What needs to change in Universal Credit?

Priority Recommendations

All-Party Parliamentary Group on Universal Credit

July 2019

APPG ON UNIVERSAL CREDIT

Priority Recommendations

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FORWARD

Universal Credit is the most important reform of welfare policy for decades. We share a responsibility to get it right - it could not be more important to our prosperity and well-being as a nation. It is an opportunity to influence the productivity and mind-set of a generation, and ensure they can have a decent standard of living.

Universal Credit affects not just individual households, but whole communities. When complete, over 7 million households will be claiming Universal Credit and a further 2 million will have lost entitlement to benefits due to its changes. It will therefore affect:

- Around a quarter of the UK population
- Over a third of the working age population
- Approaching half of all children growing up in the UK.

The gradual roll-out of Universal Credit has meant that many difficulties with the system have appeared slowly – affecting small numbers of cases at first, and often spread out geographically, as the roll-out of Full Service progressed.

For the DWP's 'Test and Learn' approach to work best, information on emerging issues and impacts needs to be tested and collated as early as possible.

Members of Parliament are often some of the first to become aware of issues with benefits. As advice services reduce, MPs' offices are becoming a more frequented route for advice. MPs are also not affected by the difficulties with Universal Credit over gaining consent to act, so can be asked to assist where other agencies are unable to.

The All-Party Parliamentary Group (APPG) on Universal Credit was established for Members of both Houses of Parliament of all parties to be able to come together to discuss the experiences of their own constituents with Universal Credit, to receive advice and support from experts in the field, share best practice in supporting constituents and to monitor practical experiences of this critical policy as it is rolled out.

The core aims of **Universal Credit** (UC) were to simplify the benefits system and make it easier for people to move into work. However, many constituents report practical difficulties which leave them struggling to get by and can make it more difficult to move into work or to get on in work. We can redesign UC so that it helps to unlock opportunities for people who are having a hard time.

Having held 16 meetings since the **APPG** was set up in November 2017, examining different aspects and impacts of Universal Credit, the Group decided to compile the findings from Parliamentarians and expert speakers into priority recommendations for improving claimants' experience of Universal Credit, enabling it to better fulfil its original aims for more people.

The **APPG** invited all Parliamentarians and expert speakers to submit their priority recommendations to improve Universal Credit, based on their experiences. Parliamentarians held a meeting on 26th February to discuss the evidence submitted to the APPG and decide the Group's priority recommendations.

This report therefore contains very practical recommendations for the changes that are required to UC, to enable it to better support those with insufficient income.

The Officers of the APPG hope that it will assist Ministers to look clearly at the problems faced by so many claimants and engage with practical solutions which would dramatically improve their experiences of living on Universal Credit.

I would like to thank all Parliamentarians, organisations, Parliamentary staff and individual claimants of UC who have contributed their experience and expertise to make this report full, practical and useful.

Ruth

Ruth George MP

Officers of the All-Party Parliamentary Group on Universal Credit

Debbie Abrahams MP, Vice-Chair

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appguniversalcredit.org.uk

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1. DESIGN

Universal Credit was designed to enable people to get by in a world of insecure work, so they could move in and out of employment without having to make different claims, and to adapt to a fluctuating income by providing a stable income floor.

In general, if your income increases one month, your Universal Credit reduces by 63% of that increase the next month. If your income falls, your UC payment rises next month.

This is a sound principle, but in practice, many claimants say they cannot understand how their UC is worked out, and it is subject to so many variations that it is far harder to budget on UC that it was on tax credits, which provided a flat level of 4-weekly payments for a year.

Key changes to the design of Universal Credit could significantly improve the overall experience of claimants to protect them from hardship, and enable them to achieve a more stable income, to budget better, and to avoid debts or arrears.

A. The 5 Week Wait and Advances

The National Audit Office report in June 2018 fund that the initial minimum 5 week wait for the first payment of UC sees 60% of claimants taking out advances which can be difficult to pay back. Delays to receiving payments of Universal Credit has been a key driver in the increased use of food banks across the UK, as claimants are having to survive on little to no income for a long period of time – an unacceptable situation that we must put right to stop families getting locked in poverty. The amount deducted from ongoing payments in order to pay back the advances has also been a significant factor.

The Trussell Trust have found when Universal Credit goes live in an area, there is a demonstrable increase in demand for Trussell Trust foodbanks. On average, 12 months after UC rollout their foodbanks see a 52% average increase in demand, compared to 13% in areas that have had Universal Credit for 3 months or less.

Many Universal Credit claimants are getting into debt before their first payment comes in. Between February 2018 and January 2019, 57% of eligible new claims to Universal Credit Full Service received an advance payment. Repayable advance payments aren't a solution to this problem, they simply postpone the debt claimants are already facing to a later date. Claimants know this, and many do not apply, even if they will struggle to get by, as claimants reported to the Work & Pensions Select Committee's report on Universal Credit and Survival Sex.

In the Budget 2018, the Government introduced changes making Advance Payments payable from 12 months to 16 months, however, this won't come into place until October 2021.

> ***"I live fortnight to fortnight on my benefits. Any delay would leave me in real hardship. I have my bills to pay, no savings and no one to borrow money from. It's not just how impractical it is it's the impact on my health, I dread to think how I'd cope. The advance payment is just delaying having to pay out more money and leaving me with more budgeting issues and stress which has a terrible impact on my condition."***

Recommendation: **The DWP needs to abolish the 5 week wait for Universal Credit.**

B. Assessment Periods

The rigid monthly assessment periods for Universal Credit cause problems for claimants when earnings are not received monthly, and mean that a claimant's circumstances on one day govern their Universal Credit entitlement for a whole month.

One of the core aims of Universal Credit is to make the benefits system reflect the world of work. However, the monthly payments system fails to recognise the realities of low-paid work. One in four workers is not paid monthly, including half of those who earn under £10,000 a year.

This mismatch of pay cycles and assessment periods and the 'whole-month' approach to changes of circumstances, can leave people struggling to budget with unpredictable and arbitrary awards.

People can lose the effect of work allowances, be inappropriately benefit capped while in work, and lose out on support for housing costs. Instead of helping people to find work and get on in their jobs, this holds them back and greatly restricts their options.

Issues arise when an employer (often due to bank holidays or mid-month start dates), pays two months’ salary or an increased salary within one assessment period, leading to a very reduced payment of UC, or a nil payment that month. For employees who are paid 4-weekly, as millions of low-paid workers are, particularly in the retail sector, this happens once every year. 13 pay packets are received each year and two of them will fall into one monthly assessment period.

This is often unexpected and plays havoc with tight budgets for housing and regular bills. If claimants request Advance or Hardship Payments they are more likely to get into debt as deductions are made from future payments.

The following month, if no pay is assessed, claimants can be subject to the Benefit Cap which reduces the overall amount of income they receive. These flaws in the system can be fixed to make a real difference to people who are struggling.

People who are self-employed have to report their income and expenditure on a monthly cash basis. This does not work well for those with sporadic incomes. People such as farmers who do not receive any income in the month that they make a claim, are seeing their application refused on the basis that they are not genuinely self-employed. It also creates a huge amount of additional bureaucracy.

Whilst the Benefit Cap does not come within the scope of this report, the APPG notes that its interaction with people who are working, but on fluctuating incomes or non-monthly pay schedules in Universal Credit, is extremely unhelpful.

Recommendation: The DWP needs to urgently comply with the findings of the High Court, that people paid monthly but whose earnings for two months fall into one assessment period should be treated as having been paid for the period when their wages were earned, rather than the date they were received.

