Universal credit
What you need to know

Child Poverty Action Group

Published by Child Poverty Action Group
94 White Lion Street
London N1 9PF
Tel: 020 7837 7979
staff@cpag.org.uk
www.cpag.org.uk

A CIP record for this book is available from the British Library.
ISBN: 978 1 906076 60 3

Child Poverty Action Group is a charity registered in England and Wales (registration number 294841) and in Scotland (registration number SC039339), and is a company limited by guarantee, registered in England (registration number 1993854). VAT number: 690 808117

Cover and typography by Devious Designs
Content management system by KonnectSoft
Typeset by David Lewis XML Associates Ltd
Printed and bound in the UK by CPI Group (UK) Ltd, Croydon CR0 4YY

Authors

The authors of this book are all welfare rights workers at CPAG in Scotland.
Alison Gillies is a welfare rights worker with the Children and Families project.
Henri Krishna is a welfare rights worker with the BME Communities project.
Judith Paterson is welfare rights co-ordinator.
Jon Shaw is a welfare rights worker with the Children and Families project.
Angela Toal is a welfare rights worker with the Benefits for Students project.
Mark Willis is a welfare rights worker with the Tax Credits and Early Years project.

Acknowledgements

The authors would like to thank David Simmons for his expert eye in checking this book, and Tim Nichols and Alison Garnham for their insight and guidance on welfare reform. Many thanks are due to Alison Key for her vigilant and thorough editing and for managing the production. Thanks are also due to Katherine Dawson for producing the index and Kathleen Armstrong for proofreading the text. We are also particularly grateful for all the hard work done by Nigel Taylor of Devious Designs and Mike Hatt of DLXML.

About Child Poverty Action Group

Child Poverty Action Group is a national charity working for the abolition of child poverty in the UK and for the improvement of the lives of low-income families.

To help achieve this goal, we have developed a high level of expertise in the welfare benefits system. We use this to support thousands of frontline advisers with our expert training and free helplines, enabling them to give families the best information and advice.

We also publish a widely used series of practitioner handbooks: our annual *Welfare Benefits and Tax Credits Handbook* (known as 'the adviser's bible') is used by Citizens Advice Bureaux, local authorities and law centres throughout the UK.

Our policy, campaigning and lobbying work builds support for policy improvements to help children living in poverty. We host the End Child Poverty campaign, a national coalition of charities, faith groups and other organisations working to hold the government to its target of beating child poverty by 2020.

If you would like to help with our campaign to end child poverty, please visit our website at www.cpag.org.uk. You can also get the latest news by following us on Facebook (www.facebook.com/cpaguk) and Twitter @CPAGUK.

Keeping up to date

Advisers can get the latest information on universal credit by booking on a CPAG training course, held in both London and Glasgow. We can also provide your workplace with in-house training. See www.cpag.org.uk/training for more information.

Our *Welfare Benefits and Tax Credits Handbook* 2012/13, published in April 2012, contains the latest information on universal credit, personal independence payment and other welfare reform measures. It also tells you all you need to know about entitlement to benefits and tax credits from April 2012.

Getting advice

Your local Citizens Advice Bureau or other advice centre can give you advice and support on benefits. See www.citizensadvice.org.uk if you live in England or Wales, or www.cas.org.uk if you live in Scotland.

CPAG has an advice line for advisers.

For advisers throughout the UK:
Telephone: 020 7833 4627, Monday to Friday 2pm to 4pm

For advisers in Scotland:
Telephone: 0141 552 0552, Monday to Friday 10am to 12pm
Email: advice@cpagscotland.org.uk

Foreword

Welcome to the first in a new series of CPAG publications, designed primarily for a non-specialist audience.

Universal credit will be phased in from October 2013 as the main working-age benefit in the UK. Its introduction and associated upheaval will come at a time when family budgets, especially those of the poorest, continue to be squeezed. As the Institute for Fiscal Studies has noted, 88 per cent of welfare benefit cuts announced by the government will be implemented after April 2012.

This crisis in family budgets will be encountered directly by claimants, and indirectly by voluntary sector workers, children's and health professionals, council officials and many others working with low-income families. Moreover, by the time universal credit is introduced, the advice services needed to respond to the new scheme will have been badly hit by local authority cuts. As a result, both claimants and practitioners who, to date, may have had only limited experience of the benefits system, will need to know how universal credit functions. It is for this broad group of people that this book has been produced.

