

Social Security Advisory Committee

**Minutes of the meeting held in room 5.21/5.22
Caxton House, Tothill Street, London, SW1H 9NA**

Members: Paul Gray (Chair)
John Andrews
Adele Baumgardt
Jim McCormick
John Ditch
Colin Godbold
Chris Goulden
Gráinne McKeever
Matthew Oakley
Seyi Obakin
Judith Paterson

Apologies: Rachael Badger

Guests and Officials: See Annex A

1. Private Session

[RESERVED ITEM]

2. Tax-Free Childcare Regulations

2.3 A session had been dedicated to hearing officials from HMRC present two sets of draft regulations – the Childcare Payments (Eligibility) (Amendment) Regulations 2016 and the Childcare Payments (Amendment) Regulations 2016. They incorporated two main changes which had been earlier announced in the Chancellor’s Autumn statement, namely that help with childcare would not be available where joint household income exceeded £100,000 a year (as opposed to £150,000 a year previously) and that the income trigger to access childcare help was being increased from a weekly rate determined by multiplying the national minimum wage rate by eight to one multiplied by 16. The draft regulations also contained a number of minor technical amendments.

2.4 After a period of private discussion the Committee decided that, although there were some concerns about the increase in weekly earnings needed to trigger entitlement to tax free childcare, these could be expressed to HMRC in writing, but

that the provisions themselves could proceed without the need to be presented by officials in the forum of a meeting. As a result officials were contacted and advised that they need not attend the meeting. It was agreed that the letter should draw attention to the absence of any impact assessment and the difficulties this created for those responsible for scrutinising the proposed changes. The letter should also point out that, because the threshold was set at the level of earnings paid rather than on the number of hours worked, it would mean that higher earners could work less hours and still get help, whereas workers on or near national minimum wage rates who have fluctuating hours or zero hours contracts might find it harder to meet the increased level of income threshold.

3. Carers and the Benefit Cap

3.1 The Chair welcomed the following team from the Department to the meeting: Darren Bird (G6, Working Age), Robert Irvine (G6, Labour Market Programme), Geoff Scammell (G6, Working Age – Strategy), Kate Roiser (Government Legal Services), Mark Knight (G7, Carer’s Allowance), David Edson (G7, Working Age – Benefit Cap) and Katie Riley (G7, Working Age Benefit Analysis Team).

3.2 The session consisted of two parts – first a more general presentation on Carer’s Allowance (CA) from Mark Knight; and second, the scrutiny of proposals on changes being introduced to the benefit cap as it would affect entitlement to Housing Benefit (HB) and Universal Credit (UC), led by Darren Bird. These proposals were set out in the draft Benefit Cap (Housing Benefit and Universal Credit) (Amendment) Regulations 2016.

(i) Presentation on carers’ issues

3.3 The presentation in relation to CA was a follow-up to a previous session in 2015 when the Department had introduced regulations which ensured that the principle that only one person could get CA per disabled person for whom care was provided, was carried over into UC so that the carer’s element in UC would cover that same person. That had meant that disabled people with more than one carer providing care of 35 hours a week or more needed to discuss the situation with those involved and make a choice as to who should claim carers’ benefits. The Department had obtained agreement with Carers UK and Citizens Advice that they would help with communications to help ensure that people affected could make informed choices. This would be done once there were bigger numbers of carers receiving UC.

3.4 There was detailed discussion about two “live” policy issues. First, the weekly earnings limit of £110 net and whether it should be linked directly to the National Living Wage (NLW). Traditionally it had been increased as and when the Government believed an increase was warranted and affordable, rather than being fixed or linked to a specific figure and then up-rated in line with that figure. However

since the figure of 16 hours at the NLV now produced a figure in excess of £110 a week net, the question of raising the limit to that particular figure had become a real issue.

3.5 Secondly, there was an issue concerning the impact of full-time study rules in CA on young carers in particular. Government policy was that full-time students (with a very few exceptions) received support through the educational maintenance system of grants and loans, rather than through benefits. But the Department was aware of particular hard cases where young adult carers wishing to resume studies were faced with some difficult choices because of the way the full-time study rules operated in CA.

3.6 The CA rate in England and Wales was currently £62.10 a week. In Scotland however where CA had been devolved there was a commitment to pay at a rate of £73.10 a week. This could result in pressures for a similar increase in England and Wales. In terms of devolution there were going to be some tricky issues where the carer might be in England and the disabled person in Scotland, or vice versa. Consultation on such cross-border and other issues were on-going. There were indications that the Scottish Government might want to increase the rate of CA for those caring for more than one disabled child, although if agreed such a policy could potentially be liable to judicial challenge on the grounds that it might discriminate against adult disabled people without adequate justification. A further area being investigated by the Scottish Government was whether CA could be made available for anyone under the age of 16 years. That however would raise wider social policy issues about whether children should be caring for 35 hours a week.

