Notes on Universal Credit White Paper

This is my summary of the Government's White Paper on 'Universal Credit: welfare that works'. There are still more questions than answers and as more information comes out I will update you.

On reading the document it is apparent that the White Paper's preferred administrative arrangements are that the Universal Credit (UC) will be administered centrally by the Department for Work and Pensions (DWP). There is very little recognition within the administrative proposals of the Government's overall localism agenda, with mention only of the local administration of a Council Tax Rebate scheme and the provision of some front line access to the new benefit.

There are some interim changes to the current benefits system whilst customers are transferred to the new benefit and these include the Local Authority administering a 'top up' benefit up to a given, there is little detail around this.

The DWP intend that the majority of claims will be made, assessed, and delivered electronically. Entitlement will be automatically adjusted as earnings vary, based on monthly income reports through the upgraded version of the Pay As You Earn tax system. Other changes in circumstances will have to be reported as now. Otherwise, the white paper is very light on detail of customer services.
Although announced as the most radical change to the welfare system in a generation, the proposals contained in the white paper simply involve the merging of existing income related benefits including IS, JSA, ESA, Tax Credits and HB, into one benefit, but with the overall benefit payable remaining much the same for those out of work. Apart from a one benefit for people of working age the simplicity promised does not appear to have been found.

Essentially the new UC will involve the calculation of a maximum entitlement, consisting of a basic entitlement made up of a personal allowance which is based on existing personal allowance levels contained in existing applicable amounts, with relevant additions relating to the other benefits the claimant qualifies for, added to this basic allowance.

These additions relate to extra costs associated with children, disabilities and housing costs, with eligibility rules that correspond to the benefits they previously would have been entitled to and which the UC additions replace.

This maximum benefit is then paid to all those out of work with no other income. Those in work will have the maximum benefit tapered down using a single taper. The taper will reduce benefit entitlement at a rate of 65%, once earnings exceed the maximum UC level, plus the more generous earnings disregard figures.

UC is both an in and out of work benefit, and movement on and off work will simply be treated as a change in circumstances with no requirement to make further claims.

The UC will be assessed on a household basis, with the income and capital of both members of a couple being taken into account. The UC will then normally be paid into the bank account of one member of the couple although the DWP are considering arrangement to 'split' payments to each member of a couple, so that the child support elements of the UC can be paid to main carer of the child(ren).

There will be a new approach to earnings disregards, which includes maximum and minimum amounts for families in work involving a fairly complex calculation. The new level of earnings disregard, however, will be more generous than those currently applying in income related benefits such as IS and HB.

Where housing costs are included in the assessment of the UC, disregard figures are reduced by one and a half times (150%) the eligible rent or mortgage interest, subject to a 'disregard floor'.

The disregard floor, or minimum disregard, is illustrated as.
- £10 p.w. for couples,
- £30 for lone parents and
- £40 for disabled,
- plus £10 for the first child and £5 for each subsequent child.

There will be no earnings disregard for single working claimants.

Earnings information will be obtained from the HMRC Pay As You Earn system, providing for automatic assessment of the level of earnings and reassessment when those earnings reduce, for example, due to reduced or increased hours, for example, due to increased hours, overtime or salary increases.

The capital limit applicable to IS claims will also continue.

In most cases where the claimant is out of work, they will receive similar levels of support to those they currently receive under the various separate benefits they are claiming. There will, however, be transitional protection arrangements to ensure no claimant is worse off under the new system.

The UC will be paid to working age claimants. Pensioners will continue to receive the State Pension Credit. Some pensioners choosing to continue in work, however, may be able to claim the UC, and how this may work is still being considered.

Although replacing most income related benefits, the UC will not replace any of the following non-means-tested benefits:
- Contributory Jobseeker's Allowance and Contributory Employment and Support Allowance. These will continue to exist but with the treatment of earnings aligned with the way earnings are treated within Universal Credit
- Disability Living Allowance
- Child Benefit, which will be available in addition to Universal Credit payments for children; and
- Bereavement benefits, Statutory Sick Pay, Statutory Maternity Pay, Maternity Allowance and Industrial Injuries Disablement Benefit, which the DWP are not suitable for replacement by the Universal Credit.

The cap on household benefit payments, announced in the Spending Review, will mean that the award of Universal Credit cannot exceed a maximum amount when combined with Child Benefit and other non-Universal Credit payments, such as contributory Jobseeker's Allowance and Employment and Support Allowance.

I am not clear how the housing costs addition within the UC assessment is intended to work. The white paper explains the process as being different for Private Rented Sector and Social rented sector claimants. Current proposed changes to Housing Benefit will mean that the benefit is less generous for those living in the Private Rented Sector, and this appears to be part of the transition process to ensure that what a claimant receives in HB before the transition, will be very similar, if not the same as, the amount of housing coats addition within the UC.

The intention is that this support for rent, currently delivered by Local Authorities, will ‘over several years’ be replaced by Universal Credit, it is vague what this means.

For private rented sector tenants, it seems that the LHA rate, uprated by the Consumer Price Index, which will have been introduced to HB in April 2013 will be carried over to the UC housing allowance.

For social-rented sector tenants, the housing component will reflect the support currently provided by the current Housing Benefit system, based on actual rents in both housing association, and Local Authority properties. Already announced proposals to limit Housing Benefit payments to social-rented-sector tenants, who under-occupy their properties, will also be applied.

The housing component will be paid to individuals as part of the overall UC payment. The white paper, however, says the government recognises the importance of stable rental income for social landlords, and will develop Universal Credit “in a way that protects their financial position”. Options for achieving this could include some ongoing use of direct payments to landlords, use of direct debits, and a protection mechanism which safeguards landlords’ income.

The white paper also recognises there are many policy and operational issues to work through in respect of housing. The Government, it says, will work closely with Local Authorities and the housing sector as plans develop.

Council Tax benefit (CTB) will not be part of the UC and its administration will be devolved to LAs. LAs will receive grants towards the costs of local CT rebate schemes which will be 10% less than current CTB costs. Much more work on this is required in discussion with DCLG who will take over responsibility for CT rebates/benefit from the DWP.

CBRS are already trying to set up a series of meeting with DCLG to discuss issues relating to the localisation of CTB and the powers and responsibilities which will be transferred to LAs to help vulnerable CT payers on those on a low income to meet their CT costs.

Other than CTB, any involvement of LAs in delivery of the UC is not set out in the white paper, other than in one paragraph, which says

“The potential implications and opportunities for Local Authorities are significant. The Department for Work and Pensions will hold further discussions with Local Authorities and their associations about the detail and implications of Universal Credit for their Housing Benefit operations and of the new approach to Council Tax costs. This will include considering whether there may still be a role for Local Authorities in dealing with non-mainstream Housing Benefit cases (for example, people living in supported or temporary accommodation). Local Authorities may also have a role to play in delivering face-to-face contact for those who cannot use other channels to claim and manage their Universal Credit”.