

Autumn Budget 2024 and welfare policy

Briefing note



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Summary of welfare decisions

Local Housing Allowance

The government has decided to freeze Local Housing Allowance (LHA) from April 2025.

While we welcome the government's commitment to uprating means-tested benefits in line with inflation, a failure to uprate LHA in line with rising rents means a significant cut in the real-terms value of benefits for many claimants.

Benefits uprating

The government has confirmed that it will uprate most non-housing benefit payments, including most Universal Credit elements, by 1.7%. However, there has been no announcement on uprating the benefit cap in 2025.

The cap was last uprated in 2023. Freezing the benefit cap will limit the positive impact of the 1.7% uprating of benefit payments, and will be particularly harmful for large families. Capped households in the private rental sector are also unable to fully benefit from the April 2024 increase in LHA rates. It is time to reform the benefit cap.

Universal Credit deductions

The government has announced that the overall cap on Universal Credit (UC) deductions will be reduced from 25% to 15%. A 15% cap will benefit over 1.2 million UC households, and bring a much-needed income boost of £420 on average per year. We are expecting this change to come into effect in April 2025.

This is a very positive step, but only the first towards addressing the hardship resulting from deductions. The government needs to tackle the main *causes* of deductions: the 5 week wait and repayment of new claim advance loans, and benefit overpayment recovery.

Work Capability Assessment

The previous government announced several changes to the Work Capability Assessment (WCA), estimated to save £1.3bn per year by 2028/29. This government has confirmed that they will deliver these savings, although it's not yet clear if this will be achieved through the

same reforms. Any cuts to spending in this area are likely to result in a cut to income and increasing levels of conditionality for disabled claimants.

The original reforms were estimated to move more than 400,000 people from the limited capability for work and work-related activity (LCWRA) group into the limited capability for work (LCW) work by 2028-2029 - meaning they'd lose more than £400 per month, a cut that our clients simply can't afford. In addition, over 450,000 more people would be exposed to conditionality (or a greater level of conditionality) and with that, sanctions.

National Living Wage

The government has announced a 6.7% increase to the National Living Wage (NLW). This is a very welcome change that will increase wages for over 1 million people. The current NLW is £11.44 per hour for people aged over 21, and will increase to over £12.21 in April 2025. For 18-20 year-olds, the National Minimum Wage will increase from £8.60 per hour to £10 per hour (a 16.3% increase).

While the increase in the NLW provides an important boost to incomes, it interacts in complex ways with the benefits system. As a result of a higher NLW, some people receiving UC may be subject to more intense work search requirements, see their benefit income capped, and/or lose eligibility for free school meals.

Household Support Fund

The government has announced £1 billion to extend the Household Support Fund (HSF) and Discretionary Housing Payments (DHPs) in 2025/26. The HSF had previously been extended until April 2025, while it was already expected that DHPs would remain available.

The further extension of the HSF is very positive, and ensures the fund will continue to provide immediate relief to households facing hardship into next financial year. However, the decision to freeze LHA will put more pressure on crisis support. Details of how the £1 billion in funding will be split between the HSF and DHPs – and whether this could mean unfreezing DHPs funding – has not yet been announced.

Freezing Local Housing Allowance means real-terms benefit cuts

The government has decided to freeze Local Housing Allowance (LHA) from April 2025. While we welcome the government's commitment to uprating most benefits in line with inflation, **a failure to uprate LHA in line with rising rents means a significant cut in the real-terms value of benefits for many claimants.**

Average UK rents rose by 8.4% in the year to September 2024¹, and a lack of affordable housing has been acknowledged by the government as a driver of child poverty.² A nationally representative survey commissioned by Citizens Advice found that renters receiving Universal Credit or Pension Credit were more likely than the general population to report a rent increase in the current calendar year.³ Yet many families dependent on housing cost support from the benefits system will however see no or little increase in support to help them address the rising cost of renting.⁴

Let's take the example of a family on Universal Credit with 2 out-of-work parents (both aged 25+) and claiming additional child payments for 2 children (both born after 2017). While most aspects of their Universal Credit award will rise by 1.7% in April 2025, if they are private renters their housing element payments may not rise at all. Assuming that they were already receiving support at the average maximum rate applicable across local rent areas in England for a 3-bedroom property, **freezing LHA means that their Universal Credit income would rise**

¹ Office for National Statistics (2024) [Private rent and house prices, UK: October 2024](#) and Citizens Advice (2024) [Through the Roof: How Rising Rents, Rising Disrepair and Rising Evictions are Pushing Private Renters into Crisis.](#)

