HOUSE OF COMMONS LIBRARY

DEBATE PACK

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Spending of the Department for Work and Pensions

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Summary

This House of Commons Library Debate Pack briefing has been published in advance of an Estimates Day debate on the spending of the Department for Work and Pensions, taking place in the House of Commons chamber on Tuesday 2 July 2019.

The subject for this debate was selected by the Backbench Business Committee, following an application from Alison McGovern MP on the impact of Department's spending on child poverty, and a separate application from Frank Field on behalf of the Work and Pensions Committee on the operation and impact of the Jobcentre Plus "Flexible Support Fund."

DWP is the biggest spending department of government, accounting for nearly a quarter of all planned public spending in 2019-20. The majority of DWP's spending is on benefits and state pensions, with the total budget sought for 2019-20 amounting to £189,928 million, 3.0% above the final budget for 2018-19. Further information is given in the Department's Main Estimate 2019-10 Memorandum and supplementary tables.

Major changes to the benefits system are currently underway as a result of a series of substantial reforms introduced by the Coalition Government, and further measures announced by governments since 2015. These include the introduction of Universal Credit – which is replacing working-age means-tested benefits and tax credits and will eventually be received by around 7 million households – and Personal Independence Payment, which is replacing Disability Living Allowance for people of working age.

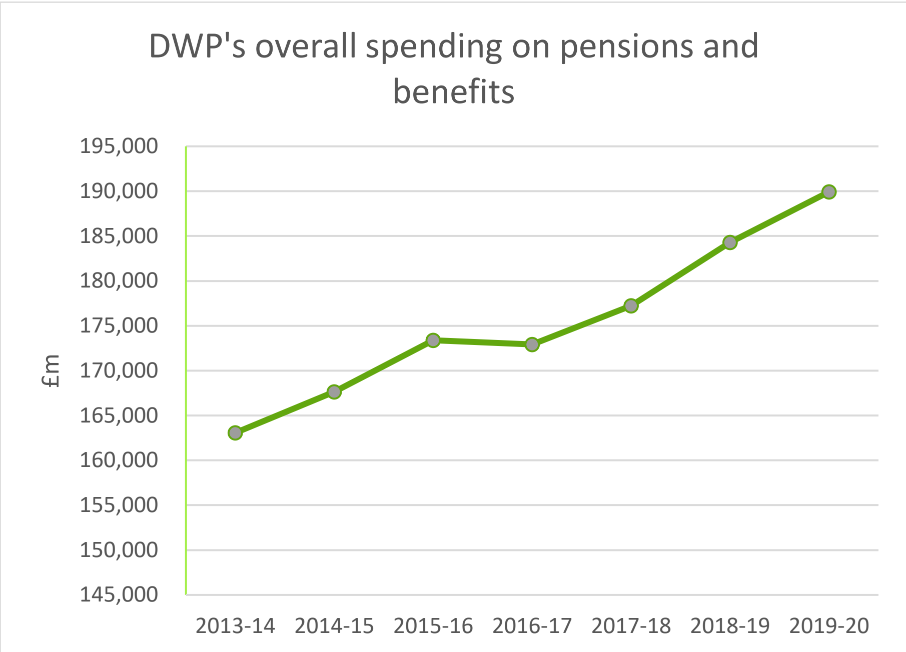
1. Overview of DWP's spending

DWP is the biggest spending department of government, accounting for nearly a quarter of all planned public spending in 2019-20. Most of DWP's spending is on pensions and benefits, although the department also supports employment programmes, provides funding for local authorities to administer some benefits and has responsibility for the Health and Safety Executive.

1.1 Benefits and state pensions

The majority of DWP's spending is on benefits and state pensions, with the total budget sought for 2019-20 amounting to **£189,928 million, 3.0% above** the final budget for 2018-19.

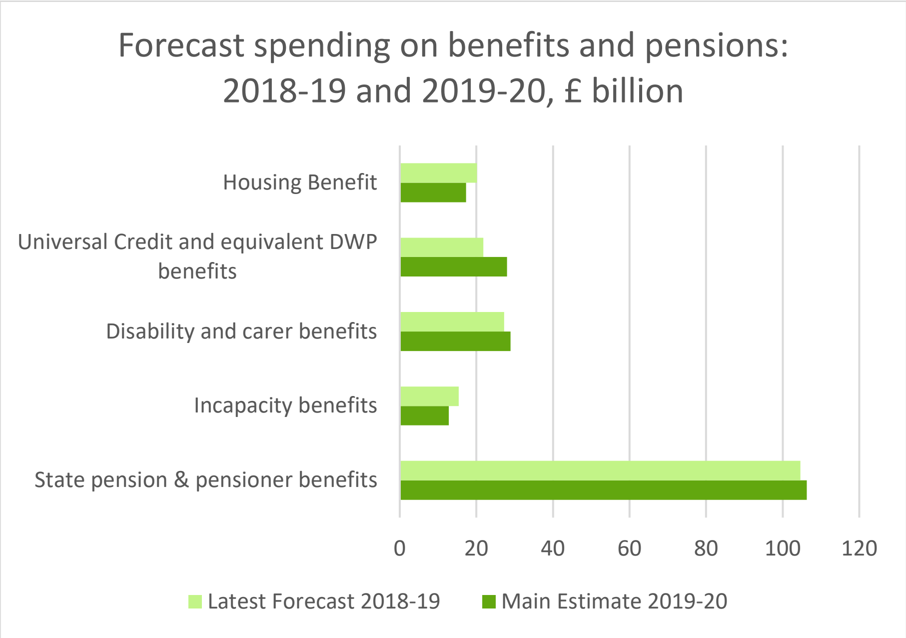
Some of this increase arises from DWP taking a greater share of benefit costs as a whole, as Universal Credit not only replaces legacy DWP benefits, such as housing benefit, wholly funded by DWP, but also tax credits, where claimants previously will have received funding via HMRC.



This overall rise has also been driven by factors such as increasing life expectancy, the uprating of pensions by the "triple lock. At the same time, other factors have exerted downward pressure on spending, including changes to benefit rules, freezing of rates of many benefits, state pension age equalisation, and reducing unemployment.

Within the totals:

- Payments of benefits and state pensions to pensioners are predicted to rise by £1.7 billion or 1.6% compared to last year, with spending on state pension, within this total, going up by 2.1% or £2.1 billion.
- Overall spending on Universal Credit is forecast to rise by 125%, from £8.1 billion to £18.4 billion in 2019-20. But much of this rise is offset by reductions in forecast spending on other DWP benefits.
- Spending on disability and carer benefits is forecast to rise by £1.7 billion or 6%, partly due to an uprating of 2.4% in 2019-20, and partly due to growing numbers of claimants. The amount spent on Personal Independence Payments is rising faster than the amount spent on Disability Living Allowance is falling.

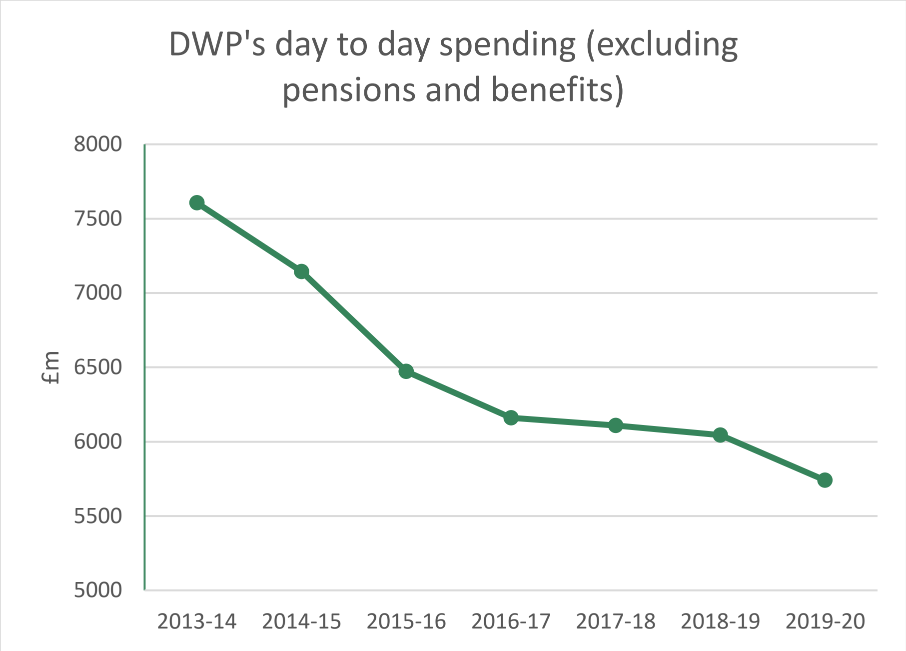


Source: DWP 2019-20 Main Estimate memorandum

1.2 Other day to day spending

DWP also has a separate budget covering the costs of its **staff,** other **running costs**, the **Health and Safety Executive**, **employment programmes, support to local authorities** and other activities.

This budget, known as **Resource DEL,** is set to fall by 5.3% compared to last year to **£5,740 million**. Over three quarters of this spending is operational delivery and departmental operating costs- essentially the staff and associated building costs of the department, which are continuing to fall.



1.3 Capital spending

DWP also plans capital spending (– funding DWP's estate and IT – of **£227 million**, **66% below** last year's final budget. In proportion to DWP's other spending, capital represents a very small fraction of DWP's costs, and the reduction follows peak investment in digital and estates change programmes in prior years.

1.4 Spending trends

The Office for Budget Responsibility (OBR) regularly forecasts public spending, including spending on welfare. Its forecasts of UK welfare expenditure include not just DWP spending but also spending administered by HM Revenue and Customs (HMRC) and the Northern Ireland Executive.

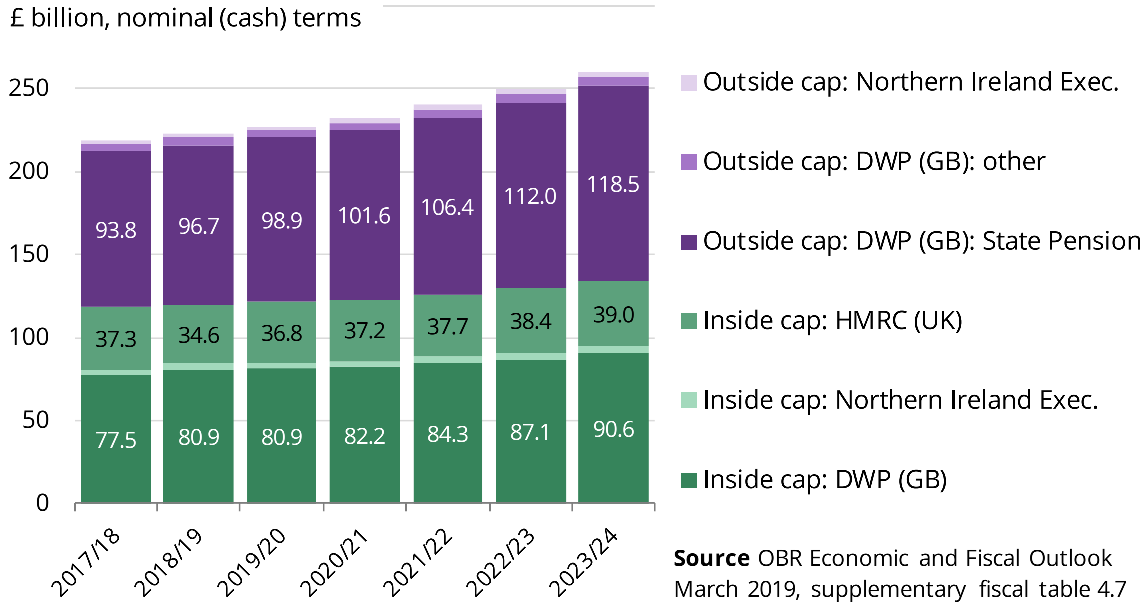
OBR's latest forecasts (in its Economic and Fiscal outlook of March 2019) expect total welfare spending, including state pensions, to be **£227.3 billion** in 2019-20 (27% of the total public spending forecast of £840.7 billion), rising to **£260.5 billion** in cash terms by **2023-24** (27% of total public spending forecast of £954.9 billion).