3.7 A chart showing the volumes of claimants on CA and on DLA, AA and PIP – the benefits which act as a gateway to CA entitlement – in the period from 2003/04 to 2015/16 and then projected to 2020/21, demonstrated a close correlation between the two. A steady increase in the number of claimants getting one of the trigger benefits was matched by a parallel increase in the number of CA claimants, albeit at a much lower level. The numbers entitled to CA but not being paid it because of the overlapping benefits rules had been declining slightly since 2010/11 as the state pension age for women was equalised with that for men at age 65. At that stage the numbers entitled to CA but not getting it was virtually equal to those entitled and being paid CA. Since then, however, the gap had been increasing, partly because of the increase in state pension age, and partly because there had been an increase in younger carers.

3.8 Over the last five years there had been an increase of seven per cent a year in CA expenditure in real terms, driven by the increased volume and expenditure on disability benefits. The fact that it was becoming more common for disabled people to receive the care they needed at home and that, due to advances in medical science, disabled people were living longer were both contributing factors to these

increases. It was now possible to claim CA on-line, although there was little evidence that this had led to an increased take-up in benefit.

3.9 The following main questions were raised by Committee Members in discussion:

(a) Would the proposed increase in CA in Scotland mean changes for England and Wales?

The Department was committed to introducing consequential regulations in respect of devolved social security matters in Scotland and it might prove necessary to revisit those regulations in the event of changes in rates of benefit.

(b) Was the Department looking at the 35 hours a week rule? A case could be made for reducing it to 20 hours.

There were no plans to change the hours rule in CA, although people caring for less than 35 hours a week could claim Income Support if the care was “regular and substantial”. As mentioned in the presentation, the pressure was to look at the earnings limit with a view to linking it to the national minimum wage. The idea of an earnings taper, rather than a cliff-edge rule, had been suggested but CA was not a means-tested benefit and the earnings rule provided a simple test as to whether a person was in gainful employment. Having one single rule relating to hours worked rather than an earnings rule might be better, but the earnings rule was the current focus of attention rather than introducing an hours rule.

(c) Was the Department rationalising the rules concerning deductions from earnings so that they aligned with UC rules (for example regarding the amount to be deducted for pension contributions)?

The Department was looking at how earnings were defined for CA and other benefits, recognising the advantages of having a consistent definition. One of the main factors with determining the rules for UC was the reliance upon information contained in the RTI feed. In CA the experience was that although there was little fraud in people constructing caring obligations, there was far more in not declaring the full extent of earnings. RTI might help in reducing this. RTI was another reason why it may be advisable to keep an earnings rule rather than rely exclusively upon an hours of work rule in CA.

(ii) *Benefit Cap (Housing Benefit and Universal Credit) Amendment Regulations 2016*

3.10 Turning to the proposed regulatory changes, the Department was giving effect to a key aspect of the Welfare Reform and Work Act 2016 – namely that the benefit cap should be set at a lower level and that a different lower rate should apply in the

area of the country outside Greater London. That aspect of the draft regulations was not subject to formal reference to the Committee under the terms of the statutory provisions. The issues had received a lot of scrutiny during the passage of the Bill through Parliament. In response to a recommendation of the Delegated Powers and Regulatory Reform Committee (DPRRC) the Government had accepted that changes to the level of the cap should be achieved through affirmative resolution. The Government had also accepted a recommendation from the DPRRC that SSAC should be consulted in respect of changes to regulations affecting the benefit cap.

3.11 The proposals also introduced two further exemptions from the cap – for households where a member of the benefit unit was entitled to CA or Guardian’s Allowance. That aspect of the draft regulations was, in contrast, subject to formal reference to the Committee. The Housing Benefit Regulations 2006 and the Universal Credit Regulations 2013 were being amended because, if the benefit cap applied when the claimant was in receipt of HB, it was the HB which fell to be reduced. If the claimant was in receipt of UC, then the UC would be reduced. Despite the exemptions the Department acknowledged that some hard cases would remain, for example where the disabled person was in hospital and the carer regularly visited.

3.12 The Department had developed a programme for implementing the change, starting with a scan which identified those at risk of being capped and alerting them by letter, or face-to-face in the case of JSA claimants, that they may be capped. The DWP had identified sources of support for those affected (eg LAs, budgeting advice) and would notify claimants of them. Parties were generally aware of the availability of Discretionary Housing Payments (DHPs) and how a person could qualify for them. Implementation of the policy depended on systems being able to be ready to operate the changes. The implementation programme sought to build on the experience of introducing the benefit cap in the first place, although this was likely to affect more people. Stakeholders had given their feedback on the wording of notifications. Additionally LAs had been suggesting different ways as to how the policy could best be implemented.