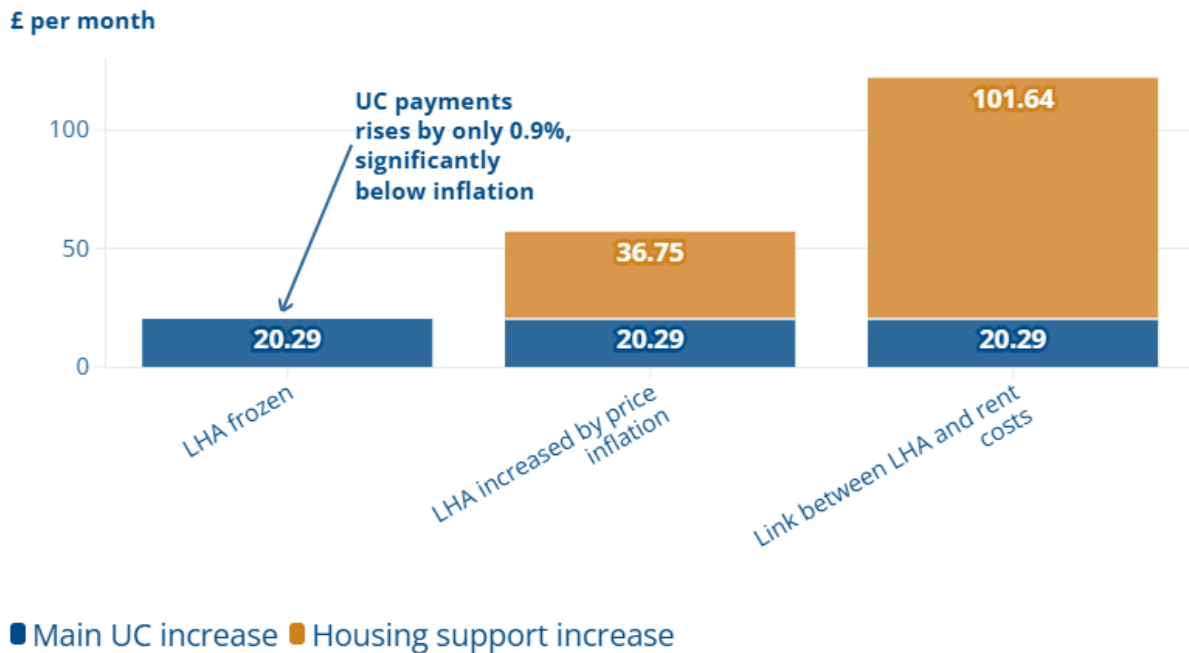
² Cabinet Office (2024) [Policy paper - Tackling Child Poverty: Developing Our Strategy](#)

³ 65% of Universal Credit or Pension Credit recipients, versus 59% of all respondents. Survey conducted in October 2024.

⁴ This is not the measure by which LHA rates are calculated, but we can generally expect the cost of renting the LHA system's referent properties – located at the 30th percentile of the rent distribution, based on a survey of landlords in each broad rental market area — to rise on average in line with the UK mean amount.

by only 0.9%, significantly below the headline increase of 1.7%.⁵ This family would be almost £1,000 per year worse off, compared to a scenario in which their LHA rate was fully uprated.

Figure 1: Cash increase for typical family under various 2025/26 uprating scenarios



Modelling assumes a 2-parent family (both aged 25+ and out of work) claiming UC standard allowance and child element for 2 children (born after 2017), and living in private renting.

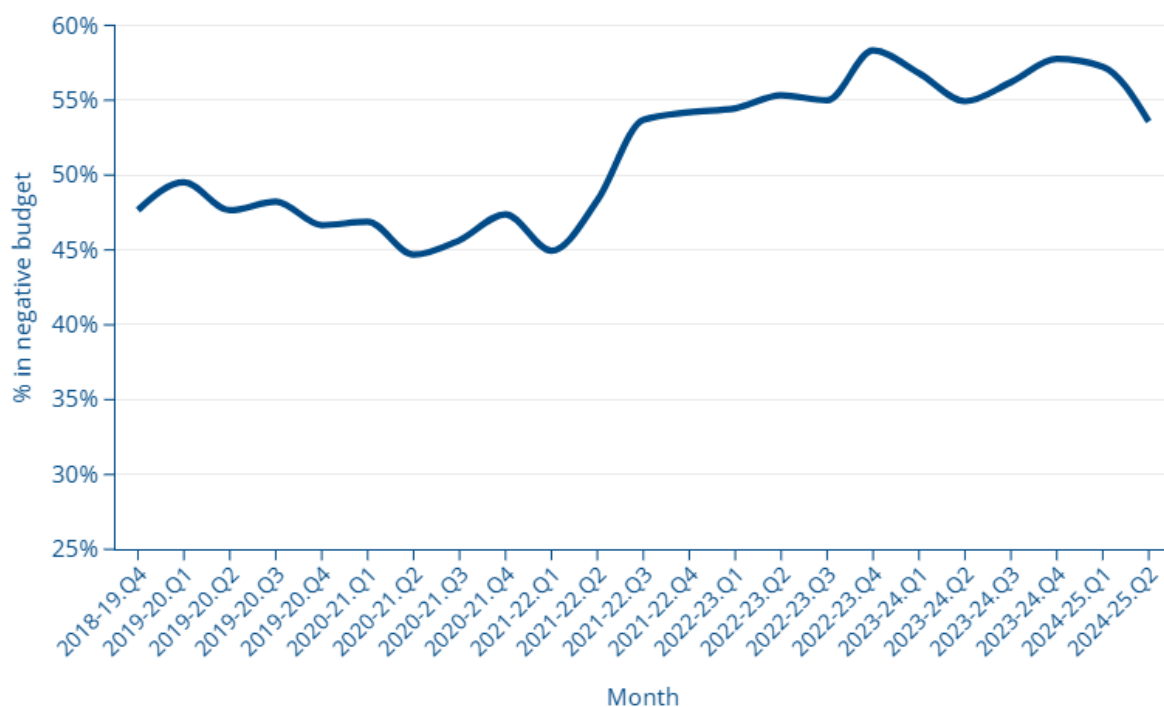
Maintaining the previous government’s decision to unfreeze LHA after 4 years was essential. **The single-year uprating in 2024/25 did some good, but not nearly enough to undo the damage caused by the freeze.**

Budgeting data from the people we help with debt issues indicates the positive impact of uprating LHA in 2024 (alongside the uprating of most benefits in line with inflation). Yet gains have been insufficient in many cases to lift people out of negative budgets, meaning they continue to spend more than their income each