Recommendation: People who are self-employed should be able to request 3-monthly assessment periods for earnings and costs. This would even out sporadic payments and fit with reporting requirements for Making Tax Digital, reducing bureaucracy for micro businesses.

Recommendation: The rigidity of monthly assessment periods needs to be urgently reviewed. People who are paid on a different schedule should be able to average their earnings. Those who have a change of circumstances during the assessment period should have the option to average out the impact.

C. Monthly payments and rent payments

Many UC claimants find it difficult to budget with a single monthly payment, and struggle to keep on top of utility bills, rent and food budgets. Some tenants find it difficult to prioritise paying rent, especially if they have other debts to repay. This means they are always on the back foot and held back from being able to improve their standard of living, however hard they try.

> ***"Receiving such a big lump sum feels overwhelming. It is too big a mental task to try to budget for that whole amount, so I can't budget at all. I can't comprehend the large amount. I can't think ahead for a month because it is an impossible task when I am deeply depressed and looking into the future is a bleak void I cannot look into. It is concerning to think what I will do with that big sum of money next time I become manic! (I have a diagnosis of bipolar disorder). My relationship with money is so bizarre. I never used to be like this when I had regular fortnightly payments."***

Analysis by Citizens Advice in their report ‘Managing Money on Universal Credit’ found that 82% of UC claimants had a priority debt, compared to 74% of claimants on legacy benefits. 44% of UC claimants were in rent arrears, compared to 31% on legacy benefits.

Tenants with a history of rent arrears or a bad credit history can find it difficult to obtain a tenancy. Landlords would have more confidence in agreeing a tenancy if they knew rent payments could be received direct from the start.

At the moment the system that is used to deduct rent from someone’s Universal Credit claim is a separate system to Universal Credit. This is due to be fixed in the autumn and it is important that the DWP does, to prevent further unnecessary rent arrears building up.

The DWP does not inform a landlord that a claimant’s Universal Credit claim is closed or whether the payment has been ‘skipped’, therefore unless contact can be made with the claimant, the rent recovery process will start. There needs to be an increased diligence from the DWP to ensure rent payments go to the correct landlord, as there have been cases where the housing element of Universal Credit has been paid incorrectly.

Where claimants have direct payments to landlords, and have deductions in place whether due to the taper, benefit cap, sanctions or debt repayments, the landlord continues to receive the housing element in full while all deductions are taken from the part of the award paid to claimants. In extreme cases this can leave claimants with nothing. This is not acceptable; at the very least claimants with children must receive their child elements.

53-week rent years will compound the problem of rent arrears unless the DWP addresses this. This financial year (2019/20) has 53 weeks in it and this calculation is used by most social housing providers. UC is calculated based on there being 52 weeks in each year. The 53-week year is not a one-off anomaly, it will occur every 5 or 6 years, so it is important that the DWP addresses it.

Recommendation: Claimants should be paid twice-monthly by default as they are in Northern Ireland, and in pilots in some Jobcentres, with the option to be paid monthly if they wish.

Recommendation: All claimants should have the option of direct payments to their landlord from the start of the claim. For claimants with a history of rent arrears or debt, direct payments should be by default to ensure they are able to secure a tenancy. The DWP should also do all that it can to facilitate separate payments in Scotland, as agreed by the Scottish government, so that the Department can learn from their experience in developing its own policy.

Recommendation: The DWP should inform landlords of this system in order to avoid people unnecessarily falling into rent arrears.

Recommendation: Ensure that Universal Credit is paid 53 weeks in a year when applicable.

D. Single Household Payments

The Secretary of State has recognised the problems caused by paying UC into one bank account in a household with only discretionary split payments, which have to be requested, for example in cases of domestic abuse, where the non-receiving partner is unlikely to make a request. The Secretary of State committed in January "to ensuring that household payments go directly to the main carer – which is usually, but not always, the woman." However, this doesn't help women who are subject to domestic abuse or who don't have children and requires women to disclose the abuse to the DWP, which may put them in further danger.

Recommendations: Separate payments of Universal Credit should be the default. As millions more people transfer onto UC, it is essential that payment arrangements do not exacerbate financial control within a relationship. The Government needs to act with urgency to devise a method for splitting payments fairly within a couple and to proceed with it.

In the meantime, all household Universal Credit payments for couples with children should be to the main carer by default. The Government has said only that it will only “encourage” claimants to take this option. That means it is unlikely to have the wholesale impact the Secretary of State intends, and couples where abuse or coercive control is a problem are unlikely to respond to “encouragement”.

2. Adequacy

Whilst the 2017 and in particular the 2018 Budgets have reduced both the losses and the number of households that lose out under Universal Credit, almost all of the gains have been for people who are in work who benefit from the increased work allowances and 2% reduction in the taper rate.

The Joseph Rowntree Foundation (JRF) reported following these changes[1]:

- 5.6m people in working households will gain an average £3,000 a year
- 5.1m people in working households will lose an average £2,300 a year
- 1.9m people in non-working households will gain an average £2,000pa
- 2.6m people in non-working households will lose an average £1,400pa.

These figures assume the take-up of Universal Credit will be the highest take-up rate of the benefits it replaces. If take-up is not as high as anticipated, fewer people will gain.

If take-up is as modelled by JRF:

- People who are working and in poverty will reduce by 300,000 and children in working households in poverty will reduce by 200,000.
- People who out of work and in poverty will increase by 200,000, but child poverty in out-of-work households will not change significantly.

Whilst significant numbers of people who are already in poverty will see their income rise, around 3 million people already in poverty will see their income reduce further:

- 3.9m people in poverty in working households will gain an average £3,400pa
- 1.7m people in poverty in working households will lose an average £2,50 pa
- 1.5m people in households in out-of-work poverty will gain an average £2,000pa

[1] https://www.jrf.org.uk/report/where-next-universal-credit-and-tackling-poverty

- 1.3m people in households in out-of-work poverty will lose an average £1,400pa.

Overall, 7.5m people will be better off under Universal Credit, including 5.4m people currently in poverty, but 7.7m will lose out including 3m people who poverty will be exacerbated.

Often the groups that lose out are those in the most vulnerable situations. Disabled people and single parent families are amongst those where most are expected to see their income fall.

The APPG believes that our benefits system should be a key that unlocks people from poverty, especially those who are unable to work. At the very least, we must not let Universal Credit worsen poverty. This section will focus on recommending changes to ensure that UC will work for all groups in society.

A. Benefits Freeze

It is important to note that there are other policies that apply to both the legacy system and UC which are driving the increase in poverty, especially among families with children. The most significant policy increasing poverty, particularly amongst families with children is the freeze on working-age benefits and tax credits.

The current 4-year freeze on working age benefits came straight after:

- The 3-year freeze in tax credits and Child Benefit from 2011
- The 1% cap on all working age benefits for 3 years introduced by the Welfare Benefit Uprating Bill in 2014.

The Resolution Foundation forecast that ending the benefit freeze a year early would have provided an essential increase in income for 10.5 million benefit recipients struggling on low incomes.[2]

Since the measure was introduced, CPI inflation has risen by 5.9% and RPI by 8.7% whereas the cost of living for people on low incomes has risen by £900 a year. In real terms, the income received by a single person on Jobseeker's Allowance or Income Support of just £77 a week has fallen by over £5 a week —a drop of £267 a year or 6.7% of their very low income.