The chart below shows the breakdown of UK welfare spending by the responsible department (DWP, HMRC or the Northern Ireland Executive) and whether the expenditure is inside or outside the 'welfare cap' (see section 1.5 on the welfare cap for a discussion of this).

The largest component of UK welfare spending is **State Pension** expenditure administered by the DWP – this accounted for **£98.9 billion** in 2019-20 (43% of total UK welfare spending in that year) and is forecast to rise to **£118.5 billion** in cash terms **by 2023-24** (45% of total UK welfare spending).

UK welfare expenditure forecast to 2023/24

OBR forecast as at Spring Statement 2019, broken down by expenditure outside/inside welfare cap and responsible department



Source OBR Economic and Fiscal Outlook March 2019, supplementary fiscal table 4.7

Expenditure on non-pensioners (working-age adults and children)

In Great Britain in 2019-20, 44% of welfare expenditure administered by DWP and HMRC goes to working-age households and children (down from 48% in 2009-10). Trends in working-age expenditure over time are influenced by demographic and economic factors – and since 2010 have also been affected by the various structural reforms to non-pensioner benefit and tax credits.

The table below shows annual welfare expenditure directed at working-age adults and children since 2001-02 in inflation-adjusted terms, broken down into the following categories:

- Total spending on the various forms of core means-tested support for working-age households that are being replaced by Universal Credit ('Universal Credit and predecessors')
- Child benefit
- Disability and carers' benefits
- Contributory benefits.

Total real-terms spending expressed on a per-head basis across the whole non-pensioner population in Great Britain rose from around £1,500 in 2001-02 to nearly £2,150 in 2011-12 and has since fallen back to around £1,820 in 2019-20 (all figures expressed in today's prices).

By 2020-21 total welfare expenditure on non-pensioners is forecast to fall as a proportion of gross domestic product (GDP) to 4.3%, a level last seen in 2002-03.

Welfare spending directed at working-age adults and children

Great Britain — *All figures expressed in real terms (2019/20 prices)*

	Total expenditure directed at working-age and children (a)			*of which: selected categories of expenditure* — Universal Credit and predecessors (b)		Child Benefit	Disability & carers' benefits (c)	Contributory benefits (d)
	£ billion	*% of UK GDP*	*£ per head of population below State Pension age*	£ billion	*£ per head of population below State Pension age*	£ billion	£ billion	£ billion
2001/02	70.2	*4.3%*	*1,499*	34.3	*733*	12.6	7.8	12.9
2002/03	72.6	*4.3%*	*1,544*	36.5	*776*	12.5	8.1	12.7
2003/04	82.1	*4.7%*	*1,740*	45.6	*966*	12.5	8.5	12.8
2004/05	84.0	*4.7%*	*1,772*	47.7	*1,007*	12.4	8.7	12.6
2005/06	84.8	*4.6%*	*1,776*	48.3	*1,010*	12.3	9.0	12.1
2006/07	85.3	*4.5%*	*1,775*	49.1	*1,021*	12.4	9.2	11.7
2007/08	87.5	*4.5%*	*1,811*	50.6	*1,047*	12.7	9.6	11.9
2008/09	93.5	*5.0%*	*1,924*	55.0	*1,131*	13.1	9.9	12.3
2009/10	103.8	*5.7%*	*2,127*	63.4	*1,300*	13.6	10.6	12.8
2010/11	105.3	*5.6%*	*2,144*	65.3	*1,330*	13.7	10.7	12.1
2011/12	106.5	*5.6%*	*2,148*	67.4	*1,359*	13.5	11.4	11.8
2012/13	106.4	*5.5%*	*2,133*	68.2	*1,367*	13.3	12.0	10.7
2013/14	103.0	*5.2%*	*2,052*	66.9	*1,333*	12.2	12.4	9.4
2014/15	102.7	*5.1%*	*2,029*	66.3	*1,310*	12.2	13.6	8.7
2015/16	102.1	*4.9%*	*1,998*	65.0	*1,272*	12.2	14.8	8.9
2016/17	99.1	*4.7%*	*1,919*	62.5	*1,211*	11.9	15.0	8.8
2017/18	98.3	*4.6%*	*1,885*	61.0	*1,169*	11.6	16.2	8.7
2018/19 (e)	97.4	*4.5%*	*1,851*	60.0	*1,139*	11.4	16.9	8.3
2019/20	96.9	*4.4%*	*1,822*	58.2	*1,094*	11.2	18.2	8.4
2020/21	96.8	*4.3%*	*1,803*	57.4	*1,069*	11.3	18.8	8.3
2021/22	97.4	*4.3%*	*1,805*	57.1	*1,059*	11.3	19.6	8.1
2022/23	98.4	*4.3%*	*1,819*	57.1	*1,056*	11.3	20.6	8.0
2023/24	100.0	*4.3%*	*1,845*	57.5	*1,061*	11.3	21.8	7.8

Notes

(a) Comprises benefit and tax credit expenditure administered by DWP and HMRC.

(b) Universal Credit (UC)'s predecessors are the 'legacy' means-tested benefits, comprising:

Child and Working Tax Credits; Income-based Jobseeker's Allowance (JSA); Income-related Employment and Support Allowance (ESA); Income Support; Housing benefits.

UC was first paid in 2013 and accounted for 13.8% of 'Universal Credit and predecessors' spend by 2018-19.

(c) Disability & Carer's benefits comprise, DLA, PIP, Armed Forces Independence Payment and Carer's Allowance.

(d) Contributory benefits comprise contributory JSA, contributory ESA and its predecessor (Incapacity Benefit), Statutory Maternity Pay, Maternity Allowance and bereavement benefits.

(e) Figures from 2018/19 onwards are forecasts as of Spring Statement 2019.

Sources

DWP Benefit Expenditure and Caseload Tables 2019, tables 'GB welfare' and 2b

HoC Library calculations based on ONS population estimates and projections for Great Britain.

1.5 The "welfare cap"

The coalition government of 2010-2015 introduced a new fiscal target, with the aim of keeping welfare spending contained. It set what is known as a "welfare cap"- covering many, but not all, welfare spending, including tax credits paid by HMRC, but excluding state pensions paid by DWP.

The cap, which has already been adjusted several times, has on each occasion been based initially on forecasts by the Office for Budget Responsibility (OBR).

The current fiscal target for welfare, set out in the Charter for Budget Responsibility and agreed by Parliament, aims to keep the welfare spending it covers to £131.1 billion (with a further margin of 3%, bringing it to £135 billion) in 2022-23. The cap is may be adjusted with the approval of Parliament.

The current forecast is for welfare spending inside the cap to be £129.5 billion in 2022-23, comfortably within the cap.

Further details can be found in the Office for Budget Responsibility's Economic and Fiscal outlook of March 2019 (chapter 5, pp 152).

1.6 Authorisation of 2019-20 Main Estimates by Parliament

Before the latest Main Estimates can be approved, Estimates day debates will take place on the floor of the House of Commons. One of these has been set aside on this occasion to debate the spending of DWP.

Following the debates, the House will be invited to agree a motion on DWP's 2019-20 Main Estimate. Members may agree or reject this motion, or suggest amendments reducing expenditure. There are further motions for other Estimates selected for debate, and a further 'roll up motion' covering the remaining Estimates, which members may accept or reject. Under the 'Crown prerogative' only Government can propose spending, so amendments to increase spending are not permitted.

Once motions have been authorised, a Supply and Appropriation bill is presented. Unlike most bills there is no committee stage, and as with other financial legislation the House of Lords' role is purely formal. On receiving Royal Assent, departments are able to draw upon the agreed funds set out in the Act for the purposes Parliament has authorised.

1.7 DWP's Annual Reports and Accounts

DWP's Annual Report and Accounts for the financial year 2018-19 were published on 27 June 2019, reporting to Parliament and the public on the spending and performance of the department over the last year.

For the 31st year in succession, DWP's accounts have been qualified by the Comptroller and Auditor General[1]. This is due to the high rate of fraud and error- "irregular" payments -which is estimated to have

[1] The Comptroller and Auditor General leads the National Audit Office, the independent auditors of government departments

arisen. In 2018-19 the rate of fraud and error is estimated to have risen to the highest levels seen since 2005/06, comprising some 4.6% of benefits payments, excluding state pension, compared to 4.4% the previous year. The National Audit Office says[2]

> Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and the Department. When overpayments are recovered by the Department, this can lead to problems for claimants who face deductions from their income. Underpayments can mean households do not get the support they are entitled to.
>
> The estimated overpayment rate for Universal Credit is 8.6%, which is the highest for any continuously measured benefit since Tax Credits in 2003-04. Claimants failing to declare their income and earnings correctly was the largest cause of overpayments across the Department's benefits, including for Universal Credit where it accounts for 30% of overpayments.
>
> Personal Independence Payment (PIP) has the highest level of underpayments, at 3.8% of expenditure. The primary cause of both overpayments and underpayments in PIP is claimants not reporting changes in functional need due to either deterioration or improvement in their medical condition

The Comptroller and Auditor General went on to say

> The value of fraud and error in benefit spending is a longstanding and costly issue for the Department. I am concerned that this has reached its highest rate since the current estimation method was introduced, and that the Department expects overpayments to rise even further.
>
> I would like to see the Department make better use of its data to identify misreporting of benefit income and eradicate this cause of overpayments and underpayments. It should also work to understand the reasons for high fraud and error rates for Universal Credit, and explore how it can help PIP claimants provide accurate and timely information so that they are not underpaid their benefits.

[2] NAO press release, 27 June 2019

2. Key policies

This section outlines key policies of the Department for Work and Pensions affecting children and people of working age. Key policies affecting people of pension age are summarised in a Commons Library briefing prepared for a previous DWP Estimates Day debate.[3]

2.1 Universal Credit

Universal Credit (UC) is replacing a range of existing means-tested benefits and tax credits for working-age households. The Department for Work and Pensions (DWP) refers to the benefits and tax credits UC is replacing as "**legacy benefits**." The aim of Universal Credit is to simplify and streamline the benefits system for claimants and administrators, improve work incentives, tackle poverty among low income families, and reduce the scope for fraud and error. At February 2019 just under 1.6 million households in Great Britain were on UC, of whom 38% were households with children.[4] When fully rolled out, around 7 million households will receive Universal Credit and payments will total more than £60 billion a year.[5]

Universal Credit awards comprise a **standard allowance** with **additional amounts** for children, housing and other needs and circumstances such as childcare and caring. The actual amount a household receives will however depend on its income and savings. **Unearned income** – such as income from certain benefits, or an occupational pension – will usually reduce the maximum UC award on a pound for pound basis. **Earned income** – i.e. income from employment or self-employment – will reduce the UC award at a constant rate (the "**single taper"**), although households may be able to keep some of their earned income (the "**work allowance**") before it begins to affect their UC. The taper rate was originally 65 pence for each additional pound of net earnings, but from April 2017 it was reduced to 63 pence for each pound.

Families already get means-tested assistance through tax credits, but while tax credit awards are based on annual income, UC is based on current income. UC awards are calculated on an ongoing basis and increase or decrease each month in response to changes in income and other factors. For employees paid through Pay as You Earn (PAYE), HMRC's **Real Time Information** allows DWP to automatically adjust their UC award if their wages change. Claimants will however have to notify DWP directly of other changes in circumstances affecting their award as they occur.

The financial support provided by Universal Credit is underpinned by a new "**conditionality**" framework setting out the responsibilities claimants may be required to meet. The level of requirements will

3 CDP-2019-0053, Spending of the Department for Work and Pensions, 25 February 2019
4 For further data see Commons Library, Constituency data: Universal Credit rollout, 11 June 2019
5 Office for Budget Responsibility, Welfare trends report, Cm 9562, January 2018, p3

depend on the claimants' circumstances. The conditionality framework is backed up by a "strong and clear" **sanctions** regime for non-compliance.

The "**Full Service**" is the final, digital version of Universal Credit. Claimants are normally expected to make a claim for Universal Credit online and to manage their claim, including reporting changes in circumstances, via an **online account**.

UC is **paid monthly** in arrears and, unless exceptional circumstances apply, as a **single payment** covering all the household's needs. Couples can choose which partner receives the payment, or nominate a joint bank account.

