

Universal Credit Policy Briefing Note 15

Managing the build up of claims to Universal Credit

Introduction

1. Universal Credit is intended to provide a streamlined welfare system which makes the financial advantages of taking work or increasing hours clear to claimants. The white paper “Universal Credit: welfare that works”, explained that between October 2013 and the end of 2017, all existing claims to income based Jobseekers Allowance, Income Support, income based Employment Support Allowance, Housing Benefit, Working Tax Credit and Child Tax Credit would gradually move to Universal Credit. This note sets out an initial proposal for how the build up of claims to UC might be achieved.

Ways that people will move to Universal Credit

2. There are 3 main ways that people will move onto Universal Credit:
 - New Claims** – These claims will be received from households who would otherwise have claimed one of the old working age benefits or credits. New claims to Universal Credit could be in the region of 500k by April 2014, and 1.9m by Oct 2017.
 - Natural Changes** – These claims to Universal Credit occur when someone undergoes a change of circumstances, for example when finding a job or the birth of a first child. As Universal Credit is a household benefit, this would also trigger the closure of any old entitlements for others in the household. The current estimate is that there will be around 500k natural changes by April 2014 and 1.8m over the period to Oct 2017.
 - Managed Changes** – Managed changes occur where there has been no change of circumstances and DWP initiates the transfer of an entire household from legacy benefits to one UC entitlement. There may be around 4m of these households to move to UC before the end of 2017.

Rationale

3. The Government recognises that the move from one welfare system to another needs to be carefully managed to ensure social outcomes are maximised, and that no-one is left without support. The Department for Work and Pensions has therefore considered this strategy against:

- the objectives of Universal Credit for reducing poverty, helping more people into work and, for those in low paid employment, into more work
 - the implementation challenges, including maintaining delivery of the old benefits until they are fully closed, and
 - the need to contain costs in this spending review period and beyond.
4. It has concluded that safe delivery must be the primary objective, as without this, the other objectives of social impact and cost management will be put at risk.
 5. The Government also recognises that the nature of the current set of working age entitlements mean that the move to Universal Credit will need to accommodate the closure of both national and local welfare schemes. That Housing Benefit is administered independently by over 380 local authorities needs to be a factor in the migration approach. Each local authority will need to separately manage down their Housing Benefit load and each will have unique challenges around maintaining performance and efficiency as the load drops. The Government recognises the risks this creates and safeguarding delivery of Housing Benefit will be a consideration in the Universal Credit migration approach.

Proposals

6. A three phase approach is currently proposed, which will ensure safe delivery, but also balance the drive for improved social outcomes through work and managing cost.

Phase 1 – October 2013 to April 2014

7. Universal Credit will launch in October 2013 and all new claims to the current benefits and credits will be phased out by April 2014, with new claims to Housing Benefits and Tax Credits being the last to end in April 2014.
8. Natural changes will be accepted from October 2013 and will continue whilst claimants are on the old benefits and undergo a change in circumstances.

Phase 2 – April 2014 to around end 2015

9. Existing claimants, whose circumstances haven't changed, will start to be transferred to Universal Credit through managed change, currently planned to start from April 2014. It is expected that, as most of those households who are actively seeking work will moved through the new claims or natural changes route by April 2014, the type of households that will fall in to this phase will generally be households with people in part-time work and households that are economically inactive. Where possible,

priority will be given to those households whose work behaviour is most likely to benefit from Universal Credit.

Phase 3 – End 2015 to end 2017

10. From around the end of 2015 the remaining households will be moved by taking into account local circumstances, such as staffing turnover, contractual obligations and demography, so that households are moved on to Universal Credit in good time before housing benefit loads become too small to be viable. Within those parameters the focus on work and poverty will be retained.
11. This should allow local authorities to plan with more certainty over the medium term.

Review

12. It would however be wrong to settle on a precise timing schedule and segmentation at this stage and more work will be done over the winter with HMRC and local authorities to understand the detailed options available to us. Even once agreed in the spring of 2012, the DWP will keep the approach under regular review as it recognises that the approach needs to be flexible enough to respond to national and local circumstances as they change in the 6 years before the migration to Universal Credit is concluded.