Written evidence from Child Poverty Action Group (SPR0017)

The Work and Pensions select committee has invited CPAG to submit a model budget for DWP. We are not in a position to develop a full model budget, however we would like to submit the following for consideration.

Investment in universal credit rates

In May 2019, CPAG commissioned IPPR to model the impact of a range of changes to universal credit and child benefit, for their impacts on child poverty and cost to the exchequer in 2023/24 (the current planned end date for the universal credit roll-out). Full results are set out in the table below. These focused on scrapping the most punitive policies which restrict families' entitlement, and restoring the value which has been lost due to years of sub-inflationary uprating, as well as changes to work allowances and the taper rate.

We would welcome any of these steps to increase the generosity of universal credit, but our immediate priority for a first step to tackle child poverty and start restoring the value of benefits is the following collection of changes – a 'children's package' of changes.

- Abolish the two-child limit and benefit cap.
- Restore child element to its 2015/16 value (including restoring higher amount for first children).
- Increase child benefit by £5 per week.

This would keep 700,000 children from poverty and benefit families with children by an average of £1,000 per week. It would also reduce the depth of poverty and we would encourage the committee to pay attention to this, in addition to the impacts of policies on the poverty rate. Although the impact on the poverty gap of this package has not been modelled, our modelling did show that the two-child limit is expected to affect 1 million children who would be below the poverty line even in the absence of this policy, and the benefit cap is expected to affect 400,000 children in a similar way. Both policies mainly reduce the income of families who are already in poverty.

In the longer term we would like to see the more ambitious 'full package' of changes set out in the last row of the table.

Although we have not been able to model costings, we also call on the DWP to:

- Raise support for the 100,000 disabled children who lose around £30 per week in universal credit compared with legacy benefits;
- Raise support with childcare costs to 100% or as close as possible to this in UC;

- Work with the DFE to extend free school meals to all children (or, as a first step, all children on UC).
- Scrap the minimum income floor.
- Make advances non-repayable to end the five-week wait (while in the longer term considering shorter assessment periods – see below).

Following a one-off uplift to the value of benefits to restore their value and make good the losses incurred by families through years of real-terms decreases in the value of support, there must be a commitment from DWP that benefits will rise at least in line with inflation each year.

Policy change	Reduction in number of children in poverty (below 60% median income), after housing costs (to nearest 100,000)	Reduction in number of children in deeper poverty (below 50% median income), before housing costs (to nearest 100,000)	Cost to the exchequer (to nearest £100m) in 2023/24 prices	Other information
Abolition of specific policies				
Remove the two-child limit	300,000	300,000	£1.7bn	Abolishing the two-child limit would protect the most children from poverty, per pound invested, of all the options modelled. Modelling found that the two-child limit would affect 1.8 million children in 2023/24, of which 1 million would be below the poverty line even in the absence of the two-child limit.
Remove the benefit cap	<50,000	100,000	£1.3bn	Poverty gains appear small because the benefit cap largely affects families already below the poverty line (400,000 of the 500,000 affected children would remain in poverty even if it were lifted, but would see an increase in their income nonetheless).
Remove the two-child limit *and* benefit cap	300,000	500,000	£3.4bn	
Restoration of the value of benefits				
Restore the higher rate element for the first child	<50,000	<50,000	£0.6bn	
Restore UC child element to its 2015/16 real terms value and restore the higher amount for first children	100,000	200,000	£1.8bn	Families with children would gain £230 a year on average.

Restore UC child element and child benefit to their 2015/16 real terms value	100,000	100,000	£1.8bn	Families with children would gain £230 a year on average.
Restore UC child element and child benefit to their 2013/14 real terms value	200,000	200,000	£2.4bn	Families with children would gain £310 a year on average.
Restore all benefits to their 2015/16 real terms value (reverse the four-year benefits freeze)	200,000	200,000	£4.3bn	Families with children would gain £380 a year on average.
Restore universal credit and child benefit to their 2013/14 real terms value (reverse sub-inflationary uprating)	300,000	300,000	£5.6bn	Families with children would gain £500 a year on average.
Changes to the way UC adjusts with earnings				
Introduce a second earner work allowance (equal to the current work allowance)	100,000	100,000	£2.2bn	
Reduce the taper rate to 55% from 63%	200,000	100,000	£3.9bn	
Other changes				
Raise support for people under-25 to the same level as support for over-25s	<50,000	<50,000	£1.0bn	300,000 children would gain, but this has limited effect on child poverty because the majority of claimants under 25 do not have children.
Packages of investments				
Children's package: remove the two-child limit and benefit cap, restore the child element to its 2015/16 value and restore the higher amount for first children, and increase child benefit by £5 per child per week	700,000	700,000	£8.3bn	Families with children would gain £1,000 a year on average.
Full package: Remove the two-child limit and benefit cap, restore universal credit to its 2013/14 levels, restore the higher amount for the first child, add £5 per week to child benefit, reduce the taper to 55%, add a second earner work allowance, raise support for under-25s to the over-25 level.	1,200,000	900,000	£20.8bn	Families with children would gain £2,100 a year on average.