Universal credit combines most of the support currently provided to working-age people in a single benefit. By combining in- and out-of-work benefits, it seeks to remove barriers to employment that many currently experience. In the future, claimants will be able to take up any amount of work without the disruption of losing support for a period of time as their claim for one benefit shuts down and a new one begins. Universal credit will also be calculated using real-time information about wages, rather than the lagged data on which tax credits have been based. As a result, incomes should be smoother and budgeting easier.

Universal credit has other new features. It will be assessed on a joint rather than an individual basis and, as a result, changes in the circumstances of one member of a couple could have a significant impact for the other. Nowhere will this be more acutely felt than in the area of conditionality, where one partner may be penalised for the other's failure to abide by the terms of her/his claimant commitment.

Conditionality will pinch in other ways too. For example, in contrast with tax credits, those who claim universal credit while they are in work will be required to seek an increase in their hours or a more highly paid job until a certain income threshold is reached. Claimants will be expected to look for work further away from home than at present (with a 90-minute as opposed to the current 60-minute commute being considered reasonable under the new regime), as well as sooner (once the youngest child in a family turns five as opposed to the current age of seven).

Universal credit will also usher in changes to the way that payments are made to claimants. In most circumstances, one member of the household must be elected to receive payments, and how this is then distributed within the family will become an entirely private matter. The current default option that payments are made to the main carer will end. Moreover, universal credit will be paid on a monthly rather than a fortnightly basis, a change that may impact on the ability of many on low incomes to budget effectively.

Rolling the vast majority of working-age benefits into one does have some real advantages, however, not least that most claimants should find the new system simpler to navigate and so may be able to access their full entitlements with greater ease. However, as with any means-tested benefit, complexity will remain a feature of the system, albeit concealed behind a simpler interface. In addition, a single benefit also has its risks. The IT system underpinning universal credit is sophisticated and there is a chance that it may not function effectively from the start. Individuals and families will be highly exposed if anything goes wrong with their claim and, in some cases, discretionary payments will be the only fall-back income available to them. Given this, accurate and timely advice for claimants is a critical part of making universal credit work.

Making work pay is the core objective of the government's welfare reform programme and universal credit has been designed in this context. It will stand or fall on whether it can truly encourage claimants to take up and progress in work. Under the current design, work incentives for some groups, such as lone parents and second earners, are weak. Help with childcare costs will be less than that provided under tax credits before April 2011, and this will further hinder some from being able to take up work. Likewise, families with disabled children will lose out on critical support. If universal credit cannot deliver on its promise of making work pay, it will be no less of a poverty trap for such groups than any previous system to date.

In the drive to incentivise work it must not be forgotten that our benefits system should deliver on other objectives too. It should protect us from shocks to our incomes and ensure a decent standard of living for all. Universal credit looks to address many of the deficiencies of the current benefits regime, yet it is also being introduced at the same time as the benefit cap which delinks the amount of support provided by the state from need. So, to what extent universal credit will, as the centrepiece of the new system, succeed in delivering true social security in the future remains to be seen.

Alison Garnham
Chief Executive, CPAG

Contents

Chapter 1
Introduction

This chapter covers:

1. **What is universal credit?**
2. **The background**
3. **How is universal credit administered?**
4. **Which benefits are abolished?**
5. **The timetable for change**
6. **Other planned changes to benefits**

What you need to know

- Universal credit is a new benefit for people of working age, who are in or out of work. It is planned to be introduced from October 2013.
- Universal credit will be administered by the Department for Work and Pensions, with the majority of contact with claimants expected to be online.
- The amount of your universal credit depends on your income and savings – ie, it is 'means tested'. You do not need to have paid national insurance contributions to qualify.
- Other means-tested benefits and tax credits will be abolished. Claimants will be transferred from the old system to universal credit over several years.
- Some other benefits remain outside universal credit, but are also being reformed.
- The Welfare Reform Act 2012 contains the basic provisions for universal credit. More details will be set out in future regulations.

1. What is universal credit?

Universal credit is a new social security benefit, planned to be introduced throughout Great Britain from October 2013. It will combine the current means-tested support for adults of working age and children into one benefit. All the current means-tested benefits and tax credits will be abolished. This means that, from October 2013, if you are a lone parent, sick or disabled, a carer, unemployed, or in low-paid work and need help with living expenses, including your rent or mortgage, the means-tested benefit you will claim will be universal credit.

What does this guide cover?

This guide tells you what you need to know about universal credit, including who can claim and how it will work. At the time of writing, the main structure of universal credit is in place (in the Welfare Reform Act 2012), but the details are still to be published. These will be in the form of regulations, which are expected to be issued later in 2012. However, the government has said how it intends the new system to work in many respects. We have included this information, as well as our own comment and analysis.

