

# Get in on the Act

Welfare Reform and  
Work Act 2016

# Get in on the Act

## Welfare Reform and Work Act 2016

### Background

The Welfare Reform and Work Act was introduced in the House of Commons on 9 July 2015, completed its parliamentary stages on 7 March 2016 and received Royal Assent, becoming law, on 16 March 2016.

The Welfare Reform and Work Act takes forward government commitments to introduce a duty to report to Parliament on progress made towards achieving full employment and the three million apprenticeships target in England. The Act also ensures reports on the effect of certain support for troubled families and provision for social mobility, the benefit cap, social security and tax credits, loans for mortgage interest, and social housing rents.

The Act is made up of seven parts as follows:

- Reports (clauses 1 to 3)
- Child poverty (clause 4)
- Life chances (clauses 5 to 7)
- Welfare benefits (clauses 8 to 14)
- Loans for mortgage interest (clauses 15 to 18)
- Social security administration (clause 19)
- Social housing rents (clauses 20 to 30)

The Act will introduce a duty to report to Parliament on progress towards achieving full employment; progress towards achieving three million apprenticeships in England, and progress with the Troubled Families programme (England).

This publication aims to provide readers with an introduction to the Act and summarises the main issues on which the Local Government Association (LGA) lobbied.

### The role of the LGA and local government in influencing the legislation

We worked with LGA vice-presidents, ministers, parliamentarians and civil servants to influence the Act. As well as proposing many amendments and new clauses which drew attention to the LGA's concerns with various aspects of the Act, our key successes include:

- We called for the Government to conduct a review of supported accommodation, which has been confirmed and the Government has announced it will publish its findings in spring 2016. The review is intended to find a workable and sustainable long-term solution for both the supported housing sector and the Government.
- We lobbied the Government to enable councils to take a leading role in housebuilding by lifting housing borrowing limits to allow councils to invest in new housing, giving councils the freedom to set Right to Buy discounts and to retain 100 per cent of all council home sale receipts locally. Chairman of the LGA Lord Porter set out our view in his evidence to the Work and Welfare Reform Public Bill Committee session in September 2015. He explained the LGA fully supported the Government's aims to reduce the cost of the housing benefit bill, and said the only way to do this sustainably would be to build new affordable homes.
- We influenced the Government to put in place a year-long exception for all supported accommodation from the one per cent reduction. This is intended to give the Government time to study the evidence from the review and look at findings in

the spring. In addition to this, the LGA supported amendments which aimed to ensure flexibilities for registered providers of social housing to calculate rents on new properties in line with current guidance. We also supported amendments to social rent reductions, as we estimated the proposals to reduce rents paid by tenants in social housing in England by 1 per cent a year would cost councils around £2.6 billion by 2019/20. We introduced amendments to require the Government to produce a plan to offset the impact on local government and exemptions for tenants of specified accommodation.

- We called for amendments to reporting on the Troubled Families programme (clause 3), an exemption from the benefit cap for people in temporary accommodation (clause 7), and consideration of the impact on housing affordability in the Secretary of State's review of the benefit cap (clause 8).
- For the Troubled Families programme, we emphasised that councils and central government already work together to share data and publish comprehensive results for the programme and we encouraged the Government to make use of the Family Progress data in their reporting.
- The Life Chances section of the Act has supported the development of the Life Chances Strategy. We submitted written evidence to the Joint Work and Pensions and Education Select Committee inquiry on life chances and continue to work with councils and the Department for Work and Pensions to influence the implementation of the strategy. We have called for the Government to reconsider the impact of the benefit reductions on social cohesion, and continue to call for government to work closely with councils on understanding and mitigating the impacts of further welfare spending reductions.

# The key provisions and their implications for local government

## Reports

### **Section 1: Full employment: reporting obligation**

Section 1 places a statutory duty on the Secretary of State to lay a report before Parliament annually on the progress which has been made towards full employment. The report must set out how the Secretary of State has interpreted 'full employment'.

### **Section 2: Apprenticeships reporting obligation**

Section 2 places a statutory duty on the Secretary of State to publish information about the progress made in the reporting period towards the Government's apprenticeship target of creating three million apprenticeships in England during the period beginning with 1 May 2015 and ending with 31 March 2020. The report should be published no later than nine months after the end of each reporting period.

### **Section 3: Support for troubled families: reporting obligation**

Section 3 places a duty on the Secretary of State to issue a notice, before the start of each financial year, specifying the descriptions of relevant households, which support provided by a local authority may constitute relevant support.

