

1 Premiums, Disregards and Non Dependent Deductions

- 1.1 The Committee Chair asked if we could provide some additional information in writing on the above issues which I would admit are complex for those outside the welfare rights/advice field.
- 1.2 Here is a brief explanation of each term followed by a more in-depth look at their impact on means tested benefits entitlement. The rules surrounding Premiums, Disregards and Non Dependent Deductions are complex so I have somewhat simplified how they operate in order to provide reasonably concise explanations.
- 1.3 **Premiums:** These are additional payments added to the normal rate of means tested benefits and are based on the claimant's personal circumstances – whether they are disabled, live alone, etc.
- 1.4 **Disregards:** Means tested benefits normally take other sources of household income (such as a partner's wages or the claimant's entitlement to other benefits) into account in assessing how much of the benefit will be paid.
- 1.5 However certain disability benefits (e.g. DLA, PIP & Attendance Allowance) are “disregarded” by the DWP and not counted as part of household income. However other benefits such as Carers Allowance are not disregarded – meaning that their receipt leads to a reduction in the amount of Income Support, means tested JSA/ESA, Housing benefit and Universal Credit payable. In the case of Carer's Allowance, there is a premium for carers that is added on the basic entitlement, giving an additional amount of money but this is less than the amount that is paid for Carer's Allowance.
- 1.6 **Non-dependent deductions:** When someone other than a spouse or dependent child lives in the same household as someone in receipt of means-tested benefits then they are assumed to be contributing to household income (whether or not that is actually the case – e.g. they may not be entitled to benefits because they have been sanctioned).
- 1.7 Certain fixed rate deductions are then made from the amount of Income Support, means-tested JSA/ESA, Universal Credit, Housing Benefit and Council Tax Reduction scheme payable.

2 Premiums

- 2.1 Means tested benefits such as Income Support, Means Tested Job Seekers Allowance (JSA), Means –tested Employment & Support Allowance, Housing Benefit and Universal Credit are all paid at defined rates dependent on the circumstances of the person claiming. So for example the rate for a single person claiming means tested JSA is £72.40 pw whilst the couple rate is £113.70 pw.
- 2.2 However certain additional payments called “premiums” are payable which are dependent on the claimant’s eligibility and personal circumstances. So those who are entitled to certain disability benefits become entitled to disability, enhanced disability or severe disability premiums are added to their means tested benefits.
- 2.3 The disability premium for Income Support/Means Tested JSA/ESA is an extra amount added to a claimant’s Income Support if they qualify for it. A disabled person could get at least:
- £31.85 a week - single person
 - £45.40 a week - couples

They might get more if they qualified for extra parts of the disability premium.

Extra premium	Rate if they qualify	Rate if they & their partner qualify
Severe disability premium	£61.10 pw	£122.20 pw
Enhanced disability premium	£15.55 pw	£22.35 pw

- 2.4 **Eligibility:** To qualify for a disability premium with Income Support, the disabled person or their partner must be under pension credit age and either registered blind or getting:

- Disability Living Allowance (DLA)
- Personal Independence Payment (PIP)
- Attendance Allowance
- and several other disability benefits paid to ex-service personnel etc.

Any money a disabled person gets is added to their Income Support payments automatically so they don’t usually have to apply for a disability premium.

- 2.5 Obviously the more people who qualify for disability benefits such as DLA, PIP and Attendance Allowance the more people who are also likely to qualify for disability premiums payable with Means Tested Benefits.

3 Non – Dependent Deductions

- 3.1 **Non Dependent Deductions:** As well as additional premiums being payable with means tested benefits if a claimant is disabled they also have an effect on the rate that a means tested benefit is withdrawn if another person, who is a non-dependent, lives with the person who is claiming benefits.
- 3.2 **Non Dependent Deductions Housing benefit:** The DWP take the following amounts away from a claimant’s housing benefit if a non-dependent is in full time work (over 16 hours a week).

Gross weekly income of non dependent	Deduction from housing benefit
£406 or more	£91.15
£326 to £405.99	£83.05
£245.00 to £325.99	£72.95
£188.00 to £244.99	£44.55
£128 to £187.99	£32.45
Below £128.00	£14.15

- 3.3 However if a non-dependent wage earner (or indeed another claimant) is living with a person receiving a disability benefit or premium their presence can be “disregarded” – effectively meaning that deductions which would otherwise be applied are not taken away from the disabled person’s benefit.
- 3.4 We have simplified the above to make it more intelligible to Committee members but perhaps the best way to illustrate the impact of premiums, disregards and non-dependent deductions on the amounts of benefit payable are by way of case examples. Two different scenarios are set out in the Appendices.

4 Future Scenario

- 4.1 Once welfare powers have been devolved the Scottish Parliament might act to mitigate the impact of Welfare Reform on disabled people by introducing a fairer and more supportive assessment regime for DLA/PIP and/or Attendance Allowance.
- 4.2 That in turn is likely to result in more disabled people retaining entitlement to those benefits but consequentially they will also retain entitlement to the

premiums paid with Means Tested Benefits. However the costs of those premiums would not be borne by the Scottish Parliament but by the UK Exchequer. The costs of this to the UK Exchequer are difficult to estimate but could be substantial.