The basic facts you need to know are listed at the start of each chapter. Each chapter also includes what information is already settled in the law and what is still subject to change until the regulations are produced.

As universal credit is still under development, there are many questions which we cannot answer at the time of writing. We have indicated where this is the case and say what we expect is likely to happen.

How is universal credit different?

Universal credit has been heralded as setting a 'new course for the welfare state', 'a radical new approach' and 'fundamental reform'. But how different is it really? If you already know the benefits and tax credits system, many features of universal credit will be familiar to you. However, there are significant new features that are very different from the current system.

Universal credit and the current system

Similarities	Differences
Most claimants are required to be available for and actively seeking work. There are special rules for carers, lone parents and sick or disabled people. Sick or disabled people are assessed to determine the extent to which their illness or disability affects their ability to work. Only the most severely disabled people, their carers and a baby's main carer (and some others) are exempt from the requirements aimed at getting people back into work.	There is a single payment for claimants, children and housing costs, whether you are in work or out of work. There are no rules about the number of hours you can work. As your income increases, your benefit reduces at a single rate of withdrawal. You do not need to report changes in your earnings, as there is 'real-time information' from HM Revenue and Customs.

2. The background

The starting point

In 2009, *Dynamic Benefits: towards welfare that works* was published by the Centre for Social Justice, an independent thinktank founded by Iain Duncan Smith to investigate and promote solutions to deep-rooted poverty in Britain. This report proposed a total overhaul of the benefits system, with poverty and unemployment slashed by ensuring that people had a meaningful incentive to work. It proposed replacing the current complex system of 51 different benefits and tax credits with a 'universal life credit' and 'universal work credit'. The costs of the new system would be partially offset by increased tax revenue from more people in work and, in the longer term, would save money by reducing other costs to society.

The government's case for reform

Iain Duncan Smith, as the new Secretary of State for Work and Pensions, presented the government's case for reform in the Green Paper, *21st Century Welfare*, published in July 2010. This argued that the current benefits system was too complex and did not give people the incentive to work, and asked for views on five possible options for reform.

- A universal credit: bringing out-of-work and in-work support together in a single system with additional amounts to reflect people's circumstances.
- A single unified taper: keeping most existing benefits and credits, but withdrawing benefit at one rate from people with earnings.
- A single working-age benefit: giving all working-age claimants the same level of out-of-work income, with separate provision for extra costs, and keeping tax credits.
- The 'Mirrlees model': replacing benefits and tax credits with an integrated payment to be withdrawn through the income tax system.
- A single benefit/negative income tax model: replacing benefits and tax credits with payments through the tax system, keeping some benefits for people who need extra support.

It was clear that the government had already made up its mind that universal credit was its preferred option and, despite its being described as the biggest shake-up in the welfare state since its inception, there was no consultation on this specific proposal.

Universal credit proposals

The consultation on the Green Paper closed in October 2010 with 1,668 responses. A little over a month later, in November 2010, the White Paper, *Universal Credit: welfare that works*, was published. This set out the government's proposals.

- Universal credit will be an integrated benefit, replacing existing means-tested benefits and tax credits, and including additional amounts for people's circumstances.
- It will improve work incentives by scrapping complicated rules about hours and moving in and out of work.
- By allowing people to keep 35p in every pound of their earnings, it will 'make work pay'.
- No one will have a reduction in their benefits at the point when they are moved onto the new system.

What CPAG says

The government's arguments

No one will be worse off

The government has promised that no one will be worse off when universal credit is introduced. However, this is in the context of the £18 billion in welfare cuts over three years that have already begun. Even the Centre for Social Justice, of which Iain Duncan Smith was formerly chair, has criticised some aspects of the wider welfare reform plans, such as the cuts to child benefit.

If you are worse off under universal credit, the government intends to give you an additional payment, so you continue to receive the same amount in total as you were getting at the point you were transferred to universal credit. However, this transitional amount will be frozen until your universal credit reaches the same amount as your previous benefits, so in real terms you will be worse off when the other benefit rates increase each April. Furthermore, two families with very similar circumstances could receive significantly different amounts, depending on whether they claim benefit before or after universal credit is introduced. Additions for most disabled children, for example, are set to be half the amount of those for current tax credits.

