Child Tax Credit and Universal Credit claimants

Statistics related to the policy to provide support for a maximum of two children

2 April 2018
Introduction

What are Child Tax Credit and Universal Credit?

Child Tax Credit (CTC) provides income-related support for families with children or qualifying young people aged 16-19 who are in full time non-advanced education or approved training, payable to the main carer. Families can claim whether or not the adults are in work.

Universal Credit (UC) is a flexible system which supports people both in and out of work. It replaces six legacy benefits (Child Tax Credit, Housing Benefit, Income Support, income related JSA, income related ESA and Working Tax Credit). UC was introduced in April 2013 in certain areas of North West England. Since October 2013, it has progressively been rolled out to other areas. Claimants usually receive a single monthly household payment, paid into a bank account in the same way as a monthly salary.

More information about Child Tax Credit, including making a claim, is available online here:

https://www.gov.uk/child-tax-credit

Further information about Universal Credit, including making a claim, is available online here:

https://www.gov.uk/universal-credit

What is the policy to provide support for a maximum of two children?

From 6 April 2017, a change was made to the way in which Child Tax Credit and Universal Credit awards are calculated. Claimants are no longer eligible for:

- The child element of CTC for a third or later child born on or after 6 April 2017, unless they are covered by an exception.
- An additional amount in UC for a third or subsequent child born on or after 6 April 2017, unless they are covered by an exception. The same eligibility will apply to future new claimants of UC regardless of the date of birth of any children.

The policy aims to ensure fairness between claimants of benefits and those who support themselves solely through work. The disability element of CTC and UC will continue to be paid for all eligible children. In addition, Child Benefit continues to be paid for all children and additional help for eligible childcare costs are also available regardless of the total number of children in the household.

What are the exceptions to the policy?

In recognition that some claimants are not able to make choices about the number of children in their family, the Government has put in place exceptions for certain groups. In
both CTC and UC, there are four categories of exception to these rules where a child element or amount may be paid in respect of a third or subsequent child or children. They apply to third or subsequent children who are:

i. Additional children in a multiple birth where an extra amount will be payable for all children in a multiple birth other than the first child;

ii. Adopted when they would otherwise be in Local Authority care;

iii. 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 are eligible to make a separate claim in their own right); or

iv. 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.

It was announced on 27 April 2018 that the exceptions for non-parental care and adoption arrangements will be extended to include children who are the first or second in a household. Note that the information presented in this publication is unaffected by this announcement and reflects the exceptions as shown above.

Further information on the policy and the exceptions are available online at:

Child Tax Credit: https://www.gov.uk/guidance/child-tax-credit-exceptions-to-the-2-child-limit

Universal Credit: https://www.gov.uk/guidance/universal-credit-and-families-with-more-than-2-children-information-for-claimants

What does this publication tell me?

This publication shows the number of claimants (single or joint adult households with any dependent children or young people) affected by the policy to provide support for a maximum of two children and eligible for a positive Child Tax Credit or Universal Credit award on 2 April 2018. Claimants are considered to be affected by the policy if they have added a third or subsequent child to their household since the policy was introduced on 6 April 2017, including those for whom an exception applies.

The tables show the number of claimants in these two categories (those for whom an exception does or does not apply), split between Child Tax Credit and Universal Credit claimants. Numbers of exceptions are broken down into exception type, and those affected are broken down into work status, number of adults in the household, and country of residence.

Statistics relating to Universal Credit claimants cover those claimants in UC Full Service only. Claimants affected by the policy in UC Live Service areas are not included. Further information on Full Service and Live Service is available here:

https://www.gov.uk/guidance/universal-credit-full-service-and-live-service
The coverage of the statistics mirrors the areas of responsibility of HM Revenue & Customs and the Department for Work and Pensions. Consequently, statistics on Child Tax Credit relate to the United Kingdom, whereas Universal Credit statistics relate to Great Britain. Northern Ireland statistics for Child Tax Credit are shown in certain tables.