## Child poverty

### **Section 4: Child poverty: reporting obligation**

Section 4 places a duty on the Secretary of State to lay an annual report on child poverty before the Houses of Parliament.

## Life chances

### **Section 5: Workless households and educational attainment: reporting obligations**

Section 5 places a duty on the Secretary of State to publish and lay before Parliament a report containing data on children living in workless households, long-term workless households in England, and the educational attainment of children (and disadvantaged children) in England at the end of Key Stage 4. The first report must be published before the end of the financial year ending 31 March 2017. Later reports must be published before the end of each subsequent financial year.

### **Section 6: Social Mobility Commission**

Section 6 ensures the Social Mobility Commission will continue with its core objective of promoting social mobility in England. The Commission will give advice to ministers about how to improve social mobility and publish a report setting out its views on the progress made towards improving social mobility in the United Kingdom. The first report must be published before the end of the financial year ending 31 March 2017.

### **Section 7: Other amendments to Child Poverty Act 2010**

Section 7 removes specific parts of the Child Poverty Act 2010, including four UK wide targets on, relative low income; combined low income and material deprivation; absolute low income; and persistent poverty. The amendments also remove the duty upon the Secretary of State to meet these targets, and the continuing effects of the targets after the

target year. The duty placed on local authorities to prepare and publish an assessment of the needs of children living in poverty in their area has also been removed.

## Welfare benefits

### **Section 8: Benefit cap**

Section 8 lowers the benefit cap so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants, except in Greater London where the cap is set at £23,000 and £15,410 respectively. The legislation removes the link between the level of the cap and average earnings and the requirement for the Secretary of State to review the cap each year, replacing it with the requirement that the Secretary of State must review the cap at least once in each Parliament and allowing the Secretary of State to review it more regularly at their discretion.

### **Section 9: Review of benefit cap**

Section 9 ensures that the Secretary of State provides a review of the benefit cap in at least each Parliament, to determine whether it is appropriate to increase or decrease the cap. In carrying out a review, the Secretary of State must take into account the national economic situation, and any other matters that the Secretary of State considers relevant.

### **Section 10: Freeze of certain social security benefits for four tax years**

Section 10 will ensure the following social security benefits are frozen for four tax years starting from 2016/17: the main rates of income support, jobseeker's allowance, employment and support allowance, housing benefit and universal credit; the work-related activity group component of employment and support allowance, the work-related activity component of housing benefit and the limited capability for work element of universal credit; the individual element of child tax credit payable to a child or qualifying young person

who is not disabled or severely disabled; the basic, 30 hour, second adult and lone parent elements of working tax credit; and both elements of child benefit, that is, the 'enhanced rate' for the eldest child and 'any other case' for any other child. Subject to Parliamentary approval, the freeze will take effect from April 2016.

### **Section 11: Freeze of certain tax credit amounts for four tax years**

For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, each of the relevant amounts is to remain the same as it was in the tax year ending 5 April 2016.

### **Section 12: Changes to child tax credit**

Defines a person entitled to child tax credit as someone who is responsible for a child or qualifying young person who was born before 8 April 2017. There is also clarity around the disability element of child tax credit.

### **Section 13: Changes to child element of universal credit**

Ensures the child element of universal credit pertains to a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible.

### **Section 14: Universal credit: work-related requirements**

Amends the regulations for claimants subject to work-focused interview requirements and work preparation requirements.

## Loans for mortgage interest, etc

### **Section 15: Loans for mortgage interest, etc**

Section 15 enables interest-bearing loans to be made to eligible owner-occupiers in respect of their liability to make owner-occupier payments in respect of their home, in particular mortgage interest payments.

Those entitled to receive income support, income-based jobseeker's allowance, income-related employment and support allowance, state pension credit or universal credit will be eligible to receive a loan.

The Act enables the Secretary of State to secure a charge on the individual's property as security for the loan. The Act will also bring about the transition from the current provision of support for mortgages to the new loans scheme, and allow the Government to manage the introduction of the new scheme in an appropriate way.

### **Section 16: Section 15: further provision**

Section 16 clarifies the circumstances in which a person is treated as liable or not liable to make owner-occupier payments, and whether a person is to be treated as occupying or not occupying particular accommodation as a home.

### **Section 17: Consequential amendments**

Section 17 repeals Section 15A of the Social Security Administration Act 1992 which relates to the payment of benefit sums in respect of mortgage interest, and replaces with Sections 15, 16 and 18 of the Welfare Reform and Work Act 2016.

### **Section 18: Transitional provision**

Section 18 allows for the Secretary of State to make transitional or transitory provision, or savings as considered necessary or expedient, in connection with the coming into force of loans for mortgage interest.

