing the percentage of costs met to 80% but reducing the cap on weekly costs taken into account to £100 for one child and £170 for two or more children.

Restricting help with childcare costs means work may not pay for some families

If help with childcare costs is restricted in this way it will mean significant cuts in help for those families with higher childcare costs. A working family paying £300 per week for the care of two children would only receive £147 per week towards childcare under the first option outlined above, and £136 per week under the second option. This compares unfavourably with the current rules where a family would receive £210 per week if they claimed tax credits only, and up to £286.50 if they were also eligible for housing benefit and council tax benefit.

Unless there is additional funding for childcare under the Universal Credit it appears that many working families with low incomes and high childcare costs will receive far less help under Universal Credit. These proposals for help with childcare via the Universal Credit could impact on any working family. However given the higher childcare costs that many families with a disabled child face, Contact a Family believes these families are disproportionately likely to be adversely affected. In many cases the size of the shortfalls are likely to be such that families could end up being worse off in work. Not only would this serve to increase the barriers that parents with a disabled child face in returning to work but it also conflicts with the fundamental aim of the reforms to ensure that work always pays.

Section 3: Council tax benefit reform

From April 2013 local authorities will be given the responsibility to draw up their own local council tax benefit schemes. As part of this process of localisation, spending on council tax benefit will be reduced by 10% on current levels.

Currently council tax benefit is based on rules that apply uniformly across the UK. People who claim means tested out of work benefits tend to qualify for a full rebate so pay no council tax at all. However those with earnings or certain other forms of income can still receive some help - although the amount of that rebate will be reduced dependent on the claimant’s means.

Restrictions in council tax benefit likely to be greater than 10%

Although overall spending will be reduced by 10%, the government has promised that pensioners will not be affected by this change, continuing to receive council tax benefit under existing national rules. Around 40% of all council tax benefit claimants are pensioners. As a result of protecting pensioners in this way, it appears inevitable that working age claimants - including many families with disabled children - will face cuts in council tax benefit that are significantly higher than 10%.

\[9\] A working parent incurs childcare costs of £100 per week. They can receive up to £70 pw extra in tax credits. However these tax credits are taken into account as income for housing benefit (HB) and council tax benefit (CTB). While their actual income has increased by £70, they can offset 100% of childcare costs against their earnings. With income increasing by £70 but earnings reducing by £100, overall income for HB/CTB has reduced by £30 pw. As a result they will receive up to £19.50 extra in HB and up to £6 per week extra in C TB. £70 WTC + £19.50 HB + £6 = £95.50 per week towards childcare costs.

\[10\] DWP Quarterly Statistical Summary Aug 2001
It is true that local authorities will have the discretion to protect other vulnerable groups in the same way as pensioners and this could include families with a disabled child. However there are no guarantees that all or even a majority of local authorities will be willing to consider this option.

Local authorities will be free to establish their own rules for calculating council tax benefit for working age claimants and a postcode lottery is likely to emerge as local schemes diverge. However all local authorities are likely to face a similar dilemma in how to make the required savings. They can reduce the help with council tax available to working families, reduce the help available to out of work families or share the pain across all working age claimants.

None of these options are likely to be palatable. Reducing help with council tax bills for working families on low earnings would work against wider welfare reforms, potentially reducing the gains working families might otherwise see via the Universal Credit.

Reducing the help available to out of work families has the potential to thrust some of the poorest families in the country into financial hardship. Currently out of work families who receive means tested benefits such as income support are automatically entitled to a full council tax rebate. This long standing rule explicitly acknowledges that such families have an income that is insufficient to allow them to pay any council tax. However under the planned reforms to council tax many of these families will be expected to start paying council tax for the first time. Unless families with a disabled child are protected in the same way as pensioners, some of the poorest families with a disabled child may find that they are obliged to use some of their child’s disability living allowance to meet council tax liability rather than their child’s extra needs.

**Section 4: Housing benefit reforms**

The government has already made a number of changes to rules governing housing benefit in the private sector. In particular it has amended the local housing allowance (LHA) rules so that:

- The maximum amount of housing benefit payable is based on the lowest 1/3 of rents in an area rather than the median rent.
- There is an absolute cap on the maximum amount of LHA that can be paid – a measure that affects private tenants in inner London and other areas where rents are very expensive.
- Increasing the size of property that a family is deemed to require where there is a need for an extra room for an overnight carer. However this only applies where the tenant or their partner requires an overnight carer and not where the overnight carer is needed by a disabled child.

Although these changes to housing benefit were introduced from April 2011 for new LHA claimants, for the most part they will not start to apply to existing tenants until January 2012 onwards.

