

Dear Chancellor,

RE: Protecting vulnerable families and individuals from financial hardship during CV-19 outbreak

The Covid-19 pandemic presents an unprecedented threat to the health, safety and wellbeing of people across the United Kingdom, but we must not allow the risks and harms caused by this virus to be compounded by financial insecurity for those with low levels of income, and without savings to fall back on.

The attached briefing sets out some of our priorities for financial support for households – including ensuring the Tax Credits system responds effectively to reductions in hours or earnings; limiting transitions across to Universal Credit – and effectively supporting those who do need to make new claims; ensuring that Local Authorities are able to effectively provide emergency financial support; and a weekly uplift of child benefit rates by £10 per child to respond to the financial pressures families will face as a result of school closures.

It has been welcome to see the Government engage with the financial insecurity which will be faced by many businesses through this time. We are writing to you jointly to urge the government to urgently ensure that same level of commitment is given to every household facing severe financial insecurity.

Yours,

The Bishop of Durham, the Rt Revd Paul Butler

The Bishop of Gloucester, the Rt Revd Rachel Treweek

The Bishop of Portsmouth, the Rt Revd Christopher Foster

Joseph Howes, Chief Executive Officer, Buttle-UK

Alison Garnham, Chief Executive, Child Poverty Action Group

Peter Kelly, Director, Poverty Alliance

Becca Lyon, Head of UK Child Poverty, Save the Children UK

Mark Russell, Chief Executive, The Children's Society

Thomas Lawson, Chief Executive Officer, Turn2US

Supporting households affected by financial insecurity as a result of the CV-19 pandemic

This short briefing sets out 5 priority areas for action to

- Support those facing falls in hours or earnings
- Support those making a new claim for Universal Credit
- Increase support for families affected by school closures
- Increase access to public funds
- Support Local Authorities to provide emergency aid.

1. Supporting those facing falls in hours or earnings

Many working households are likely to see a fall in earnings as a result of sickness or the need to provide care.

However, current rules in the Tax Credits system mean that the first £2500 of a household's earnings reductions in the current financial year compared to the previous financial year, are ignored for Tax Credit purposes.

This means that when a worker sees their earnings fall so that they earn £2,500 less than they did the previous financial year, the earnings figure used to calculate their Tax Credit entitlement is not adjusted down to take account of this.

Instead, they are treated as if their earnings are the same as the previous year, which would typically cost them more than £1,000 over the course of a year – or around £20 per week.

The Government urgently need to suspend the Tax Credit income disregard for reductions in earnings at least for the financial year 2020-21, to ensure that where earnings fall, households see their Tax Credit entitlement taking full account of this loss.

At the same time, Tax Credit claimants who temporarily have their hours reduced below what qualifies as 'fulltime work' in their circumstances (e.g. 16 hours for single parents and disabled people,) or who have to take unpaid leave to care for their children if schools close, will not be able to continue to claim tax credits and will have no option but to make a claim for Universal Credit. They will lose any transitional protection – for some this will be thousands of pounds a year on an ongoing basis once this emergency is over making it very difficult to recover from the financial shock this is likely to cause. **Those who have their hours temporarily reduced or have to take unpaid leave during this period should be treated in the same way as those on SSP, SMP, MA etc and be allowed to remain on WTC.**

2. Supporting those making a new claim for Universal Credit

As outlined above, we believe that the Government should limit circumstances under which people transfer to Universal Credit for the time being. However, we also believe that the government should do more to support those who do need to make a new claim for Universal Credit at this time.

In particular, we believe that **advance payments are replaced with non-repayable grants**, and that these are made available to people soon after their assessment to ensure that nobody has to go without income for any length of time.

3. Increasing support for families affected by school closures

In light of the recent announcement on school closures, we welcome the fact that the government has considered the impact for children and families eligible for Free School Meals. However, providing support to families in the form of cash, not vouchers, would be a further welcome change to the current plans as a way of providing flexible financial support to families that gives them the freedom to buy provisions from a range of shops (recognising the shortages in some supermarkets).

Families with children not receiving Free School Meals are also likely to struggle with the cost of food, especially given predicted losses of income during the CV-19 outbreak and overall increase in costs of living as children are at home.

Furthermore, families will find themselves facing many other financial pressures – from additional home energy bills, through to reductions in earnings as a result of additional childcare commitments.

We ask the government to introduce **a temporary uplift on Child Benefit Payments of £10 per child per week so that parents have more money to meet the cost of essentials during this time.**

4. Access to public funds

It is important to stress that we are concerned that those who do not have recourse to public funds cannot access adequate financial support during these difficult times and are more likely to face destitution. We recommend that **all families and individuals should be able to access public funds during the outbreak of CV-19 so that every person can access the resources they need to stay safe and healthy.**

5. Supporting Local Authorities to provide access to emergency aid

Local authorities will play an extremely important role in ensuring that households receive the support they need in the coming months. We welcome the support that The Treasury has so far announced for local authorities to protect the most vulnerable and the £500 million hardship fund will provide local authorities with much needed funds to meet some of the increased need.

The government has announced that it expects most of the funding through the Hardship Fund will be used to reduce council tax liabilities through either existing Local Council Tax Support Schemes, or through complimentary reliefs. While this will provide relief for many households, not every vulnerable household will benefit from this, particularly those that already receive a 100% reduction on their council tax liability.

In addition to extra support through local Council Tax Support Schemes, we believe that **a significant portion of the Hardship Fund should be allocated to Local Welfare Provision so that discretionary support can be allocated to the most vulnerable who are experiencing financial emergencies as a result of CV-19.**

We also believe that **support through this fund should be as flexible as possible** to enable councils to respond efficiently to the needs of households in their communities, including by offering cash payments where needed, in addition to goods and vouchers where appropriate.