3.13 The following main questions were raised by Committee members in discussion:

(a) In a situation where the disabled person being cared for by the carer was admitted to hospital a period of 28 days was allowed before CA was lost. If the disabled person died, entitlement would continue for eight weeks. In applying that principle to the cap, the person would not only have to recover from the loss and receive support in securing work but they would also have to find work within that period in order to avoid the impact of the cap. In the light of that, could the Department not allow a period of grace similar to that which was provided in legislation for employed people who lost their job?

A clear line must be drawn somewhere and the line that had been drawn had been on entitlement to CA (as opposed to payment of CA). Nonetheless that was an interesting idea and the Department would keep the issue under review.

(b) The justification for making an exception from the cap for anyone in receipt of Guardian's Allowance would apply equally to anyone in receipt of a bereavement benefit. Was that considered?

The pressure the Department came under was in relation to Guardian's Allowance and CA. The point being made was understood and there was no easy answer which would draw a clear distinction between the merits of exempting a recipient of Guardian's Allowance as opposed to a recipient of a bereavement benefit. That might be an issue which the Department might need to review at a later stage.¹

(c) On the same basis a case could be made for a lone parent in receipt of Income Support to be at home and create a stable environment for the child or children.

Again this might be a case where DHPs could be made available, although the Government would want to avoid a situation where everyone apart from jobseekers was exempt from the cap.

(d) How could the Flexible Support Fund be used to make this policy work? Was it adequately funded? Would it enable specialist help to be made available? Had the Fund been used to deal with the implications of the cap to date and had it featured in any of the evaluation studies?

The Fund had been increased by £5m; it was distributed to offices on the basis of caseload and could help in funding child-care provision as well as in giving specialist training. It was uncertain whether the Fund had featured in any of the evaluation studies undertaken so far².

(e) What sort of help would be available for carers after they had ceased caring and were subject to the cap?

¹ DWP noted subsequently that the Bereavement Support Payment would not be subject to the cap.

² DWP subsequently provided a link to Research Report 895, published December 2014 – 'In-depth interviews with people affected by the Benefit Cap'. At paragraph 4.1.2 of the Report it was noted that the Flexible Support Fund exists 'to give support, including training, to help people start or move towards finding work', although those interviewed were unaware of the Fund.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385901/rr895-benefit-cap-indepth-interviews.pdf

Help would primarily be provided by work coaches, although there was also a role for employers to look at how they could take on carers.

(f) Now that the Department was introducing different rates according to whether the home is in London or in the rest of the country, how would it work where one side of the street was in an area where the higher rate applied, and the other side of the street was in a lower-rated area?

There had been little evidence of people moving out of London to date. Those who did move would necessarily experience a change in the rate of HB or UC to which they were entitled, and the question raised applied currently insofar as one side of the street could be in an area where the cap applied, and the other side of the street in an area where there was no benefit cap at present. Officials were not aware of any issues arising as a result of that.

(g) In the communication exercise being undertaken, would Londoners who had moved out of London as a result of the initial imposition of the cap now receive advice as to what their level of benefit would be should they decide to return to London?

No, the information being given would not extend to that level of detail.

(h) What advice was given to anyone considering moving as a result of the cap?

Anyone wanting to move was given a conversation about the benefit implications. However, on the basis of the previous experience with the cap, the Department was not expecting a great many conversations.

(i) What would happen in situations where incidents of domestic violence were an issue?

Regulations already provided disregards from the cap for benefit entitlement in relation to certain classes of accommodation. Housing Benefit paid in respect of households classed as 'supported accommodation' (such as refuges for victims of domestic violence) was disregarded from the benefit cap.

(j) There was no definition of Greater London in the UC legislation and there would be a need to rely on guidance.

The Department has said that Greater London would be considered to be the 32 London Boroughs and the City of London. This would be set out in guidance³.

³ The Department subsequently advised that regulation 2(5) of the proposed regulations would make a number of amendments to regulation 75G (interpretation) of the Housing Benefit Regulations 2006 under powers contained in the Welfare Reform and Work 2016 Act. Specifically, it would provide that a claimant would be resident in

(k) What was the plan for later this year?

135,000 individuals had been notified already. They would be sent a further letter later this year alerting them to the imminent introduction of the cap (by that time the Department would be able to confirm the coming into force date of the legislation). That would then be followed up, along with others who had come within the ambit of the cap since the previous notification had been sent.

(l) How much warning would the Department be giving people about the likelihood that their benefit would be capped?

The evaluation that took place at the time the benefit cap was first introduced showed that letters that were sent too far ahead of implementation were largely ignored. The Department now considered that from around six months before-hand is about the optimal point in engaging their attention as well as giving adequate warning.

(m) Would that give sufficient time for people, for example in rural places, to find work?

Many LAs had already identified people likely to be affected and, even though the regulations had yet to be introduced, the process of implementation had already begun.

(n) The explanatory material referred to people affected by the imposition of a benefit cap as 'having a choice'. But how realistic was it to consider that around 45,000 single parents had a choice, in practical terms?