## **Social security administration**

### **Section 19: Expenses of paying sums in respect of vehicle hire**

Section 19 enables the Secretary of State to make regulations to ensure the Government has the power to recover the costs of administering benefit payments of participating claimants in the mobility scheme. Although Motability is currently the only organisation running a discounted vehicle scheme for disability living

allowance/personal independence payment claimants, the Act is framed to apply to any scheme that is equivalent in purpose.

## **Social housing rents**

### **Section 20: Reduction in social housing rents**

Intends to reduce rents in social housing in England by 1 per cent a year for four years from April 2016.

### **Section 21: Exceptions**

Ensures the social housing rent reductions do not apply in relation to a tenant in social housing if the accommodation is low cost home ownership accommodation.

### **Section 22: Exemption of a registered provider of social housing**

Section 22 clarifies the arrangements for a registered provider to be exempt from a reduction in social housing rents.

### **Section 23: Further provision about social housing rents**

Section 23 makes further requirements about the maximum amount of rent that registered providers must secure is payable in respect of a relevant year or part of a relevant year by a tenant of their social housing in England.

### **Section 24: Provision about excepted cases**

Section 24 confirms the Secretary of State can stipulate the maximum amount of rent payable to a registered provider in respect of a relevant year, or a part of a relevant year, by a tenant of social housing to whom social rent reductions do not apply because of an exception in regulations under Section 21.

### **Section 25: Implied terms**

Section 25 explains a registered provider can reduce the amount of rent payable by a tenant, without giving prior notice, where the reduction is made for the purpose of complying with social rent reductions (made in Section 20).

## **Section 26: Change of registered provider**

Section 26 applies if particular social housing of a registered provider becomes social housing of another registered provider ('the transferee'), and the social housing is subject to a tenancy that began before the social housing became the transferee's social housing.

## **Section 27: Enforcement**

Section 27 amends the grounds for giving an enforcement notice to a registered provider, if they have failed to comply with section 20 of the Welfare Reform and Work Act 2016, regulations under section 24 of the Act or Part 1 of Schedule 2 to the Act.

## **Section 28: Transitional provision**

Clarifies the rent restriction period for a tenant, if they are subject to the requirement imposed by section 20 or 24 or Part 1 of Schedule 2 of the Welfare Reform and Work Act.

## **Section 29: Rent standards**

Section 29 ensures that sections of the Housing and Regeneration Act 2008 which explain the powers of the regulator to set and review standards relating to levels of rent, are subject to sections 20 to 22, 24 and 26 and Schedule 2 of the Welfare Reform and Work Act.

## **Section 30: Interpretation**

Clarifies terms within the Act, such as the term 'local authority' which have the same meaning in the Housing Associations Act 1985.

## **Final**

### **Section 31: Power to make consequential provision**

Enables the Secretary of State to make amendments and revocations of subordinate legislation as appear to the Secretary of State to be necessary or expedient in consequence of any provision of the Act.

## **Section 32: Extent**

Explains which aspects of the Act extend to England and Wales, Scotland and Northern Ireland.

## **Section 33: Commencement**

Clarifies when each section of the Act comes into force.

## **Section 34: Short title**

Confirms the short title will be the Welfare Reform and Work Act 2016.

## **Thank you**

Throughout the passage of the legislation through Parliament we worked closely with our President and vice-presidents, as well as other MPs and peers, briefing them ahead of debates and suggesting amendments. On behalf of local government, we are grateful to all those parliamentarians who supported us and championed the concerns and arguments of the sector.

## **Useful links**

For the full text of the Act, please refer to: <http://www.legislation.gov.uk/ukpga/2016/7/contents/enacted/data.htm>

For the LGA's briefings at each stage of the Bill, please go to: [www.local.gov.uk/legislation](http://www.local.gov.uk/legislation)

A guide to the social rent reduction requirements in the Welfare Reform and Work Act 2016 is available here: <https://www.gov.uk/guidance/welfare-reform-and-work-act-2016-social-rent-reduction>

'The general social housing rents permitted review day consent 2016' is available here: <https://www.gov.uk/government/publications/the-general-social-housing-rents-permitted-review-day-consent-2016>



**Local Government Association**

Local Government House  
Smith Square  
London SW1P 3HZ

Telephone 020 7664 3000  
Fax 020 7664 3030  
Email [info@local.gov.uk](mailto:info@local.gov.uk)  
[www.local.gov.uk](http://www.local.gov.uk)

© Local Government Association, May 2016

For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.