A small number of Child Tax Credit claimants live outside the UK (such as Crown servants posted overseas) or have no postcode information. These cases are identified as “foreign/not known” in certain tables but are included in United Kingdom totals, in line with the presentation of other tax credit statistics.

The statistics in this publication relate to the position after the policy had been in operation for almost a year. In future years, more households with two or more children claiming CTC or UC will have a child who has been born on or after 6 April 2017, and so the numbers affected will increase over time.

The publication does not contain information relating to those who have applied for an exception but have not met the criteria to qualify. The definition of an application is problematic for a number of reasons. Within tax credits, certain types of exceptions for multiple births are determined automatically by the tax credit system rather than requiring claimants to make contact. Claimants to both CTC and UC can also make enquiries about their potential eligibility for an exception and it is not clear at what stage such an enquiry would be considered as a potential application or not. Once claimants have submitted supporting documents which meet the eligibility criteria for an exception, the exception will be granted.

Who might be interested?

The statistics contained in this publication will be of interest for anyone that is looking for information on the impact of the policy to provide support for a maximum of two children, and the exceptions in particular.

User Engagement

We are committed to improving the official statistics we publish. We want to encourage and promote user engagement, so we can improve our statistical outputs. We would welcome any views you have using the contact information at the beginning of this publication.

Rounding

The figures have been independently rounded to the nearest 10. This can lead to components as shown not summing to totals as shown. Figures below 5, including zero, are suppressed to ensure claimant confidentiality.
Commentary

Overall numbers of households affected by the policy to provide support for a maximum of two children

Note that figures in this section may not sum due to rounding.

Across Child Tax Credit and Universal Credit Full Service, a total of 73,530 households were affected by the policy to provide support for a maximum of two children on 2 April 2018 (figure 1). Of these, 70,620 (96 per cent) were not receiving a child element or amount for at least one child in their household. 2,900 households (4 per cent) were receiving an exception to the policy.

The vast majority of households affected (97%) were in receipt of Child Tax Credit. This reflects the overall gradual roll out of Universal Credit, as well as the fact that households with three or more children are not currently able to make a new UC claim and should claim CTC. As Universal Credit rolls out, the balance of the number of claimants between the two systems will change and the proportion of UC households in the total will rise.

In total, and including children born before 6 April 2017, there were around 865 thousand households with a third or subsequent child claiming either CTC (853 thousand) or UC (around 12 thousand). The number of households affected by 2 April 2018 represents around 9 per cent of this larger group. This proportion will grow over time as more households with three or more children will include a child born on or after 6 April 2017.

Figure 1 - overall numbers of households affected by the policy to provide support for a maximum of two children, 2 April 2018
Overall numbers of households with an exception

At 2 April 2018, 2,820 households in Child Tax Credit and 90 households in Universal Credit Full Service were in receipt of at least one exception (figure 2).

Across both CTC and UC Full Service, 2,440 households – 84 per cent of all those with an exception – were in receipt of a multiple birth exception. 270 households, or 9 per cent, received an exception for non-parental care. 190 households, or 7 per cent, received an exception for non-consensual conception. The number of cases with an exception for adoption is below the threshold for publication (4 households or fewer).

![Figure 2 - overall numbers of households with an exception, 2 April 2018](image)

Note: adoptions not shown as numbers are below publication threshold

Households affected by work status

The majority of claimants affected by the policy – 59 per cent – are classified as in-work (figure 3). “In work” is defined as eligible for Working Tax Credit within the tax credit system, and in receipt of employment income within Universal Credit. A higher proportion are in work within Child Tax Credit (60 per cent) than Universal Credit Full Service (41 per cent) which may reflect the generally higher proportion of out of work UC claimants at this stage of roll out.

A slightly lower proportion of households with an exception (56 per cent) are in-work compared to those not receiving a child element or amount (59 per cent).
Households affected by number of adults

A majority of households affected by the policy, 62 per cent, contain two adults (figure 4). The remainder are single adult households. The proportion of couples is higher in Child Tax Credit (62 per cent) than in Universal Credit Full Service (51 per cent). Again this may reflect the population of UC at this stage of the rollout.

