

Cuts to financial support for 100,000 disabled children under the Universal Credit

1) About the Children's Society

The Children's Society supports nearly 50,000 children and young people every year through our specialist services and children's centres. We believe in achieving a better childhood for every child but have a particular focus on children who have nowhere else to turn, such as children living in poverty, young refugees, children at risk on the streets, disabled children and children in trouble with the law. We seek to give a voice to children and young people and influence policy and practice so they have a better chance in life.

We are concerned that announcements about reductions in support for families with disabled children to be made under the Universal Credit could severely affect the living standards of many disabled children, and could push vulnerable families into poverty.

1) Summary

- *Currently, families with a disabled child may be entitled to receive support through the disability elements of child tax credit. Under the Universal Credit, this support is to be provided through "disability additions" within household benefit entitlements.*
- *The policy intention of government is to halve the maximum level of support provided through the disability additions within Universal Credit, when compared to the disability element of child tax credit – reduced from £54 per week at current rates, down to £27 per week. This is equivalent to a loss of around £1400 per year. This change could push families below the poverty line.*
- *It could cost families with a child born with a disability around £22000 by the time the child reaches 16 years old.*
- *The rate is paid per child, so a family with two disabled children could lose double these amounts.*
- *All but the most disabled children (those receiving the higher rate care component of DLA) will stand to lose out substantially as a result of this change. However, even the most severely disabled children could lose out substantially, depending on how the government implement the higher disability addition paid to this group under the Universal Credit.*
- *The Government estimates that this change will affect around 100,000 disabled children.*
- *An estimate puts the overall cut from this form of support to be around £100 million per year once fully implemented.*

2) Current Situation

Under the current benefits and tax credits system, families with disabled children are entitled to a number of different forms of support to assist them with these needs.

For example, a non working Lone Parent with one disabled child (receiving the lower rate of the care component of Disability Living Allowance) is currently entitled to receive (after housing costs):

Income Support: £67.50
DLA (low rate care): £19.55
Child Tax Credit: £58.57
(+ disability element child tax credit): £53.62
Child Benefit: £20.30

Total: £220.26

As can be seen, as part of their entitlement, families may receive the disability element of child tax credit (currently worth up to £53.62 per week). This is an additional entitlement within the household's child tax credit entitlement, which is paid to families with a child with a disability (receiving Disability Living Allowance) to help the family with the additional needs of a disabled child.

The disability element is paid per child, so a household with two disabled children would receive up to £107.24.

In addition to this, if the child has a very severe disability (so that they receive the high rate care component of Disability Living Allowance,) they may also receive the "severe disability element" of child tax credit in addition to the disability element. This is worth an additional £21.63 per week - meaning that they may receive a total addition of £75.25 through child tax credit on account of their disability.

3) Proposed changes

With the introduction of the Universal Credit from 2013, tax credits will no longer exist for new claimants. The government has announced¹ that the disability elements of child tax credit will be replaced with a disability "addition" and "higher addition" within the Universal Credit.

Households with children currently entitled to the disability element of child tax credit will receive the disability addition. Those with children currently entitled to both the disability element and severe disability element would instead receive the higher disability addition².

However, the rates of support under the Universal Credit do not fully reflect current levels of support. The rates proposed under the Universal Credit compared to current system are shown in the table below:

¹ <http://www.dwp.gov.uk/docs/ucpbn-1-additions.pdf>

² Children with severe visual impairments who are currently only entitled to the disability element of CTC will also receive the higher disability addition.

Table 1: levels of support for children with disabilities through the disability element child tax credit and Universal Credit disability additions³

	Tax Credits	Universal Credit	change
Child in receipt of DLA (excluding high rate care)	£53.62 (disability element CTC)	£26.75 (disability addition)	- £26.87 per week
Child in receipt of DLA (high rate care)	£75.25 (disability element + severe disability element CTC)	£74.50 (severe disability addition - intended uprating target)	-75p per week

As can be seen, the disability addition halves the level of support provided under the current tax credits system. This could cost families as much as £26.87 per week – around £1400 per year. A family with a child born with a disability could lose around **£22000** by the time the child reaches 16 years old.

Since this addition is paid per disabled child in the household, a family with two disabled children could lose double this – up to £2800 per year.