UC is wholly administered and delivered by the Department for Work and Pensions in Great Britain, but DWP has been working with local authorities to develop local face-to-face support services to help UC claimants ("**Universal Support**"). However, in October 2018 the DWP said that the current model was "not delivering the support for vulnerable claimants as affectively as it could have been" and announced that funding for local authorities currently providing Universal Support would cease at the end of March 2019.[6] From April 2019, £39 million of funding was instead made available to Citizens Advice and Citizens Advice Scotland to deliver a new "**Help to claim**" service.[7]

Roll-out schedule

The DWP originally envisaged that Universal Credit would be fully introduced by 2017, but the roll-out timetable has been pushed back several times. Following early problems, the entire programme was **"reset"** in early 2013. In 2016, the DWP began **rolling-out the "Full Service"** – the final digital version of UC, available for all claimant groups – using a **"test and learn"** approach. The Full Service was finally rolled-out to every part of the United Kingdom in December 2018.

Introduction of the Full Service means that new claims for "legacy" benefits cannot be made (with limited exceptions). Legacy benefit claimants do not move onto UC straight away, but a change in circumstances may trigger a move to UC. The DWP refers to this as "**natural migration**." When a person moves onto UC, it will not normally be possible to move back to legacy benefits – the "**lobster pot**" rule.

The Work and Pensions Committee has been undertaking an inquiry, Universal Credit – natural migration – which is looking at, among other things:

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6 Letter from the Director General, Universal Credit, to local authority Chief Executives, 1 October 2018

7 Citizens Advice to provide support to Universal Credit claimants, DWP press release, 1 October 2018; New 'Help to Claim' service provides extra Universal Credit support, DWP press release, 1 April 2019

- Which groups stand to lose out most when transferring to Universal Credit, and what the Government should be doing to support them.
- What the lack of a comprehensive list of "triggers" for natural migration means for claimants and those supporting them.
- Whether the DWP has done enough to help people understand what changes in their circumstances might cause them to have to transfer to UC, and what that might mean for them.

Legacy benefit and tax credit claimants not experiencing a change in circumstances will transfer to UC by a process known as "**managed migration**." Under the latest Government plans, a managed migration pilot involving around 10,000 claimants will begin in July 2019.[8] The DWP will then seek parliamentary approval for the main phase of managed migration, which is expected to get underway in late 2020 and be completed by December 2023.

Around **2 million households** – mainly people receiving income-related Employment and Support Allowance, and families on tax credits – are expected to move onto UC by managed migration. Where claimants moved to UC via managed migration are entitled to less support than they were receiving through legacy benefits and tax credits, they may be entitled to a top-up payment so that they do not lose out in cash terms at the point of transfer. This **"transitional protection"** will continue until the claimant's circumstances change significantly, or increases in UC entitlement fully extinguish the additional transitional element.

In a report published on 1 May 2019, the Work and Pensions Committee set out a series of provisional and final tests of the DWP's readiness to proceed with managed migration "at scale" – i.e. the main phase due to start in late 2020. These tests cover:

- payment timeliness
- Work Coach/Case Manager performance
- systems performance
- cost per UC claim
- customer satisfaction
- claimant financial duress
- claimant dropout
- indicators relating to vulnerable claimants and the financial impact on third parties

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8 There is uncertainty about when exactly the managed migration pilot will get underway. Draft regulations which must be agreed by both Houses for the pilot to go ahead – The Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019 – were laid before Parliament in January but no date has been set for them to be considered by the Commons or by the Lords. The draft regulations also include provisions to make payments to people who lost the Severe Disability Premium on moving to UC, but on 3 May the High Court ruled that the proposed scheme was unlawful. In a written answer on 21 June (PQ 263658) the DWP Minister Justin Tomlinson said that the DWP was "currently considering the options open to us and will respond in due course."

Further information

Work and Pensions Committee, Natural migration inquiry - publications

Work and Pensions Committee, Universal Credit: tests for managed migration, HC 2019 2017-19, 1 May 2019

Changes to the UC work allowances and taper rate

Key parameters of Universal Credit have changed since the original legislation was agreed.[9] The Conservative Government's Summer Budget in July 2015 announced a series of controversial changes to Universal Credit (and, in advance of the full UC roll-out, to tax credits):[10]

- A reduction in the income threshold in tax credits, and an increase in the tax credit withdrawal rate ("taper"), from April 2016
- Reductions in the work allowances for most UC claimants, from April 2016
- Limiting the child element of tax credits and UC to two children for new claims and births after April 2017[11]
- Removing the family element in tax credits (and the corresponding first child premium in UC) for new claims from April 2017
- Freezing most working age benefits – including most tax credit and UC elements – for four years (annual increases having previously been limited to 1% for three years from 2013)

Following a Government defeat in the House of Lords on 26 October 2015[12], in the Autumn Statement 2015 the then Chancellor, George Osborne, reversed the planned changes to the income thresholds and taper rate within tax credits. The other changes have however been implemented. The **reduced work allowances** were particularly controversial. Although the impact varies according to household circumstances, the changes were criticised by some commentators as reducing the generosity of UC work working claimants and, for some groups, incentives to enter or progress in work.[13]

At Autumn Statement 2016 the Government announced that the Universal Credit **taper rate would be reduced from 65% to 63%** from April 2017, ultimately benefiting around 3 million working households. The taper rate reduction was welcomed, but for most

[9] A full policy timeline for Universal Credit – from initial proposals put forward by the Centre for Social Justice to June 2018 – can be found in section 1.1 of Commons Library briefing CBP-8299, Universal Credit roll-out: 2018-19

[10] See Commons Library briefing CBP-7252, Welfare Reform and Work Bill 2015-16, 16 July 2015

[11] See Commons Library briefing CBP-7935, The two child limit in tax credits and Universal Credit, 10 April 2017

[12] HL Deb 10 April 2015 cc976-1042

[13] More detailed analysis of the impact of the work allowance cuts can be found in Commons Library briefing CBP-7446, Universal Credit changes from April 2016, 16 November 2016.

affected by the work allowance cuts the gain would be insufficient to offset the losses as a result of that measure and other changes.[14]

Autumn Budget 2018 announced an **increase in the work allowances of £1,000 a year, for households with children, and for households with a disabled children** (for single people and couples without children, the work allowance remains zero – and so their UC award begins to reduce with the first pound of earnings). The cost of increasing the work allowances is estimated at £545 million in 2019-20, rising to £1,695 million a year in 2023-24. The Government estimates that the increased work allowances will result in 2.4 million households receiving an extra £630 each year.[15]

Further information

Resolution Foundation, Back in Credit? Universal Credit after Budget 2018, 12 November 2018

Policy in Practice, Autumn 2018 Budget: What is the impact of the changes to Universal Credit on low-income households?, November 2018

Joseph Rowntree Foundation, Where next for Universal Credit and tackling poverty?, February 2019

Institute for Fiscal Studies, Universal credit and its impact on household incomes: the long and the short of it, April 2019

Child Poverty Action Group, Universal Credit: Universal credit: What needs to change to reduce child poverty and make it fit for families?, June 2019

Easing the transition to UC

In Autumn 2017, following emerging evidence of problems experienced by people moving onto UC[16] the Government slowed significantly the roll-out plans for January-March 2018 while it introduced measures intended to ease the transition to UC. These included abolishing the 7 day "waiting period", increasing the amount of the advance payment people can get at the start of their claim and extending the repayment period for advances, and allowing people moving onto UC to continue to receive Housing Benefit for two weeks.

Further measures were announced in Budget 2018 including:

- an additional two-week payment of Income Support, income-based JSA and income-related ESA at the start of a UC claim, effective from July 2020;

14 A Commons Library blog, Universal Credit: jam tomorrow? looks at the combined impact of the work allowance and taper changes on a range of example families.
15 Autumn Budget Red Book, para 5.33
16 See Commons Library briefing CBP-8096, Universal Credit roll-out: Autumn/Winter 2017, 15 November 2017

- reducing the maximum rate for debt deductions from a UC award from 40% to 30% of the monthly standard allowance, from October 2019; and
- extending the period over which advance payments are recovered from 12 to 16 months, from October 2021

However, many believe further action is needed to address problems experienced by people moving onto Universal Credit. In an open letter to the Government in February 2019, a coalition of charities warns that urgent steps are needed to protect people and communities in poverty from the potential economic impact of Brexit, including ending the five-week wait at the start of a new claim for UC, which they argue is "simply too long to wait for families who have few or no savings".[17] They are calling on the Government to reduce the wait to two weeks.

Further information

Trussell Trust, Five weeks too long, 8 February 2019

Citizens Advice, Managing Money on Universal Credit, 6 February 2019

Christians Against Poverty, Checking in: applying and waiting for Universal Credit: CAP clients' experiences of Universal Credit so far, December 2018

Commons Library briefing CDP-2019-0131, Universal Credit and Debt, 3 June 2019

Impact of Universal Credit

On 15 June 2018 the **National Audit Office (NAO)** published a report, Rolling out Universal Credit.[18] The NAO found that while some elements of Universal Credit were working well, with evidence of good relationships between work coaches and claimants, and significant improvements in systems since they were first introduced, some claimants had struggled to adjust to Universal Credit. It noted:

- Evidence from local and national bodies suggesting that a significant number of claimants had suffered difficulties and hardship during roll-out of the Full Service, as a result of issues with the design of UC and its implementation.
- The Department had found it difficult to identify and track those it deemed vulnerable – it had not measured how many UC claimants were having difficulties because it does not have systematic means of gathering intelligence from delivery partners.
- DWP did not accept that Universal Credit has caused hardship among claimants, because of the availability of advances. However, its own survey of Full Service claimants published in June 2018 found that four in ten claimants surveyed were experiencing financial difficulties.

[17] Protecting people and places in poverty from the risks of a no-deal Brexit; see also Trussell Trust, Five weeks if too long to wait for Universal Credit – join the campaign, 8 February 2019

[18] HC 1123 2017-19

- One in five claimants do not receive their full payment on time. Around 113,000 new claims were paid late in 2017, approximately 25% of all new claims. On average these were paid four weeks late.
- Universal Credit is creating additional costs for local authorities and other organisations that help administer Universal Credit and support claimants. The Department had acknowledged and compensated local authorities for some additional costs, but had placed the burden of proof on local authorities to prove them and had not sought to systematically collect data on these wider costs.
- Organisations told the NAO that DWP had been "unresponsive" to issues they had raised.

NAO noted that the DWP's Full Business Case for Universal Credit (a summary of which was published on 7 June 2018) stated that the Department expects UC eventually to deliver £8 billion of net benefits of year, but added that this "depends on some unproven assumptions." NAO had "significant doubt" about the main benefits of UC. It pointed out:

- It is not known whether the employment impact identified in early evaluations can be replicated across the programme.
- It is not clear that UC will cost less to administer than existing benefits.
- DWP does not know whether UC is reducing fraud and error.

The NAO stated that "The Department will never be able to measure whether Universal Credit actually leads to 200,000 more people in work, because it cannot isolate the effect of Universal Credit from other economic factors in increasing employment."[19]

The NAO's overall conclusion on value for money was that:

> 17 We think that there is no practical alternative to continuing with Universal Credit. We recognise the determination and single-mindedness with which the Department has driven the programme forward to date, through many problems. However, throughout the introduction of Universal Credit local and national organisations that represent and support claimants have raised a number of issues about the way Universal Credit works in practice. The Department has responded to simple ideas to improve the digital system but defended itself from those that it viewed as being opposed to the policy in principle. It does not accept that Universal Credit has caused hardship among claimants, because it makes advances available, and believes that if claimants take up these opportunities hardship should not occur. This has led it to often dismiss evidence of claimants' difficulties and hardship instead of working with these bodies to establish an evidence base for what is actually happening. The result has been a dialogue of claim and counter-claim and gives the unhelpful impression of a Department that is unsympathetic to claimants.
>
> 18 The Department has now got a better grip of the programme in many areas. However, we cannot judge the value for money on

[19] Executive Summary, para 16

> the current state of programme management alone. Both we, and the Department, doubt it will ever be possible for the Department to measure whether the economic goal of increasing employment has been achieved. This, the extended timescales and the cost of running Universal Credit compared to the benefits it replaces cause us to conclude that the project is not value for money now, and that its future value for money is unproven.