⁵ If this family’s housing cost support payments rose instead in line with UK rents by 8.4%, they would see an overall increase in their Universal Credit income of 4.7%. It should also be noted that some claimants will see the value of their housing cost rise in line with rent increases, at least partially, if they were not previously receiving support at the maximum rate for their local area.

month, despite minimising their expenditure as much as possible. The proportion of our debt clients who receive Universal Credit and live in the private rented sector in a negative budget only fell from 58% to 54% from the fourth quarter of 2023/24 (before uprating) to the second quarter of 2024/25. **Most of this group are therefore still in the red, and we can expect the proportion in this group to grow throughout 2025/26.**⁶

Figure 2: Negative budget rate among private renters on Universal Credit who come to Citizens Advice for debt advice



Data for England and Wales. Negative budget means spending on essential living costs (excluding debt repayments) exceeds income.

There are many problems with the LHA system that help to explain why rates are often far below the cost of affordable rental properties for benefit claimants, including issues around data collection and the drawing of local rent area boundaries, as well as the use of rents in payment without reference to asking rents. It is also problematic that the LHA system does not take into account whether there are sufficient properties at or below the 30th percentile available

⁶ Note that the second quarter of 2024/25 includes data up to 31st August.

to meet demand in each local area, and excludes properties let to benefit claimants from calculations.⁷

For all of these reasons, uprating LHA alone is not going to solve the crisis of housing unaffordability for benefit claimants. However, freezing LHA rates for 2025/26 only deepens this crisis. LHA rates need to be uprated in line with rents each year, while the LHA system undergoes reform and the government enacts a wider programme of housing market reform.

Freezing the benefit cap will harm large families in private renting

One of the main reasons the single-year uprating of LHA in 2024 did not fully address the harms caused by the 4-year freeze was its interaction with the benefit cap. The cap was last uprated in 2023, and the new government has not announced that it will increase in 2025.

In May 2024, around 123,000 households had their benefits income reduced as a result of the benefit cap. This was a rise of 61% since the previous quarter, coinciding with most benefit payments and LHA rates being uprated in April 2024.⁸ 87% of capped households include children, and 71% are single-parent households.⁹

Capped households are concentrated in London and the South-East where rent costs are highest.¹⁰ And larger families throughout the country are more likely to be affected. For the example family described above (figure 1)¹¹, despite LHA being refrozen **their benefit income would exceed the benefit cap in 100% of local rent areas in England if they required a 4-bedroom rental property (assuming they had more than two children qualifying for their own bedroom), and 83% of local rent areas if they required a 3-bedroom property.**

⁷ Craig Berry (2024) [Uprating Local Housing Allowance: Briefing Note](#).

⁸ The average reduction also increased from £221 to £256 per month.

⁹ DWP statistics (2024) [Benefit cap: number of households capped to May 2024 - the financial impact of being capped](#).

¹⁰ LHA maximum rates will generally be higher in these areas, but there is also a separate cap on LHA rates which applies in several local rent areas in London.

¹¹ A family with 2 out-of-work parents (both aged 25+) and claiming additional child payments for 2 children (both born after 2017). Because of the 2 child limit, this family will only be able to claim the UC child element for their first 2 children, even if they have 3 or more children.

The proportions for single-parents households are lower, but still very high. Their benefit income would breach the cap in 78% of areas if they need a 4-bedroom property, and 45% if they need a 3-bedroom property.¹²

Ironically, freezing LHA rates in 2025 generally means that the income of fewer benefit claimants will increase to or beyond the level of the cap. However, this does not justify freezing the benefit cap, for three main reasons.

Firstly, the 1.7% increase in most Universal Credit elements will push more people towards or above the cap even if their housing cost support does not increase. Secondly, **increasing the benefit cap in 2025 would mean that more people could benefit, partially or fully, from the increase in LHA rates in 2024, albeit a year later.** It would also mean there would be a higher ceiling for the LHA system to provide more financial support to households experiencing higher rent costs in the next year (assuming they have not already breached the maximum LHA rate for their area).

Finally, some families will see their benefit income capped when the National Living Wage (NLW) increases by 6.7% in April 2025. Since the earning-related exemption to the benefit cap is equivalent to working 16 hours per week earning the NLW, this threshold is expected to increase from £793 to £847 in April 2025. People with hourly pay already above the 2025 NLW, but who work fewer hours (if, for example, they have caring responsibilities), may now see their benefit income capped unless they increase their hours.

¹² Craig Berry (2024) [Uprating Local Housing Allowance: Briefing Note](#).

Good news on Universal Credit deductions, but the 5 week wait remains

Lowering deductions cap to 15% will benefit 1.2 million UC households

The government has announced that the overall cap on deductions from Universal Credit will be reduced from 25% to 15% of a claimant's standard allowance. This is a very positive step, which we expect to come into effect in April 2025.