Families are hit even harder by the freeze and low-income families lose out on an extra £210 a year during 2019/20, even on the Bank of England's most positive prediction of inflation.[3]

With evidence of more families having to visit food banks, worrying levels of rent arrears and personal debt, and increased uncertainty for our economy and for prices in the year ahead, its absolutely crucial that we take action to ensure that families on the lowest incomes do not see a further real terms reduction.

The APPG wrote to the Chancellor and the Secretary of State of Work and Pensions ahead of the Spring Statement, to urge them to end the benefits freeze a year early and are very disappointed that government chose not to do this.

The four-year freeze coming on top of previous below-inflation increases, means Universal Credit and other working age benefits will have a lot of catching up to do to reach a basic minimum level.

Recommendations: Benefits should rise by 2% above inflation for each of the next 4 years in order to restore their value to 2015 levels.

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[2] https://www.resolutionfoundation.org/media/press-releases/austerity-continues-for-low-income-families-who-are-set-for-a-further-210-cut-in-support-next-year/

[3] https://www.resolutionfoundation.org/media/press-releases/austerity-continues-for-low-income-families-who-are-set-for-a-further-210-cut-in-support-next-year/

A minimum standard of income for benefits claimants should be assessed and implemented by the DWP for all elements of Universal Credit.

B. Local Housing Allowance

The dual impact of the benefits freeze with the 30% cap on Local Housing Allowance (LHA), together with rents rising faster than inflation, has meant that the value LHA has fallen even faster than other benefits. In some areas of the country it now covers just 3% of rents.

This means that most Universal Credit claimants have to make up a shortfall of rent out of their Universal Credit payment. In many cases this shortfall is between £100 and £200 a month, making it impossible for them to get by.

Recommendation: The value of Local Housing Allowance should be restored to accurately reflect the lowest 30% of market rents in every area.

C. Children

Two-child Limit: The Secretary of State's abolition of the two-child limit for families whose children were all born before the introduction of the policy was welcome. However, this only affects 15,000 families, whereas a further 800,000 or more families are likely to be affected by the two-child limit once fully rolled out. Families with 3 children lose an average £2,600 a year, and families with 4 or more children an average £7,800. Child Poverty Action Group have said there is no policy better designed to increase child poverty. Their joint report, with the Church of England, Turn2us, Women's Aid Federation of England and the Refugee Council, found that it will push a million children already below the poverty line, into deeper poverty. This is more than half of the 1.8million children expected to be affected by the policy by 2023/24.

Recommendation: There should be additional allowances for each additional child in a family and that the two-child limit be abolished in all cases.

Free School Meals: The earnings threshold of £7,400 a year to qualify for free school meals leaves many families in a situation where earning more would see them worse off, as a consequence of Universal Credit. Mostly single parents are affected, a key group to unlock from the constraints of poverty.

This undermines the aim of Universal Credit, to make sure that work always pays more than benefits and does not create income ‘cliff edges’. Under the current rules, if a family with 3 children earning just under the income threshold had a pay rise or worked a few extra hours, they would lose over £1,200 a year due to losing entitlement to free school meals. To make up for this loss they would have to work over a day more each week.

School meals have been shown to have significant value in improving children’s nutrition, well-being and ability to learn.

Recommendation: All Universal Credit claimants should be entitled to free school meals to ensure families are not caught in a poverty trap of being worse off by earning more.

Premiums for Children with Disabilities: Cuts in the lower child disability element of Universal Credit will leave over 100,000 families with disabled children worse off by more the £1,750 per year.

Recommendation: The lower child disability element of Universal Credit needs to be restored to the equivalent of its previous level under tax credits.

Childcare Costs: Whilst the payment of 85% of childcare costs under UC is a welcome improvement, the payment of fees upfront and rules for reporting childcare costs are unnecessarily strict and complicated.

For many it is simply not affordable to pay childcare costs upfront, and the delays in receiving childcare costs mean that some parents have to stop work, or rely on friends and family for support. Some parents are surprised to find that due to the taper they do not in fact receive the full 85% of childcare costs. And many are simply unaware that they are eligible to claim childcare costs at all. A proactive effort is needed to ensure all parents are aware that they can claim help with childcare costs, including parents with older children and those who do not have much contact with work coaches because they are already working.

The Secretary of State has said that the Flexible Support Fund (FSF) can be used for the first payment of childcare when a claimant has moved into work within the previous 6 months, but most claimants do not know to request this, and not all Jobcentres are aware it can be offered.

The FSF also does nothing to help those who have been in work for longer who need to start paying for childcare, eg. where a family arrangement ceases, and a child moves into paid childcare, or at times when childcare increases, such as summer holidays.

Moreover, the amount of childcare support available through Universal Credit is capped at £175 for one child and £300 for two or more children. These limits are the same as in the legacy system and have been frozen since 2005, whereas average full-time nursery fees are now around £240 a week per child. The latest national survey of childcare costs finds that in 94% of local authorities, the average cost of a full-time nursery place exceeds the £175 limit.

Recommendation: Childcare costs should be made in advance, on receipt of the invoice from the childcare provider, rather than in arrears.

Recommendation: There needs to be an option of paying the registered childcare provider direct, if this is what parents prefer, as they can be under childcare vouchers and tax-free childcare**.** The recommendation aims to address the difficulties faced by parents who have to pay upfront payments for childcare, provide certainty to childcare providers about receiving payments, and supports the DWP's aim of reducing the risk of fraud and error in childcare payments.

Recommendation: To ensure parents can afford to increase their earnings through work, the cap on childcare support through Universal Credit should be raised to £240 a week per child (the average cost of a full-time nursery place), to help make the switch to Universal Credit more positive by enabling more low-income parents to afford to work.

Parents aged Under 25: Under the tax credit system, parents under 25 are entitled to the over 25 rate because they have a child. Under Universal Credit they are only entitled to the under 25 rate, despite having a child, at a loss of £66.05 a month.

The DWP have said that the lower rates for younger claimants reflects the fact that "they are more likely to live in someone else's household and have lower living costs". However, most young parents live independently of family.

If they do, this will be reflected in the lower housing costs claimed. Young parents need to be able to live independently and usually wish to do so to avoid over-crowding and family friction.

Under 25's are also likely to be on lower wages, if they are in work they will have less skills and experience than older workers, and the under-25 rate of the minimum wage is considerably lower. They are therefore less able to improve their financial position through working longer hours. It is simply not right that they and their children should suffer a double disadvantage through an inadequate rate of UC as well.

Recommendation: That parents aged under 25 should be able to claim the full rate of Universal Credit.

Students with Children: The current system is extremely restrictive for parents with children. They feel unable to study to improve their prospects of higher paid employment and are pushed back into low-paid work or worklessness due to a lack of support under Universal Credit. Parents have left courses due to the lack of support, which they find especially hard on courses involving considerable work experience and shift work, such as nursing.

Recommendation: The Child Element of Universal Credit should be made available on top of student loan payments, and parents who are students should be able to claim childcare support. Full-time students on courses of Level 3 or above should also be able to access 30-hours funded childcare for 3- and 4-year olds, which would be a less expensive option for this age group. These changes to the system would give parents more options to continue their studies and improve their circumstances.

D. Disability

On average, disabled people have a lower level of financial resilience than non-disabled people, with 83% of those eligible for Severe Disability Premium (SDP) saying they would have to cut back on food if their benefits were reduced.

Whilst the gap between employment rates for disabled and non-disabled people currently stands at 30.1 percentage points, people with disabilities are at greater risk of falling into poverty and are least able to alleviate themselves out of poverty through work. Support for disabled people through the benefits system is therefore particularly important for them to have a decent standard of living.

