

# Universal Credit

## Information Guide: For Residents and Advisers Wolverhampton City Council - Welfare Rights Service

The objective of Universal Credit is to simplify the benefit system (by bringing together a number of out-of-work and in-work benefits under one umbrella) and give people an incentive to work - to 'make work pay'.

*'Universal Credit: welfare that works marks the beginning of a new contract between people who have and people who have not. At its heart, Universal Credit is very simple and will ensure that work always pays and is seen to pay... Universal Credit will mean that people will be consistently and transparently better off for each hour they work and every pound they earn. It will cut through the complexity of the existing benefit system to make it easier for people to get the help they need, when they need it. By utilising tried and proven information technology, we will streamline the system to reduce administration costs and minimise opportunities for error or fraud.'*

Universal Credit: Welfare That Works - November 2010  
Iain Duncan Smith MP - Secretary of State for Work and Pensions

Universal Credit is administered by a single agency - the Department for Work and Pensions (DWP). The principle is that there are 'substantial advantages' to having a more integrated benefits and tax credit system which would enable the government to reduce administration costs and the amount of money lost to fraud and error.

Universal Credit: Welfare That Works - November 2010

After some piloting in so called 'pathfinder areas' the intention has been to roll out Universal Credit nationally between 2014 and 2017. The '**go live**' date for Wolverhampton (Temple Street, Chapel Street and Bilston Job Centre Plus offices) is **8<sup>th</sup> February 2016**. Universal Credit combines the current means-tested financial support for adults of working age (meaning: people under the qualifying age for Pension Credit) and their dependent children, providing money for day-to-day living and housing costs for home owners and tenants.

The **Institute for Fiscal Studies** has, comparing the disposable incomes of families under Universal Credit with those under the existing benefit system, predicted that under Universal Credit:

- 2.5 million families will gain
- 1.4 million families will lose out
- 2.5 million families will stay the same

Within these figures the Institute for Fiscal Studies estimates that the total gain of the winners will be £3.6 billion per year whilst the total loss (ignoring any loss under transitional protection) will be £1.9 billion per year. This means that in the long run the cost of Universal Credit will be £1.7 billion per year. The Institute for Fiscal Studies predicts that the biggest winners will be couples with children and single parent households.

## 1. The Legacy Benefits

Universal Credit replaces the following benefits – the so called ‘legacy benefits’:

- Income-based Jobseeker’s Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Income Support (IS)
- Housing Benefit (HB)
- Child Tax Credit (CTC)
- Working Tax Credit (WTC)

Universal Credit will **not** replace:

- State Retirement Pension
- Pension Credit
- Attendance Allowance
- Disability Living Allowance
- Carer’s Allowance
- Statutory Sick Pay
- Contributory ESA
- Industrial Injuries Benefit
- Contributory-based JSA
- Child Benefit
- Guardian’s Allowance
- Bereavement Allowance
- Widowed Parent’s Allowance
- Maternity Allowance
- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Adoption Pay
- Council Tax Benefit/Reduction

The expectation is that by 2017 anyone of working age who is either unemployed, too sick to work, a carer, a lone parent or low paid or in need of help with their rent or mortgage will need to claim Universal Credit.

## 2. Rollout of Universal Credit - The Gateway Conditions

A person in Wolverhampton will only be entitled to Universal Credit if they are able to meet the ‘**gateway conditions**’ unless they formerly got Universal Credit because they were then living in another area and have since moved to Wolverhampton. The understood ‘gateway conditions’ for claimants in Wolverhampton from **8<sup>th</sup> February 2016** will be that in order to be eligible to claim Universal Credit the claimant must:

- a) be single
- b) be aged 18 or over but under 60 years and six months old
- c) have a valid National Insurance number
- d) have a bank (or similar) account
- e) be unemployed or not earning more than £338.00 per month (£270.00 per month if aged under 25) and not self-employed
- f) not have any dependent children (including foster or adopted children)
- g) have savings/capital below £6,000
- h) be fit for work

- g) be a British citizen who has lived in the UK for two years without a continuous absence of four weeks or more during this period
- h) not be getting Disability Living Allowance, Personal Independence Payment and/or Carer's Allowance

The claimant must also not be getting (or awaiting the outcome of a claim for or mandatory reconsideration or an appeal concerning entitlement to) Contributory Jobseeker's Allowance, Income-based Jobseeker's Allowance, Contributory Employment and Support Allowance, Income-related Employment and Support Allowance, Income Support, Incapacity Benefit, Working Tax Credit, Child Tax Credit and/or Housing Benefit.