The proportion of couples amongst households with an exception across the two systems is lower (53 per cent) than those not receiving a child element or amount (62 per cent).
Households affected by country

Around 63 thousand (86 per cent) of those UK Child Tax Credit households and GB Universal Credit Full Service households affected by the policy were resident in England in April 2018 (figure 5). Almost 4 thousand (5 per cent) were resident in Scotland, 3 thousand (5 per cent) in Wales, and 2 thousand (3 per cent) were CTC recipients in Northern Ireland. A small number (around 300, or 0.5 per cent) were either CTC claimants who were resident abroad or their country could not be identified.

Around 4 per cent of households in England who were affected by the policy were in receipt of an exception in April 2018. 5 per cent of households affected in Scotland received an exception, as did 4 per cent of households in Wales and 4 per cent of CTC households in Northern Ireland.
Households by category of exception and country

Across all countries of the UK, households with a multiple birth were the most common type of exception, accounting for 82 per cent of Child Tax Credit or Universal Credit households with an exception in England, 85 per cent of households in Scotland, 93 per cent of households in Wales and 90 per cent of Child Tax Credit households only in Northern Ireland. Due to small population sizes related to the fact that the policy had only been in operation for around a year at April 2018, it is not recommended to draw robust conclusions from the differing proportions of households with other types of exceptions by country at this point in time, due to both rounding and suppression of small numbers of cases. As noted earlier, in future years the numbers affected by the policy, and the numbers of exceptions, are expected to increase.
Figure 6 - proportions of households in each country by category of exception, 2 April 2018

Note: adoptions not shown as numbers are below publication threshold. Other figures should be treated with caution due to rounding or suppression of small numbers.
Appendix A: Background Information

Child Tax Credit and Universal Credit Full Service Administrative Data

The data used in this publication is based on 100% extracts of provisional tax credit awards from the tax credit computer system (NTC) and Universal Credit claims from the UC Full Service system, taken at 2 April 2018. The extract date was selected to ensure consistency with the parallel National Statistics release providing figures on provisional tax credits awards on the same date.

Tax credit awards are provisional until they are finalised at the end of the year, when claimants confirm or make changes to their incomes and other circumstances as reported at the date when the statistics were extracted.

Figures have been compiled using administrative data covering UC Full Service only. UC Live Service has been excluded due to the closure of this service.

Analysis covers all UC Full Service claims that have declared a third or subsequent child as being born on or after 6 April 2017. The number of eligible children declared was compared to the number of children paid for as part of their April payment. If there is a difference, they have been impacted by the policy and if there is no difference then they have received an exception.

A UC Full Service claim’s in work status is determined by having positive take home earnings included in their April statement.

Validation and quality assurance processes

Child Tax Credit statistics were compared against those derived from the parallel April 2018 provisional awards dataset used to produce regular tax credit National Statistics. This dataset is based on a 10% sample of single awards and 20% sample of couple awards, and was not used for the current publication due to the need to derive figures for small sub-populations. Results between the two datasets were broadly comparable and differences can be accounted for by sampling variability and minor differences in methodology.

Universal Credit statistics have been continually monitored over the past year and comparison of previous month snapshots have shown a consistent proportion of claims have been affected by the policy. Internal departmental quality assurance checks have been carried out to reassure the reliability of the statistics. Figures have also been compared to the number of claims with children declared to contextualise the percentage of UC claims which have been affected.

Geographical allocation

Within both Child Tax Credit and Universal Credit data, postcode information for claimants were combined with geographical details obtained from the Office for National Statistics' National Statistics Postcode Look-up (NSPL). England, Scotland and Wales data represents geographical boundaries derived from Census 2011 data and has been taken
from the NSPL. Northern Ireland data represents geographical boundaries derived from Census 2001 data, which is still the latest available, within the NSPL.

Further information on the National Statistics Postcode Look-up can be found on the ONS website: http://geoportal.statistics.gov.uk/datasets?q=Lookups%20for%20ONSPD%20and%20NSPL &sort=name