Severe Disability Premiums: Disabled people currently receiving premiums would see the greatest reduction in their support through moving to UC. Once Universal Credit is fully implemented, people with additional care needs but with no adult to assist them will be entitled to about £64 less a week than those in the current system, and even the most disabled adults in the support group for ESA will be entitled to £42 a less a week than in the current system.

Recommendation: The APPG welcomes the halting of people with SDP moving onto Universal Credit, but **calls for a permanent solution to protect the vital support that people with severe disabilities receive through premiums.**

Recommendation: The DWP must ensure that the disability elements of Universal Credit are at least equivalent to those which applied on legacy benefits. This would mean allowing people to gain access to an extra addition to UC, based on receipt of PIP or DLA, rather than just an assessment of work capability

Introduce a Self-Care Element: Young disabled people are affected by a number of reductions under Universal Credit but it is crucial for them to have financial support when they seek to move into independent living for the first time.

Recommendation: The introduction of a 'self-care' element within Universal Credit to recognise the additional costs faced by individuals with high support needs. It should be paid at the same rate as the carer's premium to anyone who does not have someone caring for them who is claiming the carers allowance or carer's premium.

Disabled Carers: Under Universal Credit, carers who are disabled only receive one additional element - the highest of either their disability or caring element. This fails to recognise that disabled carers have costs which relate to their disability, and other costs that relate to their caring role. Their caring role – which can be even harder for them to undertake than a carer without a disability – fails to be recognised, which is unjust in light of the huge saving which carers make to both society and the public purse.

Recommendation: Disabled carers should receive elements for both their disability and their caring rather than just the highest.

Remove the 3-month waiting period for the Limited Capability for Work and Work-Related Activity elements (LCWRA). Claimants should be treated as having LCW prior to assessment if they present a medical certificate. The LCWRA is for anyone who is too unwell for work and does not have to do work-related activities. Most people do not get the LCW and LCWRA elements until the three-monthly assessment phase has ended, unless they have a terminal illness. The LCWRA is £328.32 a month, so the 3-month wait costs claimants almost £1,000.

- **Work Capability Assessments: Mandatory Reconsiderations and Appeals:** People with a health condition or disability who are awaiting mandatory reconsideration or appeal should not have to transfer onto UC and should be exempt from having to carry out work requirements, if they have evidence from their own medical practitioner to say they are unable to work due to their health.
- **People with Mental Health conditions:** The DWP needs to recognise that people with a mental health condition may be unable to keep the necessary record of their daily activity for Work Capability Assessments. There needs to be training for all interviewers of people with a mental health condition undertaking a Work Capability Assessment and a substantial reliance on the medical assessment of those who know their history.

Recommendation: The APPG calls for people with a health conditions and disabilities to be exempt from having to carry out work requirements whilst they are waiting for a Work Capability Assessment.

E. Pensioners

From 15th May 2019, couples with one partner who is over pensionable age and one who is younger are no longer be able to claim Pension Credit but must claim Universal Credit. Low income pensioner households will be up to £7,300 a year worse off.

The APPG believes the decision does not take into account the additional costs of a household which includes a pensioner, especially if the younger member of the couple is a carer and therefore unable to work.

This will affect many households with WASPI women, whose pension age has been significantly delayed already. Delaying the time when these women's households can claim a high income under Pension Credit is a further kick in the teeth to this group, who have often worked for almost 50 years.

Recommendation: The APPG calls for the pensioner element for cases where a couple includes a member who is over pensionable age to be reinstated in Universal Credit.

F. Rewarding Employment

People with a limited capability for work due to illness or disability and parents of children are able to earn a certain amount each month before their Universal Credit award is tapered at 63p in the pound.

This monthly 'work allowance' is currently £287 for people who claim housing costs and £503 for those who don't.

These work allowances are insufficient to make work a viable route out of poverty. Even the higher allowance of £5,908 a year (£113.62 a week) is lower than the £6,420 (£123.46pw) equivalent in tax credits, and the £6,420 has been frozen for 20 years.

The work allowance for single people and couples without children and without a disability or health condition was abolished in the 2015 budget. This means their UC reduces to a negligible amount by the time earnings reach just £500 a month or £6,000 a year which is not enough to get by on.

Couples with children but with only one parent in work are far more likely to be in poverty than two-earner couples. They are also in greater risk of worklessness and severe poverty if the one parent in work loses their job. Under UC, the clawback for any earnings from a second earner is 63%, compared to 41% under Tax Credits. A second earner on £8,000 a year under tax credits boosts the family income by £4,720, but under UC by just £2,960, discouraging a second earner from working.

Recommendations:

- **We recommend the re-introduction of a work allowance for single people and couples without children to improve work incentives.**
- **Work allowance to be introduced for second earners in a couple with children.**
- Under Universal Credit, disabled parents receive only one work allowance, with nothing to compensate them for the additional costs of children and of working with a disability. **We recommend that disabled parents who face these dual barriers to work are able to make use of two sets of work allowances.**
- At the moment, claims for people who move in and out of entitlement due to fluctuating earnings are having their claims closed and they have to indicate that they wish to re-open their UC claim. Those who are unaware they need to do so immediately can miss out on a further month's payment. **We would therefore recommend a time period of 6 months for claims for people who are working to remain open and for assessment to take place automatically to check if they qualify for a payment.**

G. Rewarding Self-Employment

The group set to lose most from UC are self-employed people due to a 'Minimum Income Floor' which assumes people in self-employment are earning a minim of 35 hours a week of work at the minimum wage. This is £14,250 at present, whereas the latest figures for the average income from self-employment in 2016/17 is £12,300. Most self-employed people on UC will be impacted by the MIF.

Recommendation: The Minimum Income Floor in UC be abolished, or at least suspended, until a proper evaluation has been carried out on the impact it is having on the low paid self-employed, particularly those with variable incomes.

In the meantime, self-employed earnings should be averaged over a period that makes sense for the claimant's work cycle rather than the MIF being applied every month, as self-employed income is often lumpy rather than evenly spread across the year. **Recommendation: People who are self-employed should be able to request 3-monthly assessment periods for earnings and costs.** This would even out sporadic payments and fit with reporting requirements for Making Tax Digital, reducing bureaucracy for micro businesses.

Recommendation: The start-up period within Universal Credit should be extended from one to three years, on the grounds that all the evidence suggests that a one-year period is an entirely unrealistic timeframe within which to expect a new business to be fully operational.

H. Passported Benefits

Passported benefits can make the difference between it being worth working or not. Passported benefits include help with the cost of children, such as free childcare for 2-year olds and free school meals. They also help with healthcare costs such as free prescriptions, no dental charges and free glasses or contact lenses.

The result of the earnings requirements being added to Universal Credit claimants' eligibility for passported benefits means that for some people it costs them more to work than to be on benefits. This is counterproductive against the aims of Universal Credit as it doesn't make sure that work always pays.

To highlight this problem, the table in Appendix C outlines whether claimants in England are eligible for certain passported benefits if they claim UC compared to legacy benefits and the eligibility criteria. Eligibility for passported benefits on UC is much more complex.

The passported benefits included are:

- Free School Meals (per section A on Children)
- Free NHS prescriptions
- Free Dental Appointments
- Free Childcare for 2-year olds
- Healthy Start Scheme (For pregnant women of at least 10 weeks or with children under 4 free vouchers every week to spend on milk, fruit and veg and formula milk).
- Warm Home Discount: £140 off electricity bill between September and March.
- Cold Weather Payments (payment of £25 for a 7-day period where the average temperature in the area is recorded as or forecast to be 0 degrees Celsius or below for 7 days in a row)

Recommendation: Everyone on Universal Credit should receive all passported benefits.

