Monday, 5th November 2018

Dear Frank,

Universal Credit: managed migration and disabled children

Many thanks indeed for your letter of the 24th October regarding the managed migration of families with disabled children. You ask in particular about both the provision of childcare costs under Universal Credit, and the migration of families with disabled children.

1. Concerns about provision of childcare costs under Universal Credit

In “The Parent Trap: Childcare costs under Universal Credit” we raised concerns that rates of childcare support under Universal Credit were considerably less than those provided for many claimants under the legacy benefits system.

At the time of writing “The Parent Trap”, the Government had proposed creating a childcare element of Universal Credit covering up to 70% of a claimant’s childcare costs. We raised concerns that this amounted to a substantial reduction in support compared to the support provided through a combination of Tax Credits and earnings disregards for Housing Benefit and Council Tax Benefit - which could mean that many low income working families could see as much as 96% of their childcare costs covered through the benefits and Tax Credits system.

Since this point, the childcare element of Universal Credit has been increased so that it now covers 85% of eligible childcare costs. Whilst this is still lower than the total amount of support that some families received through the legacy benefits system, it is nonetheless considerable progress compared to the original proposal of a 70% childcare element.

Nonetheless, many families with disabled children will still face some reduction in the support with childcare costs they can receive under Universal Credit, compared to the legacy benefits and Tax Credits system. In addition, on average families with disabled children face higher levels of childcare costs, and face lower levels of pay in work. On this basis we still believe a higher rate of reimbursement of childcare costs for families with disabled children (95% rather than 85%) would be fair. The Government should also explore the adequacy of maximum rates of childcare costs for
which claimants can receive support through the benefits system (£175 per week for one child and £300 for two or more children respectively), which have not increased since 2005.

Since a savings limit of £16,000 applies on eligibility to Universal Credit, it is also the case that some families with savings who would have been entitled to significant amounts of childcare support through Tax Credits, will not be able to receive childcare support through Universal Credit. This could prevent some parents with savings from making the move into work.

Other problems with the provision of childcare costs under Universal Credit also remain. In particular we are concerned about the administration of childcare support under Universal Credit. Claims for help with childcare costs under Tax Credits can be made on the basis of predicted childcare costs. Under Universal Credit, help with childcare costs is paid in arrears on the basis of childcare payments made. This means that families have to pay back their childcare costs before they can get them paid back.

Many families – and particularly those on higher incomes – are able to afford to pay any upfront costs from savings, and then claim back support in arrears. For many low-income families without savings, looking to make an already risky move into work, the challenge is much more serious. In many cases, it is likely that the consequence of this will be families taking on debt in order to pay childcare costs.

We recommend that childcare support for Universal Credit should be paid upfront on the basis of costs incurred, rather than payments made. This would help ensure that families receive the help that they need in order to pay their initial childcare costs on moving into work.

2. Support for disabled children under Universal Credit

In 2012 The Children's Society co-published “Holes in the Safety Net: The impact of Universal Credit on disabled people and their families” in partnership with Citizens Advice and Disability Rights UK.

In the report we highlighted our concerns that where, at present, families with a disabled child, for whom they are in receipt of some level of DLA, may be entitled to receive support through the disability element of child tax credit, currently worth £273 per month. Under Universal Credit, this support is to be provided through 'disability additions' within household benefit entitlements but this support has been halved to just £126.

This change will affect all families with a disabled child unless the child is receiving the high rate care component of DLA or is registered blind.

As part of the “Holes in the Safety Net” research we surveyed around 1400 families with disabled children and asked them about the additional costs that they faced. We found that families likely to be affected by the cut in support typically face substantial additional costs as a result of having a disabled child including paying for specialist aids, adaptations to their homes, additional clothing costs and travel costs.

There was evidence that local authorities would not be able to make up the shortfall in assistance following reductions in assistance under Universal Credit, as the majority of families did not receive any support. Around six in 10 of the families likely to be affected by the cut to support, said that they received no support from the local authority for their child’s disability.

Evidence suggested that for those affected by the cut the impact could be disastrous, resulting in them having to cut back on essentials:

• Two thirds of those likely to be affected said that if they received £30 per week less in benefits for their disabled child they would cut back on food expenditure
• More than half said it would lead to them getting into debt
• More than one in 10 said they may need to move home.

The responses indicate that the impact may be greatest for lone parents caring for disabled children. More than three quarters of this group said they would need to cut back on food, two thirds that they would get into debt, and worryingly as many as one in six said they may need to move home if affected by the cut. This is a particular concern since lone parents often find it more difficult to offset the impact of the cut through employment as a result of a greater caring responsibilities and the likelihood of high childcare costs in work.

Families raised concerns about the impact that the cut could have on their family life. Parents said that the cut would affect their whole family, not just the child with the disability. In a few particularly worrying cases parents were concerned that they would no longer be able to afford to support their child, and that they would need to move them into full time residential care.

We believe that the cut to support for disabled children should be reversed in full. However, the survey evidence suggests that families with children on the mid-rate care allowance were particularly vulnerable to this cut because their level of care responsibilities, combined with a high likelihood of high childcare costs in work, would make it particularly difficult to offset the impact of the cut through work. At minimum, the government should protect this group from the cut by maintaining their disability additions at current rates under Universal Credit.

3. Adequacy of transitional protection available to legacy benefit claimants with disabled children

You asked about the adequacy of transitional protection available to legacy benefit claimants with disabled children. Since many families with disabled children will have a higher entitlement under the legacy benefits system than under Universal Credit (as a result of the reduction in the value of the disability element of Child Tax Credit,) transitional protection will be particularly important for this group.

Transitional Protection is important, but only provides limited protections for claimants. In particular, protection may be lost if the claimant’s circumstances change, will be eroded as underlying entitlements increase over time, and doesn’t apply to new benefit claimants.

We welcome the intention to introduce new rules that will protect transitional protection for those moving off Universal Credit for less than three months (which is particularly important for anyone receiving two payments in a single assessment period and who may lose their entitlement altogether as a result.)

We are however very concerned that those with difficulties making their claim for Universal Credit through the managed migration process may lose transitional protection as a result. This would apply either where they do not start their Universal Credit claim in time (which could be as little as a month after being notified), or where they struggle to complete their claim adequately at their first attempt even if they then go on to make a successful claim. Both of these rules could disproportionately affect vulnerable groups, including those coping with the additional complexities of supporting a child with a disability.

These rules make it too easy for those who will rely on the value of transitional protection to lose that protection as a result of complexities in their circumstances, inadequate support or flexibility from the Department, or difficulties inherent in the application process. It is particularly disconcerting that the Department’s own research has found that one in five new Universal Credit claims are closed due to non-compliance with the process, that over two in five claimants said they needed
more support registering their Universal Credit claim and that it was quite common for the claim process to take more than one attempt.

The risk of families with disabled children losing out on transitional protection could be reduced by introducing a longer period to make a claim, more flexibility around this period based on claimant circumstances, and abolishing the unnecessary rule that means an unsuccessful first claim attempt results in the automatic loss of transitional protection.

Many thanks again for getting in touch about these issues – and for the ongoing work of the Work and Pensions Select Committee in continuing to scrutinise the introduction of Universal Credit. I hope this note is helpful, and if you would like further input to the inquiry please do contact my colleague Sam Royston on sam.royston@childrenssociety.org.uk

With best regards,

Matthew Reed  
Chief Executive