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Severe Hardship Update and Projections

Technical Annex

A report for Trussell

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Summary

This document provides an explanation of the severe hardship measure, alongside a detailed description of the modelling approach and an explanation of the policies under consideration and how modelling was done in each case.

Overview of Severe Hardship

The modelling for this project estimates the number of people in “Severe Hardship” in the UK from 2024/25 until 2029/30. A household is determined to be in Severe Hardship if they are more than 25% below the poverty line as defined by the Social Metrics Commission (SMC) poverty measure. The SMC poverty measure calculates the poverty line with respect to Total Resources Available (TRA) for a household, accounting for income, housing costs, savings, and unavoidable costs like childcare and debt repayments. It thus provides a more holistic assessment of a household’s financial position and ability to support itself than simpler relative poverty measures based solely on income. More detail on the measure can be found in the most recent report from the Social Metrics Commission¹, and a flow chart of the measure and how it is used to measure poverty is provided in the annex of this document.

The severe hardship measure (25% below the SMC poverty line) was created by Trussell to better estimate the need for food banks. Previous modelling work determined that the severe hardship measure more successfully isolated the proportion of the population at risk of needing to use a food bank than the standalone SMC poverty measure. More details on the severe hardship measure can be found in Trussell’s 2025 Cost of Hunger and Hardship report.²

Modelling Approach

For this project, we have created a baseline projection of severe hardship from the year of the most recent data, 2024/25, until 2029/30. This projection forms the basis against which the various policies under consideration are assessed. The baseline projection of severe hardship has been created using PolicyEngine, a UK tax-benefit model used to project changes in household incomes, costs and resources, and Social Metrics Commission poverty analysis and reporting scripts.

PolicyEngine UK is an open-source tax benefit model developed by PolicyEngine, a non-profit research company. As it is open source, the PolicyEngine UK model is completely open to interrogation and audit and is supported by a team of open-source contributors. For more details, please see their website [here](#).

¹ Measuring Poverty 2024: A report of the Social Metrics Commission. <https://socialmetricscommission.org.uk/wp-content/uploads/2024/11/SMC-2024-Report-Web-Hi-Res.pdf>

² Weekes, T, et al, (2025), Cost of Hunger and Hardship, Trussell, <https://www.trussell.org.uk/news-and-research/publications/report/cost-of-hunger-and-hardship-final-report>

The below table outlines the implementation status of various key government policies in the baseline projection.

Policy	Implemented?	Notes
Fair repayment rate	Yes	Included in base PolicyEngine.
Universal Credit uprating	Yes	Included in base PolicyEngine.
Two-child limit removal	Yes	Included in base PolicyEngine.
Benefit cap continuation	Yes	Included in base PolicyEngine.
Income tax thresholds frozen	Yes	Included in base PolicyEngine.
LHA freeze	Yes	Included in base PolicyEngine.
Free School Meals expansion	Partial	Included in HBAI income, not explicitly modelled.
Breakfast clubs	Partial	Included in HBAI income, not explicitly modelled.
Increased childcare support in UC	Yes	Included in base PolicyEngine.
Warm Home Discount	Partial	Included in HBAI income, not explicitly modelled.
Cuts to UC LCWRA element	Yes	Included in base PolicyEngine.

For further details on policies that are included, by default, in the policy baseline for PolicyEngine, please see [here](#).

PolicyEngine uses a set of standard economic uprating assumptions to project into the future. The key uprating assumptions are noted below. We have not made custom uprating assumptions and are using PolicyEngine standard uprating series throughout. Further details can be found in the PolicyEngine documentation.

Quantity	Uprating Series	Notes
Earned income	OBR average earnings growth	
Social security	Consumer Price Inflation	previous September, where appropriate
Private rents	ONS Private Rental Price Index	
Social rents	Custom series based on uprating policy	between 3% and 5%
Mortgage interest repayments	OBR mortgage interest rate index	

Policies Under Consideration

We have modelled five different policies in the current iteration of the research. These include:

1. Uprating Local Housing Allowance, starting in 2027/28.
2. Increasing Scottish Child Payment, starting in 2027/28.
3. Removing the Benefit Cap, starting in 2027/28.
4. Implementing a Protected Minimum Floor in UC, starting in 2027/28.
5. Implementing an Essentials Guarantee, starting in 2027/28.

We will now provide a description of the modelling approach taken for each of these policies.

Uprating Local Housing Allowance

This policy considers uprating Local Housing Allowance (LHA) in April 2027, and then every following financial year to the end of the projection window.