Recommendation: Improve the verification process for UC claimants to show that they are entitled to free prescriptions and put a tick-box for UC on the application form.

3. Migration onto Universal Credit

A. Natural Migration

The DWP have come up with a wide range of triggers which mean 100,000 claimants each month are moving from legacy benefits onto Universal Credit with no transitional protection.

In order to ensure that the commitments made to Parliament when UC was first introduced and changes were made in the 2015 budget that claimants' incomes would be protected when they transferred to UC, the circumstances which trigger migration should be drawn as narrowly as possible. We understand that new claims for legacy benefits cannot be made, but substantial changes can be made to those benefits if a claimant wishes to remain on them through a change in circumstances, these are outlined in Appendix D.

The government made a commitment in 2010 that everyone migrating onto UC would receive protection of their income, and the APPG calls for this to be honoured:

> ***"The Government is committed to ensuring that no-one loses as a direct result of these reforms. If the amount of Universal Credit a person is entitled to is less than the amount they were getting under the old system, an additional amount will be paid to ensure that they will be no worse off in cash terms."***
>
> ***Universal Credit: Welfare that works, Secretary of State for Work and Pensions, 2010***

Nine years on from this commitment, it is undeniable that many people are indeed losing out as a result of the reforms. The Government must do the right thing and take action.

To fulfil this commitment, the APPG calls for the number of changes in circumstances which trigger natural migration should be reduced to the minimum.

Recommendation: Where migration to Universal Credit for someone who is already claiming benefits is triggered, a comparison should made between what they would have received following their change of circumstances under the legacy benefit system, with the payment they would receive under Universal Credit and a top up provided to meet any shortfall. For example, if a claimant moves house while other circumstances remain the same, their UC housing element should be based on their new rent but the rest of their award should be transitionally protected if they would otherwise become worse off compared with legacy benefits.

Recommendation: Only where an entirely new claim for benefits is made, for example when a couple separate, should a transfer to Universal Credit be made.

> ***"I am a single parent with a 6-year-old, who has additional needs, and receives DLA. I am his full-time carer, so would struggle to go back to work and his GP has said putting him with child care could slow down his development further. I am currently receiving JSA but should actually be on Income Support, but in order to change benefit I would have to switch to UC. Having tried to work out my finances, so I would know what I had during the at least 5 week wait for UC, I discovered that I would be £148.14 a month worse off on UC. I called DWP about this and they agreed I had my figures right and there was nothing they would do to make up loss!"***

B. Managed Migration

The remaining 2 million households which are not due to move onto UC by natural migration will be transferred between 2020 and 2023/24 under a process of 'Managed Migration' where claimants on legacy benefits are asked to start a claim for UC. When this claim is processed, their entitlement to legacy benefits will be ended.

This group will be entitled to transitional protection – their UC will be 'topped up' to the level of their previous benefits. This transitional protection will not increase with inflation each year, but will continue to be eroded until it reaches the same level as Universal Credit.

Most of the people due to be transferred by managed migration will be long-term recipients of ESA, together with tax credit claimants who haven't had a change of circumstances. People on ESA will include many with health conditions, for whom the process of claiming Universal Credit may well be difficult in practical terms due to lack of computer skills, physical impairment, or anxiety which can be exacerbated by the stress of dealing with the benefits system and worry about income.

We do not yet know what form the eventual managed migration will take, as the pilot is due to begin in summer 2019.

Recommendation: The DWP should ensure that they do everything possible to support claims through the managed migration process and involve claimants in its design.

This includes:

- A commitment to not ending legacy benefits until a Universal Credit claim is paid.
- Proactively contacting claimants by phone or in person if they do not respond to letters.
- Making home visits to all those who are unable to visit a Jobcentre in person.
- Involving claimants in co-designing the final managed migration process. Claimants are the real experts of navigating the Universal Credit system. Ensuring they are routinely embedded in the benefits design process will give the DWP a greater understanding of user needs and help to iron out problems with the system before they are implemented.

4. Cultural, Competence and Claiming Issues

It is vitally important that claimants feel supported on Universal Credit and they are treated with respect and compassion. Because Universal Credit often affects all of their income, or the majority of it, any disruption to that income is going to affect every aspect of their finances – from paying the rent, to bills and childcare.

The culture governing the administration of UC, from the top to the bottom, needs to be about increasing claimant confidence in the system.

A. Digital by Default

Claimants are expected to be computer literate and to have access to equipment and the internet in order to claim Universal Credit and to manage their claim.

Many – especially those who have certain disabilities or learning difficulties do not possess the skills required. The DWP's own survey of claimants showed that only 54% of all claimants were able to register their claim online.[4]

The support provided by Citizens Advice at the start of a claim should assist in these cases, but the DWP's survey showed that 31% of claimants said they needed more ongoing support with managing their UC account and this is not in place.

Recommendation: The contract for support at the start of a UC claim should be expanded to provide phone or face-to-face support for ongoing difficulties in managing the UC account

4 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714842/universal-credit-full-service-claimant-survey.pdf

B. Claimant Commitment

A key part of Universal Credit is the Claimant Commitment, yet there are many issues with it which are causing claimants unnecessary difficulties and heightening the risk of them getting locked in poverty.

The claimant commitment must take into account personal circumstances, which too often does not happen. For example, full time students are being asked to spend 30 hours a week job searching because their course has too few contact hours. The claimant commitment is supposed to be realistic, but it often isn't. The DWP's 2018 survey of UC claimants found that 54% felt their work search requirements did not take full account of their circumstances.

Recommendation: It must be made clear to Universal Credit claimants, that their claimant commitment can be negotiated with their work coach. Claimants should be provided with information before their claimant commitment appointment at the Jobcentre, about what their work coach should take into account in their claimant commitment. For example, if the claimant has caring responsibilities, the age of a claimant's children (which may limit the hours of work searching required), childcare availability and ill-health. A note could then be added to the claimant's journal explaining this and encouraging them to think about what work searching they could realistically do in advance.

Recommendation: A 14 day 'cooling off' period following signing the claimant commitment should be implemented, mirroring the similar period given to consumers signing financial contracts, to allow claimants time to consider what their work search commitment will entail. Giving the claimant information about their claimant commitment and time to consider it will put them in an empowered position in their conversations with their work coach and ensure is a two-way contract with equal understanding of the commitment being made by both parties.

Recommendation: Universal Credit accounts should not be closed within 7 days if a claimant commitment has not been signed off by the applicant. Currently, no efforts are made to contact the claimant to let them know their account will be closed, which doesn't allow claimants with a good reason for not signing their commitment within the allocated time to be made aware.

C. Sanctions

The DWP's UC Full Service Survey showed that 11% of claimants had been sanctioned, of whom 18% had been sanctioned more than once.

These are far higher rates than JSA or ESA. Due to the nature of Universal Credit incorporating a wide variety of support for claimants, a Universal Credit sanction is likely to hit much harder than a JSA sanction and can in practice cut into elements other than the standard allowance where deductions are in place. Sanctions have a particularly harmful impact on disabled people and people with long-term health conditions, who are more likely to be out of work and face barriers moving into employment.

Sanctions must be flexible to a claimant's income. The daily sanction rate for a single claimant is 100% of the standard allowance, or £10.25 per day until the reason for the sanction is complied with. When a sanction is given, the DWP has a duty to ensure a claimants' full circumstances have been thoroughly considered to avoid them falling into destitution as a result of being sanctioned.