The claimant must also not be:

- an owner-occupier
- pregnant or within 15 weeks of having given birth
- a registered foster parent
- responsible for paying Child Support maintenance
- a carer for a disabled person
- in education or training or planning to be in education or training
- homeless or living in supported accommodation where care, supervision or support is provided
- a person who has a family member who is away from home in connection with their duties in the Armed Forces

Furthermore, the claimant must not lack mental capacity to act - they must not have an appointee acting on their behalf (no 'Personal Acting Body' (Court Appointed Deputy or person holding a Lasting Power of Attorney) or 'Corporate Acting Body' (organisation acting on their behalf))

The general rule is that once a person has become entitled to Universal Credit they will remain on Universal Credit even if they cease to meet the 'gateway conditions' but continue to meet the other basic conditions of entitlement e.g. they fall pregnant or become too sick to work.

If the claimant is not entitled to apply for Universal Credit then they should see if they are able to apply for one of the 'legacy benefit' (i.e. one of the benefits that Universal Credit is ultimately due to replace). For example, if the claimant is too sick to work then they will not be able to apply for Universal Credit because (under the 'gateway' rules) you must be 'fit for work' to apply for Universal Credit. However, this will not stop them from being able to apply for Income-related Employment and Support Allowance. Similarly, in the case of an unemployed couple with children, they would not be able to apply for Universal Credit because (under the 'gateway' rules) both couple and people with children are not able to apply for Universal Credit. However, this would not stop them from applying for Income-based Jobseeker's Allowance and Child Tax Credits.

### 3. Claiming Universal Credit

The emphasis will be for people to make a claim for Universal Credit 'online' at:

[www.gov.uk/apply-universal-credit](http://www.gov.uk/apply-universal-credit)

Once a claim has been made the DWP will make arrangements for the claimant to meet with a 'Work Coach' at their local Job Centre. At this meeting the claimant will be expected to provide further information and evidence (e.g. proof of identity and rent) to support the claim. They will also be expected to complete the 'claimant commitment' outlining the agreed steps they will undertake to look for work. See 5. below. If a person cannot make a claim on-line then they may make a claim over the phone (Telephone: 0345 600 0723) whereby a DWP adviser will complete an online form on their behalf. If a person is unable to make a claim on-line or by phone then arrangements can be made for them to make their claim at their local JobCentre.

## 4. Payment and Budgeting

Universal Credit is designed to prepare people for the world of work (in which 75% of employees are paid monthly) and encourage claimants to take responsibility for their own financial affairs. In most cases Universal Credit will be paid by way of a single monthly payment paid in arrears. Couples will receive one monthly payment between them. Universal Credit will normally be paid into a bank, building society or Post Office account. If a person cannot open an account or manage an account then the DWP may arrange for them to be paid by way of a 'simple payment' card which can be used at PayPoint outlets.

**New 'Waiting Days' Rule:** New rules have been introduced which mean that from **3<sup>rd</sup> August 2015** there will be no Universal Credit payable to the majority of new claimants for the first **seven days** (so called 'waiting days') of their claim. The government considered that most claimants would be able to provide for themselves during this period from their own savings/resources (the so called "savings buffer"). The measure is understood to make a saving of £150 million. It has been introduced against the advice of the Social Security Advisory Committee on grounds of the likely financial impact it would have on households. Some groups of people are exempt e.g. those with 'limited capability for work'. The rule will not apply to those who are presently getting 'legacy benefits' (e.g. Jobseeker's Allowance, Employment and Support Allowance and Income Support) at the point they are migrated onto Universal Credit. The measure follows the extension of waiting days in Jobseeker's Allowance and Employment Support Allowance from three days to seven days, which came into force on 27<sup>th</sup> October 2014.

A person may be able to claim a '**Short-term Advance**' of Universal Credit if they are waiting for a decision/payment on a new claim (because Universal Credit is paid monthly in arrears) and they are in 'financial need' - meaning there is a 'serious risk' of damage to their health or safety or the health or safety of a member of their family (i.e. partner or child for whom they are responsible). Any award of a Short-term Advance will be recovered by deductions from subsequent payments of Universal Credit. The normal repayment period will be 12 weeks.

### **Personal Budgeting Support:**

The aim is to provide 'budgeting support' to help claimants to cope with managing their money. Budgeting support comes in two forms - there is 'Money Advice' and 'Alternative Payment Arrangements'.

### **Money Advice:**

It is expected that 'money advice' will be offered to all new claim Universal Credit claimants (and those eventually migrated across from legacy benefits) by their Jobcentre Plus 'work coaches' during their initial work-focused interviews.

It is envisaged that Money Advice will also be made available by 'signposting' claimants to online services and services offered by e.g. CAB and Money Advice Service. Some forms of advice will be face-to-face whilst other forms may be delivered through multiple telephone sessions. The aim is to tailor the 'money advice' around the themes of managing monthly payments and managing the direct payment of rent to the claimant (not landlord).