The NAO report noted that the DWP was now approaching the task of migrating existing benefit and tax credit claimants to Universal Credit and that, after that, UC needed to provide the basis for future development and refinement of working age benefits. To succeed, NAO believed that DWP "must ensure its flexible approach to delivery helps it learn from its own experiences, those of claimants, and those who support them." It recommended that the Department (Executive Summary, para 19, original emphasis):

> **Improve the tracking and transparency of progress towards Universal Credit's intended benefits**. It should set out clearly how it calculates those benefits and encourage third parties to review and monitor assumptions. The Department should assess the impact of Universal Credit on third parties and include this in its calculation and budgeting of the implementation costs.
>
> **Ensure that operational performance and costs improve sustainably before increasing caseloads through managed migration**. It should formally assess the readiness of automation and digital systems to support increased caseloads before migration begins, and ensure the programme does not expand before business-as-usual operations can cope with higher claimant volumes.
>
> **Work with delivery partners to establish a shared evidence base for how Universal Credit is working in practice**. The Department needs to ensure that delivery partners' feedback on both implementation issues and the impact on claimants is considered alongside the existing feedback from frontline staff and programme managers. It needs to systematically collect, analyse and publish data and evidence from delivery partners and produce a shared understanding of what is happening on the ground and how it is addressing any issues raised.
>
> **Make it easier for third parties to support claimants**. This might include:
>
> 1. extending the concept of the landlord portal to simplify verification processes (for example, for childcare costs);
> 2. sharing, with the claimant's consent, appropriate information with third parties, such as information on additional support requirements;
> 3. allowing the bulk upload and download of information helpful to the support of claimants, such as changes in rent; and
> 4. allowing those supporting claimants access to a version of the journal through which they can view appropriate shared information and communicate with the Department

The **Office for Budget Responsibility (OBR)** estimates that, taking into account measures announced in Budget 2018 including the increased work allowances, when fully introduced Universal Credit will have a marginal cost to the Exchequer, compared with the "legacy" benefits it replaces – in other words, UC will cost more than the existing system.[20]

However, the overall marginal cost of Universal Credit masks gains and losses within the population affected by UC. Research published by the **Joseph Rowntree Foundation (JRF)** on 20 February 2019[21] suggests that UC is likely to reduce the number of people in poverty in working families by 300,000, but increase the number of people in out-of-work families in poverty by 200,000. While JRF estimates that 5.5 million people in poverty should see increases to their income, the majority in working families; However, 3 million people in poverty – the majority also in working families – will see their incomes reduced. While acknowledging that the Government has made changes to UC which mean it has the potential to substantially raise the incomes of millions of people in poverty, JRF argues that changes have not gone far enough. It believes that "more and faster improvements" must be made to the design, funding and delivery of UC, otherwise there "continues to be a high risk that UC will fail to realise its potential and even increase hardship for some of those moving on to it in 2019 and beyond."[22]

In a separate report published in February 2019, **Citizens Advice** argues that the changes announced since 2017 to ease the transition to Universal Credit have "only made a dent in the problem rather than fixed it."[23] It recommends further "significant reform" of the system including

- making sure people can access adequate financial support at the beginning of their claim and looking to improve UC design to reduce the wait;
- ensuring UC provides enough to live on by reviewing how benefit rates are set and ensuring deductions are manageable; and
- helping people to budget by designing UC around "real lives", providing greater flexibility in how it is paid and income is assessed.

In June 2019, a report from the **Child Poverty Action Group** set out a range of options to restore benefit cuts and providing a "a blueprint for making universal credit fit for families."[24] On the basis analysis undertaken by the Institute for Public Policy Research (IPPR), CPAG suggests that a "modest package" of measures would lift 700,000 children out of poverty by 2023 (when UC will be fully rolled out), and increase family income by an average of £1,000 per year by:

- removing the two-child limit and benefit cap;
- restoring the child element in UC to its 2015-16 value;

20 OBR, Economic and Fiscal Outlook, Cm 9713, October 2018, paras 4.130-4.137
21 JRF, Briefing: where next for Universal Credit and tackling poverty?; see also Helen Barnard, Where next for Universal Credit and tackling poverty?
22 Ibid. p1
23 Frank Hobson, Emily Spoor and Lindsey Kearton, Managing Money on Universal Credit: How design and delivery of Universal credit affects how people manage their money, February 2019
24 Child Poverty Action Group, Universal Credit: Universal credit: What needs to change to reduce child poverty and make it fit for families?, June 2019

- re-instating the higher payment for the first child in the family; and
- uprating Child Benefit by £5 per child per week to reverse the impact of the benefit freeze

It estimates that the package would cost £8.3 billion, which it states is "a fraction of the total of social security cuts of almost £40bn per year by 2020."

The CPAG report also includes recommendations to improve the design and function of UC, based on casework from its Early Warning System which has so far collated and analysed more than 1,500 benefit cases from welfare rights advisers across the UK. These include:

- Remove the five-week wait by making advances non-repayable or moving from monthly to weekly assessment of entitlement.
- Use claimants' average earnings over a recognisable pay cycle to work out their entitlement, rather than the "rigid monthly assessment period".
- Scrapping the Minimum Income Floor for self-employed low earners.
- Paying childcare costs upfront and simplifying the rules for reporting childcare costs.
- Allowing claimants to show payslips or bank statements to prove their earnings, when the automated information from HMRC is incorrect.
- Further limiting the maximum level at which deductions can be applied.
- Reducing the use of sanctions.
- Improving support for claimants without digital skills or computer/internet access.
- Trialling the automatic transfer of legacy benefit claimants to UC as part of its 'managed migration' pilot, in order find a way of ensuring the most vulnerable claimants are prevented from a total loss of income if they cannot manage to establish a new UC claim within the deadline.
- Stronger protection against cash losses for some groups transferring to UC as part of the managed migration pilot (e.g. those currently receiving a severe disability top-up, couples who separate and parents under 25).
- Stronger protection against cash losses for people who naturally migrate to UC because of a change of circumstances, when the change of circumstances itself creates extra financial difficulties (e.g. following bereavement), and when the move to UC would mean receiving less to help with the extra costs they face (e.g. moderately disabled children, for whom the addition in UC is lower than in the legacy benefit system).

Further information

Commons Library, Constituency data: Universal Credit roll-out, updated 11 June 2019

Commons Library Debate Pack CDP-2018-0221, Opposition Day Debate: Universal Credit, 16 October 2018

Commons Library Debate Pack CDP-2018-0278, Backbench Business Debate: Impact of Changes to Disability Support, 18 December 2018

Commons Library briefing CBP-6547, Housing costs in Universal Credit, 8 May 2019

Commons Library briefing CBP-8494, Universal Credit and the Severe Disability Premium, 8 March 2019

Commons Library briefing CDP-2019-0131, Universal Credit and Debt, 3 June 2019

Commons Library briefing CBP-8501, The Universal Credit assessment period and earned income, 14 June 2019

Work and Pensions Committee, Universal Credit inquiry reports, evidence and memoranda

2.2 Personal Independence Payment

Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) for people of working age. Like DLA, PIP is non-means-tested and is intended to help with the extra costs arising from ill health or disability. It has two components: a **mobility** component, based on an individual's ability to get around; and a "**daily living**" component, based on ability to carry out various day to day activities. Each component has two rates.

PIP was introduced for new claims from April 2013, and DWP is reassessing all existing working age DLA claimants for the benefit. Young people in receipt of DLA are also reassessed for PIP when they reach 16.

The 2010 Government believed that Personal Independence Payment would have certain advantages over Disability Living Allowance:

- It would target support more closely on those most in need of support
- It would be more responsive as claimants' circumstances change
- It would be based on a fairer, more transparent and consistent assessment of need
- It would be easier for claimants, DWP staff and disability organisations to understand[25]

The **PIP assessment** is intended to provide "a more holistic assessment of the impact of a health condition on an individual's ability to participate in everyday life." It covers sensory impairments, developmental needs, cognitive impairments and mental conditions, as well as physical disabilities. PIP was intended to target support more closely on those most in need and significantly fewer people were expected to qualify for PIP than would have qualified for DLA, but the Office for Budget Responsibility has shown that PIP will not in fact

[25] National Audit Office, Personal Independence Payment: early progress, HC 1070 2013-14, 27 February 2014, para1.5. See also Commons Library briefing SN05869, Disability Living Allowance reform

deliver savings relative to DLA. In its January 2019 Welfare trends report, the OBR observes that while the Coalition Government assumed initially that PIP would ultimately cost 20% less than DLA would have done, by 2017-18 it was in fact costing around **15-20% more**, with rollout only around two-thirds complete.

The Department for Work and Pensions is responsible for handling claims for PIP and making decisions on entitlement to benefit. Contracted assessment providers are however a key element in the claims process. **Atos Healthcare** holds the contracts for undertaking assessments in Northern England and Scotland; and in London and Southern England. **Capita Business Services Ltd** holds the contracts covering Wales and Central England; and Northern Ireland.[26] These are separate from the contract under which Maximus assesses ESA claimants.

At the end of April 2019, 2.1 million people in Great Britain had a PIP claim in payment.[27]

The most recent detailed figures on outcomes for DLA claimants reassessed for PIP cover the period up to October 2018. By the end of October 2018, 1,227,000 DLA claimants had been reassessed for PIP. Of those:[28]

- 482,000 (39%) had their benefit increased
- 169,000 (14%) received the same amount as before
- 268,000 (22%) were awarded PIP but with a decreased award
- 253,000 (21%) were not awarded PIP following an assessment
- 49,000 (4%) were disallowed PIP before the assessment
- 8,000 (1%) withdrew their PIP claim

In total therefore, 47% of DLA claimants who registered a claim for PIP received a lower level of award or no award. However, of those who registered a claim, 349,000 (28%) were awarded PIP at the highest rate (i.e. enhanced rate daily living and mobility components). This is a higher proportion than under DLA. Of the DLA claimants who were reassessed for PIP, 191,000 (16%) were receiving the highest rate (higher rate care and higher rate mobility).

Claimants whose main disabling conditions were psychiatric disorders accounted for 36 per cent of DLA reassessments (445,000) but around 50 per cent of disallowances (153,000). The overall disallowance rate for claimants with psychiatric disorders was around 34 per cent.[29]

PIP mobility component and psychological distress

[26] For further information on PIP see Commons Library briefing CDP-2018-0020, Claimant experience of the Personal Independence Payment process, 30 January 2018
[27] DWP, Personal Independence Payment: April 2013 to April 2019, 11 June 2019
[28] DWP, Personal Independence Payment: Official Statistics, 11 December 2018
[29] DWP, Personal Independence Payment: April 2013 to October 2018, PIP: DLA to PIP reassessment outcomes, October 2018, table 1D; and HoC Library calculations based on this. See also Commons Library Debate Pack CDP-2019-0005, Mental health and the benefits assessment process, 21 January 2019

In March 2017 the DWP introduced regulations to reverse the effect of two Upper Tribunal judgments relating to the PIP eligibility criteria.[30] The most significant change made by the regulations was to tighten the rules on access to the mobility component for people unable to undertake journeys due to "overwhelming psychological distress." This would potentially affect people with a wide range of conditions including learning disability. Disability organisations called on the Government not to proceed with the changes. Some questioned how the changes fit with the Government's stated commitment to "parity of esteem" between physical and mental health issues.

In its judgment on 21 December 2017 in *RF v the Secretary of State for Work and Pensions & Others*,[31] the High Court ruled that the regulations introducing the March 2017 changes were unlawful because they discriminate against people with disabilities in breach of *Human Rights Act 1998* obligations, and declared that the Secretary of State did not have lawful power to make the regulations (i.e. they were "ultra vires'") and should have consulted before making them. In January 2018 the Government announced[32] that it would not contest the High Court's decision, and that it would also drop its appeal against the original Upper Tribunal decision that had prompted the change to the regulations.[33] The Secretary of State for Work and Pensions said that her Department would now "take all steps necessary to implement the judgment in MH in the best interests of our claimants, working closely with disabled people and key stakeholders over the coming months."