The policy is modelled using the LHA freeze functionality within PolicyEngine. In the baseline, LHA rates for each year following 2024/25 are set to observed 2020 rents uprated to April 2024 based on PRS rental inflation. Under this policy reform, in 2027/28 LHA rates are set to observed 2020 rents uprated to April 2027 based on PRS rental inflation. In 2028/29, LHA rates are set to observed 2020 rents uprated to April 2028 based on PRS rental inflation and similarly uprated to April 2029 for 2029/30. All uprating of LHA rates is based on *The Price Index of Private Rents* until July 2026, where the series ends, and then subsequently by projected Consumer Price Inflation (CPI).

Increasing Scottish Child Payment

This policy considers an increase in Scottish Child Payment to £55 in April 2027, from an existing rate of £28.20. The SCP award is then uprated by CPI for subsequent financial years.

The policy is modelled using the SCP functionality within PolicyEngine. In the baseline, the value of the SCP for each year following 2024/25 is uprated from its current value using the Office for Budget Responsibility's (OBR) projected Consumer Price Index (CPI) inflation. Under the policy reform, in 2027/28 the value of the SCP is uprated to £55. In 2028/29, the value of the SCP is uprated from this new base of £55 in line with the OBR's CPI projections, and similarly again uprated in 2029/30.

Removing the Benefit Cap

This policy considers the removal of the benefit cap, starting in April 2027. This ensures that all households eligible for benefits receive their full amount under current rules.

The policy is modelled using the benefit cap functionality in PolicyEngine, where we have followed the recommended PolicyEngine implementation of the benefit cap removal. In the baseline, the value of the benefit cap is frozen from April 2023 in nominal terms, reflecting current policy.

Protected Minimum Floor

Those on Universal Credit (UC) currently have their UC award subjected to deductions through mechanisms like mandatory debt repayments and the benefit cap. Around half of households on Universal Credit are subject to some kind of deduction.³ Current Government policy, introduced in April 2025, limits deductions due to debt repayments to 15% of the value of your standard allowance. This however does not apply to reductions in UC award due to the operation of the benefit cap. Trussell and the Joseph Rowntree Foundation (JRF) have proposed a Protected Minimum Floor for UC, which would ensure that no household's deductions – including reductions in award due to the benefit cap – exceed 15% of their standard allowance amount.⁴ The policy considered for this counterfactual is the introduction of this protected minimum floor.

The policy is modelled by using the protected floor functionality in PolicyEngine, which has been implemented for the purposes of modelling the JRF's protected minimum floor policy. In the counterfactual, combined deductions and benefit cap deductions are capped at 15% of the standard allowance from 2027/28 onwards. In the baseline, the protected floor is not implemented.

An Essentials Guarantee

The Essentials Guarantee is a policy proposal developed by Trussell and the JRF, based on the principal that no one on Universal Credit should receive less than the full amount needed to afford life's essentials. Under the Essential Guarantee, there would be a legal minimum in Universal Credit — the standard allowance would need to at least meet this amount, and deductions (such as debt repayments to government, or as a result of the benefit cap) would not be allowed to reduce support below that level. An independent process would regularly recommend the Essentials Guarantee level, based on the cost of essentials (such as food, utilities and vital household items) for the adults in a household (excluding rent and council tax). In a recent report, the JRF have estimated that for the 2026/27 financial year, the essentials guarantee level should have been about £120/week for single person households and £205/week for couple households.⁵

We have modelled the introduction of the Essentials Guarantee from 2027/28 onwards. Our modelling of the Essentials Guarantee consists of an uplift to UC standard allowance, in line with JRF estimates, alongside the removal of the benefit cap. The new standard allowance is uprated in line with the Universal Credit Act 2025. The deductions element of the Essentials Guarantee has not yet been fully designed or specified, so we have decided not to model it for this research – this is consistent with the approach taken by JRF in previous work to model the impact of the policy.⁶

We have increased the standard allowance from 2027/28 onwards, based on the JRF estimates of £120/week for single households and £205/week for couple households.⁷ The new Essentials

³ <https://www.jrf.org.uk/social-security/a-protected-minimum-floor-in-universal-credit-to-cut-deep-child-poverty>

⁴ Ibid.

⁵ <https://www.jrf.org.uk/social-security/guarantee-our-essentials-reforming-universal-credit-to-ensure-we-can-all-afford-the>

⁶ The JRF's previous approach, which limits the benefit cap and adjusts standard allowance amounts but does not model debt deductions, is outlined in the technical report linked here: [An Essentials Guarantee: technical report \(2023\)](#).

⁷ These numbers were adjusted into monthly estimates to make them compatible with the PolicyEngine representation of the UC standard allowance, and converted into 2027/28 prices.

Guarantee standard allowance is then subsequently uprated every year in line with projected CPI and the statutory uplift for that year up to and including 2029/30, as defined in the Universal Credit Act 2025. This is in comparison to the baseline, where the current standard allowance amount is not increased and then subsequently uprated yearly in line with the Universal Credit Act 2025. We have also implemented the removal of the benefit cap in line with the approach taken for the “Removing the Benefit Cap” policy discussed above.

Annex