The Department of Work and Pension’s own impact assessment on the proposed changes to housing benefit, estimates that 99% of local housing allowance cases will be affected by the proposed changes, with an average decrease in benefit of £12 per week. The impact of shortfalls of this level will hit families on low incomes hard and could easily lead to large increases in cases of rent arrears and potential evictions. We are deeply concerned that reductions in housing benefit will severely impact on families with a disabled child. These families are more likely to be in rented accommodation, more likely to be on low incomes and less likely to be able to consider moving tenancy (e.g. because their current tenancy has been adapted for their child or because they need to live close to a specialist school or college).

Many families with a disabled child are already subsidizing a shortfall in housing benefit under the existing, more generous rules. This is particularly likely where a child’s disability means that they cannot share a bedroom with siblings.

**Local housing allowance rules disadvantage some families with a disabled child**

Under local housing allowance rules the maximum amount of housing benefit payable is based on the size of property that family is deemed to need. In calculating the number of bedrooms that a family requires only one bedroom is allowed for two children of the same sex aged under 16, or for two children of different sexes aged under 10. The assumption that children will share a bedroom is built into the local housing allowance rules and applies regardless of the fact that a child’s disability may mean that it is not actually feasible in practice. For instance a child with challenging behaviour may present a risk to siblings or a child with complex disabilities may require frequent or prolonged attention during the night which would be disruptive to anyone sharing their room.

Parents faced with this reality will often feel that they have no option but to rent a property that has sufficient space for their severely disabled child to have a room of their own. The failure to acknowledge that some disabled children cannot reasonably be expected to share a bedroom with siblings has been around for some time. However this problem is likely to be greatly exacerbated as the new LHA rules are applied.

For instance, with LHA rates only covering the cheapest 30% of rents rather than the median - some families will have their housing benefit capped at a level that would only meet the cheapest 30% of rents for properties that

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11 DWP Housing Benefit changes to the Local Housing Allowance arrangements: Impact Assessment 2010
12 Joseph Rowntree Foundation, Housing and disabled children – reviewing the evidence. 2008
are one bedroom smaller than what they actually require (if their severely disabled child is to have his/her own room). Those families who are currently barely managing e.g. by using Disability Living Allowance to subsidise their rent may find that their financial position becomes untenable once their LHA rates is reduced in this way.

Housing Benefit cuts for those living in social housing
The government has now confirmed from April 2013 will also see the government extend the principle of local housing allowance to tenants in social housing. The government has stated that the amount of housing benefit paid in council and housing association tenancies will be capped at a level appropriate to household size. In this way householders (other than pensioners who will be exempt) deemed to under-occupy their tenancy will have their housing benefit capped accordingly. It will assess the size of property a family needs by using the same formula as in the Local Housing Allowance. This means an assumption that children will share a bedroom even though a child’s disability may mean this is not feasible in practice. It also means that an extra bedroom will be allowed where the tenant or their partner requires a non-family carer to sleep over but not apply where a sleep in carer is required by a disabled child.

- Families with disabled children should be exempt from the LHA rule that says that two children of the same sex aged under 16, or two children of any sex aged under 10 should always expect to share a room. Disabled children can need care during the night which will disrupt the sleep of children with whom they are sharing a room.
- The LHA extra room allowance for a non-family carer should be applicable to disabled children as well as disabled adults. Particularly those children with complex needs may need non-family carer to support them during the night.

Discretionary housing payments
It is true that the government has already increased, and will increase further, central government funding for discretionary housing payments. However as cuts in local housing allowance start to impact on pre-existing claimants, so demand for discretionary housing payments is also likely to increase significantly. Consequently there is no guarantee that families with disabled children will be successful in accessing these funds - indeed Contact a Family’s Helpline has already spoken to several parents who have been refused discretionary payments.

The number of families with a disabled child running into problems with rent arrears is likely to increase dramatically as a result of two other changes proposed for April 2013.

Further changes proposed
Firstly it is proposed that local housing allowance rates will rise in line with inflation rather than in line with rents as is currently the case. Over the period 1999 to 2007 the CPI increased by 15%, compared to a 44% increase in average rents. If CPI continues to increase at a lower rate than rents, then over time LHA rates will be sufficient only to meet an ever decreasing percentile of properties in a claimant’s area.

Section 5: Tax credits reform
A number of changes have been announced to the tax credits system many of which will make the system more restrictive. However there are three proposed changes that we believe could have particular ramifications for many families with a disabled child.