The affordability of deductions has become an increasingly pressing issue for the people coming to us for advice: for example, we helped almost 300% more people with the overall financial level of their deductions in 2023 compared to 2019.¹³ **Reducing the cap will mean over 1.2 million UC households keep more of the income they're entitled to each month.** This will bring a much-needed boost to household incomes, of £420 on average per year.¹⁴

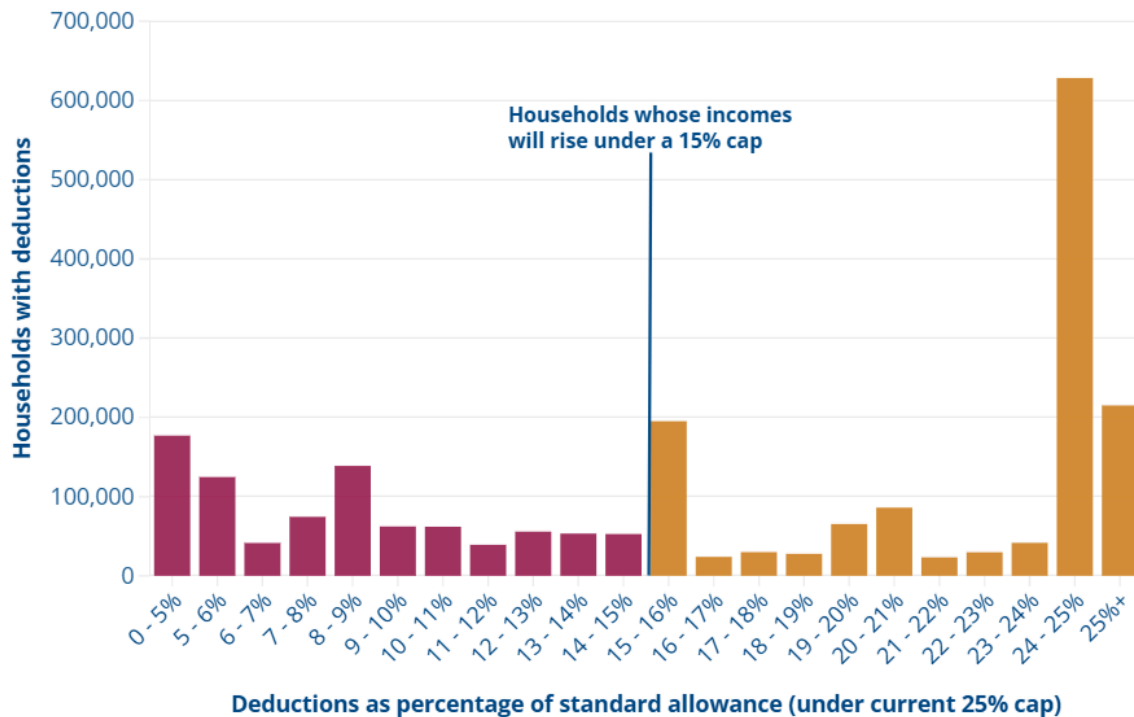
According to the latest publicly available data, reducing the cap from 25% to 15% will positively affect over half of all households with deductions. Of households with deductions, more than 1 in 4 have deductions of 24%-25% of their standard allowance, and in total more than 60% have deductions over 15%.¹⁵

¹³ Craig Berry and Julia Ruddick-Trentmann (2024) [Designing out Deductions: How to address the welfare debt trap](#).

¹⁴ [HM Treasury Autumn Budget 2024](#).

¹⁵ The latest publicly available data, from February 2023, shows 1 in 4 households (628,000) had deductions of 24%-25% of their standard allowance, and over 60% (1,366,800 households) had deductions over 15%, see: [PQ 194946](#). This suggests around 1.3 million households will benefit from the budget announcement, but more recent government analysis, cited in the budget, finds 1.2 million households will benefit from lowering the cap, see [HM Treasury Autumn Budget 2024](#).

Figure 3: Over 1 million households will see their deductions fall and incomes rise with a 15% cap



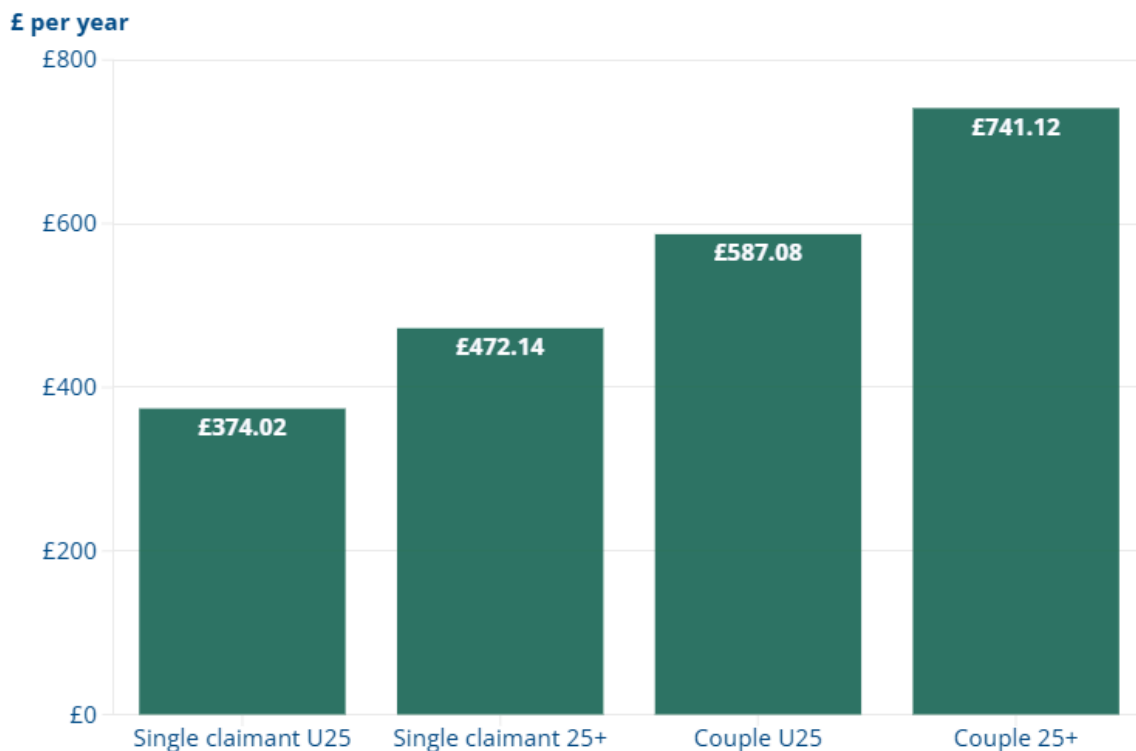
Source: DWP data for households subject to deductions, February 2023.

