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Welfare Reform Bill - Committee Briefing Note 7:

Child disability additions in the Universal Credit

Summary

- *Support for children with disabilities to be halved under Universal Credit through replacement of the disability element of child tax credit with a “disability addition” for a child.*
- *Changes could cost disabled children up to £1366 per year.*
- *This could amount to substantially more than £20,000 over the childhood of a disabled child, (for a family with two disabled children this loss could be more than £40,000.)*
- *Family Action estimates that around 100,000 families could be affected by this change.*
- *These changes do not affect DLA for children which will be left outside of the Universal Credit.*

This briefing note regards DWP announcements regarding disabled child additions within the Universal Credit :

In a briefing note released at the end of last week, the Government has announced details regarding their plans for disability additions within the Universal Credit.

“The cash additions for families with disabled children and the cash additions for adults will be aligned, with the lower rate as around £25.95 and the upper rate at £74.50 per week. The higher amount is over £52 a year more than the current rate. The Government will also extend eligibility for the higher rate to children who are severely visually impaired (currently only entitled to the disabled child element). Eligibility for the disabled child additions will, as now, be linked to the rate of Disability Living Allowance they receive.”

As explained below, although these plans will mean that the most severely disabled children do not lose out, other children with disabilities (receiving DLA at all but the highest rate of the care component,) would have support halved under these plans, compared to the support they receive through the disability element of child tax credit.

The Issue:

At present, parents of children with disabilities (who receive DLA,) are entitled to a substantial top up of their Child Tax Credit entitlement. This addition is currently worth around £2715 (£52.21 per week) for each child in the household who has a disability.

In addition, children with the most severe disabilities (in receipt of the high rate care element of DLA), are entitled to the severe disability element, worth an additional £1095 (£21.06) – meaning they get a total addition worth £73.27 per week.

Under the Universal Credit, the Government has now announced that the additions for disabled children will change to align these with the additions for disabled adults. This means that severely disabled children will be entitled to an addition worth £74.50 per week – a very slight increase on current rates.

In addition, children with severe visual impairment will be brought into this group, and as a result could gain significantly.

However, for other children with disabilities, the addition will be reduced to £25.95 per week (£1349.40 per year) – less than half the current rate.

This change could cost a family with a disabled child up to **£1366 per year**. For families with two disabled children the loss would be £2732.

Given this is a yearly amount, the loss for a family over the course of the childhood of their disabled child could amount to substantially **more than £20000**.

(It should be noted that DLA for children will not be affected by this change since this remains outside of the Universal Credit.)

New claimants will receive the reduced support at the point of claiming Universal Credit, parents with disabled children will receive transitional cash protection on being transferred onto Universal Credit, until the point where this protection is either lost (as a result of a change of circumstances), or is eroded away since the cash protection is not increased with inflation.

What is the rationale for this change?

In their briefing note, the Government claim that “generous” uprating has seen child payments on account of disabilities increase at a faster rate than adult

payments and that they are keen to align the rate of payments through the reforms. As they put it:

“When the Enhanced Disability Premium was introduced in 2001 a mirroring provision was made for children. When Child Tax Credits were created in 2003 the disabled child premium and enhanced rates were converted into the disabled child element and severely disabled child element. 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.”

Family Action strongly oppose this change which will undermine support for a huge range of families, including the very poorest families with disabled children.

How many families will be affected?

We estimate that around 100,000 families could stand to lose out as a result of this change.

Unfortunately figures are not available for the total number of families receiving the disability element of child tax credit. However, the most recently available figures (from December 2010) show that 146,000 in-work families in the UK receive the disability elements, of which 58,000 receive the severe disability element, so that's 88,000 receiving the disability element but not the severe disability element¹.

Approximately 75% of households in receipt of Child Tax Credit were in work². Therefore we can estimate that this 88,000 families is around three quarters of the total number of families in receipt of the disability (but not severe disability) element of child tax credit. This gives a total of 117,000 families.

The estimate rounds down to a hundred thousand, to take account of any children with severe visual impairments who may be moved into the group in receipt of the severe disability addition.

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¹ <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec2010.pdf>

² <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec2010.pdf> - 5.7 million households received CTC, of which 1.4 million were households where there was no adult in work.