FOR STAFF AND STAKEHOLDERS

CITY OF WOLVERHAMPTON COUNCIL

Benefits Bulletin

Universal Credit Update…

14th November 2018

Issue 19

There have been recent announcements about changes to Universal Credit. Some of the announcements were made in this month's Budget whilst others have been made directly by the Department for Work and Pensions (DWP). This Benefits Bulletin brings news on the key changes and seeks to explain how some of the changes will impact on people living in Wolverhampton.

Contents:

Universal Credit: News on the Changes to:

There are now 12,200 people living in Wolverhampton who get Universal Credit

1. Managed Migration

Timescale:

'Managed Migration' is set to start in **July 2019** and be completed by **December 2023** - it is during this period that those who are still getting 'legacy benefits' (e.g. Income-based JSA, Income-related ESA and Income Support) will be invited to make a claim for Universal Credit.

Time Limits:

There has been a change in the time limits allowed when people have been notified that they must apply for Universal Credit under 'managed migration' - they will be allowed 3 months rather than just 1 month to make their claim. If this is not done within the time limit any entitlement to 'legacy benefits' will expire.

Transitional Protection:

There will be transitional protection for people moving on to Universal Credit under 'managed migration'. The DWP has announced that at the point of moving on to Universal Credit people "will not lose a penny".

In addition to this, from **January 2019** people who get 'legacy benefits' that include an award of the 'severe disability premium' will not be expected to apply for Universal Credit until the 'managed migration' stage even if there has been a change in their circumstances which would otherwise have triggered a move on to Universal Credit under the 'natural migration' system. This is because it is acknowledged that this is the main group of people that would (without any transitional protection) stand to lose most.

Example: Kevin is aged 23. He lives on his own in rented accommodation. Kevin is severely disabled. He is unable to work. He gets Income-related ESA and Personal Independence Payment (enhanced 'daily living component' and standard 'mobility component'). He also gets Housing Benefit and Council Tax Reduction to help him with his rent and council tax bills. His Income-related ESA is worth £191.45 per week which includes an award of the 'severe disability premium'. This is because he gets PIP (daily living), he lives on his own and he has no one to look after him.

Kevin's entitlement under Universal Credit would be the equivalent of £146.32 per week plus help with his rent. Therefore, Kevin could stand to lose £45.13 per week (£191.45 per week ESA vs. £146.32 per week Universal Credit) in transferring on to Universal Credit. As things have stood moving under 'natural migration' he would not be afforded any transitional protection.

Therefore, he would lose out in any move. However, under 'managed migration' his income would be protected. Once he has made the move under 'managed migration' he would get the equivalent of £191.45 per week Universal Credit - £146.32 per week underlying entitlement to Universal Credit plus £45.13 per week transitional protection = £191.45 per week.

It is understood that there are up to 500,000 people who would otherwise have been worse off under Universal Credit than 'legacy benefits'.

Anyone who has been getting the 'severe disability premium' and lost out because they have been forced to apply for Universal Credit under 'natural migration' (because of a change in circumstances) should contact the DWP and seek compensation in light of this.

The High Court has ruled that in such cases the DWP has had no rational reason for promising transitional protection to those who have been required to apply for Universal Credit under 'managed migration' but having no equivalent provision in place for those who have lost out under 'natural migration'.

Protection for Those with Savings/Capital:

There is no capital limit for Working Tax Credit or Child Tax Credit. Therefore, people have been able to get tax credits even though they have quite high levels of savings/capital.

Under Universal Credit rules a person cannot apply if they have savings/capital above £16,000. There has been concern for those people who get tax credits and are required to apply for Universal Credit.

The DWP has now promised some protection for anyone migrating from tax credits on to Universal Credit under 'managed migration' - they will be exempt from the capital rule for the first 12 months of their Universal Credit claim.

It is expected that those affected would then be disqualified from getting Universal Credit if they continue to have savings/capital of £16,000 or above after 12 months.

Savings/capital includes cash, money in a bank or building society account, investments (e.g. stocks and shares) and Premium Bonds. It can include the value of any land or property but does not include the value of a person's home/place of residence. It does not include the value of personal possessions like jewellry, a car or a caravan.

Note: People in this situation need to be aware that they may be held to have 'notional' savings/capital if they should dispose of their savings/capital in order to get Universal Credit.

2. More Time to Repay Advanced Payments

From **October 2021** the period during which people have to repay an Advanced Payment will be increased from 12 months to 16 months.

Advance Payments are payments of Universal Credit people can access whilst they are waiting for their first payment of Universal Credit. To qualify a person must have applied for Universal Credit and be in 'financial need'. A person should be considered to be in 'financial need' if they have not got sufficient money to buy food or pay for their gas/electric or pay their rent.