The Department could not be certain about how that would work out in practice for individuals although the data suggested that capped lone parents

Greater London if the dwelling that they were treated as occupying as his or her home for the purposes of their claim to Housing Benefit was in Greater London. Further, where a claimant is treated as occupying more than one dwelling under the provisions of regulation 7(6) (circumstances in which a person is or is not to be treated as occupying a dwelling as his home) and at least one of the places was in Greater London the new definition would provide that the claimant should be considered to be resident in Greater London. This was because it was recognised that if a claimant was considered, for Housing Benefit purposes, to occupy a residence in Greater London, the level of the cap applied to them should reflect that.

Regulation 3(4) of the proposed regulations would make similar provisions in respect of Universal Credit. Under them a claimant would be considered resident in Greater London if their award included an element for housing costs and the accommodation they occupied, or in respect of which they received housing benefit, was in Greater London. In cases where an element for housing costs was not included in the award of Universal Credit, they would be treated as being resident in Greater London if the accommodation they normally occupy as their home was in Greater London. For the homeless the test on residence would be the location of the Jobcentre Plus office where their award of Universal Credit was administered.

were also more likely to move into work than similar uncapped claimants. The evidence from the introduction of the benefit cap was that, of those capped, around 50,000 were no longer subject to the cap.

(o) What were the anticipated savings?

The intention was not to make savings through reducing levels of benefit entitlement but for the reduction to encourage people to move into work.

3.14 The Chair thanked the officials for attending and presenting the proposals. He advised them that the Committee was content that the proposals could proceed without formal reference. The Chair noted that the Impact Assessment was out of date and needed to be revised to take account of the new circumstances. He further commented that the Committee would like to be involved in the process of revising the guidance to LAs on how DHPs were to be used, bearing in mind the Department's decision to increase the budget for them. Officials advised the Committee that it may prove necessary to come back, perhaps in early 2017, with further regulatory changes.

4. The Social Security (Treatment of Postgraduate Master's Degree Loans) (Amendment) Regulations 2016 (Paper 18/16)

4.1 Maria Meyer (G7) and Pamela Chambers (SEO) – both from the Entitlement and Assessment team within the Department's Universal Credit Policy Division – were welcomed to the meeting by the Chair. The need for amending legislation had arisen because Ministers at the Department for Business, Innovation and Skills (BIS) had decided to make loans of up to £10,000 available for students undertaking a course of postgraduate Master's degree study. The aim of the loan was to encourage greater take-up of available courses, assist individuals in attaining further qualifications and thereby enable them to be better-placed to secure high-quality employment. The regulations were due to commence from August 2016, the beginning of the next academic year, although the first loans would not be paid until September when the majority of such courses start. The onus had therefore been on DWP to provide rules as to how the loan should be treated for benefit purposes.

4.2 The Department's general approach to anyone engaged on a full-time course of advanced study continued to be that it was not the role of the benefit system to support them – other sources of funding existed to provide any necessary help, including the provision of student loans. For disabled students or those with responsibility for dependent children however, a long-standing exception had been created and benefit was available. Undergraduates could access two loans: one for their tuition fees and one for their day-to-day living costs (a maintenance loan). In assessing any entitlement to benefit the Department assumed that the undergraduate would take the maximum amount of maintenance loan available. The

amount paid in respect of maintenance, less an amount for books, equipment and necessary travel expenses, was then taken into account in full and the loan assigned to tuition fees ignored for benefit purposes. The rationale for such an approach was that disregarding the maintenance element in calculating benefit entitlement would effectively mean double provision from the state.

4.3 Unlike loans for undergraduates, there was to be no delineation between the maintenance element and the tuition element within the loan for postgraduates. That left DWP with a decision as to how any maintenance element should be calculated. On the basis that broadly the average cost of enrolling on a postgraduate Master's degree course was estimated to be £7,000, DWP Ministers agreed that, of the £10,000 loan, £7,000 should be disregarded and £3,000 taken into account as the maintenance element and, in converting that to a monthly figure, the normal £110 a month should be deducted for books etc.

4.4 For anyone pursuing a part-time postgraduate Master's course the same rules on how to treat the loan (whether or not the claimant applied for the loan and regardless of the amount of loan secured) were to be applied but pro-rated over a two year period rather than one year. The difference, as far as DWP was concerned, was that any claimant taking a course on a part-time basis would be eligible for benefit provided any conditionality tests were met throughout the period of entitlement. In other words, if the course of study taken was part-time, the restriction of entitlement to claimants who were disabled or who had a dependent child that applied to full-time students, would not apply

4.5 The following main questions were raised by Committee members in discussion:

(a) How did the Department arrive at an average cost of a postgraduate Master's degree being £7,000?

The Department undertook to respond separately to the Committee on that question⁴.

(b) What were the numbers involved?