### **Alternative Payment Arrangements:**

Alternative Payment Arrangements will be available to help those who are identified as requiring additional support by means of:

- paying their housing element (rent) as a 'managed payment' direct to their landlord in order to safeguard the claimant's home
- more frequent payments (e.g. twice monthly or four times monthly) where needed
- split payments where there is financial abuse, e.g. one partner mismanages the Universal Credit payment or where domestic violence is an issue but the couple remain living together

It is understood that 'Alternative Payment Arrangements' will be 'claimant centric' – that is to say that they will be discussed and considered with the claimant. Applications will be considered on an individual case by case basis. Alternative Payment Arrangements can be considered at any point during the life of the Universal Credit claim. An application for an Alternative Payment Arrangement may be made by the claimant's representative, Social Worker or landlord.

### **Managed Payments to Landlord:**

It is understood that 'managed payment' to a landlord should be permitted when the claimant:

- is in arrears with their rent for an amount equal to (or more than) **two months** rent; or
- has 'continually underpaid' their rent over a period of time and they have accrued arrears of an amount equal to more than **one months** rent

The decision whether to allow an 'Alternative Payment Arrangement' will be made by a 'Universal Credit Agent' taking into account the claimant's circumstances. It is understood that there is no right of appeal against a decision which refuses an Alternative Payment Arrangement.

See Universal Credit guidance 'Personal Budgeting Support and Alternative Payment Arrangements - January 2015' for more information.

## **5. The Claimant Commitment**

As part of the entitlement conditions for Universal Credit, claimants (and their partners) will need to make a 'claimant commitment' which sets out what 'work-related requirements' they must meet in order to get Universal Credit. There are FOUR different 'work-related requirements' according to a person's capacity for work and personal circumstance.

The **FOUR** 'work-related requirements' are:

**1. Work-focused interview requirement:** The purpose of the work-focused interview is to examine a person's ability to find or remain in work and identify training and work opportunities.

**2. Work preparation requirement:** People placed in this group will be expected to take 'particular action' specified by the Job Centre that makes it more likely that they will be able to obtain paid employment, additional paid employment or better paid employment.

**3. Work search requirement:** This requires a person to actively seek/take all reasonable action to find work regardless of its type or salary provided it is within 90 minutes commute from their home.

**4. Work availability requirement:** This requires a person to be available for work - meaning able to attend a job interview immediately and willing to take paid employment or better paid employment immediately.

The penalty for breaking a work-related requirement (e.g. person fails to attend or take part in a work-focused interview) is a benefit sanction which will result in a reduced amount of benefit or no benefit being payable.

**Voluntary Work:** A person is allowed to do voluntary work under Universal Credit but only for a maximum of half the hours for which they are expected to secure employment in any particular week. A person who is expected to work full-time (i.e. 35 hours per week) may volunteer for 17.5 hours per week.

## 6. Universal Credit - The Assessment

The assessment principles are the same as for the benefits Universal Credit is replacing. People will be awarded a 'maximum amount' (needs allowance) from which their 'assessed income' (unearned and earned) will be deducted.

**Maximum Amount:** The 'maximum amount' will combine money for the claimant, their partner and any children. It will provide extra money for disabled children, for those who are considered to be too sick to work (e.g. they satisfy the 'limited capability for work' test), for carers, for housing (e.g. rent and mortgage interest payments) and 70% of eligible childcare costs. If a person has housing costs e.g. a mortgage or rent to pay, then this will be factored into their needs allowance calculation. However, unlike the current system, people who qualify for extra money because they may be considered too sick to work and extra money because they are a carer, will not be entitled to both allowances. This means that disabled carers stand to lose out. Also, the direct scrapping of the 'severe disability premium' (worth up to £61.10 per week) will leave many people previously considered to be severely disabled, worse off.

**Assessed Income:** Some forms of income will be counted in full (e.g. Contributory ESA, Contributory-based JSA and Carer's Allowance), some forms of income will have a partial disregard (e.g. earnings) and some forms of income will be fully disregarded (e.g. Disability Living Allowance, Personal Independence Payment and Child Benefit). If a person is working they will be allowed to keep some of their earnings by way of an earning disregard (a 'work allowance') and a taper system which will withdraw the amount of Universal Credit entitlement at a rate of 65p for each pound of excess income. People who are self-employed and on a low income will (after the first 12 months of trading in the case of a new business) be assumed to have a level of income equivalent to 35 times the National Minimum Wage unless the number of hours they can work is restricted, in which case they will be treated as having earnings equivalent to the number of hours they can work multiplied by the National Minimum Wage.