Recommendation: The DWP should publish a list of common circumstances that constitute 'good reason' for breaching the claimant commitment. There needs to be a standardised sanctions process across the country to reduce reliance on judgement and increase fairness and accountability in the application of sanctions.

Recommendation: All DWP staff and work coaches should receive training on the definition of 'good reasons' for claimants <u>not</u> to be issued with a Universal Credit sanction. This should include an 'other circumstances' category where judgement can be applied. The training must also ensure that DWP staff are aware of and follow standardised procedure in relation to sanctions. This should be followed up with a requirement for decision makers to ensure that these procedures have been applied before sanctions are implemented.

Recommendation: Remove fixed term sanctions - sanctions should end when claimants have complied with their requirements. Sanctions should also end if the claimant becomes unable to comply, for example due to becoming unwell or having a new baby.

D. Deductions

The APPG believes the rate of deductions being applied to Universal Credit claimants is too currently high in too many cases. Overpayments of Universal Credit are being recovered at huge rates, leaving people already struggling to cover costs in further financial difficulty. The JRF report Preventing Destitution shows that debt deductions are a significant factor pulling people into destitution.[5]

DWP figures show that of all the eligible claims of Universal Credit due a payment in February 2019, 57% (840,00 claims) had a deduction. Of these 13,000 had deductions above 40% of their standard allowance. The government have announced that as of October 2019 they would lower the maximum cap for deductions of Universal Credit to 30%, however there will be a further 800,000 people on Universal Credit by the time this is put in place.

For 440,00 households claiming Universal Credit, on top of repaying their advances they are also repaying at least one other debt for benefit overpayments, social fund loans or other advances. This doesn't include a claimants' debts such a rent arrears, utility bills or council tax debt which they may also be paying.

[5] https://www.jrf.org.uk/report/preventing-destitution-policy-and-practice-uk

Moreover, there are still £6.9 billion tax credits overpayments yet to be transferred to Universal Credit. Many of these are historic case of overpayments with only 29% of the £6.9billion related to 2016/17 onwards, 52% related to 2011/12 – 2015/16 and 16% is even older. Therefore, many people aren't aware they even have an overpayment and aren't given the opportunity to challenge them. The HMRC's 'Older inactive debts' policy 2011-12 stated it was to remit all inactive tax credit debts over 3 years old.

Although the planned reduction in the deductions cap to 30% is a welcome start, it does not address the underlying problem with deductions, which is the amounts deducted tend to be taken at a fixed rate regardless of individual circumstances. Furthermore, it has been recognised that DWP (among other government creditors) lags behind on good debt management practice. Improving DWP's debt management approach to bring it into line with best practice in the private sector would make a huge difference to claimants.

It is worrying that there is no standard assessment of affordability made by staff before setting debt deductions. Debt repayments deducted from benefits should be based on an affordability assessment, such as the Standard Financial Statement used by debt advisers and regulated consumer credit providers.

Recommendation: DWP should introduce a standard affordability assessment, in consultation with debt advice charities, which protects the child, disability and housing elements, and is mandatory for all staff to use before setting debt repayments for either advances or a third-party debt.

Recommendation: Overpayment charges when the fault is of the DWP, rather than of the claimant, should be waived and a Code of Practice for overpayments introduced, outlining a proper disputes procedure to take in to account both financial hardship for the claimant and official error.

Recommendation: The DWP should write off historic Tax Credit overpayments as the government stated they were doing in 2011**,** more recent overpayments should be proved, and the opportunity given to challenge them properly.

5. Bureaucratic Issues

Many issues with Universal Credit are bureaucratic, and to fix them would not be costly. The following recommendations call for the process of Universal Credit to be easier for claimants.

A. Making and Managing a Claim

As of April 2019, Citizens Advice have been funded by the DWP to deliver the 'Help to Claim' service to support people in England and Wales to make an initial claim for Universal Credit. As part of the service, Citizens Advice will support claimants with the process of creating an account, identity verification and gathering any additional evidence. Citizens Advice will also explain to people what they can expect at their first work coach appointment and talk them through the claimant commitment process.

The process of making a Universal Credit claim should be as simple as possible, with a good system of communication between the claimants and the DWP. This would limit the amount of errors in the Universal Credit process and prevent problems for claimants further down the line.

The DWP has confirmed that it will not take the first date of contact with the Citizens Advice 'Help to Claim' service as the applicant's date of claim for Universal Credit, as the service does not come within the definition outlined in Regulation 10 (1)b:

> ***10. (1) Where a claim for universal credit is made, the date on which the claim is made is— (b) in the case of a claim made by means of an electronic communication in accordance with regulation 8(1), where the claimant receives assistance at home or at an appropriate office from the Secretary of State, or a person providing services to the Secretary of State, which is provided for the purpose of enabling that person to make a claim, the date of first notification of a need for such assistance;***
>
> ***Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance Claims and Payments Regulations 2013***

Therefore, if the date a claimant notifies Citizens Advice of the need for assistance with claiming UC under the Help to Claim scheme, differs to the date that Citizens Advice actually assist with submitting the claim electronically; then the date of claim is the later date. There may be practical reasons why Citizens Advice cannot help the person on the same day they initially contact them, and therefore claimants potentially lose out by this.

Recommendations:

Under the 'Help to Claim' service the date of claim for Universal Credit should start from the date the claimant notified Citizens Advice or DWP of the need for help in making the claim, provided that their actual claim is subsequently made electronically by Citizens Advice**.**

The DWP should provide a pdf version of the claim form so that applicants are aware of what information is required to make their claim – as it stands this form is not available unless applying.

There should be an opportunity for claimants or their representative to call the DWP and discuss their claim directly, as often people are promised that they will be responded to or receive a call from decision makers, which is not the case.

Claims not Completed. Worryingly, around one in five claims for Universal Credit are not completed. This is far higher than the proportion of people gaining well-paid employment during the claim period. If there are people who are not claiming anything and therefore receiving no support into work or training because of the system of making a Universal Credit claim, the DWP needs look at the reasons why this is and implement changes to way people can make a claim to assist these groups, who are potentially missing out completely.

Recommendation: The DWP needs to conduct and publish research on the stages at which a claim fails and follow up with claimants to identify the reasons why a claim was not completed.

Managing a Claim without Internet Access. Many claimants are struggling to manage their claim without internet access. Typically, a work coach will place a message on the journal and send a text to the claimant to tell them they need to check their messages. If the claimant doesn't have constant internet access they will need to travel to their local Jobcentre, or to a library which can involve considerable time and expense. Claimants often worry about a message before they are able to read it, the message may be irrelevant but have incurred considerable distress and possible transport costs.

Recommendation: The text system should include brief information about the content of the journal message, so the claimant knows how urgent it is for them to view the message. eg. if a response is required, and if so the deadline.

Implicit Consent. Many advisors are reporting difficulties in supporting clients, who are often unable to advocate on their own behalf. The system needs to recognise that some advice services are not face-to-face and have no access to a claimant's Universal Credit account, and that some claimants cannot operate IT or reliably send documents to an adviser.

Where explicit consent is obtained, this usually only lasts until the end of the next assessment period – just over a month. In practice, most issues in Universal Credit take much longer than this to resolve.

Some advice agencies have found that even when DWP accept their authorisation, they are refusing then to send some information, saying the advisor can get it from the claimant. This creates yet more barriers for people who cannot manage IT and slows down queries and complaints so that they can take months – and longer - to resolve.