The Department estimated that around 14,000 postgraduates would be pursuing a postgraduate Master's degree and claiming benefits. Of that number around 3,000 would be taking the one-year, full-time option whilst the remaining 11,000 would be on a part-time course.

⁴ The Department subsequently advised that BIS had provided information to DWP relating to the average cost of a postgraduate Master's degree course, including a median and a mean figure. The Department had opted for a figure which was broadly between the median and the mean and rounded to produce £7,000. This represented a figure which was above the median.

(c) Why did the Department not consult with the National Union of Students or bodies representing the universities?

The aim had been to adopt the same general approach that the Department already took with regard to benefit provision for undergraduates. The amendments were not pioneering a different policy with regard to student loans for postgraduates, but simply ensuring that the new loan would be accommodated within an existing regime of benefit provision.

(d) Could the Department not work out benefit entitlement on an individual basis, having regard for the tuition fees actually incurred by the claimant? Given the low numbers involved that would not appear to impose an overly heavy administrative burden upon the Department.

BIS' policy rationale for the postgraduate loans was that they are a contribution to costs rather than meeting the full tuition and maintenance costs of completing such a course. Thus students would make choices about courses on a range of factors including price. An approach which disregarded the full costs of the individual course before any consideration of maintenance costs was made in Universal Credit would run counter to that policy rationale. Furthermore, given that one of the underlying principles of Universal Credit was simplicity, taking into account the full costs of each course would add to administrative complexity at a time when Universal Credit was being rolled out.

(e) Under the on-line service the system would need an entry as to the level of the loan to be taken into account, based on whether or not it was a full-time course. That meant it would not be difficult in IT terms to arrange it so an individually calculated figure could be entered if required.

Noted.

(f) In the case of people who obtained a Professional or Career Development loan from a bank, the Department had to take a case by case approach. Why could it not do the same for those taking a postgraduate Master's degree?

In the case of a Career Development Loan there was no link to the benefit system. The easing of work related requirements was triggered when the student was eligible for a maintenance loan.

(g) The rationale for the way in which DWP treated student loans for benefit purposes was difficult to follow. Logically one would expect the loan and the repayments to be ignored completely, as happens for tax credits. Or, on the other hand, the loan could be taken into account as income, but then the repayments counted as outgoings. Instead, the DWP treated the maintenance

part of the loan as income, but did not treat the repayments made in respect of that loan as an allowable outgoing.

DWP would send the Committee a separate note setting out the rationale in relation to student loans and the repayment of loans in general.

(h) Was there a danger that having an assumed split of 70 per cent of the assumed loan for tuition and 30 per cent for maintenance might run counter to the policy of encouraging vulnerable claimants into taking up postgraduate places?

The general point to be made was that, having initiated this new loan scheme for postgraduate Master's study, DWP had to accommodate it within the existing scheme for student provision. That had to be done for September 2016 when it was expected the first loans would be made. Once in place the opportunity to review the policy and make changes in the light of emerging evidence and take-up existed. Should the policy encapsulated in the amending provisions prove to have unforeseen consequences or not work fairly, the Department would revisit it and, if considered appropriate, make changes.

(i) The student loan scheme for undergraduates applied across the UK. In contrast, the draft regulations before the Committee would only apply in England and Wales. There was already confusion when claimants in one country of the UK studied in another, but this scheme was likely to exacerbate the situation. Given the assumption that claimants would both apply for, and receive, the maximum amount of the loan available, how confident was the Department that claimants would not encounter difficulties in accessing the loan?

Officials undertook to correspond with the loan companies involved in the scheme on this matter and come back to the Committee.

(j) The guidance in relation to students and loans needed further attention because problems kept arising.

Noted.

(k) It was noted that the majority of claimants pursuing a postgraduate Master's degree would be doing so on a part-time basis. That would mean they would need to satisfy conditionality tests. The Committee would be concerned if conditionality meant that a person was required to give up a course of study which offered the prospect of long-term sustainable employment, for the sake of securing a short-term spell of employment. The Committee would also like to see guidance which enabled work coaches to see the task of undertaking course-related study as, at least in part, fulfilling some of their work-related requirements.

Work coaches had flexibility in determining work-related requirements for anyone taking a part-time course of study, although there had to be some limits to that flexibility. In practice work coaches worked with claimants and discussed the best route into employment or into more sustainable employment, rather than imposing conditions and requirements without the claimant's involvement in the process. Some courses had the potential for offering better prospects of securing employment than others and that was reflected in the guidance. The issue of conditionality for claimants engaged in part-time study was one that already applied, and nothing would change by the introduction of the amendments.

(l) What were the rules if somebody with a loan dropped out of the course or stopped attending lectures?

The situation for a postgraduate would be no different from that of an undergraduate. Someone abandoning the course would no longer be a student for benefit purposes, but if they merely stopped attending lectures or tutorials they would continue to be treated as a student with the loan provisions continuing to be applied.