For a single claimant (aged 25+), a 25% deduction can amount to almost £100 per month. For a couple (at least one aged 25+), it can amount to more than £150 per month. The 15% cap will mean the single claimant’s income increases by around £40 per month, and the couple’s income increases by around £60 per month.

Reducing the overall cap to 15% will therefore improve living standards for many families receiving Universal Credit. **However, even with a lower cap, deductions will still mean people receive less income than they’re entitled to.** According to the latest available data, 2.25 million households on UC, containing 2.3 million children, are receiving lower UC payments because of deductions. Those with deductions lose an average of £61 income per month – rising to £73 per month for households with children.¹⁶

¹⁶ [POs 136691](#) and [191819](#).

Figure 4: Annual income gains from a 15% deductions cap, for households currently seeing 25% deduction rates



Annualised income gains from reducing the overall deductions cap to 15%, for UC households currently seeing a 25% deduction to their standard allowance.

No action on the key causes of deductions: the 5 week wait and overpayments

There are further steps the government could take to address the hardship caused by deductions. While deductions can be used to repay third party debts, like for utility arrears, the majority of deductions are for debts claimants owe to government itself, for advance loans taken out during the 5 week wait for the first Universal Credit payment, or to repay benefit overpayments. **The next step we need to see is action on the causes of deductions.**

The 5 week wait

Many households receive less income than they're entitled to from the beginning of their claim as a result of deductions for a new claim loan, required because of the 5 week wait for the first Universal Credit payment. There are 732,000 UC households with deductions for new claim loan repayments. The

average deduction to repay advance loans is £31 per month.¹⁷ To prevent this crucial loss of income for future claimants, the government needs to address the 5 week wait.

The fairest and most effective way of preventing debts to government building up during the 5 week wait is to replace the new claim loans system with new claim grants which do not need to be repaid. Ideally grants would be equivalent to a new claimant's estimated monthly Universal Credit entitlement, but could also be designed to cover only a portion of this entitlement, or targeted on particular groups (eg families with children).¹⁸

The government could also mitigate the hardship caused by advance loan deductions by:

- Doubling the advance loan repayment period from 2 to 4 years. For people at the beginning of their claim, the average deduction would fall to around £16 per month.
- Placing advance loan repayments lower in the priority order for debt recovery. Currently, DWP recovers advance loans before payments for third party debts (eg to pay off arrears or protect ongoing consumption). This change would mean more pressing debts are prioritised, while ensuring advance loans are still recoverable over a longer period of time.

Overpayments

According to the latest publicly available data, there are 643,000 Universal Credit households with deductions for tax credit overpayments (with an average monthly deduction of £43), and 481,000 with deductions for DWP benefit overpayments (including Universal Credit; the average monthly deduction is £41 per month).¹⁹ There is a strong link between overpayment deductions and the

¹⁷ [PQ 191730](#). Note that the number of households affected is likely to be significant under-estimates given that the data refers to the period before the timetable for the managed migration from legacy benefits to Universal Credit accelerated.

¹⁸ The risk of fraud could be addressed by offering grants as convertible loans in the first instance – which are then written off if/when the claimant's entitlement to Universal Credit is established.

¹⁹ [PQ 191730](#).

need for crisis support: over the past year, 1 in 3 people we helped with overpayment deductions needed a food bank referral.²⁰

Overpayment recovery needs to be reformed so that claimants are treated fairly, and so that recovery does not cause significant hardship. Under the current system, claimants can experience deductions for overpayments which occurred many years ago – overpayments which they may not have realised had occurred until recovery began. Claimants also repay overpayments caused by the government’s own errors. Government error makes up around 47% of the total value of UC overpayments.²¹

To establish a fairer system of overpayment recovery, which minimises the hardship caused by overpayment deductions, the government should consider:

- Writing off debts caused by government error.
- Writing off overpayments that occurred more than 5 years ago.
- Widening access to and increasing awareness of repayment waivers, so that overpayment debts are written off when recovery would cause hardship.

²⁰ Craig Berry and Julia Ruddick-Trentmann (2024) [Designing out Deductions: How to address the welfare debt trap](#).

²¹ See [DWP Annual Report and Accounts](#), table 2.

Work Capability Assessment decision is a cut disabled people cannot afford

The previous government announced several changes to the Work Capability Assessment (WCA), with estimated savings increasing to £1.3bn each year from 2028/29 mainly due to claimants being moved from the Limited Capability for Work and Work-Related Activity (LCWRA) group within the Universal Credit system.

The current government has said they will deliver these savings, but it's not yet clear how this will be achieved. The Budget confirms that the government will set out reforms to the health and disability system early in 2025, but we know that many of our disabled clients will be anxious about this lack of clarity.

Any savings made in this area are likely to result in a reduction to disabled people's benefits. **This is a cut that our clients simply can't afford.** On average, the disabled people we help with debt who receive Universal Credit have a £20 deficit in their budget each month, meaning their income isn't enough to cover their essential costs. Any loss of the financial support associated with being in the LCWRA group will push many of these clients further into the red.

