

Universal Credit Policy Briefing Note 6

Transitional Protection

1. Core objectives

- a) A package of transitional protection is being developed in order to ensure that there will be no cash losers as a direct result of the move to the Universal Credit where circumstances remain the same.
- b) The principle of offering transitional protection which avoids cash loss at the point of change and which is then eroded over time is an established one. It is similar to the approach adopted when Income Support was introduced in 1988 and in the current move from Incapacity Benefit/Income Support to Employment and Support Allowance.

2. Considerations

- a) The process of migrating claimants to Universal Credit will have an impact on transitional protection. Some claimants will move to the Universal Credit system naturally as circumstances in a current claim change. Other people will be moved over in a process managed by DWP. Transitional protection will only be applied in the latter circumstances and where the UC would otherwise be lower than total current award of benefit and tax credit.

3. Key policy proposals

- a) For many claimants, the Universal Credit will provide a level of support that is the same as, or higher than the current system. 2.7m households stand to receive a higher amount under Universal Credit than they do now. There will be no cash losers directly as a result of the migration to Universal Credit where circumstances remain the same.
- b) The Government will provide cash protection to claimants whose Universal Credit award would be less than under the old system, in the form of an extra amount to make up the difference between the old and the new. The maximum amount will be fixed at the point of change, and will continue to be paid until the value of the award under the new system overtakes the levels of the pre-Universal Credit entitlement: paragraph 4 outlines what happens to the cash protection as the amount of a Universal Credit award changes.
- c) The cash protection amount will not be updated over time along with the rest of the entitlement, and the protection will cease if the award of Universal Credit ends or has to be reassessed for a significant change of circumstances. Any cash protection will not be applied to future claims

4. In practice, what does this mean for the level of protection?

- a) Protection is only provided where claimants have been 'managed moved'. What happens to their level of protection will depend on changes to their level of Universal Credit award as outlined below. In both these scenarios it is assumed that there have been no significant changes in circumstance associated with the change in award which would have triggered an end to cash protection.
- b) **Subsequent increases in Universal Credit award:** for example, if a claimant qualifies for £20 cash protection and subsequently sees a rise in their Universal Credit award, perhaps through a small fall in income, the total award will not increase until the £20 cash protection is used up. This approach ensures that people move eventually to their new rate but without seeing any cash reductions in the amount.
- c) **Subsequent decreases in Universal Credit award:** if a claimant sees a fall in their Universal Credit award, maybe through an increase in their earnings, the amount of cash protection given at the point of transition will be unaffected, ensuring that work incentives are also protected.

5. Further work

- a) We are working to define what exactly the significant changes of circumstance that end transitional protection will be. At the moment, we expect this might include situations such as starting or leaving work, or going over the capital limit. Of course, transitional protection will cease if entitlement to Universal Credit ends.
- b) We are also working hard to plan the migration to Universal Credit so that claimants experience as smooth a transition as possible while also ensuring costs remain within the Universal Credit spending envelope.
- c) We intend to publish a revised Impact Assessment and Equality Impact Assessment when the Bill goes into the Lords stage, to incorporate the impact of the recent policy announcements.