

**EXPLANATORY MEMORANDUM TO
THE UNIVERSAL CREDIT (WORK ALLOWANCE) AMENDMENT
REGULATIONS 2015**

2015 No. 1649

1. This explanatory memorandum has been prepared by The Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 These regulations amend the provisions in the Universal Credit Regulations 2013 that set out the amount of earned income a claimant can receive before their Universal Credit award is reduced (known as a “work allowance”).
 - 2.2 The amendment is needed to implement changes announced in the Summer Budget 2015. These changes reduce the range of work allowances available to Universal Credit claimants from seven to two, amend the rates of work allowances for some claimants and remove work allowances for claimants who are not responsible for a child or qualifying young person and do not have limited capability for work.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative Context**
 - 4.1 The Welfare Reform Act 2012¹ provided for the introduction in Great Britain of a new working age income-related social security benefit, Universal Credit, and the abolition of income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit, and Child and Working Tax Credits.
 - 4.2 The detailed rules for calculating Universal Credit are set out in the Universal Credit Regulations 2013.
 - 4.3 The Department for Work and Pensions proposes to make amendments to the Universal Credit Regulations 2013 via the Universal Credit (Work Allowance) Amendment Regulations 2015 to meet certain commitments made by the Government in the 2015 Summer Budget: reducing the range of work allowances available from seven to two, amending the rates of some work allowances and removing work allowances for claimants who are not responsible for a child or qualifying young person and do not have limited capability for work. The Summer Budget 2015 can be found here, the relevant paragraph is 1.144 on page 37: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443300/50325_HMT_Red_Book_Complete.pdf .

¹ Welfare Reform Act 2012: <http://www.legislation.co.uk/ukpga/2012/5/contents>

5. Territorial Extent and Application

- 5.1 This instrument applies to Great Britain.
- 5.2 Northern Ireland will make their own reciprocal arrangement to introduce these regulations.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 Universal Credit allows households that work to keep a certain amount of the money that they earn before it has any impact on the Universal Credit they receive. This amount is called a 'work allowance'.
- 7.2 Each household has only one work allowance (the highest available). A household may comprise a single claimant or two claimants where one or both joint claimants are in paid employment or self-employment. Once a household earns more than their work allowance, their Universal Credit is reduced by 65% of the amount of earnings which exceed the work allowance. A person who is part of a couple but treated as a single claimant because their partner is not eligible for Universal Credit still has a reduction based on the couple's combined earnings.
- 7.3 There are currently seven different work allowances. These are set at different levels for different claimant groups. Claimants in receipt of large amounts of housing support receive a higher award of Universal Credit than those with low or no housing support. In order to address this and target resources fairly, claimants who receive no support with their housing costs are allowed to keep more of their earnings without loss of benefits. This is done by setting higher work allowances in these circumstances.
- 7.4 The amended regulations will simplify the range of work allowances available from seven to two, amend the rates of some work allowances and remove work allowances for claimants who are not responsible for a child or qualifying young person and do not have limited capability for work.
- 7.5 From April 2016, if a single claimant (or either claimant in a couple) does not have responsibility for a child or qualifying young person, or does not have limited capability for work, they will not be eligible for a work allowance. In any other case, one of two new work allowances will apply. The levels of these work allowances will be set at £192 per month for those with housing costs and £397 per month for those without housing costs.
- 7.6 As the rationale for providing a higher work allowance for those who do not receive support with housing costs through the Universal Credit housing costs element remains unchanged, the new structure retains this principle.

- 7.7 At the Summer Budget 2015 the Government was clear about its intention to provide support to those in work through the tax system and wages, rather than topping up low wages through in-work benefits. The amendments in these regulations support this principle whilst retaining protection for those on the lowest incomes. The intention is that Universal Credit will continue to ensure that claimants are better off in work, and better off working more, but will not target support at those with above median earnings.
- 7.8 Work incentives within Universal Credit will continue to be provided through the single taper rate which ensures that Universal Credit reduces gradually as a claimant's earnings increase.
- 7.9 Informal consolidated text of instruments is available to the public free of charge via 'The Law Relating to Social Security' (Blue Volumes) on the Department for Work and Pensions website at <http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/> or the National Archive website legislation.gov.uk. An explanation as to which instruments are maintained on each site is available at <http://lawvolumes.dwp.gov.uk/docs/lawvolnews.pdf>.

8. Consultation outcome

- 8.1 This measure was announced as part of the Summer Budget 2015 and was not consulted upon.
- 8.2 The proposal does not impact on legislation in respect of Housing Benefit so no consultation with the Local Authority Associations was required.

9. Guidance

- 9.1 This change does not come into effect until 11th April 2016. The Department will be revising its guidance to staff and claimants ahead of this date to explain the changes and set out the new work allowances available.

10. Impact

- 10.1 The Universal Credit Impact Assessment published in December 2012 can be found here: <https://www.gov.uk/government/publications/universal-credit-impact-assessment>. There is no impact on business or civil society.
- 10.2 This measure will provide a saving to the Exchequer. The estimate relating to this change in the Summer Budget 2015 policy costing includes reducing the income threshold in Tax Credits to £3,850 per year, from April 2016 (this is being legislated for separately) and the total is included in the table below.

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Exchequer Impact (£m)	0	+2,880	+3,060	+3,180	+3,310	+3,440

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The Universal Credit Evaluation Framework, published in December 2012, sets out the Department's broad intentions for evaluation, including impact measurement. This provides an overview of plans for evaluating the introduction, implementation, delivery and impact of UC and can be found here:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/180879/universal-credit-evaluation-framework.pdf

12.2 Changes to UC policy and/ or regulations will be reviewed in line with the framework as we continue with national rollout of UC.

13. Contact

Sharon Blackburn at the Department for Work and Pensions Tel: 02074495754 or email: sharon.blackburn@dw.p.gsi.gov.uk can answer any queries regarding the instrument.