The Information Commissioner's Office (ICO) upheld a complaint by a group of advice agencies and charities, that the DWP's consent policy is unduly restrictive. The ICO issued the DWP with a series of suggestions to ensure that advice agencies could more easily help people with their Universal Credit claim. Advice agencies are yet to see these improvements implemented. In a recent case, the claimant received the following message in response to placing authorisation on their journal:

> ***"We cannot take ongoing consent. [The advice agency] can speak to us on your behalf but we will need consent each time from yourself and details of when they will be contacting us."***

A system which is meant to act to protect the claimant's data is working against their interests and making problems extremely difficult for advice agencies to resolve alone, without getting a claimant's MP involved.

Recommendation: The APPG recommends a new system of authorisation for third party advisers, including a 'trusted organisation' list and restore implicit consent where it is clear that the agency is known to DWP and on the list, to avert constant problems with authorisation. A model for this may be the HMRC Tax Credit arrangements for advice services, or a variant on the Apollo List.

Recommendation: The DWP should implement a system for claimants who have Corporate deputies or appointeeships to be able to claim Universal Credit, where an email address cannot be created by the deputy for those claimants. As of April 2018, according to the Office of the public guardians there were 33,581 deputies in the UK.

Refugees

The Home Office currently gives new refugees only 28 days to transition from asylum support, claim Universal Credit and to vacate their asylum accommodation, known as the 'move-on period', whilst Universal Credit has an inbuilt delay of 35 days between an application being submitted and the first payment. This causes refugees to experience a ‘destitution gap’ between the end of the 28 day move-on period and their first Universal Credit payment. Evidence collected by the British Red Cross, indicates that the new Post Grant Appointment Service set up to facilitate early contact between newly recognised refugees and the DWP has not solved the problem of the ‘destitution gap’. The Government insists that advance payments allow refugees to avoid this gap, but APs then need to be repaid in monthly instalments from future UC awards, meaning that refugees have to survive on income below subsistence levels. New refugees therefore start their new lives in the UK in debt, invariably with no savings and lacking other support networks.

Recommendation: The APPG supports calls from refugee organisations that the Home Office should extend the ‘move-on period’ for newly recognised refugees to at least 56 days, allowing time to apply for a bank account and for benefits, followed by the minimum 35-day waiting period for the first Universal Credit payment.

B. Staffing

For Universal Credit to be the personalised supportive system that the government states they want, requires investment in a professional and dedicated workforce which has the time to properly consider the necessary decisions to understand the needs of claimants, and offer them the support they require. With multiple benefits now being managed under one system Universal Credit staff have to understand and deal with a vast number of new rules and systems compared to legacy benefits.

At the time of the National Audit Office’s Report in June 2018, there were on average 85 Universal Credit claimants per work coach, but this is forecast to rise to 373. Current appointment times with work coaches last on average just 10 minutes each. While the number of claimants per case manager – who make decisions on issuing sanctions to claimants and other individual issues – is due to rise from 154 to 919. This is nowhere near the time required to understand a claimant’s requirements, especially if they have additional needs.

Recommendation: The DWP need to invest money into sufficiently staffing Universal Credit, with a dedicated and professional workforce to ensure it can deliver the personalised support to claimants that they are consistently promised.

6. Conclusion

This report makes clear the wealth of problems with Universal Credit which mean it isn’t working for so many claimants.

Putting those problems right is not an impossible task for any government, but it is one that will require considerable effort and resource.

This report sets out a checklist of problems and practical solutions – many of which come at little or no cost – that will improve the experience of claimants and help them to feel supported, rather than victimised by the benefits system.

We hope that Members of Parliament from all sides of the House will continue to listen to the direct experiences of Universal Credit claimants and work with the government to make as many improvements as possible.

As 150,000 claims a month for Universal Credit are current being made, the sooner these changes are made, the more people will benefit, and the more positive their experience of Universal Credit will be.

Appendices

Appendix A

Previous evidence sessions of The APPG on Universal Credit

2019

24 June –Universal Credit and Cancer (held jointly with the APPG on Cancer)

Evidence from: Justin Tomlinson – Minister of State for Disabled People, Health and Work, Sarah Mills- a Universal Credit claimant helped by Macmillan Cancer Support while undergoing treatment for colon cancer and Mind.

29 April – Managing money on Universal Credit (held jointly with the APPG for Debt & Personal Finance

Evidence from: Citizens Advice, Christians Against Poverty and The Trussell Trust.

26 February – What needs to change in Universal Credit?

Evidence from: Joseph Rowntree Foundation.

6 February – Making a claim for Universal Credit

Evidence from: Citizens Advice and Mencap.

28 January – Natural Migration to Universal Credit

Evidence from: Child Poverty Action Group, Entitledto and UNISON.

2018

18 December - Annual General Meeting

20 November – Two child-limit in Universal Credit (held jointly with the APPG on Single Parent Families)

Evidence from: Child Poverty Action Group, the Church of England, Pearls of Peace women's community group and the London School of Economics.

14 November - Evidence session for MPs with the UN Special Rapporteur on extreme poverty and human rights

Evidence from: Philip Alston UN Special Rapporteur on Extreme Poverty and Human Rights

16 October - Managed Migration briefing for Parliamentarians

Evidence from: Child Poverty Action Group, Citizens Advice and Mind

18 July – Sanctions in Universal Credit
Evidence from: Coventry Law Centre, The Children's Society and The Trussell Trust.

20 June - Transitioning onto Universal Credit
Evidence from: Croydon Welfare Rights, Citizens Advice's Craven and Harrogate Districts and Derbyshire Welfare Rights.

***7 February**– Disability in Universal Credit*
Evidence from: The Children's Society, Disability Rights UK, Scope and The Trussell Trust.

<u>2017</u>

13 December– The effect of Universal Credit on foodbanks (held jointly with the APPG on Foodbanks)
Evidence from: Child Poverty Action Group and Universal Credit claimants.

6 December - Universal Credit and Housing
Evidence from: The Residential Landlords Association and Orbit Housing.

15 November - Incomes under Universal Credit
Evidence from: Child Poverty Action Group, Gingerbread, and Citizens Advice Bureau.

31 October - Inaugural meeting

Appendix B

Following the APPG's call for evidence for the report, it received priority recommendations submissions from the following Parliamentarians and previous speakers:

PARLIAMENTARIANS	ORGANISATIONS
Debbie Abrahams MP	Child Poverty Action Group
Hannah Bardell MP	The Children's Society
Lord Bird MBE	Citizens Advice
Tom Brake MP	Coventry Law Centre
Angela Crawley MP	Croydon Welfare Rights
Emma Dent Coad MP	Derbyshire Welfare Rights
David Drew MP	Equity
Vicky Ford MP	Joseph Rowntree Foundation
Afzal Khan MP	Mind
Baroness Lister of Burtersett	Scope
The Duke of Montrose	The Trussell Trust
Kate Osamor MP	Turn2us
Liz McInnes MP	UNISON
Jessica Morden MP	
Danielle Rowley MP	

Appendix C

This table highlights whether English claimants are eligible for passported benefits.