The previous government's plans included 3 key changes:

- Tightening the LCWRA Substantial Risk rules to specify the circumstances and the serious mental health conditions for which the rules should apply. The last government said that use of these rules had gone beyond their original intent. But we think the **current rules provide a vital safety net for an assessment that's too rigid and doesn't account for mental health conditions in the same way as physical conditions.**
- Removing the LCWRA Mobilising activity. The previous government said this change reflects the fact that more jobs are available to work from

home, but our analysis showed that the vast majority of claimants aren't in a home-based job.²²

- Reducing points for some LCW Getting About descriptors. Again, the previous government said this reflected new flexibilities in the labour market, meaning that limitations in getting about are less of a barrier to work. But **our analysis showed this flexibility is not the same for everyone**. While some jobs offer hybrid or remote working, that's not the reality for most working UC claimants, who are more likely to move into jobs in sectors that require them to work from a physical location outside of their home.²³

We have serious concerns about these changes, and opposed all 3 in our response to the previous government's consultation. The reforms were estimated to move more than 400,000 people from the LCWRA group into the Limited Capability for Work (LCW) group by 2028/29 - meaning they'd lose more than £400 per month.²⁴

Potential reforms may also mean additional disabled people will be exposed to conditionality, or greater levels of conditionality.²⁵ This would mean disabled people are expected to interact more with Jobcentres and work coaches. **We have concerns about the suitability of work coach support for these clients, especially those with serious mental health conditions** who would be particularly affected by changes to the Substantial Risk rules.

Work coaches need considerably more specialist training and time with claimants to be able to provide meaningful support to people who may be affected by these changes. With greater conditionality comes a risk of sanctions, which can be particularly damaging for disabled people and can serve to push them further from the workplace.²⁶ Whilst these reforms could mean more disabled people have to engage with employment support, they won't necessarily improve the quality of support available.

²² Citizens Advice (2023) [response to the consultation on proposed changes to the activities and descriptors of the Work Capability Assessment](#).

²³ Ibid.

²⁴ DWP research and statistics (2024) [Work Capability Assessment Reform: update to estimated number of claimants affected](#).

²⁵ Ibid.

²⁶ Kate Harrison (2023) [The sanctions spiral: The unequal impact and hardship caused by sanctions in Universal Credit](#)

What long-term disability benefit reform needs to achieve

The government hasn't yet confirmed the long-term future of the WCA. We don't know whether they will continue with the previous government's plans to scrap the WCA and make the Personal Independence Payment (PIP) assessment the sole gateway to the health elements of Universal Credit and PIP. The Budget simply commits the government to 'set[ting] out reforms to the health and disability benefits system early in 2025 to ensure the system supports people who can work to remain in or start work, in a way that is fair and sustainable'.²⁷

The current WCA is the source of many issues for the people we support. In the past year, we've helped more than 16,000 people with issues related to the WCA.

So we know that reform is urgently needed: the WCA process can be complicated and distressing, and too often results in incorrect decisions. When people we help are incorrectly assessed as able to work, there may be a lengthy wait for an appeal. In the meantime, many clients tell us that their work coach doesn't fully understand their condition.

To be successful, however, any reform of disability benefits should start by understanding the needs of disabled people themselves. And it must take a whole system approach, rather than identifying ad hoc changes in isolation. Above all, the government shouldn't sacrifice long-term policy design for short term savings wins.

²⁷ [HM Treasury Autumn Budget 2024](#)

Other measures

Up-rating policy needs to be reformed over the long term

Most income-related benefit payments will be up-rated in line with CPI inflation, but the government has not yet committed to ensure that benefits always increase by this measure.

The Universal Credit standard allowance in 2025/26 would be more than £40 per month higher for couples, and more than £26 per month higher for single claimants, if it had been routinely been up-rated by inflation since 2015. Child element payments would also be significantly higher. The new government has not yet committed to restoring the value lost due to the previous government's up-rating policies.

It is also important to take into account how cost-of-living increases affect different groups differently. In the year to September 2024, the cost of food rose more than prices in general – and lower-income families tend to spend a greater proportion of their income on food.²⁸ **Citizens Advice has called for benefits up-rating to be informed by the Household Cost Index**, which takes into account different patterns in spending between households at different points of the income distribution.²⁹

Household Support Fund extension should be the start of reform of crisis support

The government has announced £1 billion to extend the Household Support Fund and Discretionary Housing Payments (DHPs) in 2025/26. The Household Support Fund had previously been extended until 31 March 2025, with £500 million in funding for the current 6 months of the fund (1 October 2024 - 31 March 2025).³⁰ Before the Budget announcement, it was already expected that

²⁸ Office for National Statistics (2024) [Consumer price inflation, UK: September 2024](#)

²⁹ Citizens Advice (2024) [National Red Index: how to turn the tide on falling living standards](#), and Morgan Wild (2023) [For the poorest, the cost-of-living crisis is worse than it officially looks](#).