What CPAG says

The government's arguments

It will be simple

The guiding principle of universal credit is its supposed simplicity. However, it is clear that much complexity remains in some key aspects, such as in the way in which earnings are treated. In essence, universal credit replaces six means-tested benefits and tax credits, but many benefits will remain outside the universal credit system. This may not seem so simple to claimants or advisers. The reform will also take place at the same time as disability living allowance is replaced by a new benefit (personal independence payment), and while local authorities and the Scottish and Welsh governments take over council tax benefit and parts of the social fund.

The Welfare Reform Act 2012

The Welfare Reform Act 2012 was passed on 8 March 2012. This lays the foundations for universal credit in the following areas:

- claims
- basic conditions
- calculation of awards
- the claimant commitment
- sanctions
- hardship payments

The Act gives the government the power to make more detailed regulations at a later date.

3. How is universal credit administered?

Universal credit will be administered by a single agency in one government department, the **Department for Work and Pensions (DWP)**. This will undergo a large scale transformation of its services and structure. The DWP currently deals with the out-of-work benefits

What CPAG says

The government's arguments

It will make work pay

Universal credit is intended to improve the incentive to work. However, there are some built-in disincentives.

- According to the DWP, 2.1 million families will see an increase in the rate at which they lose money when in work. This is because tax credits have a more generous withdrawal rate, allowing people to keep 59p in every pound of their earnings. However, because of the interaction with the housing benefit rules, it is people on relatively higher incomes or without housing costs who gained more under tax credits.
- If one partner in a couple is in work, there is little incentive for the other partner to work. This is because there is only one earnings disregard per household, so if the other partner starts work, her/his earnings will immediately affect the amount of universal credit the couple receive.
- There is inadequate support for childcare costs. Universal credit will not cover childcare costs in full and, despite rising childcare charges, there will be set limits.
- Despite tougher than ever sanctions for people who do not comply with the new work-related requirements, a steady supply of accessible, flexible jobs with living wages, parent-friendly employers and equal opportunities for people with disabilities are absent.

that will be abolished and will handle the transfer of these claims to universal credit.

HM Revenue and Customs (HMRC) is currently responsible for administering tax credits, which will also be abolished. When universal credit is introduced, HMRC will gather 'real-time information', so that payments of universal credit can be automatically adjusted as your earnings change. In practice, some parts of the tax credits infrastructure may be moved to universal credit. Child benefit will remain the responsibility of HMRC.

Local authorities currently administer housing benefit and council tax benefit, which will be abolished. Local authorities may keep some functions relating to local rents and will still be responsible for council tax support. They may also have a role in providing face-to-face support for vulnerable people claiming universal credit, as well as administering other financial provision, such as help with NHS costs and free school lunches, and possibly discretionary grants.

What CPAG says

A single agency?

In principle, a single agency delivering universal credit is welcome. Instead of having to tell the same facts to three different agencies, you will report to one department only. Currently, overpayments and underpayments of benefits are often caused by departments not communicating with each other, and this problem should be removed.

Although the government has described universal credit as a 'single integrated benefit', the amount payable will be affected by things like how many children you are responsible for and the rate of disability living allowance payable for your child. Because of this, the DWP will still need to interact with HMRC (which will continue to deal with child benefit, receipt of which is often used to prove responsibility for children) and with other sections within the DWP (which will still pay disability and carers' benefits).

Who makes the decisions?

Decisions on entitlement, amounts and sanctions will be made by a decision maker at the Department for Work and Pensions (DWP).

The administration of all the 'work-related requirements' may be contracted out to other agencies, who will act on behalf of the DWP. This is a continuation of the current situation in which private companies or public sector or voluntary agencies are paid by results to carry out the government's Work Programme. These agencies will employ personal advisers, who will set the terms of your 'claimant commitment', hold 'work-focused interviews' and require you to take particular action to prepare for or search for work. There is more information about the claimant commitment and work-related requirements in Chapter 5.

Online assessments

Most universal credit claims will be made online, with the assessment and award usually calculated automatically by a new computer system. The majority of people will be expected to communicate with the Department for Work and Pensions online – eg, in order to report any changes in their circumstances. The government envisages a role for local authorities in delivering face-to-face support for people who cannot access online services because they do not have use of a computer or a smart phone.

The new system will adjust your universal credit payments according to your earnings, which will be reported through an upgraded 'real-time' version of PAYE (Pay As You Earn). This will require every employer in the country to send data every month to HM Revenue and Customs.

There is more information about how claims will be dealt with in Chapter 3.

What CPAG says

Administration

According to the government, the successful administration of universal credit will require two 'moderate-scale' IT developments. However, this has been described by experts as 'the most complicated ever undertaken', and some people believe the current timescale is unrealistic.