Requiring couples with children to work at least 24 hours per week in order to be eligible for Working Tax Credit (WTC).
Currently a couple with children are eligible to claim WTC if one partner works at least 16 hours a week. From April 2012, a couple wishing to get WTC either need one partner to work at least 24 hours or they will need to work 24 hours between them with one partner working at least 16 hours a week. Given the substantial caring responsibilities they have, Contact a Family is concerned that many couples with a disabled child may have less scope to be able to work an additional 8 hours than other parents. Restricting eligibility to working tax credit in this way makes little sense, especially since it’s replacement - the Universal Credit – aims to do away with hours rules that lead to jumps in entitlement once a certain number of hours are worked.

Backdating of tax credits will be reduced from three months to one month.
At the moment a claim for tax credits can be backdated up to 3 months from the date that you first claim. Similarly if you tell the Tax Credits Office about a change in your circumstances resulting in extra tax credits, this increase can be backdated up to 3 months from the date you first told them about this change. Where entitlement to additional tax credits is dependent on a decision being made to award Disability Living Allowance (which can take many months, especially if a case is appealed) the disability addition can be backdated in line with the DLA award – but only if the parent notifies the Tax Credits office within 3 months of receiving the DLA decision.

From April 2012 the government intends that backdating of tax credits will be restricted from 3 months to 1 month. If this restriction also applies to the time-scale for notifying the Tax Credits Office that a child has been awarded DLA – some parents are likely to lose out on substantial arrears of badly needed additional monies for their disabled child.

The reasons that parents do not inform the Revenue as soon as they get an award may vary. Parents will often be

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13 Shelter 2010 Briefing on housing benefit announcements
explicitly told that DLA is fully disregarded as income for tax credits – given this fact it is no surprise that many assume that there is no need to notify the Revenue about a DLA award for their child. Some parents may be challenging an initial DLA award in the hope of getting an award increased – and may not inform the Revenue until they have a final decision. Other parents, perhaps not surprisingly, assume that the Tax Credits office and the DLA Unit are component parts of one over-arching government body and that an award of DLA will already be known to the tax credit office.

Given the large numbers of parents who had been missing out on arrears of tax credits, the DWP and HMRC did previously set up a system of automatic notification in 200814. This system is supposed to ensure that parents do not lose out, since the DWP should automatically notify the Tax Credits office whenever a child is awarded Disability Living Allowance. However this appears to have had some success in reducing the numbers of cases where families miss out, unfortunately the system does not appear reliable. The Contact a Family Helpline still regularly speaks to parents where no automatic notification of a DLA award took place and where they did not realise there was any need to inform the Revenue themselves. In these cases parents can lose out on arrears of disability additions amounting to several thousand pounds.

Contact a Family is concerned that the numbers of families missing out on arrears is only likely to increase if the window for disclosing a DLA award is reduced to one month. It seems unjust that families should lose out as a result of complexities in the interaction between different benefits – and of the failings of a system of automatic notification previously set up to try and ensure families were not penalised in this way.

From April 2012 falls in income of less than £2,500 will not be taken into account in working out your tax credits

With the exception of those cases where a family sees their income increase by more than £10,000, a tax credit award is normally based on a family’s income in the previous year rather than current year. However where a family’s income is expected to fall, their award can be based on an estimate of current year’s income instead. This means that a tax credit award can be increased immediately to take into account a significant drop in household income – ensuring extra support at the point it is most needed rather than at the end of the tax year.

The Contact a Family Helpline frequently speaks to parents faced with no option but to reduce their working hours. For many parents the birth of a disabled child can be unexpected, challenging a parent’s previous assumptions about a return to full-time work. For other parents a severe deterioration in their child’s condition, a breakdown in existing childcare arrangements (and the lack of suitable replacement care) or the cumulative stress of juggling work and the caring role can leave them with no option but to cut their hours and consequently their earnings. For many of these parents the fact that their lower earnings can be at least partially offset by higher tax credit payments can be crucial in making that family’s household budget sustainable.

However from April 2012 tax credits will not be increased to take into account the first £2500 fall in your annual income – leaving those whose income drops worse off than under current rules. Some families will lose out by just under £20 per week15. Contact a Family is concerned about the implications of this change for those parents who are forced into reducing their working hours or giving up work as a result of their caring responsibilities.

Section 6: Employment and Support Allowance – removal of ‘youth’ rules

In April 2012 the government intends to remove the Employment and Support Allowance (ESA) youth rules for new claimants. These special ‘youth rules’ acknowledge that young disabled people are unlikely to have worked and built up sufficient national insurance contributions to claim contributory ESA under the standard rules. So for those young people aged 16-19 (and for some aged under 25 who have been in education) the contribution conditions are waived and contributory ESA paid regardless of the fact that the young person has no record of national insurance payments.