3. 18 to 21-year olds and Housing Costs

New rules were introduced from 1st April 2017 which excluded 18 to 21-year-olds from getting help with their rent under Universal Credit unless they met one of the stated 'exempt group' provisions (see below). However, on 29th March 2018 the DWP announced that it would scrap this rule to ensure that there were no unintended barriers to young people accessing housing and to reduce potential causes of youth homelessness and rough sleeping.

It has now been announced that the rule on 18-21-year-olds is to be removed altogether from **28th December 2018**, meaning that young people will be able to access assistance with rent payments in the same way as other Universal Credit claimants from next month.

Exempt Groups (until 28th December 2018)
Includes:

- young people who have a child or do not have any parents
- young people who get Personal Independence Payment (daily living component) or Disability Living Allowance (care component at the middle or highest rate)
- young people who are unable to live with their parents because they are estrangement from them or because if they were to do so there would be a serious risk to their physical or mental health

See **Memo ADM 6/17** for further information.

4. Greater Work Allowance: £1,000 Increase Per Year

From **April 2019** the level of the current Work Allowances for families and disabled people who have 'limited capability for work' will be increased by £1,000 per year. It is estimated that nationally this will benefit 2.4 million people.

The Work Allowance is a form of earnings disregard. It represents the amount of earned income a single person or couple can have before the amount of Universal Credit paid is affected. There are presently two Work Allowances:

- 'Higher Work Allowance' worth up to £409.00 per month; or
- 'Lower Work Allowance' worth up to £198.00 per month.

People who are buying their home or who live with parents (in their parent's home) get the Higher Work Allowance whereas those who live in rented accommodation get the Lower Work Allowance.

Under the new Work Allowance Tom and Jessica will be £52.29 per month better off…

Example: Tom (aged 27) and Jessica (aged 26) are a young couple. They have two children aged 8 and 7. They live in a two-bedroom flat which they rent from Wolverhampton Homes. The couple's rent is £498.50 per month. Tom works full-time. His net pay after deductions for tax and National Insurance contributions is £1,159.00 per month. The couple's only other income is Child Benefit of £34.40 per week (equivalent to £149.06 per month).

The couple's maximum Universal Credit would be £1,506.14 per month for their day-to-day living and rent. Using the current Lower Work Allowance (awarded because the family live in rented accommodation) the first £198.00 per month of Tom's earnings would be disregarded and 63% of the balance (i.e. £605.43 per month) would be counted as his earned income. This means that the couple would qualify for £900.71 per month Universal Credit (£1,506.14 maximum Universal Credit less £605.43 earned income = £900.71).

With £1,000 per year increase to the new Lower Work Allowance should be worth £281.00 per month. Therefore, £281.00 per month of Tom's earnings would be disregarded and 63% of the balance (i.e. £553.14 per month) would be counted as his earned income. In this case the couple's Universal Credit entitlement would be £953.00 per month Universal Credit (£1,506.14 maximum Universal Credit less £553.14 earned income = £953.00).

The couple's Universal Credit entitlement would increase from £900.71 per month to £953.00 per month. A difference of £52.29 per month. This is because a greater amount of Tom's earned income would be disregarded.

If Tom were not working the couple's total income would be £1,655.20 per month (£1,506.14 Universal Credit plus £149.06 Child Benefit = £1,655.20). Therefore, the couple would be £553.57 per month (or £605.86 per month - with new increased Work Allowance) 'better off' with Tom working. Obviously, fares to work and other work-related expenses, the potential loss of free school meals, NHS benefits and greater council tax payments would need to be factored into any 'better off' equation.

5. Extra Support for those Moving on to Universal Credit from Legacy Benefits

From **July 2020** claimants moving to Universal Credit from Income-based JSA, Income-related ESA and Income Support will continue to be paid their Income-based JSA, Income-related ESA and Income Support payments for first fortnight of their Universal Credit claim. This will help many people during the waiting period (one month and one week) before they get their first payment of Universal Credit.

Since April 2018 those getting Housing Benefit have benefitted from being paid a two-week run-on of Housing Benefit during the first two weeks of their Universal Credit claim.

6. Help for Self-employed: Minimum Income Floor

From **July 2019** the 'start-up period' currently only applied to new businesses will be extended to all self-employed claimants to help support new self-employed people and to help them to grow their business.

Under current Universal Credit provisions people starting a new business are able to have any Universal Credit entitlement assessed on their actual month to month net profit during an initial 12 month 'start-up period'. However, after this their entitlement must be assessed using a 'Minimum Income Floor' figure if their actual net profit figure is lower. This means that people could miss out on Universal Credit that they might otherwise be entitled to.