More recently, the government has said that existing IT systems will be reused and updated to provide 60 per cent of what is needed for universal credit. This is scant reassurance for claimants and advisers who have good reason to have little faith in the current systems.

4. Which benefits are abolished?

Means-tested benefits and tax credits will be abolished and replaced with universal credit.

What the law says

Benefits and tax credits to be abolished

The benefits and tax credits to be abolished and replaced by universal credit are:

- income support
- income-based jobseeker's allowance
- income-related employment and support allowance
- housing benefit
- child tax credit
- working tax credit

Section 33 Welfare Reform Act 2012

The benefits listed above will be abolished for new claims to coincide with the planned introduction of universal credit in October 2013. It is planned that no new claims for tax credits will be accepted from April 2014.

Box A

Which benefits remain?

- attendance allowance
- bereavement allowance
- bereavement payment
- carer's allowance
- child benefit
- cold weather payments
- constant attendance allowance
- disability living allowance (to be replaced for working-age people by personal independence payment from April 2013)
- contributory employment and support allowance
- free school lunches
- funeral payments
- guardian's allowance
- Healthy Start vouchers
- help with health costs
- industrial injuries benefits
- contribution-based jobseeker's allowance
- maternity allowance
- maternity grant
- pension credit
- retirement pension
- school clothing grant
- statutory adoption pay
- statutory maternity pay
- statutory paternity pay
- statutory sick pay
- war disablement pension
- war widow's and widower's pension
- widowed parent's allowance
- winter fuel payment

If you are already getting one of the benefits or tax credits that will be abolished in October 2013, payments will not stop immediately. There will be a period of transfer during which you will continue to get these benefits or tax credits until you are moved onto universal credit. The process and order of moving existing claimants onto universal credit has not yet been finalised, but will be done in phases – eg, by transferring income-based jobseeker's allowance claimants first. It is intended that this process will be completed by October 2017.

Universal credit will not replace all current benefits, however, and it is not a single working-age benefit system. You will still be able to claim the benefits shown in Box A after universal credit has been introduced, although some of these are being reformed.

Council tax benefit will also be abolished, but it will not be part of universal credit. Instead, local authorities and the Scottish and Welsh governments will take it over from April 2013. Crisis loans and community care grants from the social fund are also being abolished and will be replaced by a new system to be devised and delivered by local authorities and the Scottish and Welsh governments.

There is more information about universal credit and other benefits in Chapter 8.

5. The timetable for change

You cannot claim universal credit now. The planned date for its introduction is October 2013. It is intended that the new system will be tested in pilot areas from spring 2013. The government intends that claimants will be transferred from the old benefits and tax credits system to the new universal credit system in three phases.

Box B
Proposed timetable

Spring 2013: live testing of universal credit in pilot areas.

October 2013: launch of universal credit nationwide. No new claims for:

- income support
- income-based jobseeker's allowance
- income-related employment and support allowance

If you become unemployed or unable to work from October 2013, you now claim universal credit instead of the above benefits. **Note:** you can still claim contribution-based jobseeker's allowance and contributory employment and support allowance.

You can now also claim universal credit if you are in work but are not getting any benefits or tax credits – eg, if you are in a low-paid job and you have no children, especially if you are under 25 or working fewer than 30 hours a week.

The government has said that claims for housing benefit by people of working age will be phased out by April 2014, so new claims may still be possible if you are already getting an existing benefit or tax credit and become liable for housing costs betweeen October 2013 and April 2014.

October 2013 to April 2014: Phase 1.

If you have been getting one of the above benefits, you can claim universal credit from October 2013 if you have a change of circumstances – eg, you start work or you have your first baby. The government has said that it expects most people who have been claiming income-based jobseeker's allowance to move onto universal credit during this phase as they take up work.

April 2014: no new claims for tax credits.

The use of this date suggests that you may still be able to make a new claim for tax credits after October 2013, although this may only apply if you have already claimed tax credits earlier in the 2013/14 tax year and your claim has been broken – eg, if you stopped work but start again after October 2013. Tax credit claims can be renewed and continue during 2014/15 and 2015/16, until you are moved onto universal credit.

April 2014 to December 2015: Phase 2.

If you are still getting one of the old benefits and your circumstances have not changed, you are now transferred onto universal credit by the Department for Work and Pensions. It is unlikely that you will have been able to switch to universal credit earlier, unless you broke your claim for the benefit you were already getting. People who are covered by this phase are those in part-time work, disabled people, carers and lone parents with young children under five. The government has said that, where possible, priority will be given to people whose 'work behaviour' is most likely to benefit from universal credit – eg, if you are working fewer than 16 hours a week or have variable hours.