Source: CPAG (2019) *Universal credit: what needs to change to reduce child poverty and make it fit for families?* https://cpag.org.uk/policy-and-campaigns/report/universal-credit-what-needs-change

Investment in UC processes and design

CPAG has also advocates for a number of changes to UC design, which while not changing the level of entitlement would carry costs for the department to implement because they either necessitate changes to the IT system or additional staff resource to carry out manual calculations. We are not in a position to cost these system changes but we would strongly encourage the DWP to look at:

- Averaging earnings over a suitable period for a claimants' pay cycle, so that people do not see arbitrary award fluctuations (including the imposition of the benefit cap) as a result of early paydays or non-monthly pay frequencies. This would also offer greater stability for people who experience occasional fluctuations in their earnings.
- Weekly assessment of circumstances to allow greater responsiveness to needs. This would also reduce the five-week wait at the start of the claim to two weeks maximum.
- Improved support for claimants who struggle to manage their claim online on an ongoing basis.

Investment in UC staffing, training and procedures

Although we do not have a costed proposal, it is vital to ensure that as UC rolls out to millions more families, it is properly staffed to deliver the level of support which claimants need, both in the transition and beyond.

Evidence from our early warning system suggests that there are currently shortfalls in staffing and/or staff training and capacity indicated by concerns that:

- People continue to be given wrong advice about whether they need to claim UC or can remain on legacy benefits, leading to unnecessary moves on to UC with no transitional protection;
- Queries made over the journal may go unanswered or be answered incorrectly (including failures to correctly process requests for mandatory reconsiderations);
- Right to reside decisions seem to be subject to frequent errors;
- Claimants struggle to get timely home visits;
- There is often a long wait for work capability assessments;
- Cases we have seen suggest that work coaches and service centre staff are not always familiar with the wide range of law and guidance governing their work;
- Errors continue to occur in claims, particularly in relation to the housing element;
- There appears to be a poor institutional memory of previous entitlements (for example entitlements to limited capability for work or work-related activity being lost of transfers from employment and support allowance, despite legal provision that these should continue), yet 20:20 hindsight as to any debt owing to the state which is then recovered through universal credit. There appear to be developed processes for the latter but not the former.

We recognise that our early warning system identifies problem areas and that we are unable to robustly quantify the extent of these problems. Nonetheless they give us cause for concern.

It is possible that with the move to UC and the move from specialist staff (attached to particular legacy benefits) to a generalist workforce, specific knowledge around, for example, housing tenure issues, is being lost. UC staff have a huge amount of new, complex (and frequently updated) law and guidance to master.

Investment in welfare rights advice

When previous governments have introduced major reforms to social security, this has been accompanied with an investment in welfare rights advice, recognising that people will often need independent expert support during such a significant transition period. This did not happen alongside the introduction of UC – indeed it has come at a time when both voluntary and local authority advice provision has seen significant cutbacks and when legal aid for benefits cases has also been cut. It is in the interests of both claimants and the department to ensure that claimants are accessing their correct legal entitlements and that any errors are identified and addressed early. We recommend that the department ought to once again invest in welfare rights advice in support of this common goal. The department might also consider developing a departmental goal around encouraging take-up, to maximise claimant incomes.

Council tax benefit

The abolition of council tax benefit and localisation and reduction in funding to help low-income households with council tax costs has led to large numbers of local authorities introducing minimum payments and reducing the support they offer. With the transition from housing benefit to universal credit, we are also concerned that take-up of council tax reduction may drop off as people do not realise that they have to claim separately from their universal credit (with housing benefit the two were done together).

We therefore recommend that the DWP (1) restore a national ring-fenced council tax benefit scheme including 100% support for the poorest families, and (2) invest in promoting take-up, for example by automatically giving information to all universal credit claimants about council tax support and how to claim, or where possible using information given in the universal credit claim to automatically calculate entitlement and award council tax or at least alert local authorities to their entitlement.

Local welfare assistance

As with help with council tax costs, local welfare provision has been devolved and funding reduced, leaving a patchwork of schemes around the country, many of which are inadequate to meet needs. We recommend that the DWP re-establishes a national ring-fenced fund for cash grants for crisis prevention and help with unexpected costs. If administered by local authorities, this nonetheless ought to be governed by a common framework setting out eligibility, application processes and appeal rights. Cash grants are far preferable to loans or stigmatising vouchers.

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