SOCIAL SECURITY
ADVISORY COMMITTEE

The Rt Hon Dr Thérèse Coffey
Secretary of State for Work and Pensions
Department for Work and Pensions
4th Floor
Caxton House
Tothill Street
London
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27 May 2020

Dear Secretary of State,

This Committee met earlier this month to undertake its statutory scrutiny of a number of regulations which had been brought forward as part of the Government's response to the outbreak of coronavirus in the UK.

Given the unprecedented circumstances, you decided that the urgency of the proposals meant it would be inexpedient to bring the proposals to the Committee before the regulations were laid.[1] Our statutory scrutiny therefore took place at our first scheduled meeting after the regulations had been implemented.

The proposals included in the draft regulations were of sufficient importance and significance that, in more normal circumstances, we are likely to have taken them on formal reference. In light of where we are, the Committee concluded that such action would not be the right thing to do at this time.

However, there are aspects of the Department's emergency response to COVID-19 on which we would like to offer some observations and recommendations.

First, the Committee would like to acknowledge the remarkable work that the Department, along with HMRC, HMT and BEIS, has undertaken at pace to make major legislative and operational adjustments to the benefits and tax credits system in order to provide immediate financial support to millions of out-of-work, employed and self-employed people who have been impacted by the coronavirus pandemic. What has been delivered, in both policy and logistical terms, is an extraordinary achievement. It inevitably has taken time to create the new job retention and self-employed payment mechanisms. The tax credit and social security system – particularly Universal Credit – took up the burden of getting financial support to people from the start of the lockdown.

[1] Section 172(1)(a) of the Social Security Administration Act 1992

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Given the pace and scale of these changes, there are unsurprisingly some 'rough edges' and inconsistencies where strengthening or amendment of the new policies may be appropriate. We address these below.

Standard Allowances

On 20 March, the Chancellor of the Exchequer announced an increase in the Universal Credit standard allowance by £1,000 a year for a period of twelve months. He similarly announced an increase in the Working Tax Credit basic element of the same amount. These increases will be significant help to millions of low-income families.

Claimants in receipt of Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) were excluded as the Department was focusing on delivering changes that could be operationalised quickly. We were advised that uprating of ESA and JSA could not be achieved quickly or safely as there was a well-established uprating cycle for legacy benefits, as well as serious IT challenges to overcome.

While we understand the reasons for not including ESA and JSA in the original announcement, we are of the strong view that it is increasingly untenable for this group of claimants to be excluded and to continue to have a lower level of income than those in receipt of Universal Credit and Working Tax Credit.

We recommend that the Government finds a way to ensure that this group of claimants, that includes some of the least well off, are brought up to the same level as those in receipt of Universal Credit as soon as it is possible to do so. On grounds of equity, consideration should be given to backdating that uplift to 6 April 2020.

Shared Accommodation Rate

The increase to Local Housing Accommodation Rates is a welcome step in helping to reduce the financial shock that might otherwise impact people coming onto the benefit system having lost their job. However, emerging evidence suggests that a large proportion of those likely to find themselves in this position are young people. We believe that there is a very strong case for the Shared Accommodation Rate for under 35s to be suspended, not least as it will be less appropriate – and more difficult – for those who have lost their jobs to move into shared accommodation at the present time.

Benefit Cap

The Government's response to the Coronavirus provides very welcome additional financial support and security to those receiving Universal Credit and Working Tax Credit, for example through removing the Minimum Income Floor, increasing Standard Allowances and pausing debt recovery.

We are concerned, however, that the full value of that additional support is not benefiting all cases because of the application of the benefit cap, particularly in areas with high rental costs. Claimants would normally have the option to move into paid work or to move home to avoid the impact of the benefit cap, but neither of these are realistic choices for many people at the current time.

We therefore recommend that the Government considers what action might be possible to ensure that the spirit and intent of the additional package of financial support it has introduced in these challenging times are fully delivered.

Communications

While there was some - almost inevitable - initial confusion around communications relating to the interaction of changes brought forward by DWP, HMT, HMRC and BEIS on Universal Credit, Statutory Sick Pay, the Coronavirus Job Retention Scheme and the Self-employed Income Support Scheme, we note that this has improved in recent weeks. We consider it essential that officials in these departments continue to work together to ensure that anyone with questions about accessing support and how the systems interact have a clear single source of advice that will provide clarity and assurance. This should include providing clear information about how the support provided by the UK Government intersects with related measures introduced by the devolved administrations.[2]

To illustrate this point, we are aware of cases where tax credits claimants have become worse off as a consequence of following early government statements that self-employed people should claim Universal Credit if their earnings reduced, only to find that they did not qualify and in the process permanently lost their entitlement to tax credits. It is crucial that individuals are able to understand the interactions between various strands of support available, and that they can take informed decisions appropriate to their individual circumstances.

We welcome your commitment to look actively at this issue further and to consider what might be done to address the position.[3] We would be grateful for further information in due course on what steps are being taken to prevent others in this position taking action that is detrimental in their particular circumstances, and whether the individuals who have been disadvantaged by following the advice given in official communications can seek redress, for example by having their tax credit claims reinstated.

In closing, let me reiterate the Committee's recognition of the Department's impressive response to the Coronavirus outbreak. Our advice is designed to help address some of the inevitable and immediate gaps or unintended consequences that occur when designing and implementing policy and an

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[2] Examples: Newly Self Employed Hardship Fund in Scotland; Scottish Government statement on the SEISS
[3] Ministerial statement, 4 May 2020

operational response at such pace and scale. We look forward to working with the Department in the months ahead as the longer-term consequences of COVID-19 emerge and the opportunities for Government policy become clearer.

I would be very happy to discuss further if you would find that helpful.

A copy of this letter goes to the Chief Secretary of the Treasury, the Minister for Small Business, Consumers and Labour Markets, Jonathan Mills, Neil Couling, John-Paul Marks, Katie Farrington, Pete Searle and Jackie Oatway.

Yours sincerely,

Liz Sayce
Interim Chair

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