January 2016 to October 2017: Phase 3.

You are likely to be one of the last people to be moved onto universal credit if you are getting housing benefit but no other means-tested benefits and you are not in work. The government has said that the way those remaining will be moved will depend on local circumstances and may be done on a regional basis. It aims to work closely with local authorities to take account of their staffing resources and contractual obligations so they can plan for moving the last housing benefit claimants onto universal credit.

October 2017: transfer of benefit claims from the old system to universal credit complete.

The government intends to finalise this proposed timetable by spring 2012, but will keep it under review in order to to be able to respond to national and local changes.

6. Other planned changes to benefits

Universal credit is being designed and will be delivered at the same time as other major changes to the social security system. These are outlined in Box C.

The changes will largely be carried over into the new universal credit system. For instance, the ongoing changes to housing benefit will also apply to the way maximum housing costs are calculated in universal credit. Lone parents who are moved onto jobseeker's allowance when their youngest child reaches school age will also find that they are subject to much the same 'work-related requirements' when they are moved onto universal credit.

Similarly, between April 2011 and 2014, 1.5 million people on incapacity benefit and income support on the grounds of incapacity are being tested for entitlement to employment and support allowance. Although employment and support allowance will be abolished for most people, the test used to assess 'limited capability for work' will remain and will be used to place people into different 'conditionality groups' for universal credit.

Box C
Other changes

Some changes to current benefits and tax credits have already been introduced; others are planned in the near future.

Payment of contributory employment and support allowance will be time limited for those in the 'work-related activity group'. If you have received contributory employment and support allowance for one year, payment will stop from April 2012.

Lone parents whose youngest child is aged five (reduced from seven) will be moved from income support to jobseeker's allowance from 2012.

Social fund community care grants and crisis loans will be abolished and responsibility for replacing them will be given to local authorities and the Scottish and Welsh governments from

April 2013. Budgeting loans will be replaced by 'payments on account' of universal credit.

Disability living allowance will be abolished for working-age claimants and replaced by a personal independence payment from April 2013.

Council tax benefit will be abolished and responsibility for a replacement will be given to local authorities and the Scottish and Welsh governments from April 2013.

Total benefit payments will be capped at average earnings (with exceptions for households with someone with a disability and war widows) from April 2013.

The maximum amount of housing benefit payable to cover rent in the private sector has already been reduced. There will also be the power to reduce entitlement in the social rented sector to reflect family size from April 2013.

The rate of child benefit has already been frozen for three years from April 2011 and it is planned that child benefit will be deducted from higher rate taxpayers via the income tax system from January 2013.

Tax credits:

- the baby element has already been abolished
- the family element has been withdrawn from middle income families
- the disregard for increases in in-year income has already been reduced from £25,000 to £10,000, and will reduce further to £5,000 from April 2013
- support for childcare costs has already been cut from 80 to 70 per cent
- from April 2012, couples with children must work 24 hours a week (increased from 16) between them to qualify for working tax credit
- from April 2012, payments will not be increased during the year if a person's income decreases by less than £2,500

What CPAG says

Changes to benefits

From April 2013, disability living allowance for working-age people will be replaced by a new personal independence payment. This is expected to save over £1 billion, as the number of people entitled will be much reduced. The government has promised that no one will be worse off on universal credit and that the most severely disabled people will be supported. However, this may not apply to someone taken off disability living allowance and no longer classed as severely disabled under the new system, even though her/his condition has not changed.

Payment of contributory employment and support allowance will be limited to one year for people in the work-related activity group. This undermines the principle of paying national insurance contributions while in work in return for benefits in times of sickness.

Child benefit is a truly universal benefit (subject to immigration status) as payment does not depend on income, national insurance contributions or work-related conditions, and it recognises the value to society of bringing up children. It has proved especially valuable to women as, in most cases, it is paid directly to mothers. The value of child benefit has been eroded by a three-year freeze and its simplicity has been compromised by plans to claw it back from higher rate taxpayers from January 2013.

A 'benefit cap' will be introduced in April 2013, which will also apply to universal credit. This will mean that claimants who are out of work will get no more in benefits than the average take-home pay, projected to be £350 a week for single people and £500 for couples and lone parents. This cap could adversely affect many families with four or more children (and sometimes smaller families), depending on their housing costs.