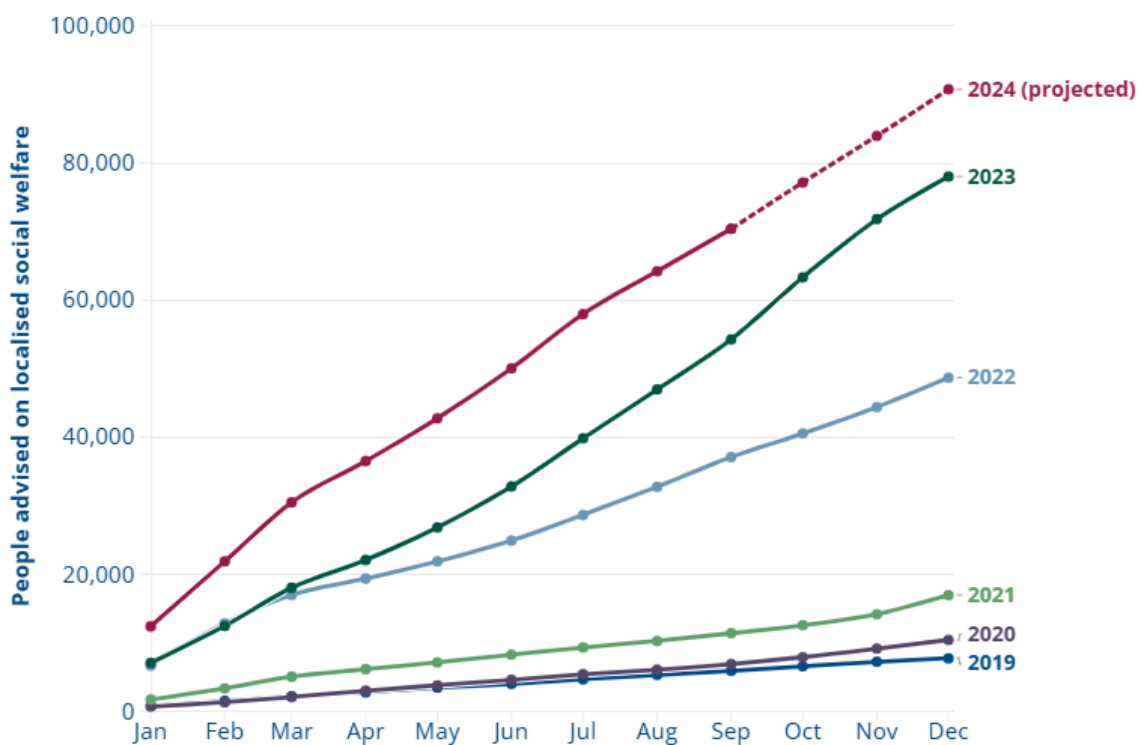
³⁰ This is the same amount of funding as previous rounds of the fund, see [Household Support Fund: Guidance for local councils](#) (2024).

DHPs would be routinely funded in 2025/26, although funding has been frozen in cash terms for several years.³¹

Details of how the £1 billion in funding will be split between the HSF and DHPs – and whether funding for DHPs will be increased – has not yet been announced.

The further extension of the HSF is very positive, and ensures the fund will continue to provide immediate relief into the next financial year. Confirming the extension several months before the fund’s previously scheduled end also provides welcome certainty to local authorities administering the fund and those relying on its support.

Figure 5: Cumulative number of people advised on local social welfare issues



Source: Citizens Advice caseload data. Projection calculated using the average number of new clients over July, August and September 2024.

³¹ See [Use of Discretionary Housing Payments Great Britain, Analysis of Mid Year Returns from Local Authorities April 2016 - September 2016](#) and [Discretionary Housing Payment government contribution for English and Welsh local authorities for financial years ending March 2024 and March 2025](#)

However, the decision to freeze LHA will put increasing pressure on both the HSF and DHPs. More detail is needed to understand whether support is being expanded to meet this increase in demand, especially whether DHP funding will be increased beyond existing plans.

We are continuing to urge the government to make a locally administered crisis fund a permanent fixture of our welfare system, and to use the HSF extension as an opportunity to review what form a permanent fund should take.³² **Demand for local social welfare this year still significantly outstrips all previous years.** Driven by demand for the HSF, every month of 2024 to date we have helped more people with local social welfare issues than the same month in 2023.

National Living Wage increases by 6.7%, but the knock-on consequences should be addressed

The government has announced a 6.7% increase to the National Living Wage (NLW). This is a very welcome change that will increase wages for over 1 million people. The current NLW is £11.44 per hour for people aged over 21, and will increase to over £12.21 in April 2025. Wages will increase by a greater amount for those aged 18-20, who get a lower rate, increasing from £8.60 per hour to £10 (a 16.3% increase).

Over the long term, the government has also announced plans to introduce a 'single adult rate', to bring wages for those aged 18-20 in line with those aged over 21. A single adult rate would bring a much needed increase in incomes for younger earners, who often face the same costs as other age groups, but receive lower incomes both from work and benefits.³³

However, increases in the NLW interact with the benefits system in complex ways.³⁴ **Features of the benefit system rely on financial thresholds, equivalent to working a certain number of hours at the NLW. When the NLW goes up, but these thresholds remain frozen by default, working**

³² Julia Ruddick-Trentmann (2024) [Where next for the Household Support Fund?](#)

³³ Edward Pemberton and Craig Berry (2024) [An unfair share: Local Housing Allowance is failing young people](#), and Josh King (2024) [A duty of care: How the benefits system is failing care leavers](#)

³⁴ Craig Berry (2024) [5 reasons a higher minimum wage could be bad news for people claiming benefits](#).

households lose access to much-needed support. The impact on the benefit cap's earnings exemption was discussed above.

Another alarming example is the impact on eligibility for free school meals (FSM). **The £7,400 household earnings threshold for FSM eligibility was equivalent to working around 18 hours per week at the 2018 NLW, but will now be equivalent to less than 12 hours' work.** Low-income families in receipt of FSM face a significant cliff-edge when seeking to increase their hours in work – and it is increasingly difficult for families to qualify for FSM in the first place.

