Department for Work & Pensions

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Dear Ms Woodside

Thank you for your letter of 21 October to the Secretary of State about Universal Credit.

To avoid delay during the pre-election period I am replying on behalf of the Minister for Welfare Delivery.

The Welfare Reform and Work Act 2016 brought in a series of changes to the welfare system that were designed to incentivise work as the best route out of poverty and into self-reliance.

The reforms included a freeze on the majority of working-age benefits for four tax years, from 2016/17 to 2019/20. These benefit rates will therefore remain the same in 2019/20 as in 2018/19.

The Government has brought in 30 hours a week of free childcare for working families, cut income tax for 31 million people, and helped to provide lowest earners with their fastest pay rise in 20 years through the National Living Wage.

Welfare reform is working. The employment rate is at a near record high and there are fewer households where no one is in work than at any time since comparable records began.

From April 2019, the Department has injected extra money into Universal Credit, giving the country's lowest earners the biggest pay rise in 20 years. This is through:

- increasing work allowances by £1,000 for families with children and disabled;
- increasing the National Living Wage, which is now £8.21 an hour, giving the UK's lowest earners their biggest pay rise in 20 years; and
- increasing the personal allowance to £12,500, taking millions of the lowest paid out of paying income tax altogether.

The Government is also supporting those who cannot work, have permanently left the labour market or face additional costs and barriers to employment as a result of disability or caring responsibilities. It has continued to increase payments targeted towards these groups in line with inflation.

The Universal Credit assessment period and payment structure are fundamental parts of the design. Universal Credit mirrors the world of work, where the majority of people are paid monthly or four weekly. Minimising the difference between paid employment and being on benefit effectively removes a key barrier to moving back into work by helping claimants to budget on a monthly basis. Personal Budgeting Support aims to prepare all claimants for the financial changes Universal Credit brings. This is addressed at their initial work search interview to gauge their potential support needs.

Universal Credit is assessed and paid monthly. It is paid in arrears for each calendar month and the amount will not vary to reflect the number of days in the month. Universal Credit is usually paid in a single monthly sum to households.

The way in which payment dates are assigned in Universal Credit is determined by the date of entitlement. The assessment period runs for a full calendar month from the date of entitlement and the Universal Credit pay date will be seven calendar days after the end of the initial assessment period. Subsequent pay dates will be the same each month.

The claimant should receive their first Universal Credit payment after five weeks. It is not possible to award a Universal Credit payment as soon as a claim is made as the assessment period must run its course before the award of Universal Credit can be calculated.

Alternative Payment Arrangements are also considered for claimants who cannot manage their single monthly payment. This might include managed payments of Universal Credit housing costs directly to the landlord, making payments more frequently than monthly and split payments to members of a household. The need for these provisions is assessed by the Work Coach at a claimant's initial interview and they can be requested at any time. In addition to this, Personal Budgeting Support is available to help claimants to prepare for the financial changes Universal Credit brings. This support is gauged at a claimant's initial work search interview.

Further information about Alternative Payment Arrangements is available on the Government website at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/607851/personal-budgeting-support-and-alternative-payment-arrangements.pdf.

From 16 October 2019 the overall maximum level of deductions that will be taken from a household's Universal Credit award will be reduced from 40 per cent to up to 30 per cent of their Standard Allowance. This will be done automatically without claimants needing to take any action. If deductions of more than 30 per cent of an award were being taken before this change, this means claimants will be able keep more of their award each month. The reduction to 30 per cent strikes the right balance between ensuring claimants retain more of their award for day-to-day spending, whilst ensuring obligations such as court fines, rent arrears, child maintenance, fuel debts and benefit repayments are still met.

If a claimant is in financial difficulty as a result of the level of deductions, where it relates to benefit debt, a social fund loan or rent arrears, they can request that a reduction be considered.

The Government is committed to supporting parents with moving into work, and as part of this it has increased the level of support for childcare costs from 70 per cent in legacy benefits to up to 85 per cent in Universal Credit. The Universal Credit childcare policy aligns with the wider government childcare offer, which includes free childcare hours and tax free childcare. This offer means that reasonable childcare costs should not form a barrier to work.

Where upfront childcare costs or deposits may prevent a claimant from starting work, staff at Jobcentres will use the Flexible Support Fund to support the transition into work.

Since 6 April 2017, families are able to claim support for up to two children, and there may be further entitlement for other children if they were born before 6 April 2017 or if an exception applies. It is recognised that some claimants are not able to make the same choices about the number of children in their family. That is why exceptions have been put in place to protect certain groups.

Exceptions apply to third and subsequent children who are:

- additional children in a multiple birth: an extra amount is payable for all children in a multiple birth other than the first child; or
- likely to have been born as a result of non-consensual conception, which for this purpose includes rape or where the claimant was in a controlling or coercive relationship with the child's other biological parent at the time of conception.

An exception also applies to any children in a household who are:

- adopted when they would otherwise be in Local Authority care; or
- living long term with friends or family and would otherwise be at risk of entering the care system, or where a child (under 16) living with their parents or carers has a child of their own (until they make a separate claim upon turning 16).

The Government's view is that providing support for a maximum of two children ensures fairness between claimants and those who support themselves solely through work.

Finally, there are many reasons people use food banks and their growth cannot be linked to a single cause. However, the Government has acknowledged that there were issues with the early roll out of Universal Credit and has made numerous changes in response to this, including ensuring that claimants receive money they need as soon as possible through advances; and reducing the waiting time for the first payment.

The welfare system provides a safety net that includes hardship payments, benefit advances and budgeting loans. This Government continues to spend over £95 billion a year on working age welfare benefits for those who need them.

Kind regards,

Robert Watling

Head of Ministerial Correspondence