The '**Minimum Income Floor**' is calculated using the following formula:

National Minimum Wage
multiplied by
Number of hours the person is expected to work under Universal Credit rules

The number of hours a person is expected to work will usually be 35 per week but it can be fewer if, for example, the person is a carer, disabled or they undertake voluntary work.

Example: Salima is aged 26 and lives at home with her parents. She has just set up a new business working as a self-employed mobile beautician.

Salima thinks it will take at least 18 months to fully establish her business. She thinks that her net profit will be no more than £275.00 per month during this period.

Salima's Universal Credit entitlement would be assessed based upon her actual net profit for 12 months. Using the net profit figure of £275.00 a month Salima would be entitled to £317.82 per month Universal Credit.

However, after 12 months the figure used as Salima's net profit would be £1,187.55 per month (i.e. her NMW figure £7.83 x 35 hours per week = £274.05 x 52 weeks divided by 12 months = £1,187.55 per month). Based upon this figure Salima would not be entitled to any Universal Credit.

Under the new rules Salima would be able to take advantage of the 'start-up period' even if she had already been trading for many months before she applied for Universal Credit.

7. Reduction in Maximum Amount to Repay Debts…

From **October 2019** the maximum rate of deductions from a person's Universal Credit to repay overpayments or debts (e.g. Social Fund loans, rent arrears, council tax arrears, water rates arrears, gas and electric arrears) will be reduced from 40% of the standard Universal Credit to 30%.

Claimant:	40% Month	30% Month
▪ Single person aged under 25	£100.70	£75.50
▪ Single person aged 25 or over	£127.10	£95.35
▪ Couple both aged under 25	£199.55	£149.65
▪ Couple one aged 25 or over	£158.80	£118.55

As a rule, if someone is in rent arrears the DWP can pay up to 20% of their Universal Credit 'standard allowance' to their landlord. If a person is in arrears with their fuel bills 5% Universal Credit 'standard allowance' can be deducted and paid to the relevant utility company. The DWP can also make this arrangement if a person is in arrears with water rates or council tax. The amounts stated represent the maximum deductions that can be applied in cases where a person has multiple debts.

Example: Lewis is aged 37. He lives on his own in rented accommodation. His rent is £220.00 per month. Lewis has a number of debts. He is in both rent and council tax arrears. He is in arrears with his gas and electric suppliers and has an unrepaid Social Fund loan and court fine. Lewis is entitled to £537.82 per month Universal Credit. He gets £220.00 per month to pay for his rent and £317.82 per month to meet his day-to-day living expenses.

The most that the DWP can deduct from his Universal Credit to pay towards his debts is presently £127.10 per month. In the future this figure will be reduced to £95.35 per month. When this happens then Lewis will be left with £190.72 or £222.47 per month for his day-to-day living expenses.

It is the DWP's intention that by reducing the maximum amount for deductions those on Universal Credit will be supported to repay debts in a more sustainable and manageable way.

8. Two Child Limit - Adopters and Kinship Carers

From this month (November 2018) the exceptions to the two-child limit for children who are adopted or in kinship care will apply irrespective of the order in which the child(ren) joined the family.

The two-child limit means that families claiming Universal Credit will not get the 'Child Element' (worth up to £231.67 per month) for any child (unless that child may be considered to be an 'exempt child') born on or after 6th April 2017 where the family is already claiming for two children.

An 'exempt child' will include a child born:

- as a result of a multiple birth,
- rape; or
- in a controlling or coercive relationship.

Do seek further information and advice as necessary.

9. Supporting Vulnerable Claimants to Verify Identity

It has been recognised that, whilst the majority of people are able to successfully verify their identity as part of making a Universal Credit claim, for others, particularly the most vulnerable, they often have to rely on third party verification - from e.g. their doctor, Social Work or Probation Officer.

To address this problem and enable vulnerable people to verify their identity more easily the DWP is allowing:

- information gathered from the claimant to be compared against information already held in its records; and
- members of Job Centre staff, who know the claimant through their use of the Job Centre, to identify them.

The list of 'primary evidence documentation' has also been extended to help in this area. Now primary evidence documentation to verify identity and/or home address can include:

- a Non-EEA Passport
- Bank Card accompanied by bank statements
- Citizen's Card

A Building Society Passbook can now also be considered as 'secondary evidence' for claim purposes.

10. Citizens Advice to provide Strengthened Universal Support

From **1st April 2019** Citizens Advice will be funded by the DWP to provide 'comprehensive and practical support' needed to help people apply for Universal Credit, get their first payment on time and be ready to manage it when it arrives. The emphasis will be to help on matters of digital support and budgeting advice.

citizens advice

It is understood that the DWP will be piloting the delivery of 'Universal Support' with some Citizens Advice offices (not Citizens Advice Wolverhampton) up to 31st March 2019 before a national rollout to all Citizens Advice offices in April.

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