However, under Universal Credit both private tenants and social landlord tenants will have the level of assistance they may get towards their rent determined according to the size of the property they are renting and household composition. This follows on from the spare room subsidy (aka bedroom tax) measures applied to Housing Benefit since April 2013.

**Payment:** Universal Credit will normally be paid in a single payment, monthly (in arrears) direct into a person's bank, building society or Post Office account. If a person cannot open an account or manage an account then the DWP may arrange for a person to be paid by way of a 'simple payment' card which can be used at PayPoint outlets.

**Housing Costs - Two Homes:** It will be possible for a person to get housing costs on two homes where:

- there is housing cost liability for two homes because of fear of violence in the normal home - payment may be made for up to 12 months
- a 'disabled person' is unable to move to a new home because it needs adaptations - 'disabled person' means a person who is getting DLA higher or middle rate care component, Personal Independence Payment or Attendance Allowance - payment may be made for up to 12 months

If a person is unable to move into a new home immediately because they are in hospital or a care home then housing costs can still be allowed for up to one month.

## 7. Migration and Transitional Protection

It is expected that from some point in **2016** existing claimants of Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit and/or Working Tax Credit will begin to be migrated on to Universal Credit.

Whilst the rules on transitional protection have yet to be written, there is a promise of cash protection for those claimants who are migrated onto Universal Credit (as part of the 'managed migration' process) from existing benefits and find that they are worse off. However, the level of any protected amount (i.e. the difference between the amount of Universal Credit entitlement and the amount of existing benefits entitlement) will not be up-rated.

*The Government is committed to ensuring that no-one loses as a direct result of these reforms. We have ensured that no-one will experience a reduction in the benefit they receive as a result of the introduction of Universal Credit.*

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This means that any cash protected amount under Universal Credit will be eventually eroded away. In the case of large losses this could ultimately see the claimant not getting an increase in the overall benefit amount they get for several years. Also, households whose circumstances change may lose any cash protection.

## 8. Foster Carers

The present benefit system does not treat foster children as birth children of the Foster Carers. This means that Foster Carers are not normally entitled to Child Benefit or Child Tax Credit for the needs of a foster child. However, the tax credits system (Working Tax Credit and Child Tax Credit) provides concessions to Foster Carers.

These concessions allow Foster Carers to be treated as self-employed (in the determination of WTC treated as being in full-time 'remunerative work'), irrespective of whether they work outside of fostering, and apply generous disregards to the payments derived from fostering. These same principles will be carried over to Universal Credit. However, in the case of a fostering couple they will be required to nominate a lead carer and the other member of the couple will then normally be expected to participate in 'work-related requirements' (see above).

## 9. 16-17 Year Olds

When fully rolled out 16 and 17 year olds will qualify for Universal Credit if they have 'limited capability for work' (they are too sick to work), they care for a severely disabled person, they are pregnant and within 11 weeks of childbirth, they are a lone parent or they have no 'parental support'. Having no 'parental support' means - they have no parent/person acting in place of their parents (i.e. they are an orphan) or they cannot live with their parents because they are 'estranged' from them or they cannot live with their parents because of a serious risk to their physical or mental health or they cannot live with their parents because if they did they would suffer significant harm. It also includes situations where the young person is living away from their parents and their parents are unable to support them due to disability or because they are in prison. The rules are different for care leavers so please seek further information in this instance.

## 10. Claims and Backdating

It is expected that claims for Universal Credit will be made online. The website to do this is: [www.gov.uk/apply-universal-credit](http://www.gov.uk/apply-universal-credit). People who do not have access to a computer should be able to make a claim using a computer at the local Job Centre. If a person is unable to use a computer a one-to-one telephone claim may be made. The number for this is 0345 600 0723. In exceptional circumstances where a person cannot use a computer or telephone then the DWP can arrange for a member of staff to visit to complete a claim.

A claim for Universal Credit may be backdated for **one month** where a person (and their partner) could not 'reasonably' have claimed earlier because:

- they have a disability
- they were unwell at the relevant time and this has been confirmed by way of medical evidence
- the claim could not be made due to system failure or system maintenance and the claim has been made on the first day that the system was working

A claim may also be backdated for up to one month where a person has been part of a **joint claim** but this has been terminated because they have ceased to be a member of a couple. However, this only counts if the person was the first to report the separation and they are now reclaiming as a single person.

**What to do next:** Anyone who has a query surrounding Universal Credit should contact their local advice agency. **Note:** The information contained herein is meant to provide a guide to Universal Credit. It should not be treated as an authoritative statement of the law. The details may be subject to change by new regulation and/or case law. Do seek further information and advice as necessary.