- 4.3 For example substantial numbers (66,000) of disabled people are expected to entirely lose their entitlement to DLA/PIP due to the more stringent PIP assessment process. If instead some 20% of that number (13,200) retained entitlement due to a fairer assessment regime then a substantial proportion of that group would also retain entitlement to their premiums and non-dependent deductions.
- 4.4 As can be seen from the above examples that could result in substantially more means-tested benefit spending - potentially amounting to tens of millions of pounds (i.e. thousands of pounds per household times (potentially) tens of thousands of claimants).
- 4.5 Contrary to the speculation voiced at the Committee session on reflection we would seriously doubt that even tens of millions of pounds would be enough to push UK Government spending over the cap on welfare spending. However it might seriously impact on planned benefit savings on means-tested benefits.
- 4.6 Please note that Universal Credit is less generous in regards to some premiums. However it also claws more back by way of non-dependent deductions. Even after the introduction of Universal Credit many claimants will retain their current entitlement to premiums, disregards etc. unless their circumstances change. Therefore it is difficult to predict what the overall impact on the benefits bill will be.
- 4.6 There are also questions arising around “passporting” to disability premiums, disregards and avoidance of non-dependent deductions if the Scottish Parliament were to create new benefits.
- 4.7 The current means- tested benefit regulations disregard disability benefits. However if a new disability benefit was created in Scotland (for example from a merger of PIP and DLA) would these disregards still apply? Particularly if the entitlement conditions for the new benefit’s receipt were substantially more generous than that for the continuing UK disability benefits? Similarly would receipt of the new benefit guarantee continued access to the means tested disability premiums currently available?
- 4.8 The Smith Commission report states that *“Any new benefits or discretionary payments introduced by the Scottish Parliament must provide additional income for a recipient and not result in an automatic offsetting reduction in their entitlement to other benefits or post-tax earnings if in employment”*. But that is not the same as saying that disregards and premiums must also be payable from the reserved means tested benefits.

Appendix 1: Case Example 1

- Mother age 50 living in a rented house with her son age 30.
- Mother is partially sighted and is in receipt of DLA lower rate care & lower Mobility , she also gets Jobseekers Allowance
- Son works full time, wage = £250 per week
- Mother is the tenant, house rent is £100 per week. The full rent met through Housing Benefit.

Mother (weekly)	Son (weekly)
DLA Lower Rate Care £21.55 Jobseekers Allowance = £104.25 (£72.40 JSA + £31.85 disability premium) Housing Benefit £100 – i.e. no rent payable	Wages £250.00 gross

Mother loses DLA care component

Mother	Son
DLA Care NIL JSA £72.40 (i.e. disability premium no longer payable) Housing Benefit £100 - £72.95 = £17.05 (i.e. Less Non Dep deduction of £72.95) Also Non Dep deduction on Council Tax Reduction of £8.25	Wages £250.00 gross

Total weekly loss of household income = £134.60

Conversely the total annual cost to the UK Exchequer's Means Tested Benefit budget if the disabled person retained DLA entitlement (rather than losing it at a PIP re-assessment) = **£104.80 x 52 = £5449.60 per annum**

Appendix 1: Case Example 2

- Father age 50 living in rented accommodation with daughter age 30.
- Father is partially sighted and is in receipt of DLA middle rate care, and also ESA
- Daughter is registered blind and also gets DLA Middle rate Care and Low Mobility and also ESA.
- Father is the tenant and the rent is £100 per week. The full rent met through Housing Benefit.

Income prior to PIP re-assessment

Father	Daughter
DLA Care £54.45	DLA Care £54.45
ESA £162.25 including <ul style="list-style-type: none">• Work related activity component (£101.15)• Severe Disability Premium (£61.10)	DLA Mob £21.55
Housing Benefit £100	ESA £162.25 including <ul style="list-style-type: none">• Work related activity component• Severe Disability Premium
Max Council Tax Benefit	

On assessment for PIP the father loses his entitlement and the daughter keeps her entitlement. Loss of Father's DLA results in –

- Loss of Father's DLA and also the loss of his Severe Disability Premium
- Loss of Daughter's Severe Disability Premium
- Exposure to Non Dependent deductions

See over for the loss to the household income.

Father	Daughter
DLA Care £nil (-£54.45)	DLA Care £49.30 (no change)
ESA £101.15 (-£61.10)	DLA Mob £19.55 (no change)
Housing Benefit £85.85 (-£14.15 non dependent deduction)	ESA £101.15 (-£61.10)
Council Tax Benefit (-£3.30)	

Father's total loss = £133.00

Daughter's loss = £61.10

Total weekly household loss = £194.10

Conversely the total annual cost to the UK Exchequer's Means Tested Benefit budget (ESA & Housing Benefit) if the father retained DLA entitlement (rather than losing it at a PIP re-assessment) = **£136.35 x 52 = £7090.20 per annum**