Type of Passported Benefit	Eligible on UC?	Eligible on IS?	Eligible on JSA?	Eligible on ESA?	Eligible on PC – guaranteed credit?	Eligible on TC?	Eligible on HB?
Free School Meals	✓ if net household income is less than £616.67 per month.	✓	✓	✓	✓	✓ CTC provided parent is not entitled to WTC and have an annual income of £16,190 or less.	X
Free NHS prescriptions	✓ if you had a net income of £435 or less in your last UC assessment period OR UC has child element OR you/ your partner have limited capability for work and had a net income of £935 or less in your last UC assessment period.	✓	✓	✓	✓	✓ if your annual family income used to calculate your Tax Credits is £15,276 or less and you receive either CTC, WTC and CTC paid together, WTC including a disability or severe disability element.	X
Free Dental Appointments	✓ if you had a net income of £435 or less in your last UC assessment period OR UC has child element OR you/ your partner have limited capability for work and had a net income of £935 or less in your last UC assessment period.	✓	✓	✓	✓	✓ if your annual family income used to calculate your Tax Credits is £15,276 or less and you receive either CTC, WTC and CTC paid together, WTC including a disability or severe disability element.	X
Childcare for 2 years olds	✓if you and your partner have a combined income of £15,400 or less per year.	✓	✓	✓	✓	✓ if you have an income of £16,190 per year before tax.	X
Healthy Start	✓ if you have an income of £408 at the last UC assessment period.	✓	✓	✓	X	✓ CTC with a family income of less than £16,190 per year.	X
Warm Home Discount	Depends on the energy provider	Depends on the energy provider	Depends on the energy provider	Depends on the energy provider	✓	Depends on the energy provider	X
Cold Weather Payments	✓ if you are not employed or self-employed AND have a health condition or disability and a limited capability for work OR have a child under 5 living with you.	✓ if you have a disability or pensioner premium, a child who is disabled, a child under 5 living with you.	✓ if you have a disability or pensioner premium, a child who is disabled, a child under 5 living with you.	✓ if you are in a work-related activity or support group.	✓	✓ – if you received CTCs that includes the disability or severe disability element.	X

Appendix D

Recommendations for Natural migration

Change of Circumstance: if you:	Current Requirement	Recommended Requirement
Are on Working Tax Credit and your hours fall below 16	Be asked to claim UC	If the fall in hours is for a temporary period, you should be able to average your hours and choose whether to remain on Tax Credits of claim UC
Already claim WTC and you become sick	Be asked to claim UC	You can receive WTC whilst on SSP if your hours averaged over 16 pw before you became sick so should be given the choice to remain on tax credits or claim UC
Are a couple on Tax Credits and you separate	Be asked to claim UC as single people	If there are children, then the parent with care should be able to continue the tax credit claim as a lone parent
Are a lone parent on Income Support and Child Tax Credit and you form a couple with a partner working more than 24 hours a week	Be asked to claim UC as a couple	The new partner can be added to the tax credit claim so claimants should be given a choice to remain on tax credits or claim UC
Satisfy Carers Allowance rules and are making a new benefit claim	Be asked to claim UC	Be able to claim Carers Allowance if that is the only new claim you are making
Claim Income-related ESA but fail a Work Capability Assessment	Be asked to claim UC	If you challenge your WCA and win you should be allowed to return to ESA if you wish
Claim Income-based JSA and you need to attend court or jury service	Be asked to claim UC	Have a choice as to whether to claim UC or remain on JSA
Claim I-B JSA and you are remanded in custody	Be asked to claim UC	Claiming UC is even more difficult if you are in custody. Existing benefits should continue to enable support for family to continue and to smooth transition on release.

Appendix E

Re-investment in Universal Credit - Costings from Child Poverty Action Groups' (CPAG) report *Universal Credit: What needs to change to reduce child poverty and make it fit for families? (June 2019)*

Back in 2011, the DWP's impact assessment for universal credit estimated that it would lift 350,000 children out of poverty. Since then some funding has been returned to universal credit through a small reduction in the taper rate and, more significantly, through higher work allowances. However, these do not come close to what has been lost in cuts. It is imperative that funding is restored so that universal credit can start to reduce, rather than increase, child poverty.

In 2017 CPAG and the Institute for Public Policy Research carried out analysis that which showed that cuts to universal credit would consign a million children to poverty who would have been protected from poverty had its original design been retained. These cuts represent a huge downgrading of ambition and a breach of our duty to the next generation.

CPAG have therefore carried out further analysis to model the impact of a variety of investments in universal credit on child poverty rates, as well as their cost to the exchequer, presented below. All the findings are modelled to 2023/24, the year when universal credit roll-out is due to be completed and are presented in 2023/24 prices. We hope that this will inform government deliberations on how best to tackle rising child poverty.

For those changes which are essentially a simple reversal of cuts (such as restoring benefits to their pre-freeze value) or which abolish specific policies (such as the two-child limit or benefit cap), the poverty reduction that would be achieved is, of course, equivalent to the poverty impact of these policies should they remain in place, and the expected cost to the Treasury is equivalent to the amount which has been lost from low income families' pockets as a result of these policies. The figures thus show just how devastating the cuts of the last several years have been, but also offer clear ways forward by showing the gains that could be made by reinvesting in the nation's children.

Policy change	**Reduction in number of children in poverty (below 60% median income), after housing costs** (to nearest 100,000)	**Reduction in number of children in deeper poverty (below 50% median income), before housing costs**	**Cost to the exchequer** (to nearest £100m)	**Other information**

		(to nearest 100,000)		
Abolition of specific policies				
Remove the two-child limit	300,000	300,000	£1.7bn	Abolishing the two-child limit would protect the most children from poverty, per pound invested, of all the options modelled.
Remove the benefit cap	<50,000	100,000	£1.3bn	Poverty gains appear small because the benefit cap largely affects families already below the poverty line (400,000 of the 500,000 affected children would remain in poverty even if it were lifted, but would see an increase in their income nonetheless).
Remove the two-child limit *and* benefit cap	300,000	500,000	£3.4bn	
Restoration of the value of benefits				
Restore the higher rate element for the first child	<50,000	<50,000	£0.6bn	
Restore UC child element to its 2015/16 real terms value and restore the higher amount for first children	100,000	200,000	£1.8bn	Families with children would gain £230 a year on average.
Restore UC child element and child benefit to their 2015/16 real terms value	100,000	100,000	£1.8bn	Families with children would gain £230 a year on average.
Restore UC child element and child benefit to their 2013/14 real terms value	200,000	200,000	£2.4bn	Families with children would gain £310 a year on average.
Restore all benefits to their 2015/16 real terms value (reverse the four-year benefits freeze)	200,000	200,000	£4.3bn	Families with children would gain £380 a year on average.
Restore universal credit and child benefit to their 2013/14 real terms value (reverse sub-inflationary uprating)	300,000	300,000	£5.6bn	Families with children would gain £500 a year on average.
Changes to the way UC adjusts with earnings				
Introduce a second earner work allowance (equal to the current work allowance)	100,000	100,000	£2.2bn	
Reduce the taper rate to 55% from 63%	200,000	100,000	£3.9bn	
Other changes				
Raise support for people under-25 to the same level as support for over-25s	<50,000	<50,000	£1.0bn	300,000 children would gain, but this has limited effect on child poverty because the majority of claimants under 25 do not have children.
Packages of investments				
Children's package: remove the two-child limit and benefit cap, restore the	700,000	700,000	£8.3bn	Families with children would gain £1,000 a year

child element to its 2015/16 value and restore the higher amount for first children, and increase child benefit by £5 per child per week				on average.
Full package: Remove the two-child limit and benefit cap, restore universal credit to its 2013/14 levels, restore the higher amount for the first child, add £5 per week to child benefit, reduce the taper to 55%, add a second earner work allowance, raise support for under-25s to the over-25 level.	1,200,000	900,000	£20.8bn	Families with children would gain £2,100 a year on average.

Source: analysis of 2016/17 family resources survey data using the IPPR tax-benefit model and forecasts from the 2019 Spring Statement (latest available data at the time of analysis)