(m) What would be the situation if a working tax credit recipient was working but pursuing a part-time postgraduate Master's course and was migrated on to Universal Credit after one year? Would the new rules apply or would they be transitionally protected so that, in effect, they avoided the potential effect of the new rules?

The Department would check the position and respond in writing to the Committee.

4.5 The Chair thanked the officials for attending and presenting the proposals. After a period of private discussion within the Committee he reported that the Committee was content that the proposals could proceed without formal reference, although the Committee Secretary would write to the Department at official level setting out the concerns members had and which were raised during the course of this meeting. The Chair advised officials that the intention was to publish [this letter on the SSAC website](#).

5. Universal Credit: working with external delivery partners and claimant orientation

5.1 On behalf of the Committee the Chair welcomed Cath Hamp (Deputy Director, Universal Credit, External Relations and Orientation) and Neil Hodgson (G6, Delivery Partnership, Employer Strategy, Claimant Orientation and Universal Support) to the meeting. The Committee had heard updates from DWP officials at regular intervals in the past, updating the Committee on such issues as the challenges being

presented by the roll-out of Universal Credit. This session was devoted to the Department's task in preparing claimants for Universal Credit ("claimant orientation") and the Department's place in working together with other bodies and agencies with a role in delivering a new system of benefit provision for working age people as Universal Credit gradually replaced the current benefit system.

5.2 The main objective behind the claimant orientation programme was to alert claimants as to when they would be affected and what it would mean for them. The Department recognised that there have been many instances over the past few decades when one benefit had been replaced by another. The transition from several means-tested benefits to a single means-tested benefit for people of working age was, however, of a different order. Claimants needed to know in advance that entitlement was allied to new responsibilities, that the system of payment would be different and that the way in which their initial claim and on-going award of benefit would be managed by the Department would alter fundamentally from what had gone before. Clearly, the better the level of understanding of these changes, the smoother the eventual transition to Universal Credit.

5.3 In order for the Department to identify the best ways of communicating with future potential Universal Credit claimants a message testing research exercise was conducted. Over the past year well over 200 face to face interviews with claimants and DWP staff were conducted, discussions with advice workers from Citizens Advice took place and a number of tax credit claimants, past and present, were consulted. Evidence and insight was also gathered from recent Universal Credit programme surveys, analysis, research, publications and data. The main conclusion drawn from these various sources were that claimants generally find that they are given far too much information at their first interview. Consequently they fail to absorb much of what was told them at that stage. Instead an ordered progression of information-dissemination was required, with messages given their appropriate priority but given in layers. There was also a need for the same information to be conveyed in different formats, recognising that people often differ in the way they absorb a message in a particular form.

5.4 The Department also conducted a series of different communication trials during the course of 2015, culminating in a large-scale campaign at the Trafford Centre in Manchester in March and April 2016. This was the 'Opening up work_' campaign which sought to highlight the fundamental nature of the reforms being introduced with Universal Credit. The Department concentrated on four key messages: the on-going support of a dedicated work coach; the ability to work more than 16 hours a week and still get Universal Credit; the principle behind Universal Credit that a person was always better off in work; and that with Universal Credit it pays to take short time or part time work.

5.5 As far as the DWP's work with its delivery partners was concerned, there were a number of initiatives which had been followed. The Department was, for

example, running a Stakeholder Implementation and Engagement Forum where DWP partners could learn of developments at a national level, share best practice and collaborate with others locally. Digital demonstrations had been organised for the benefit of delivery partners and stakeholders. Also a Universal Credit Learning Zone for DWP's partnership community had been set up for partnership managers to learn at first hand some of the details in the Universal Credit full service.

5.6 The Department had also set up a Local Authority Engagement Team so that the local government sector could liaise closely with DWP officials to build and maintain good working relationships. The feeling was that the Department's relationship with LAs had improved considerably over the past two or three years and was now very positive. In a similar way, the Department had worked hard to establish good working relations with the devolved Governments of Scotland and Wales.

5.7 The need for a good working relationship with the local government sector was vitally important as the task of administering Housing Benefit for those of working age was progressively taken away from them. DWP was seeking to develop support for LAs whose staff faced the prospect of being made redundant. To date 380 LAs had seen the Universal Credit live service rolled out in their area. At the same time the Department had established clear route-ways for the senior leaders within the LA, DWP and HMRC to communicate with each other. Similarly, channels existed for operational staff within these same three institutions to liaise together. LAs that had transitioned to Universal Credit in their area had been brought within the Department's 'User Research' so that the needs of the LAs were better understood by DWP and who, in turn, would be able to offer their support to the LA.

5.8 DWP were also working on a new funding model for LAs that both met the needs of LAs more accurately whilst mindful of the need to provide value for money for the Exchequer. The Department was also pursuing an approach which would bring together different funding streams from across DWP and OGDs to streamline funding so that LAs will, in the future, be better prepared financially.