It was expected that the review would result in around 25,000 claimants by 2022-23 receiving a PIP award who would not have done so otherwise and around 165,000 receiving a higher award than would otherwise have been the case.[34]

The DWP is reviewing all 1.6 million existing PIP awards, and PIP claims submitted since the original Upper Tribunal judgment in November 2016, to see who could be affected. The then DWP Minister Sarah Newton updated the House on progress reviewing cases affected by the Upper Tribunal decision in MH in a written statement on 20 December 2018 (HCWS1224):

> As at 23 November 2018, 140,000 cases had been cleared, of which 1,000 had been paid arrears. The average payment made is approximately £4,500. We are monitoring the numbers of, and reasons for, revised awards closely and making regular quality checks in order to ensure that our decision making is accurate and fair.
>
> Given the complexity of the exercise we have started at a relatively small scale to test our processes and ensure they are effective before ramping up. At the same time we have recruited over 250

[30] For background to these changes see Commons Library briefing CBP-7911, Changes to the Personal Independence Payment eligibility criteria.
[31] [2017] EWHC 3375 (Admin)
[32] Written Statement HCWS414
[33] *MH v Secretary of State for Work and Pensions* [2016] UKUT 0531 (AAC)
[34] Office for Budget Responsibility, Economic and fiscal outlook, March 2018, para 4.112

> additional staff to increase resources available for this exercise, with more to follow over the coming months.
>
> In addition, we are redirecting resource from other areas of PIP. This means the administrative exercise will conclude in 2020. Some DLA to PIP reassessments that would have taken place in 2019/2020 will move to the following year. I believe that prioritising cases where claimants are entitled to arrears is the correct approach.

Further details of the review process are given in the FAQs document released alongside the Ministerial announcement in December – see DEP 2018-1299. The Department also published at the same time an ad hoc statistical release – PIP administrative exercise: progress on cases cleared.

PIP assessments

Disability bodies have long voiced concerns about the assessment processes for both incapacity and disability benefits.[35] In its report on PIP and ESA assessments published on 7 February 2018[36], the Work and Pensions Committee said that failings in the assessment and decision making processes for PIP and for ESA had resulted in the "pervasive lack of trust" that risked undermining the entire operation of both benefits. It set out a series of recommendations including:

- recording face to face assessments and providing a record and a copy of the assessor's report to claimants;
- measures to improve understanding about what constitutes good evidence to support PIP and ESA claim, and ensuring assessors use evidence effectively;
- improving the accessibility of the process at every stage, from the application form, to information about home visits and about accessing reconsiderations and appeals; and
- improving contractor performance through more effective use of contractual "levers" and ensuring assessors are given feedback, including from the appeals process.

In its response to the Committee's report issued on 23 April, the Government made a number of commitments including:

- Producing an Easy Read version of the notes which accompany the PIP "How your disability affects you" form.
- Launching a series of videos which outline the PIP claim process in a simple and clear way, and explain the types of relevant information that are useful in support of a claim, in order to better prepare claimants for an assessment. The PIP assessment providers also supply information to claimants ahead of their

[35] 72% of PIP appeals cleared by HM Courts and Tribunals Service between July and September 2018 found in favour of the claimant – see HMCTS, Tribunals and gender recognition certificate statistics quarterly: July to September 2018, 13 December 2018. The DWP points out however that of the 3.5 million PIP decisions made since the benefit was introduced, only 9% have been appealed and 4% have been overturned at tribunals – see PQ 202717 [on Personal Independence Payment: Appeals], 21 December 2018

[36] HC 829 2017-19

assessment appointment via their websites and direct mail sent to the claimant.

- Addressing improvements to application forms by commissioning external research to identify whether, how and what aspects of the PIP (and ESA) claim forms could have the potential to cause distress; revising and amending the forms in light of these findings; and testing the revised forms with applicants to determine if improvements made result in the forms being more claimant-friendly and less likely to cause distress. This work would commence in summer 2018.
- Working closely with the PIP assessment providers around requests for home visits to ensure their processes align with guidance and claimant needs are being met.
- Working with PIP providers to enhance GP engagement – all providers to foster a greater level of engagement and source information from a broader range of health and social care professionals.
- Pilot enhancements to the PIP telephony script to remind claimants to submit medical evidence and the types of evidence that are useful.
- The Department recognises that the complexity and potential costs of recording makes it difficult for claimants—of PIP especially—to record their assessment. It intends "to make recording the PIP assessment a standard part of the process". The Department would explore "potential options to test the recording of assessments, including video recording."
- Gathering more information on companions accompanying claimants to PIP assessments. In recognition of the fact that a family member, friend, carer or other advocate to support claimants in the assessment, and can be "particularly helpful where a claimant has a mental, cognitive or intellectual impairment and may not be able to give an accurate account of their daily living and mobility needs." DWP will consider how assessments where companions attend with claimants can be specifically examined in audit.

In a written statement on 5 June 2018, the Government announced further measures to "improve the experience" of those claiming PIP, including looking at how to enable more providers to deliver PIP by developing a DWP-owned IT system.[37]

'Transforming assessments'

In a Written Statement on Health and Disability on 5 March 2019 (HCWS1376), the Secretary of State for Work and Pensions, Amber Rudd, announced that that DWP would be "transforming the delivery of assessment services." She continued:

> I have established the Health Transformation Programme to undertake the significant task of transitioning the currently separate Work Capability Assessment (WCA) for Employment and Support Allowance and Universal Credit (UC), and the PIP assessment services into one unified, integrated service from 2021. To support this, we are developing a single digital platform.

37 Written Statement HCWS733

> An integrated approach will allow for a more joined-up claimant experience across these benefits, which takes account of the multiple interactions an individual may have with DWP. We hope that developing our own digital platform will also enable a greater range of assessment providers to compete to help us deliver this important service in the future.
>
> To enable an integrated service, we are extending the contract for the Health and Disability Assessment Service (HDAS), which includes the delivery of the WCA, and aligning it to the duration of the extended PIP contracts. This will allow for a safe and stable service now, and as we transition to the new integrated service.
>
> This strategic transformation will also open up new opportunities to improve our functional assessments in the future. For example, we will test whether it is beneficial to claimants requiring face-to-face assessments to offer a single assessment for UC and PIP to capture all the information required for both claims in one appointment, reducing the need for claimants of both benefits to attend multiple appointments.

Further information can be found in:

- Section 1.6 of Commons Library briefing CDP-2019-0092, Ten years of the Work Capability Assessment, 18 April 2019
- The response from DWP Minister Justin Tomlinson in a Westminster Hall debate on 24 April on Ten years of the WCA (HC Deb cc342-3WH).
- A Lords written answer from 29 April (PQ HL1269)

Further information

Commons Library briefing CDP-2018-0278, Backbench Business Debate: Impact of Changes to Disability Support, 18 December 2018

Commons Library briefing CDP-2019-0005, Mental health and the benefits assessment process, 21 January 2019

Office for Budget Responsibility, Welfare trends report, January 2019

Commons Library briefing CDP-2019-0071, Administration of personal independence payments on Merseyside, 25 March 2019

Commons Library briefing CBP-7820, ESA and PIP reassessments, 10 May 2019

2.3 Employment and Support Allowance

Employment and Support Allowance (ESA) replaced incapacity benefits for new claimants from 27 October 2008. It has replaced Incapacity Benefit, the Severe Disability Allowance, and Income Support for people judged incapable of work.[38] There are two types of ESA:

- contributory ESA, for those with a sufficient National Insurance contribution record; and
- income-related ESA, which is means-tested

38 The DWP began reassessing existing working-age IB, SDA and Income Support claimants for ESA in 2011

The Department forecasts that in 2019-20 2.3 million people in Great Britain will have a claim for ESA, of whom:

- 349,000 will receive contributory ESA only
- 446,000 will receive contributory ESA with a top-up of income-related ESA
- 1,390,000 will receive income-related ESA only
- 138,000 will be claiming ESA only to receive National Insurance credits ("credits only ESA")[39]

DWP estimates that in 2019-20 expenditure on contributory ESA will total £4.6 billion, and expenditure on income-related ESA £8.1 billion. The total for income related ESA is 24% lower than the latest estimate for total expenditure in 2018-19.[40] This may reflect the continuing roll-out of Universal Credit (income-related ESA is a "legacy" benefit UC is replacing).

Eligibility for ESA is determined by the Work Capability Assessment (WCA). Claimants are assessed to determine whether they have a "limited capability for work", and also whether they are capable of engaging in "work-related activity." This second part of the assessment determines whether the person is placed in the "Support Group" or the "Work-Related Activity Group" (WRAG). **Maximus** – which operates as the Health Assessment Advisory Service – holds the contract to undertake assessments for the Department for Work and Pensions, but the decision on entitlement to ESA and on the relevant group is ultimately one for a DWP "Decision Maker."

ESA claimants in the Support Group are not required to undertake any activities as a condition of receiving their benefit. For claimants placed in the WRAG, access to the full rate of benefit may be conditional on participation in Work-Focused Interviews and undertaking work-related activity. "Work-related activity" is activity that makes it more likely that the person will get a job or remain in work. The exact activity is at the discretion of the work coach, and could include a wide range of activities such as skills training, drawing up a CV, work placements, or work experience (although the latter is voluntary). Any requirement must be "reasonable," taking into account the person's circumstances. A person cannot be required to apply for a job, undertake work or undergo medical treatment. All work-related activity must be recorded in an "action plan," which must be in writing and specify the activity the claimant is required to undertake.

As a result of measures in the Welfare Reform and Work Act 2016, the additional Work-Related Activity Component (WRAC) worth £29.05 a week payable to ESA claimants in the Work-Related Activity Group – and the equivalent element in Universal Credit – was abolished for new claims from April 2017. The changes were introduced to "remove the

39 DWP, Benefit expenditure and caseload tables 2019, April 2019, Table 1.c. The figures for income-related ESA may however include some claimants on Universal Credit.

40 DWP Main Estimate 2019-20 Memorandum, April 2019, Tale 6

financial incentives that could otherwise discourage claimants from taking steps back to work". The changes were widely criticised by disability charities. The idea that the WRAC incentivises claimants to not look for work has been particularly disputed.[41] Alongside the changes, the Government promised a package of measures to provide additional help people with health conditions and disabilities get into work. Further details were given in the November 2017 policy document Improving Lives: The Future of Work, Health and Disability.[42]

ESA underpayments

The DWP began reassessing incapacity benefit claimants for ESA in 2011. It subsequently emerged that in some of these "transfer cases" the Department had failed to consider entitlement to income-related ESA, leading to claimants being underpaid. A typical example would be where a claimant on Incapacity Benefit was transferred to contributory ESA only, but – e.g. because of eligibility for a disability premium – they were also entitled to income-related ESA. The DWP did not recognise the problem as systemic until 2014, when it agreed to classify such cases as official error. In December 2017 the DWP announced that it would be reviewing cases to see who had been underpaid.[43]

Both the National Audit Office and the Public Accounts Committee published reports on the DWP's errors and its response to them.[44] The PAC was particularly scathing, describing the situation as "unacceptable and entirely avoidable" stemming from "multiple failures on the part of the Department."[45]

The Government initially said that it would only make backdated payments to people affected to 21 October 2014 – the date of an Upper Tribunal decision it claimed first established that it was making the wrong decisions. The Child Poverty Action Group issued judicial review proceedings challenging the decision of the DWP to limit backdated payments to people who had been underpaid when they transferred to ESA, and in July 2018 the Government said it would fully backdate payments to all those affected.[46]

The Department gave an update on progress in reviewing ESA awards in a written statement on 21 February 2019.[47] In total, around 570,000

41 See Commons Library briefing CBP-7649, Abolition of the ESA Work-Related Activity Component, 7 March 2017
42 Cm 9342; see also Commons Library briefing CBBP-7540, People with disabilities in employment, 29 June 2018
43 Written Statement HCWS356, 14 December 2017
44 NAO, Investigation into errors in Employment and Support Allowance, HC 837 2017-19, 21 March 2018; PAC, Employment and Support Allowance, HC 975 2017–19, 18 July 2018
45 Ibid, Summary; see also the PAC press release, "Thousands of claimants failed by DWP 'culture of indifference'", 18 July 2018
46 Written Statement HCWS877, 18 July 2018. For further information see Incapacity benefit to employment and support allowance and backdated payments at the CPAG website (last updated 13 August 2018), and their press release issued in response to the Government's announcement, CPAG legal action leads to full arrears for disabled claimants
47 Written statement HCWS1348; see also Employment and Support Allowance underpayment FAQs, DEP2019-0252

cases are to be reviewed. DWP expected to complete the checking of "the majority" of around 320,000 cases by April 2019 (Phase 1). This phase also includes reviewing 20,000 cases where the claimant has died. Phase 2 will involve checking a further 250,000 cases; the department expects this will be completed by the end of 2019.