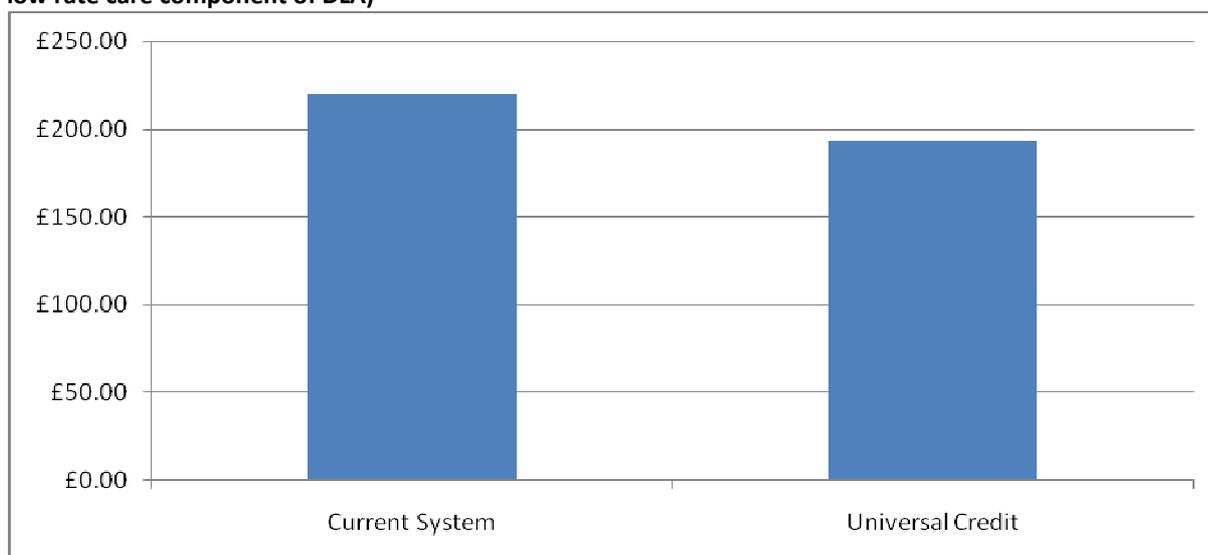
Given this, household income for the previous example lone parent household under the Universal Credit would be as follows:

DLA (low rate care): £19.55
 Universal Credit: £126.07
 (+ disability element child tax credit): £26.75
 Child Benefit: £20.30

Total: £193.39

The difference in the level of support is shown in the following table, overall household income after housing costs in this case would be cut by more than 12% as a result of the change:

Table 2: household income after housing costs for out of work lone parent, one disabled child aged 14 (receiving low rate care component of DLA)



³ Values uprated from the DWP's briefing paper to give financial year 2011-12 equivalents.

It appears from table 1 above that support for the most severely disabled children (those in receipt of the high rate care component of DLA) will remain about equal under the Universal Credit as under the current system.

However, there are three key outstanding concerns for this group as well.

- Firstly, **the government has announced that the level of the higher disability addition will be uprated "as resources become available"**. Transitional Protection will mean that some households who would otherwise lose out, may have their level of income protected in the short to medium term, this would therefore create a delay in savings being achieved so that the resources become available to uprate the higher disability addition. As a result of this, it may take a considerable amount of time for rates of the severe disability element to be uprated to the level specified.

Were, at the point of introduction of the Universal Credit, the higher disability addition to replicate current levels of the support component for Employment and Support Allowance this would mean a cut from current rates of £75.25 per week, down to £32.35 – a cut of *£42.90 per week*.

- Secondly, **the higher disability addition level of £74 is the government's target figure to be achieved once resources become available⁴**. This target needs uprating with inflation, otherwise the target figure will increasingly lag behind the support available for severely disabled children in the current tax credits system. For example, in the year 2010-11, the rate of the disability element and severe disability element of child tax credit was slightly lower than the proposed uprating target for the higher disability addition. However, at current rates (2011-12) the disability element and severe disability element of CTC are slightly higher than the higher disability addition target. Assuming annual inflation with CPI, the higher disability addition will increasingly lag behind the rate payable through Child Tax Credit.
- Thirdly, **the reform presents great concerns about the transition from being included as a child under the Universal Credit, to being counted as an adult**. For example, under the government's current proposals for disability additions for children, a child would be entitled to the higher disability addition. However, once they reach adulthood, support through the disability additions within Universal Credit will be passported from Employment and Support Allowance. Under the ESA rules, there would be no guarantee that a child would be entitled to ESA at the point of transition. As a result of this, many disabled children and young people could move from entitlement to the higher disability addition as a child, to no additional entitlement as an adult. This transition could cause huge problems for themselves and their families.