5.9 Turning to the Department's relationship with employers, the changes brought in by Universal Credit will impact upon them and their employees who may need to claim benefit. The general message was that the effective removal of the 16 hour rule under Universal Credit was a positive thing for employers. It had often worked to the detriment of employers who might have wanted to increase the hours of part-time workers but were prevented from doing so by the unwillingness of staff to work above 16 hours a week because of its impact upon their benefit. Universal Credit would therefore remove some of the rigidity and obstacles inherent in the existing benefit system. On the other hand, however, the concept of in-work progression for part-time or low-paid workers was a challenge for employers. It had the potential for creating a higher turn-over in the work force for some employers, for example. The Department was therefore seeking to engage with employers to develop a deeper

understanding of the impacts on them as the results of the In Work Progression Trial became clear and were put into operation.

5.10 With the active encouragement of a DWP Minister, the Department was developing a new employer engagement strategy where these, and other issues, would be aired. The Department's aim was to use employer insight to develop products and communications that addressed the concerns of employers. It was not, for example, in the best interests of employers to be required to deal with job applications from claimants who were clearly unsuited or unqualified for a job, but who had to demonstrate that they were fulfilling a claimant commitment and applying for jobs. There was a concern that with Universal Credit the number of people applying for work would rise significantly.

5.11 The Chair thanked the officials for attending and explaining these developments.

6. New Enterprise Allowance: presentation

6.1 The Chair welcomed Penny Higgins (G7, Universal Credit Labour Market Policy and Partnership Division) to this session devoted to providing updated information in relation to the New Enterprise Allowance (NEA). In particular he thanked her for her willingness to attend the meeting at short notice and for producing slides for the benefit of the Committee. The need for an update had arisen because of the review of the NEA which had been conducted by Baroness Michelle Mone.

6.2 The NEA was first introduced by the Coalition Government in 2011 to support unemployed claimants considering, and then committing themselves to, self-employment. It offered suitable participants a period of business mentoring and then financial support during the crucial start-up period of trading. Initially the scheme was limited to JSA claimants who had been unemployed for at least six months. Since then the scheme had been expanded and made available to all JSA and ESA claimants from the very start of their award of benefit. It also extended to dependent partners of claimants as well as to lone parents in receipt of Income Support. The period of mentoring, during which a business plan was developed, normally lasted for up to eight weeks, although it could be extended to up to 12 weeks in exceptional circumstances. Once trading had begun the allowance was paid at a rate of £65 for the first 13 weeks and £33 weeks for the subsequent 13 week period.

6.3 Since its commencement there had been 160,420 people who had undertaken the mentoring stage. Of them, half had gone on to start their own business. A survey published in January 2016 showed that of the businesses which had started trading as a result of the NEA initiative 80 per cent were still trading, of which 90 per cent had been trading for over 12 months. Around half of those

responding to the survey reported increased numbers in the customer base or an increase in turnover.

6.4 A cohort analysis published in July 2013 also showed that, of the first 3,000 claimants to have received the NEA (and who, by definition, had therefore been in receipt of JSA for at least six months), nearly 80 per cent were still off benefit a year later. Further cohort analysis was being considered.

6.5 On demography the ratio of men to women undergoing the mentoring phase as well as progressing to business starts as a result of the scheme had been in the order of 5:3. Of those taking advantage of the scheme the breakdown according to age was as follows: ages 18-24, 7.5 per cent; ages 25-49, almost 70 per cent; and age 50 and above, 23.5 per cent.

6.6 The Government had committed to continue with the NEA, seeing it as a worthwhile enterprise in helping people establish themselves in self-employment. As such it would continue over the course of this Parliament with £30m per year being assigned to it.

6.7 In August 2015 the Government had announced that a review of the NEA would be conducted by Baroness Michelle Mone. That review had now been completed. It concluded that the current scheme was an “effective, essential and value for money programme” but made some recommendations in connection with developing the next phase of the scheme. As a result of the review, research and feedback from stakeholders the Department were introducing the concept of holding workshops for potential participants, giving them information at the outset on the advantages and disadvantages of being self-employed, and preparing the ground for them to make an informed decision about participating in the scheme. These Start-up Workshops would also provide essential information about benefit entitlement.

6.8 The revised scheme would continue to include an initial sift of applicants to assess the viability and sustainability of their plans for self-employment. The mentoring phase was seen as vital to the outcome of the business and would continue but with a longer period of up to 12 weeks, eight weeks being considered to be too short a period to offer maximum effectiveness in some circumstances. As far as the business development phase was concerned the Department intended to ensure participants were given time to prepare to start trading through activities like marketing and product development. Additionally the period during which post trading mentoring support was to be made available for participants was to be extended for up to a year.