The latest forecast is that by the end of the exercise around 210,000 arrears payments will be made totalling £920 million. On average, the Department estimates that affected individuals could be due around £4,000 in arrears (rounded to the nearest £1,000).[48]

[48] DWP, ESA underpayments: forecast numbers affected, forecast expenditure and progress on checking, updated 16 May 2019

Further information

Commons Library briefing CDP-2019-0092, Ten years of the work capability assessment in relation to employment support allowance and universal credit, 18 April 2019

Commons Library briefing CBP-7820, ESA and PIP reassessments, 10 May 2019

2.4 Benefits freeze

Most working-age benefits and tax credit elements are subject to a **four-year freeze**, covering the period 2016/17 to 2019/20. This follows a three-year period (2013/14-2015/16) when increases were limited to 1%.[49]

The four-year freeze was announced in the 2015 Summer Budget and legislated for by the Welfare Reform and Work Act 2016 (section 11). The Government said that since 2008's financial crisis most benefits had risen by 21% compared to a rise in average earnings of 11% and that the freeze was necessary "*to ensure it always pays to work*".[50]

The four-year freeze keeps affected benefits and tax credit elements at the same cash amount as in 2015/16. The freeze does not include disability/carer benefits and premiums, statutory payments and the Support component of Employment and Support Allowance (payable to those with the severest work-limiting conditions).

The benefits that are frozen include:

- Jobseekers' Allowance
- ESA personal allowances and work-related activity component
- Income Support
- Child and Working Tax Credit (non-disability-related elements)
- Housing Benefit Local Housing Allowances (LHA)
- The equivalents of the above in Universal Credit
- Child Benefit

Benefits payable to working-age recipients that are not frozen include:

- Maternity Allowance
- Statutory Sick Pay
- Statutory Maternity, Paternity and Shared Parental Pay
- Statutory Adoption Pay
- Disability, carers and pensioner premiums
- Other disability, carers and pensioner benefits

49 Announced at Budget 2013
50 Summer Statement 2015 para 1.137

- Employment and Support Allowance (ESA) Support component

In March 2018, the Trussell Trust called for the Government to unfreeze child benefits and uprate them in line with inflation in order to support families with children, who it argued are particularly at risk of foodbank dependency.[51] Citing this call, the Work and Pensions Committee announced an inquiry on the benefit freeze on 14 February 2019. The Committee has compiled evidence which, it argues, demonstrates that ending the benefits freeze a year early in 2019 "would lift 200,000 people out of poverty".[52] The inquiry has held one evidence session where it questioned the Secretary of State for Work and Pensions, Amber Rudd, as well as Neil Couling, the Director General of the Universal Credit Programme. The Secretary of State confirmed that, contrary to the suggestion of the Committee, the freeze "will stay" for the full four years until 2020, but noted that it was her hope that it would not continue thereafter.[53]

The effect of the four-year freeze

If, instead of being frozen, benefits had been uprated in line with the September CPI rate, these payments would have been uprated by:

- **0.0%** in **2016/17** (CPI was -0.1% in the relevant period, so benefits would not have gone up anyway)
- **1.0%** in **2017/18**
- **3.0%** in **2018/19**
- **2.4%** in **2019/20**.

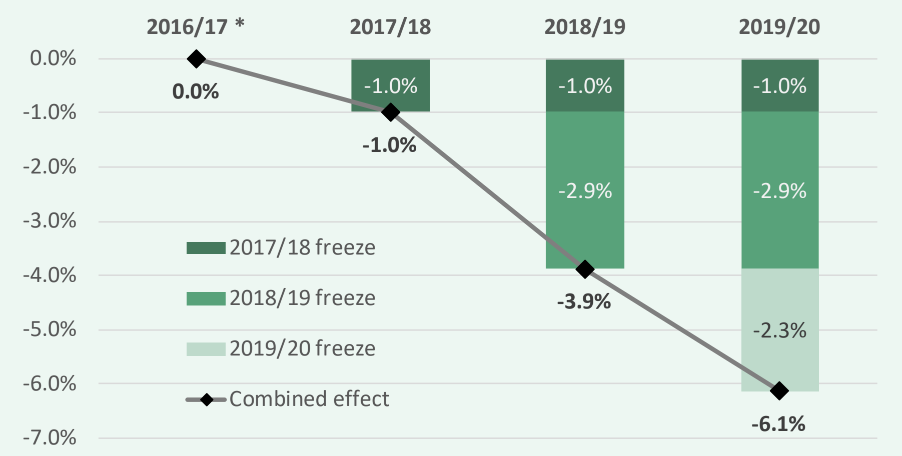
Cumulatively, if there had been no four-year freeze and affected benefits had been allowed to rise in line with CPI, affected benefits would have risen by 6.5% in nominal terms by 2019/20 compared with 2015/16.

The converse way of expressing this is that benefit/tax credit rates in 2019/20 **are worth 6.1% less** than if the freeze had not been introduced (see the chart below).

51 Trussell Trust (blog), Call for Child Benefits Freeze to be lifted as new report shows families with children are most likely to need foodbanks, 23 March 2018
52 Work and Pensions Committee, Benefits freeze inquiry (webpage)
53 Work and Pensions Committee, Benefit freeze – oral evidence, HC 1983, 11 March 2019, Q38 and Q42.

The four-year benefits freeze means that benefit amounts will be 6.1% lower in 2019/20 than if the freeze had not been introduced

Comparison of nominal value of uprateable benefit and tax credit rates with what they would have been in each year if subject to normal CPI indexation

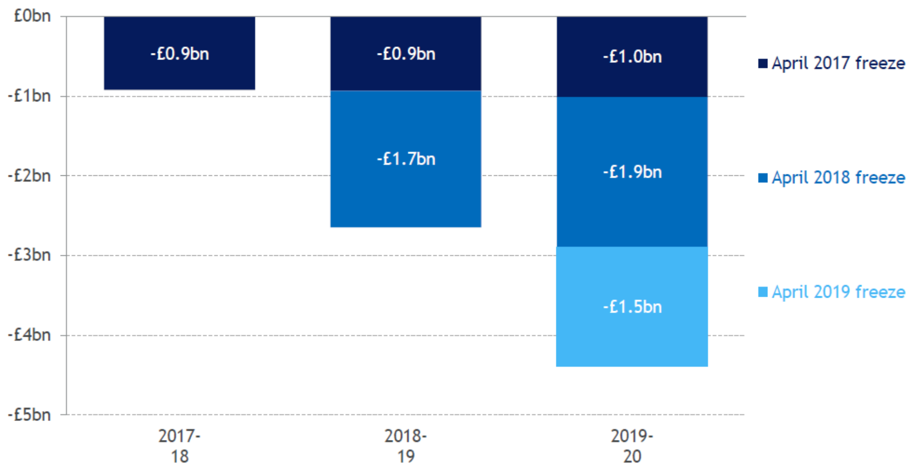


Source HoC Library calculation based on ONS Consumer Price Index.
* **Note** The first year of the freeze was 2016/17, but the relevant CPI uprating benchmark for 2016/17 was -0.1%, meaning that benefits would not have been uprated in that year anyway.

How much does the four-year freeze save the Exchequer?

The Resolution Foundation has estimated that the **fourth year of the freeze alone** saves the Exchequer **£1.5 billion** in **2019/20**. This comes on top of £2.9 billion of savings resulting from years two and three of the freeze, meaning that the **total in-year saving in 2019/20 resulting from the four-year freeze is £4.4 billion** (compared with a counterfactual of CPI uprating over the whole period).[54]

Resolution Foundation estimates of government savings resulting from the four-year freeze (nominal)



Source: Resolution Foundation (Feb 2019) The Living Standards Outlook 2019 figure 7. RF analysis using the IPPR tax-benefit model.

54 Resolution Foundation (20 February 2019) The Living Standards Outlook 2019, page 20

At the 2016 Budget the Treasury forecast that the four-year freeze would achieve an annual saving of £3.5 billion by 2019/20.[55] The increase in the saving estimate for 2019/20 is in large part due to CPI inflation for the period 2016-18 turning out higher than originally forecast in 2016.[56]

2.5 Benefit cap

The benefit cap was introduced by the Coalition Government in 2013. It limits the maximum amount in benefits a household can receive. When originally introduced the cap was £500 a week (£26,000 a year) for a family, and £350 a week (£18,200 a year) for a single person. The 2015 Conservative Government lowered the benefit cap threshold from £26,000 for a family and £18,200 for a single person, to £23,000 in London (£15,410 for a single person) and £20,000 (£13,400 for a single person) elsewhere in the UK.

The DWP estimated that the new lower benefit cap would affect 88,000 households, compared with around 20,000 under the previous policy. Around a third of the affected households were expected to be in London or the South East, although the cap has – for the first time – affected substantial numbers of households in other parts of Great Britain. Critics said that the lower cap was unlikely to incentivise people to move into work, and would have a significant negative impact on families. Social landlords, whose tenants are heavily reliant on Housing Benefit to meet their rent commitments, were concerned that a lower benefit cap would render a substantial number of their homes, particularly those let on affordable rents, unaffordable in London and the South East. In turn, they argued that an insecure rental stream could have implications for attracting private funding for the development of new affordable housing.

Further details are given in Commons Library briefing SN06294, The Benefit Cap, 23 November 2016.

The latest statistics on the numbers affected by the benefit cap can be found in the DWP statistical release Benefit Cap: number of households capped to February 2019, published on 2 May 2019. At February 2019, 52,000 households had Housing Benefit capped, and 14,000 households had Universal Credit capped. 200,000 households have had Housing Benefit Capped, and 26,000 have had Universal Credit capped, at some point between April 2013 and February 2019. 74% of households that had their Housing Benefit capped at February 2019, and 60% of those who had their Universal Credit capped, were single parent families.

55 HM Treasury, Budget 2016, red book table 2.2 line as.

56 In its March 2016 Economic and Fiscal Outlook (table 4.1), the Office for Budget Responsibility forecast that CPI inflation for uprating purposes would be 0.6% for 2017/18, 1.6% for 2018/19 and 2.1% for 2019/20. The actual figures for these years were 1.0%, 3.0% and 2.4% respectively.

On 3 August 2018 the Work and Pensions relaunched its inquiry into the benefit cap (which had been interrupted by the 2017 General Election). The inquiry sought to establish to what extent the benefit cap is achieving its stated aims of incentivising behavioural change amongst claimants and securing savings for the Exchequer. Its report, published on 12 March 2019, concluded that the benefit cap's performance against its stated aims was "disappointing at best".[57] It recommended that the Government:

- change its policy to apply the cap only to claimants who are expected to be actively looking for work;
- increase the current cap limits by taking account of in-work benefits as well as earning and ensuring that the cap levels are uprated in line with inflation;
- monitor financial hardship and ensure an "adequate safety net" is in place;
- exempt all claimants in temporary accommodation;
- ring-fence certain elements of Universal Credit, such as the Standard Allowance, to ensure claimants do not go without money for food;
- ensure claimants are not capped when salary payments relating to different months are counted in a single assessment period, and to compensate those who have been by September 2019;
- that the DWP undertakes a full review of Discretionary Housing Payments (DHPs) in relation to claimants who are subject to the cap in order to inform guidance to local authorities;
- ensure the local authorities have the UC data required to support capped households;
- conduct a full cost benefit analysis of the benefit cap policy to ascertain how much it saves; and
- review the methodology for allocating DHP to individual local authorities so that surplus funding in some areas can be transferred to local authorities who require additional funding.

