

# Universal Credit Policy Briefing Notes – An Introduction

## 1. Listening and designing

- a) To date the Government has published its policy intentions for Universal Credit through the White Paper “*Universal Credit: welfare that works*” in November 2010 and the Welfare Reform Bill, introduced in February 2011.
- b) In the White Paper we explained that some aspects of the detailed design of the Universal Credit were still under consideration within Government. This was welcomed as an opportunity to influence the design of Universal Credit. Since then, we have engaged with stakeholders and customers of the current benefit system on the choices that need to be made. We are committed to continuing this consultative approach.

## 2. Policy briefing notes

- a) As the Bill is now under the detailed scrutiny of Parliament, we intend to provide policy briefing notes on aspects of Universal Credit policy where significant developments from the White Paper position have been made. We hope that these notes will assist legislators and our wider group of stakeholders better to understand Universal Credit. We will also set out the factors influencing our approach and identify the core principles to which we are returning.
- b) We are initially providing notes on the following matters within Universal Credit: additions for longer durations on Universal Credit, payment proposals (including the “purse to wallet” question) and treatment of capital. We hope that these notes will be seen as a useful complement to the Parliamentary scrutiny of the Bill and that legislators and stakeholders will welcome further notes in due course.

## 3. The case for simplicity

- a) The complexity of the current benefit system makes it slow to react to changes in people’s circumstances, meaning that many are afraid to try work, but also makes it expensive and difficult to administer. This fuels error by administrators and claimants alike and reduces benefit take-up as people do not understand their entitlements. It is central to the purpose of Universal Credit that it is a simpler system than the one it replaces.
- b) While it is understandable that lobby groups want to see particular rules imported into Universal Credit, to do so would make the prize of a simpler system unobtainable. In any event, some changes are unavoidable as we create one system to address support needs currently provided for by the various income-replacement benefits, Housing Benefit and Tax Credits.
- c) We also expect that, by returning to first principles in designing the single system, the reasons for some complexities in the existing system will disappear. For example, permitted work rules in incapacity benefits were

created because of inflexibilities in the design of these benefits, when legislators wanted to create incentives for disabled people to try work. The more generous taper and large disregards for disabled people under Universal Credit mean there is no need to carry forward this provision into the new system.

- d) It will be open to future Governments to change the Universal Credit rates or tapers if they see them as insufficiently generous. However, we will waste a huge opportunity if the unresponsive, Byzantine complexity of the current system is just carried forward into the new system. We must take the opportunity to look afresh and we have done so. It is often said that the Devil is in the detail – in some circumstances the Devil is the detail. We hope that the following briefing notes will inform those considerations.

#### **4. Impacts and costs**

- a) In finalising the design of the new system we have had to be mindful of the fiscal position – tackling the worst deficit since the war. In total the changes impose no additional burdens on taxpayers from those agreed at the time of the spending review. There are, however, shifts between some groups as we have tried to reshape the system to make it more effective – despite the prominence of having to reduce the deficit, we have nonetheless re-shaped and completely re-cycled all the money from the disability premiums, changing it to improve the income levels paid to the most severely disabled. We will give details of these changes where it is possible to isolate them from the overall changes.