6.9 The NEA mentoring was to be made available to some self-employed claimants in receipt of Universal Credit (UC) and deemed to be gainfully self-employed. The aim of providing mentoring support to this group was to support them to increase their business earnings to a level which would at least reach the Minimum Income Floor (MIF) and enable them to become less dependent upon

benefit. A two year plan for this aspect of the NEA had been developed and it would be evaluated. A sum of £5m in 17/18 and £5m in 18/19 had been committed to it.

6.10 The following main questions were raised by Committee Members in discussion:

(a) The NEA had clearly proved successful and that was very welcome. For self-employed claimants on UC the impact of the MIF continued to be a source of anxiety. Should a longer period than one year be allowed before the MIF was applied in assessing entitlement when the evidence was that it commonly takes two to four years before it can be said that a business had really been established?

Whilst agreeing that it can indeed take a long while for businesses to become established, it would not be possible to give a commitment to lengthen the period before the MIF took effect when individuals embarked upon self-employment.

(b) The numbers of self-employed people in receipt of UC were less than those predicted.

It was likely that the majority of previous NEA participants had started on JSA or legacy benefits rather than UC. As UC was rolled out so that ratio would shift.

(c) There was some evidence that some applicants to the NEA scheme were rejected because they were already in receipt of Working Tax Credits. If this continued under Universal Credit that would be a concern.

The Department did not have data on the number of previous participants in NEA who were now in receipt of Working Tax Credits. The changes being introduced are aimed at ensuring people who start up a new business had the best chance of succeeding in sustainable businesses.

(d) The figures about participants continuing in self-employment suggested a story of success. The figures did not however reveal the living standards of claimants during the period since becoming self-employed.

The survey published in January 2016 reported that in some cases the income derived from self-employment was low, although participants had not been trading for long. The Department did not have data on living standards for NEA participants as they were not tracked once they have left benefit. Neither did the Department have information on NEA participants in receipt of Working Tax Credits.

(e) Was there any information available in relation to the spatial distribution of NEA participants and the type of self-employment sectors in which businesses were established?

There was a fairly even spread in the number of businesses across the country. Previous evaluation had shown that many businesses are sole traders, but there was a wide mix in the type of business created through the NEA.

(f) How did the Department gauge the quality of the mentoring service which was offered?

Originally under the grant agreements providers needed to use volunteer mentors to support participants. When the Department moved to contracts the use of paid business advisors was introduced as well as volunteer mentors. All contracts are performance managed by DWP. The Mone review reported that the quality of mentoring had been patchy and this was something the Department would seek to address in the next round of contracts.

(g) Was there any linkage between those progressing into self-employment and auto-enrolment?

Pensions colleagues would be consulted on that question and a written response provided.

(h) What would have happened to these claimants if the NEA had not existed? In other words could the Department show that the scheme had demonstrated value for money?

From the cohort analysis done at the time the scheme began, 80 per cent of the NEA group were still off benefits after a year. This contrasted with the wider JSA cohort, which was 34% off benefits after a year (unemployed for six months plus), although it was accepted that there could no direct comparison because the NEA group were self-selecting. The current situation was that most claimants moving into self-employment did so through the NEA scheme.

(i) How did this fit with the Department's Work and Health Programme which was to replace the Work Programme in October 2017?

The Work and Health Programme was a much broader system of support, whereas the NEA continued to be a much more specific programme targeting help at a narrower group of claimants.

(j) For customers who were currently self-employed, who would trigger the help available through the business mentor? Would that be the claimant or the work coach?

That was a good question because the claimant would not necessarily be signing fortnightly, and so may not be in regular contact with a work coach. The Department was looking at the process of referral to see whether adjustments needed to be made. The Department would want to look primarily at those whose earnings were consistently below the MIF to see whether they could recommend the help of a business mentor for them.

(k) Was there a point at which, realistically, it had to be recognised that the business was never going to take off, and that the situation called for the work coach to have a serious discussion with the claimant and suggest that the claimant should abandon the idea of self-employment?

That was a question that experienced work coaches had sometimes to face.

6.11 The Chair repeated his thanks to Penny Higgins for attending the session and expressed the Committee's appreciation for handling the questions put to her.

7. Current issues/AOB

Date of next meeting

7.1 The next meeting was scheduled to take place on 27 July.

Postal Regulations

7.2 The Committee agreed that, as recommended by the Postal Regulations sub-Committee, the Child Benefit and Guardian's Allowance (Administration) (Amendment) Regulations 2016 could proceed without the need for presentation at a plenary session of the Committee. There was however a concern discussed in preliminary correspondence between HMRC and the Committee secretariat relating to the possible need to protect vulnerable claimants from unscrupulous money lenders, creditors, landlords or others insisting that payment of benefit effectively be made over to them through the more relaxed provisions relating to the nomination of bank and other accounts into which benefit could now be paid. The Committee agreed that those concerns should be put in writing to HMRC officials.

8. Private Session

[RESERVED ITEM]