The Government responded to this report formally on 15 May 2019. It largely declined to accept most of these recommendations, although it noted the validity of many of the Committee's concerns. It reported that it was already undertaking a programme of research on DHPs and it accepted in part that it should share UC data with local authorities to support those claimants who are subject to the cap and are in vulnerable situations. It committed to review the current methodology for the allocation of DHP funding "to understand whether any refinements might be possible to reduce any underspend further". It also noted that the DWP would explore the extent to which a wider cost benefit analysis would be "necessary and feasible" in the future.[58]

There were two similar recent legal challenges to the benefit cap brought on behalf of several single mothers who were affected by the

[57] Work and Pensions Committee, The Benefit Cap, HC 1477, 12 March 2019, para. 127

[58] Work and Pensions Committee, The Benefit Cap: Government Response to the Committee's Twenty-Fourth Report, HC 2209, 15 May 2019, *in passim*

cap through their caring responsibilities.[59] Both challenges argued that the 2015 revised cap discriminates against lone parents and their children, although in one challenge this was limited to lone parents with children under two. It was argued that this breached the Secretary of State's obligations under the European Convention of Human Rights (ECHR).[60] Both cases were heard together by the Supreme Court on 17-19 July 2018, and judgment was given on 15 May 2019. The Supreme Court dismissed both challenges by a majority of 5-2, ruling that the benefit cap does not discriminate against lone parents and their children under the ECHR.

2.6 Two-child limit

As a result of measures first announced in the Conservative Government's Summer Budget in 2015, the per child element in Child Tax Credit and in Universal Credit was limited to two children for new claims and births from 6 April 2017. The Government justified this on the grounds that families in receipt of means-tested benefits "should face the same financial choices about having children as those supporting themselves solely through work." Around 800,000 families with three or more children currently receive tax credits.[61] The two-child limit is expected to eventually yield savings of around £3 billion a year.[62] There are limited exceptions to the rule, including where children are born as a result of "non-consensual conception."[63]

The first statistics on the impact of the policy were published in June 2018.[64] 73,530 households were affected by the two-child limit policy at 2 April 2018, of whom:

- 70,620 households were not receiving a child element or amount for at least one child; and
- 2,900 households were covered by an exception to the policy

Of the affected households:

- 9% were classified as in-work; and
- 62% contained two adults

And of the households covered by an exception:

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59 *R (on the application of DA and others) (Appellants) v Secretary of State for Work and Pensions (Respondent) R (on the application of DS and others) (Appellants) v Secretary of State for Work and Pensions (Respondent) [2019] UKSC 21*

60 Further information on this case can be found on the Child Poverty Action Group website – see Revised Benefit Cap, updated on 15 May 2019. The CPAG was a party to one of the challenges.

61 HMRC, Personal tax credits: provisional statistics, 31 January 2019

62 IFS Observations, Significant cuts to two parts of the benefit system to be phased in from next week, 30 March 2017

63 Detailed information on how the two-child limit applies can be found at the Child Poverty Action Group website – see Ask CPAG Online - the two-child limit

64 DWP and HMRC, Child Tax Credit and Universal Credit claimants: statistics related to the policy to provide support for a maximum of 2 children, April 2018

- 2,440 (84%) were covered by a multiple birth exception;
- 270 (9%) received an exception for non-parental care; and
- 190 households (7%) had an exception for "non-consensual conception"

The number of families affected by the two-child limit will however increase sharply over the next few years. The Child Poverty Action Group (CPAG) and the Church of England estimate that by 2020-21 the two-child limit will affect around 640,000 families including around 2 million children.[65]

In June 2019, the CPAG and the Church of England published a report entitled [All kids count: The impact of the two-child limit after two years](). This presents findings from new research on the two-child limit including a survey of more than 430 families affected by the policy as well as in-depth interviews with 16 families. Key findings include:

- An estimated 160,000 families had been affected by the policy to date – the majority working families – but more than 800,000 families with three million children could eventually be affected by it.
- The two-child limit could push as additional 300,000 children into poverty, and one million children already in poverty into even deeper poverty, by 2023-24 – at which point over half of children in families with three or more children are expected to be in poverty.
- 95% of survey respondents said that the two-child limit had affected their ability to pay for basic living costs, including 88% who said it had affected their ability to pay for food and clothing. Families were facing severe and ongoing financial difficulty, creating huge levels of stress and impacting negatively on their mental health and relationships.
- Many parents reported that they can no longer afford to pay for their children to take part in after-school clubs, sport and school trips.
- The families interviewed were unable to compensate for the reduction in support by working longer hours – most could not see a way out of the situation.
- Awareness and understanding of the two-child limit are low – only half of those affected by the policy said they knew about it before having their youngest child.
- Victims of domestic abuse are particularly vulnerable to the harmful effects of the policy and the requirement for disclosure of non-consensual conception to get an exception provides no solution – the policy can make it more difficult to leave an abusive relationship and put them at increased risk of violence.
- For refugees – who are likely to have arrived in the UK with next to nothing – the two-child limit hinders their ability to rebuild their lives after traumatic experiences.
- Orthodox Jewish and Muslim communities are also disproportionately affected by the two-child limit, due to strong

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65 CPAG and the Church of England, [Unhappy Birthday! The Two-Child Limit at One Year Old](), April 2018

> cultural norms and deeply held religious beliefs that favour larger families.

The report states that the two-child limit is having a 'devastating' effect on parents and children, harming children's wellbeing with potentially lifelong consequences. It argues that if the Government is serious about tackling poverty and enabling children to thrive, it must lift the two-child limit.[66]

Changes to the policy

From 28 November 2018, an additional exception to the two-child rule was introduced for certain families looking after children under kinship care arrangements, or who have adopted a child. This was in response to the High Court's judgment on 20 April 2018 in the case of SC & Ors v Secretary of State for Work And Pensions & Ors [2018] EWHC 864 (Admin). Previously, a child element was available to three children if the family had two biological children and then took on a child in kinship care, but not if the child in kinship care arrived first.[67]

The case was brought by the Child Poverty Action Group (CPAG). In its judgment, the High Court did not accept CPAG's wider challenge to the lawfulness of the two-child rule as breaching fundamental human rights to private and family life and to non-discrimination. CPAG did not agree with the judge's findings in this regard and a substantive challenge to the two-child policy is now being appealed to the Court of Appeal. The hearing took place on 19 and 20 December 2018 and the judgment is awaited.[68]

The two-child limit initially only applied where a third or subsequent child was born after the policy was introduced (6 April 2017). From February 2019, however, it was to have applied in certain circumstances to some children who were born before 6 April 2017. In a speech on 11 January, the Secretary of State for Work and Pensions, Amber Rudd, said that her Department has looked again carefully at this issue and had concluded that it "would not be right and therefore they will be entitled to support for any children born before 6 April 2017, the date that the policy was introduced."[69] The two-child policy remains, however, for children born after this date. The Secretary of State said:

> Most families make a conscious decision about how many children they have, considering in part their income and the additional costs each child will bring. I think it is fair that those on welfare are asked to make the same considered decision as other taxpayers, who support themselves solely through work. So I believe it was right to limit the number of children for whom

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66 Tom Sefton, Josephine Tucker, Camilla McCartney, et al, All Kids Count: the impact of the two-child limit after two years, 25 June 2019, p55

67 See CPAG, High court finds two-child rule exception perverse, 20 April 2018; Extending support in Universal Credit and Child Tax Credit: Written statement - HCWS653, 27 April 2018; and More support for non-parental carers, DWP press release, 27 April 2018

68 See CPAG, Two child limit challenge, 14 December 2018

69 DWP, Speech delivered by the Secretary of State for Work and Pensions at Kennington jobcentre about the future of Universal Credit, 11 January 2019

support can be provided through Universal Credit – funded by the taxpayer.[70]

Further information

Commons Library briefing CBP-7935, The two child limit in tax credits and Universal Credit, 10 April 2017

Jonathan Bradshaw, Why the two-child policy is the worst social security policy ever, Social Policy Association 50th Anniversary Blog Series No 3, 1 November 2017.

Kirsty McKechnie, Two-child limit: one year on, CPAG Welfare Rights Bulletin, Issue 263, April 2018.

CPAG and the Church of England, Unhappy Birthday! The Two-Child Limit at One Year Old, April 2018.

Letter to The Times from faith leaders expressing concern about the consequences of the two-child limit policy for children and families, 6 April 2018

CPAG and the Church of England, All Kids Count: the impact of the two-child limit after two years, 25 June 2019

70 Ibid.

3. Issues

3.1 DWP policies and child poverty

Government policy

The Welfare Reform and Work Act 2016 set out new targets for child poverty focussing on children living in workless households and educational attainment at age 16. As well as these targets, an April 2017 policy paper, Improving Lives: Helping Workless Families, set out indicators to be used "to track progress in tackling the disadvantages that affect families' and children's lives". Six of these are parental indicators which track worklessness and "associated disadvantages", and three look at outcomes for children and young people.

This policy paper also sets out four next steps for action:

- placing more emphasis on helping people get back to work in the Government's Troubled Families Programme;
- reducing parental conflict through a programme to support local, evidence-based interventions;
- placing more expectation on Jobcentre Plus to identify people with complex needs; and
- implementing Dame Carol Black's recommendations on tackling drug and alcohol dependency.

More recently the government have continued to reiterate their focus on work as a route out of poverty, for example saying that:

> The Government take child poverty extremely seriously and are committed to ensuring that all children have the best life chances. The Government believe that moving into work and progressing in work is the best and most sustainable route out of child poverty, and we have reformed the welfare system to ensure that work pays and working families can keep more of what they earn.[71]

Comment

It is often suggested that DWP policies, particularly in relation to benefits, should change to help reduce child poverty. For example, in their Representation for 2018 Budget, the Child Poverty Action Group gave a detailed account of how Government policy is affecting child poverty rates and outlined policies that they said were urgently needed to reduce child poverty, with costs and estimates of impacts. These include restoring children's benefits and work allowances, abolishing the two-child limit and benefit cap, ending the benefit freeze, and investing in welfare rights advice. For more on these policies see above.

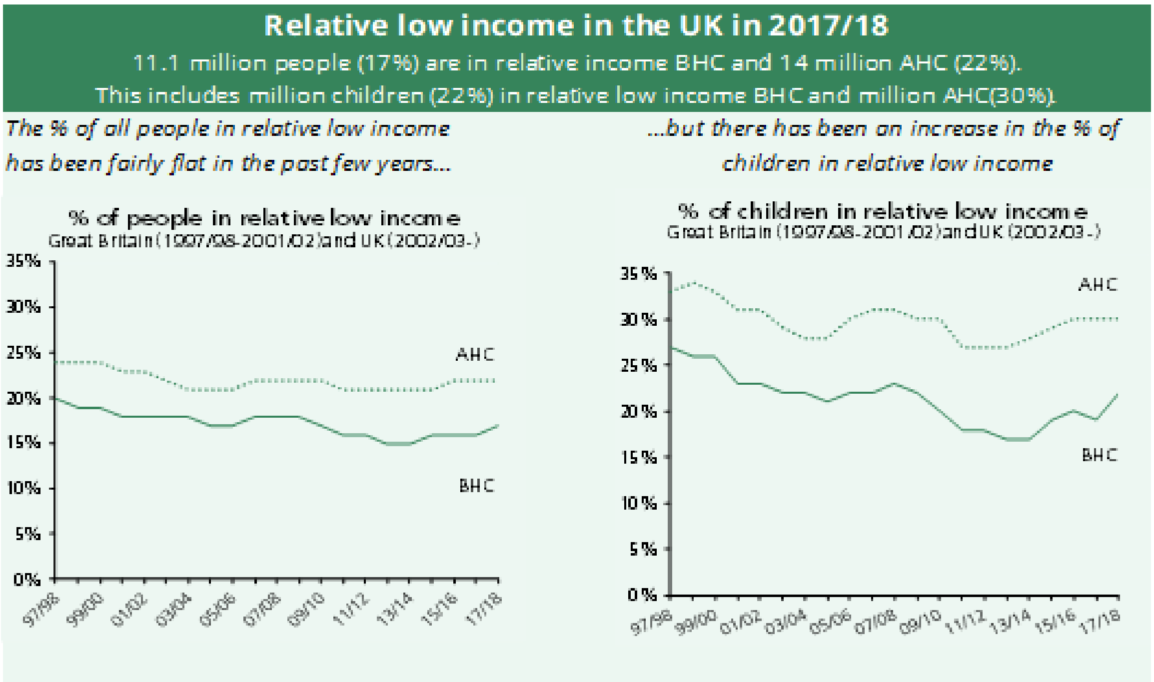
Poverty statistics

In 2017/18, around one in six people in the UK were in relative poverty[72] calculated based on household incomes measured before housing costs

[71] HC Deb 21 May 2019

[72] An individual is in *relative* low income (or relative poverty) if they are living in a household with income below 60% of median household income in that year.