⁴ "as resources become available the Government intends to raise the weekly rate of the support component equivalent from £31.40 today in stages to £74.50." DWP (2011) "Universal Credit Policy Briefing Note 1: Additions for longer durations on Universal Credit"

4) Reasons for the changes

The Government has proposed these changes in order to align the child and adult rates of disability support within the Universal Credit. The briefing note highlights that *"More generous uprating over the period 2003 - 10 has seen the child payments increase at a faster pace than the adult payments, leading to a lack of alignment in rates. The Government aims to align child and adult payments through these reforms."*⁵

However, there are three key reasons why the child disability additions should retain their current rates. Firstly, *Children do not have any opportunities to access alternative forms of income.* Adults in receipt of the lower disability addition under Universal Credit are the equivalent of those in the Work Related Activity Group for Employment and Support Allowance. This group of adults may, at some point in the future, be able to return to some hours of work. Children do not have any option to move into work to escape from poverty. For this reason it is important to provide additional support to children with disabilities in recognition of these additional barriers to escaping poverty.

Secondly, *Poverty from an early age is likely to affect the long term life chances of disabled children.* Child Poverty, even from the earliest years, can have a severe detrimental impact on the life chances of children. Cuts in support to disabled children are likely to have a negative impact on the later life chances of children with disabilities, making it harder for them to escape poverty as adults.

Thirdly, *the child and adult additions are not "aligned" by the changes proposed.* Despite the government's claims, the changes as proposed do not fully align the child and adult rates of support. For example, the proposals suggest that following the introduction of the Universal Credit, blind children will be entitled to the higher rate of disability addition. However, under ESA regulations, blind adults may not be entitled to *any* additional support under the Universal Credit. Not only does this fail to align the child and adult rates, but could make the transition from childhood to adulthood within the benefits system, a particularly difficult and worrying time for families.

5) Estimated Numbers of households affected and overall loss

The Government have said that *"departmental modelling estimates that, once fully implemented, approximately 100,000 children would have a lower entitlement as a result of the reform of disability benefits under universal credit."*⁶

Although families who would lose out overall at the point of transition from the current benefits system onto the universal credit will receive transitional protection, this suffers from three key problems. Firstly, only existing claimants will be protected, new benefit claimants will receive no protection. Secondly, the cash protection will be eroded with inflation, since its value will be fixed at the point of transition. Finally,

⁵ <http://www.dwp.gov.uk/docs/ucpbn-1-additions.pdf>

⁶ Chris Grayling 08/06/2011, in response to parliamentary question:

<http://www.theyworkforyou.com/wrans/?id=2011-06-08a.57941.h&s=curran+section%3Awrans+section%3Awms#g57941.q0>

cash protection will be lost as the result of, as yet undefined, changes in the household's circumstances⁷.

The Children's Society estimate, very roughly, that once fully implemented this cut would be worth in the region of £100 million a year. The estimate for this is based on the following calculation:

- Maximum annual loss per child is £1400.
- Average annual loss is estimated at £1000 per year – *(the assumption for this is that although the average loss will not be the same as the maximum rate of loss, it will be somewhat higher than the midpoint loss, because of the significant numbers who will receive the full loss)*
- An estimated 100,000 children will be affected.
- $£1000 * 100,000 = £100$ million.

Although this saving will be recycled within the Universal Credit, the money will not necessarily be returned to support families with disabled children.

For more information about this briefing, please contact Sam Royston, poverty and early years policy adviser to The Children's Society on sam.royston@childrenssociety.org.uk or on 07969 291251.

⁷ Royston, S (2011) "Welfare Reform Bill Committee Briefing Note 9: Transitional Protection in the Universal Credit"
London: Family Action