

Derbyshire Welfare Rights Service

How is Universal Credit worked out?

Universal Credit is a means-tested benefit which will eventually replace Income Support, Income-Based Jobseeker's Allowance, Income-Related Employment and Support Allowance, Working Tax Credit, Child Tax Credit and Housing Benefit - DWP refers to these as 'legacy benefits'.

The UC 'full service' (see below) has now been introduced throughout Derbyshire.

The full service of UC affects all new means-tested benefit claims for people of working age and will apply to all sorts of claimants, even those who are working.

Where the full service is in place, it is not usually possible to make a new claim for any of the benefits that UC replaces – but there is an exception for some severely disabled people. Existing benefit claims may not change until between November 2020 and September 2024, but your claim could change to UC if you have a change of circumstances which means that you need to make a new claim for means-tested benefit.

For full details, please see our website or our leaflet 'Universal Credit – what is happening now and in the future in Derbyshire'.

Call our Helpline for further advice.

What is Universal Credit?

Universal Credit is a 'means-tested' benefit, which is paid if your existing income is below a level set by the law – so it is a top-up to any existing income that you have -whether you are in or out of work.

UC is paid monthly in arrears, and payment is decided on the income that you have received in your previous 'assessment period' (which is one calendar month – the start-date of your assessment period is the date from which you were first entitled to UC).

What is maximum Universal Credit?

Maximum Universal Credit is what you would get if you had no money at all coming in. It is a set monthly figure which depends upon your circumstances.

UC has allowances for couples, children, disability (for both adults and children) for carers for severely disabled people and for help with child care costs if you are working. The current rates for UC are set out at the end of this leaflet. NB they are monthly rates and represent the maximum possible UC payable in a month.

Seek advice if you want to know if your UC payment is correct.

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Example – Trev is 20 years old and lives alone in a rented flat, he pays £400 per month for this. He is out of work and has no money. His maximum UC is:

Single person – £342.72 (if he was 25 or over this would be £409.89)

Housing Costs –£400.00

Total - £742.72 per month

If you start UC as a single person but your situation changes (for instance you move in with your partner), your maximum UC could change – contact the Helpline for full advice.

Example – if Trev moved in with his partner, Kim, who is 21, their maximum UC would be £488.59 plus their housing costs of £400, total £888.59.

If one of them was 25 or over, the rate of UC for a couple would be £594.04 monthly.

What income counts?

If you start work or you become self-employed, your take-home pay (less any pension contributions you make) counts as income for UC.

If you get any benefits or pensions, these will usually count as income too. The only benefits that don't count as income are:

- Disability Living Allowance
- Personal Independence Payment
- Attendance Allowance
- Constant Attendance Allowance (Industrial Injuries)
- Child Benefit
- Guardian's Allowance
- Child maintenance
- Fostering allowances and fees (foster children will continue not to count as members of the family)
- War Pensions

There are special rules for your income if you are a student. Seek advice.

If you receive a personal injury payment or other compensation, seek advice, as these may not affect your UC. You will need advice.

What if I have savings?

Savings (or any other capital) over £6000 will affect Universal Credit. For every £250 (or part of £250) that you have over £6000, you are assumed to have £ 4.35 per month income. This is not to say you actually get any income from your savings; it is a fixed rule to reduce UC payments if you have savings.

If you have more than £16000 capital you cannot get UC.

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The capital limit is the same whether you are single or a couple.

Example – Trev gets a job and earns £400 take-home a month. He also inherits £10,000 from his uncle.

His income for UC will be £400 per month (but see below, not all of this will be counted) and he will also be assumed to have £69.60 per month income from his savings. He hasn't got that income in reality, but nevertheless it affects his UC.

Can I keep any of my earnings before they affect my benefit?

Yes – there may be a 'work allowance' which means you can earn up to this amount each month without it affecting your UC.

What rate of Work Allowance you get depends upon your circumstances, and there is a higher rate of Work Allowance for people who do not receive any help with housing costs.

This allowance only applies to income you have earned through employment or self-employment.

If you earn over the work allowance, you don't lose UC pound for pound. Your benefit is reduced by 63% of the amount by which your earnings go over the work allowance. This 'taper' only applies to income you have earned through employment or self-employment.

Trev's maximum UC is £888.59 per month (couple rate UC plus rent)
He earns £400 per month. His Work Allowance is NIL per month.
So his UC will be affected by the £400 of his earnings that exceed the Work Allowance.
Only 63% of this counts, however, so £252 of his wages affects his UC.
His UC is now £566.99 (that's £888.59 less £252, less the £69.60 because of his savings)

Work Allowances still apply to people who are responsible for children or who have 'limited capability for work' (i.e. they are ill or disabled)

If you are employed – make sure your employer is reporting your income to Her Majesty's Revenue and Customs

Universal Credit employs a 'Real-Time Information' system through which your employer can report your monthly wages to HMRC.

This will normally mean that you do not have to report your work income to Universal Credit – but you must report any other changes that may affect your entitlement to UC.

However, some employers may not use the RTI system. If your employer fails to report your income you may be overpaid UC, and any overpayment will be claimed back from you.

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If in doubt, seek advice.

Self-employed on UC?

If you are self-employed and claiming UC, or you are considering going in to self-employment, seek advice as the rules relating to self-employment are very complex.

Universal Credit rates – per assessment period (monthly)

NB – the ‘standard allowance’ for UC has been increased from 6/4/20 for one year as part of the response to the Coronavirus outbreak – the figure may be lower next year

For advice on which of these elements applies to your claim and how the full amount is worked out, contact the Helpline

Adults

Standard allowance - single person 25+	£409.89
Standard allowance - single person under 25	£342.72
Standard allowance - couple	£594.04
Standard allowance - couple both under 25	£488.59
Limited capability for work element, OR	£128.25
Limited capability for work and work-related activity element	£341.92
Carer element	£162.92

Children & young people

1 st child element	£281.25 for claims prior to April 2017 £235.83 for claims after April 2017
2nd and subsequent child element	£235.83
Disabled child addition – lower	£128.25
OR	
Disabled child addition – higher	£400.29

Plus

Childcare costs element	1 child: maximum	£646.00
	2 or more children: maximum	£1108.04
Deduction for a ‘non-dependant’ living in the home		£73.89

You may only be allowed a UC ‘child element’ for the first two children for whom you claim. No help may be given with third or subsequent children who were born on or after 6/4/17. There are exceptions to this policy and some severely disabled people may be able to claim legacy benefits instead of UC – seek advice.

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WORK ALLOWANCES

Work Allowances (£ per month)

Higher work allowance – applied if not receiving housing costs

Single & joint claimants:

not responsible for a child or qualifying young person	£NIL
responsible for one or more children or qualifying young persons and/or has limited capability for work	£512

Lower work allowance - applied if receiving housing costs

Single & Joint claimants:

not responsible for a child or qualifying young person	£NIL
responsible for one or more children or qualifying young persons and/or has limited capability for work	£292.00

Additional information can be found on our website, visit www.derbyshire.gov.uk/welfarebenefits

To keep up-to-date with benefit changes in Derbyshire go to
www.derbyshire.gov.uk/benefitnews

Benefits Helpline – 01629 531535 or email
welfarebenefits@derbyshire.gov.uk

Monday, Tuesday, Thursday, Friday
11.00am – 4.00pm

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