There are also implications for benefit conditionality. The Administrative Earnings Threshold (AET), which determines the extent of conditionality that a claimant may be subject to, is linked to the NLW. For single claimants, it is equivalent to 15 hours per week earning NLW, and for a couple, 24 hours. When the NLW increases, so will the AET. Claimants earning below the AET threshold are placed in the intensive work search regime, which comes with the threat of sanctions if conditions are not met. Claimants earning above the NLW, but working few enough hours to bring their earnings below the AET, would need to increase their hours to avoid being placed in the intensive work search regime.

Finally, NLW increases can also have a negative impact on people in self-employment. Universal Credit payments for self-employed people are based on the 'minimum income floor', ie a fixed amount DWP expects self-employed people to earn each month, distinct from what they may have actually earned in practice. When self-employed claimants earn below the minimum income floor, the DWP calculates their UC payment as if they *had* earned this amount.

The 'minimum income floor' (MIF) is usually equivalent to working 35 hours per week at the minimum wage rate for their age group. For those aged 21 or above, we expect the MIF to rise with NLW from £1,735 per month to £1,852 per month in April 2025. This does not mean self-employed people's income will have actually increased in alignment with the NLW – but their benefit payments may nevertheless be reduced significantly.

2 child limit and other harmful policies retained

The government did not take the opportunity at the Budget to reform or abolish the 2 child limit, which generally means families can only claim additional child

payments within income-related benefits for a maximum of 2 children born after April 2017. **As of April 2024, there were 1.6 million children across 440,000 households affected by the 2-child limit.**³⁵

From April 2025, families affected by the policy will lose out on up to £3,514 per year for each additional child. Our advisers tell us that the policy often prevents families from meeting essential costs like food, energy and school uniforms. The lack of support drives many to rely on crisis support like food banks and the HSF.³⁶

The Budget has also failed to address other measures that cause hardship for benefit claimants. For example, **the anomalous situation in which people receiving Universal Credit who pay rent weekly do not receive their full entitlement of housing cost support has not been addressed.** The Universal Credit system assumes they only have 52 rent payments each year – their rent is annualised then divided into 12 monthly payments. But claimants may have 53 rent payments in a year, especially during leap years. For example, there are 53 Mondays in 2024/25, which means that claimants whose rent is due on a Monday (ie a very common arrangement) will be short one week’s rent this year. Increasing rent arrears are a highly likely outcome of this anomaly.³⁷

Furthermore, **the government has not committed to reforming Council Tax Support** (CTS), the localised benefit that replaced Council Tax Benefit (CTB) in 2013. As well as becoming less generous than CTB, there is a great deal of variation in how CTS operates across the country. Our research published earlier this year showed that council tax debt has doubled since its introduction, and that CTS tends to interact in anomalous and harmful ways with Universal Credit.³⁸

³⁵ DWP and HMRC statistics (2024) [Universal Credit and Child Tax Credit claimants: statistics related to the policy to provide support for a maximum of two children, April 2024](#)

³⁶ Victoria Anns (2024) [Supporting every child: should the government remove the 2 child limit?](#)

³⁷ Craig Berry and Victoria Anns (2024) [Universal Credit exists in a different timezone to the people who depend on it.](#)

³⁸ Maddy Rose (2024) [Council Tax Support: a benefit determined by postcode not need.](#)

New fraud and error measures must protect vulnerable claimants and avoid additional harms

We understand, and broadly support, the government's drive to reduce fraud and error in the benefit system. However, we would like to see stronger safeguards for claimants whose claims are reviewed.

The DWP had already planned to review 8 million claims through Targeted Case Reviews.³⁹ An extension of this project, and additional requirements for claimants to log changes of circumstances, will mean that many more people will need support to verify their claim. This will be compounded by proposals to require banks to screen for potential benefit fraud and error.

We are concerned that people in vulnerable circumstances, such as disabled people and those with communication barriers, may struggle to engage with these additional checks and therefore be at risk of harm.

There is a fine line between error and fraud, and the government needs to be clear that fraud was intended before imposing significant penalties on claimants whose bank accounts may be flagged, or those who struggle to engage with benefit checks. This has been exemplified by the Carer's Allowance scandal, whereby many genuine errors by claimants – overlooked by the DWP for many months – were treated as fraud cases.

The government's own data shows that more than three quarters of claims (76%) which are flagged as potentially inaccurate turn out to contain no fraud or error at all.⁴⁰ However, our research shows that benefit suspensions are often put in place before evidence of fraud is demonstrated.⁴¹ **This leaves people without vital income, often resulting in significant harm such as the build up of debt, and the risk of eviction.** While legitimate claimants will receive a back payment when their claim is reinstated, this cannot undo the often significant harm they will have experienced in the meantime.

Moreover, safeguarding measures often fail to properly identify people who would suffer harm during a benefit suspension, or who may need extra support

³⁹ DWP (2023) [DWP annual report and accounts 2022 to 2023](#)

⁴⁰ DWP (2024) [DWP annual report and accounts 2023 to 2024](#)

⁴¹ Victoria Anns and Craig Berry (2024) [Caught up in the net: how Universal Credit benefit suspensions are affecting people who come to Citizens Advice for help.](#)

to prove their entitlement. This is why we have called for stronger safeguarding measures, including identifying claimants who are most likely to be negatively affected by a benefit investigation, and offering them extra time and support to demonstrate that they have a legitimate claim before any suspension.⁴²

Therefore, new powers and measures should only be used with clear safeguarding rules in place, and only when there is clear evidence of fraud.

⁴² Victoria Anns (2024) [We need to talk about benefit suspensions.](#)

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Published November 2024

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.