The government estimates that by 2015/16 15,00016 young people will have been affected by the scrapping of the youth rules. Some of these young people will end up being no worse off - this is because they will get an equivalent amount of income-related ESA instead. However those claimants who have other income or who have capital above certain levels will lose out. Some young people who would receive ESA in youth under current rules will find that they have no entitlement to ESA under the new rules at all (e.g. those with capital above £16,000 or a partner who is working full-time). 10% of claimants are expected to fall into this category17.

The other 90% of claimants are expected to have some entitlement to income related ESA. However some of these young people with other income will receive less in income related ESA than would have been paid under the ‘youth rules’. Government estimates suggest that anything up to 70% of claimants could lose out in this way with an average loss of £25 per week18.

15 Where someone's annual income reduces by £2500 and that there are no other changes in tax credit entitlement, they would currently expect to see their tax credits increase by a figure equivalent to 41% of the reduced income i.e. an increase in tax credits of £1025 for that year. This is equivalent to £19.66 per week. This is the maximum amount that a claimant would lose out by – some families may find this loss partially offset by increased help via housing benefit and council tax benefit.
16 DWP, Abolition of the concessionary Employment and Support Allowance youth national insurance qualifying conditions – Equality Impact Assessment 2011
17 Ibid
18 Ibid
The government expects to save around £11 million per annum19 as a result of scrapping the youth rules. This is a relatively modest saving in the wider context of the social security budget. Yet the impact on those 10% of cases where there is no entitlement to a replacement means tested benefit could be severe – with a loss of up to £113 per week to those households.

This change will only apply to new claims from April 2012. However existing claimants of contributory ESA under the youth rules who fall within the work related activity group will be affected by a separate rule change limiting payment of cESA to 12 months. Currently contributory ESA can be paid indefinitely. The government proposes that the most severely disabled pre-existing ESA claimants who fall into the ‘support group’ will continue to receive this benefit without restriction. However the majority of claimants, those who fall into ‘the work related activity group’ will only receive contributory ESA for 12 months. In addition time spent on contributory ESA or Incapacity Benefit immediately prior to April 2012 will count towards the 12 month limit. Most young people affected by this time-limit should be able to get income-related ESA as an alternative - but some existing claimants will lose all entitlement to contributory ESA in youth, with no replacement income available.

Section 7: Case Studies

Please note because full details of Universal Credit amounts are not contained in the Welfare Reform Act (but will be fleshed out in regulations) this means it has not been possible for us to model the impact of Universal Credit on different families. We have been able to calculate how discreet payments with Universal Credit may affect families (e.g. the disability additions, help with childcare costs) but are unable to work out what the overall entitlement for families is likely to be.

Cumulative impact case study 1
Siobhan is a lone parent with two children, one of whom has cerebral palsy and receives DLA at the middle rate for care. Siobhan gets carers allowance of £55.55, income support of £42.95, child tax credit rules change so that working tax credit can only be paid where a couple work 24 hours between them. Due to his caring responsibilities Mr Khan is unable to increase his working hours – consequently they lose tax credits of £52.90 pw. Council tax is adjusted to take into account reduced income – start to receive full council tax rebate.

April 2012 – tax credit rules change so that working tax credit can only be paid where a couple work 24 hours between them. Due to his caring responsibilities Mr Khan is unable to increase his working hours – consequently they lose tax credits of £52.90 pw. Council tax is adjusted to take into account reduced income – start to receive full council tax rebate.

April 2013 – local authority introduces new localised council tax benefit scheme. Family are asked to pay £10.00 per week towards council tax.

At some point after April 2014, Siobhan will be moved onto the Universal Credit, receives a single payment to replace her income support, child tax credit and housing benefit. Initially the amount she is paid under Universal Credit is transitonally protected. However following a change of circumstances that transitional protection is lost. As a result the disability addition she receives with the Universal Credit is reduced from £53.62 to £26.75 i.e. a drop of £26.87 per week.

Cumulative impact case study 2
Mr and Mrs Green have two dependant children, both of whom have autistic spectrum disorders. Each child qualifies for DLA at the middle rate for care and low rate for mobility. Mr Green works 16 hours per week earning £122 per week. Mrs Green is in receipt of Carer’s Allowance. They also receive child tax credit of £265 per week and working tax credit of £52.90 per week. They have an outstanding mortgage of £40,000 and council tax liability of £25 per week – however due to council tax rebate they only have to pay £6.65 per week.