(BHC) were taken into account, rising to more than one in five based on incomes measured after housing costs (AHC).[73]



The in-work poverty rate has risen from 13% to 18% over the last 25 years (AHC). This is mainly due to rises in pensioner income – changing the overall poverty line, falls in worklessness – bringing low earning households into work, increased earnings inequality, and higher housing costs for low income households.[74]

Child poverty

In 2017/18, 22% of children were in relative low income poverty, when measured based on household incomes before housing costs (BHC). When measured based on incomes after housing costs (AHC), 30% of children were in relative low income poverty. Both have been on a broadly upward trend over the past few years, as can be seen in the chart above.

Some groups of children are particularly likely to be in relative low income poverty – looked at based on incomes after housing costs (AHC):

- In 2017/18, 47% of children in lone parent families were in relative low income poverty, in comparison with 25% of children in a couple family.

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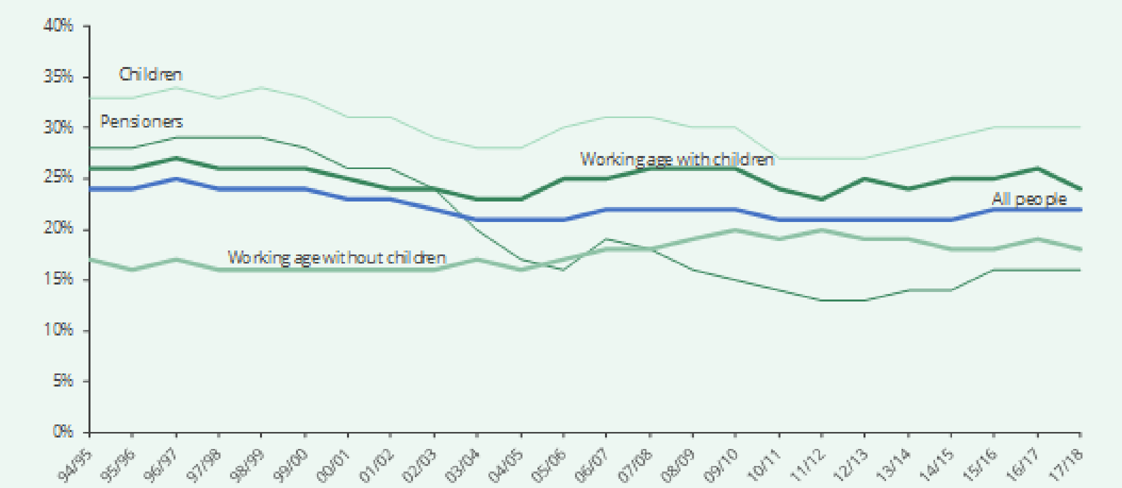
[22] An individual is in *absolute* low income (or absolute poverty) if they are living in households with income below 60% of the 2010/11 median, uprated for inflation.
In all of these calculations, incomes are adjusted for differences in the size and composition of households.
[73] Housing costs include rent, water rates and charges, mortgage interest payments, and structural insurance premiums.
[74] Institute for Fiscal Studies [Why has in-work poverty risen in Britain?](#) June 2019

- Children in large families have higher poverty rates. 43% of children in families with 3 or more children live in relative low income poverty.
- 71% of children in workless families were in relatively low income poverty, compared with 24% in families with at least one adult in work.

As shown on the chart below, children have the highest poverty rate of any age group.

Relative poverty rates by age group 1994/95-2017/18
After housing costs (%)



Source: Department for Work and Pensions, Households below average income

Poverty Projections

The Resolution Foundation published projections for poverty rates in February 2019, based on current economic and policy forecasts.[75] They forecast rising poverty in 2017-18, 2018-19 and 2019-20, with smaller rises after that. This would take to a child poverty to record highs, with relative low income poverty, based on incomes measured after housing costs, reaching 37% by 2023/24 – a rise from 4.1 million children in 2016-17 to 5.2 million in 2023/24. The proportion of parents living in poverty is also projected to increase.

The Resolution Foundation have also modelled the effect of various benefit changes on child poverty – finding that child poverty is likely to rise without "serious new spending or the cancellation of planned cuts".

Further information

For more information about poverty figures for the UK, see the Library Briefing Paper Poverty in the UK: statistics. This is largely based on the Department for Work and Pensions' Households below average income statistics 2017/18 (28 March 2019).

75 Resolution Foundation, The Living Standards Outlook 2019, 20 February 2019

The Institute for Fiscal Studies published their Living standards, poverty and inequality in the UK 2019 report on the 19 June. This provides headlines figures and detailed analysis of the DWP's Households Below Average Incomes data.

End Child Poverty provides estimates of child poverty rates by local area, based on a range of data sources.

The Social Metrics Commission (SMC) has proposed a new measure of poverty, which accounts for differences among household such as costs of childcare and disability, savings and access to assets.

Other useful sources of information about poverty and child poverty include the Resolution Foundation, Joseph Rowntree Foundation, and the Child Poverty Action Group.

3.2 Flexible Support Fund

From April 2011 a number of schemes operated by Jobcentre Plus – including the Deprived Areas Fund, the Adviser Discretion Fund and the Travel to Interview Scheme – were abolished and replaced by the "Flexible Support Fund" (FSF). The FSF is intended to give Jobcentre Plus Districts greater freedom to tailor back to work support to individual and local need.

The FSF gives Jobcentre Plus Districts greater freedom to tailor back-to-work support to individual and local need. Working within local guidelines and priorities, Jobcentre Plus Work Coaches have discretion to decide how to help individuals move closer to or into work. The FSF also includes a grant funding mechanism, enabling Jobcentre Plus District Managers to award funding to local "partnerships" to address barriers to work. There is no exhaustive list of the needs that may be met by the FSF, but examples include travel expenses, training courses and clothing for interviews. The FSF is available to assist all Jobcentre Plus "customers" that are awarded a qualifying benefit.

Further background information can be found in Commons Library briefing SN06079, Jobcentre Plus Flexible Support Fund, 12 October 2016. An overview is also given in the DWP Universal Credit Full Service Guidance chapter on the Flexible Support Fund, Version 4.0, current March 2019

Criticisms

There is limited information on the FSF in the public domain. The Work and Pensions Committee, and other organisations, have criticised the DWP for not doing more to publicise the existence of the FSF and making people aware of the possibility of getting help with expenses related to moving into or towards work. In its commentary on the Government's response to its report Universal Credit: childcare in April 2019, the Committee observed:

> **Use of the Flexible Support Fund**
>
> 9. The Flexible Support Fund (FSF) is a fund available to Jobcentres to help claimants with the costs of getting into work. In the course of our inquiry, the Flexible Support Fund was described by

one witness as the "biggest secret in the Jobcentre". Gingerbread, a charity supporting single parents, told us that it was "very common" for claimants to receive little or no information about the Flexible Support Fund from their Work Coach.

10. Data supplied by the Department up to 2016–17 showed that, in the previous four years, only a very small proportion of FSF spending had gone towards childcare. The FSF has also been underspent each year. The Department could not supply data for 2017–18, which might have given a fuller picture of how the FSF is being used as UC rolls out. We concluded that:

> The Department does not consistently gather and publish data on usage of the Fund. […] The failure to gather data means the Department cannot verify that the Fund is fulfilling its intended purposes. And it should not expect claimants, or the organisations supporting them, to take on trust that the Fund will meet their needs.

To address this, we recommended that the Government publish a quarterly statistical update on the use of the Flexible Support Fund. The Secretary of State's admission in January that Government policy on the Flexible Support Fund was not being implemented further serves to support the case for transparency.

11. In response, the Government said that it would not publish data on use of the FSF because it did not want "to introduce unnecessary administration on operational staff which may deter the use of this fund". The Department did not explain what additional administrative burden would be created, nor how it had determined that this could deter Work Coaches from using the Fund.

12. The Government also said:

> We do not publish financial data [about the Flexible Support Fund] as we do not wish to detract from the discretionary nature of this fund.

It is not at all clear to us what this statement means. If the Government does not want to use the FSF further, utilise the resource set aside for this Fund, or expand its capabilities, Ministers should be frank and open. As things stand, people who need help to get to work are not receiving it and Work Coaches seem unable or unwilling to access the FSF to help in the way we recommended. The Government must better explain what the barriers are.

Appearing before the Backbench Business Committee on 18 June, the Work and Pensions Committee Chair, Frank Field, said that an Estimates Day debate would "allow Members to reflect on how this fund does or does not affect their constituents." He added:

> As a Committee, we have found it difficult to collect information from the Department about how the fund is working, and our conversations with claimants suggest that this is the biggest secret in Christendom.
>
> The Secretary of State wishes this fund to be used to cover the up-front charges—largely for childcare costs of mothers going out to work—but we can find very little evidence that it is working in that way. It can also be used for bespoke schemes for disabled people moving back into work.

> Many of us feel that it is not much of a fund and it is certainly not flexible. It is a fund that could draw some of the sting from those adversely affected by welfare reform, and we would like to bring it to the Floor of the House of Commons.[76]

FSF expenditure

The Department does not publish routinely data on usage of the Flexible Support Fund. It is not mentioned in the Department's Main Estimate 2019-10 Memorandum or in the supplementary tables. It is mentioned briefly in the DWP's Annual Report & Accounts 2018-2019[77], but no details of the FSF budget are given.

The DWP has however released figures on Flexible Support Fund expenditure in response to written questions. Such information as is available on the FSF budget and usage is given in the table below. In 2012-13 expenditure on the FSF was £115 million; by 2017-18 this had fallen to £36.9 million.

Flexible Support Fund budget and expenditure, Great Britain

£ million, nominal (cash) terms

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Total Budget	**99.9**	**127.6**	**178.8**	**76.8**	**51.7**	***68 (a)***
Total Expenditure outturn	**115.0**	**110.1**	**91.5**	**58.4**	**51.0**	**36.9**
Of which:						
Expenditure by category (b)						
Transport	13.4	19.2	20.2	15.4	13.5	
Childcare	1.6	1.8	1.5	1.6	1.2	
Partnerships						7.0
Removing Barriers						12.9
Training	15.5	18.6	10.6	15.2	8.4	14.8
Other	84.5	70.6	59.2	26.1	27.8	2.2
Expenditure by Jobcentre region						
Scotland	..	..	..	..	5.2	3.7
North	..	..	..	..	12.7	13.7
Central & Wales	..	..	..	..	11.5	8.4
South	..	..	..	..	19.5	11.7
Other	..	..	..	..	2.1	-0.4
Underspend (Budget minus expenditure)	-15.2	17.5	87.3	18.4	0.7	31.1
Underspend as % of budget	*-15.2%*	*13.7%*	*48.8%*	*24.0%*	*1.4%*	*45.7%*

Note:

(a) 'Expected spend' reported by National Audit Office on the basis of internal DWP data (see source below)

[76] Proposals for backbench debates - oral evidence, 18 June 2019
[77] HC 2281 2017-19, 27 June 2019, p25

(b) Reported expenditure categories changed in 2017-18 and are not directly comparable with preceding years.

".." denotes data not published

Sources

2012-13 to 2016-17:

Written question 131066 on Flexible Support Fund, answered 13 March 2018

Cited in:
Letter from the Minister for Families, Child Support and Housing to the Work and Pensions Committee Chair, 27 November 2018
Work and Pensions Committee Twenty-Second Report of Session 2017–19 *Universal Credit: childcare* (HC 1771, 23 December 2018)

Written question 135706 on Flexible Support Fund, answered 23 April 2018

2016-17 to 2017-18:

Written question 243572 on Flexible Support Fund, answered 14 May 2019

National Audit Office (NAO), *Supporting disabled people to work* (HC 1991 session 2017-19, 28 March 2019) page 33

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