Cumulative impact case study 3
Mr and Mrs Khan have two dependant children, both of whom have autistic spectrum disorders. Each child qualifies for DLA at the middle rate for care and low rate for mobility. Mr Khan works 16 hours per week earning £122 per week. Mrs Khan is in receipt of Carer’s Allowance. They also receive child tax credit of £265 per week and working tax credit of £52.90 per week. They have an outstanding mortgage of £40,000 and council tax liability of £25 per week – however due to council tax rebate they only have to pay £6.65 per week.

July 2012 – Siobhan’s transitional protection under Local Housing Allowance comes to an end. Her housing benefit is reduced by £14 per week. Siobhan applies for a discretionary housing payment from her local authority but refused.

April 2013 – local authority introduces new council tax benefit scheme. They opt not to protect families with a disabled child from cuts. In this particular locality income support claimants no longer receive maximum rebate. Family are asked to pay £5 per week towards council tax.

At some point after April 2014, Siobhan will be moved onto the Universal Credit, receives a single payment to replace her income support, child tax credit and housing benefit. Initially the amount she is paid under Universal Credit is transitonally protected. However following a change of circumstances that transitional protection is lost. As a result the disability addition she receives with the Universal Credit is reduced from £53.62 to £26.75 i.e. a drop of £26.87 per week.

Cumulative impact case study 3
Mr and Mrs Green have two dependant children, both of whom have autistic spectrum disorders. Each child qualifies for DLA at the middle rate for care and low rate for mobility. Mr Green works 16 hours per week earning £122 per week. Mrs Green is in receipt of Carer’s Allowance. They also receive child tax credit of £265 per week and working tax credit of £52.90 per week. They have an outstanding mortgage of £40,000 and council tax liability of £25 per week – however due to council tax rebate they only have to pay £6.65 per week.

Cumulative impact case study 3
Mr and Mrs Khan have two dependant children, both of whom have autistic spectrum disorders. Each child qualifies for DLA at the middle rate for care and low rate for mobility. Mr Khan works 16 hours per week earning £122 per week. Mrs Khan is in receipt of Carer’s Allowance. They also receive child tax credit of £265 per week and working tax credit of £52.90 per week. They have an outstanding mortgage of £40,000 and council tax liability of £25 per week – however due to council tax rebate they only have to pay £6.65 per week.
Mr and Mrs Green receive tax credits of £225 per week - this includes £106.20 extra towards childcare and a disability addition of £53.62. They also receive £47.50 per week in housing benefit, this amount including an extra £33.15 as a result of childcare costs. They do not qualify for council tax benefit. Between tax credits and housing benefit, the Greens therefore receive help with £139.15 per of their childcare costs i.e. 89.5% of childcare costs (this figure would have been 95.5% if they had also qualified for council tax benefit).

A family whose personal circumstances are identical to the Green’s but who first claim in work benefits after the introduction of the Universal Credit could be significantly worse off.

Firstly the amount of disability addition they receive would be £26.87 less than what they would get under the current system. However they are also likely to receive reduced help with childcare costs. The size of the reduction will depend on the childcare rules that are eventually finalised for the Universal Credit. Options under consideration include:

- A cap of £125 on costs for 1 child with 70% of costs being met – this would mean £88.90 per week towards childcare costs. This is a cut of £50.25 per week on current provision.
- A cap on costs of £100 for one child with 80% of costs being met – this would mean £80 per week towards childcare costs. This is a cut of £59.15 per week on current provision.

The reduction in help with childcare costs would be in addition to the cut in the disability addition.

Local Housing Allowance (LHA) case study
Anita is a lone parent on income support with two children aged 8 and 5. Her eldest son has severe learning difficulties and severe behaviour problems. He frequently gets up during the middle of night and usually requires repeated attempts to get him to return to bed. Occasionally his behaviour can be extreme resulting in aggression towards his younger sibling. As a result Anita rents a three bedroom property to minimise the risks that her disabled son’s behaviour presents to his brother.

Anita moved into her current private sector property in 2009. The rent is £140 per week. Under LHA rules the three bedroom rate for existing claimants is £144. However because of the assumption that her children can share a bedroom she only receives the two bedroom rate, of £127 per week. She must therefore currently meet a shortfall of £13 per week.

In May 2012 Anita’s entitlement to transitional protection under the old LHA rules will cease. At that point the new less generous 2 bedroom rate will apply – this will be £115 per week. The shortfall in her rent thus increasing to £25 per week.

For more information on this briefing please contact:
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Contact a Family is the only UK-wide charity providing practical and emotional support and information to families with disabled children – regardless of disability or health condition. We provide family focused advice on any aspect of caring for a disabled child and put families in touch with each other for support. Last year we helped more than 340,000 families through our range of services.

We give families the skills and confidence to live the lives they want to lead.