



Benefits Newsletter October 2018 Budget Special

1. Universal Credit

The October 2018 Budget includes a number of welcome changes to Universal Credit which will improve UC for some claimants, but most of these changes are not coming into effect until 2019/2020 or later. See [October Budget 2018](#) and [Policy Costings](#)

Universal Credit Work Allowance increase

'The Budget announces that the amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn – the Work Allowance – will be increased by £1,000 from April 2019.(about £83 a month)'

Work allowances are the amounts that people are allowed to earn before the amount of Universal Credit is reduced by 63p for every £1 earned. Work allowances for families with children and people with disabilities are currently £198 a month for claimants who receive housing support as part of their UC and £409 a month for those who do not receive housing support as part of their UC. It is not yet clear from the Budget if both types of work allowance are to be increased by £1,000 a year, we assume it is both.

Single people who do not have a disability and do not have children do not receive a work allowance, so their UC is reduced by 63p for every £1 they earn, so they will not benefit from this increased work allowance.

Additional two weeks of benefit for some claimants moving onto UC

'Building on the Autumn Budget 2017 announcement that Housing Benefit claimants will receive an additional payment providing a fortnight's worth of support during their transition to Universal Credit, the government will extend this provision to cover the income-related elements of Jobseeker's Allowance and Employment and Support Allowance, and Income Support. This will be effective from July 2020, and benefit around 1.1 million claimants.'

At present Housing Benefit claimants who are claiming UC after a change of circumstances receive HB for an additional two weeks after their HB claim ends which reduces amount of rent arrears that build up. The extension to this rule will enable people who are migrating to UC from Income Support, income-based JSA, or income-related ESA, to receive this benefit for an additional two weeks, from July 2020.

Self-employed claimants on UC

'To support the transition to Universal Credit for all self-employed people, the government is also extending the 12-month grace period (the period before the Minimum Income Floor applies) to all gainfully self-employed people; giving claimants time to grow their businesses to a sustainable level. This will be introduced from July 2019 and implemented fully from September 2020.'

Most self-employed claimants are expected to have earnings which are equivalent to 35 hours a week at the National Minimum Wage rate, this is called the 'minimum income floor'. If they fail to achieve this level of earnings their UC is assessed as if they are achieving that level of earnings. This has resulted in many UC self-employed claimants

losing entitlements to UC, even during months when they have had little or no income. The budget announcement will mean all new UC claimants, as well as those who are starting a new business, will have one year in which they will not have to meet the minimum income floor requirements.

Debt deductions and recovery of benefit advances

'From October 2019, the government will reduce the maximum rate at which deductions can be made from a Universal Credit award from 40% to 30% of the standard allowance. This will ensure that those on Universal Credit are supported to repay debts in a more sustainable and manageable way. From October 2021, the government will also increase the period over which advances will be recovered, from 12 to 16 months.'

Currently claimants can have a wide range of deductions from the UC which are for repayment of benefit advance payments, reductions following a benefit sanction, repayments of benefit overpayments or fines for fraud, repayment of hardship payments, payments towards rent arrears, utility bill arrears, council tax arrears, child support arrears and payment of fines. The maximum deduction is currently capped at 40%, which is causing considerable hardship for claimants who have a number of deductions, especially if they also have the amount of rent support reduced because they are considered to have spare bedrooms in their home.

It is not clear from this announcement if there is any intention to reduce the amount that is deducted for rent arrears which is usually set at 20% of the personal allowance, or the amount of deductions for a repayment of a hardship payment which is set at £199.56 per month for a couple over 25 (40% of their personal allowance).

Managed migration period extended

'In response to feedback on Universal Credit, the implementation schedule has been updated: it will begin in July 2019, as planned, but will end in December 2023.'

This new deadline pushes back the completion date by 9 months, from the end of March 2023 to the end of December 2023, but leaves the start date as July 2019. However in the [Policy Costings](#) document (page 9) it states that the *Managed Migration will start in January 2020 and will not be completed until June 2024* which is adds another 6 months to the timetable. We need wait for the legislation to see which timetable is the one we are working to.

Surplus Earnings Policy

'The scope of the surplus earnings policy in Universal Credit will also be temporarily reduced: it will continue to affect large earnings spikes (above £2,500) until April 2020, when it will revert to affecting earnings spikes of £300.'

The surplus income policy affects Universal Credit claimants who have an increase in income which takes them off UC and then have a decrease income within 6 months which then takes them back onto UC. The income level which takes them off UC is called the 'nil UC threshold'. Surplus income is any extra income the claimant received, in the interim period which was above the 'nil UC threshold' plus £300. Surplus income is then taken into account when the claimant becomes entitled to UC again because their income is dropped. The change in the threshold will benefit seasonal workers, who often have no littler or income during their off-season.

Claimants who receive the Severe Disability Premium

From January 2019, claimants who receive the severe disability premium as part of their Income Support/income-based JSA/income-related ESA/Housing Benefit/Pension Credit will not have to claim UC if they have a change of circumstances. They will stay on legacy benefits until they are asked to claim UC as part of managed migration.

2. Housing Benefit

'The government continues to ensure that housing benefit is targeted most effectively to support those who need it. This includes:

- **Revising the timetable for transferring rent support from Housing Benefit to Pension Credit** – *The government will delay the transfer of rent support from Housing Benefit to Pension Credit by 3 years, to ensure that this transfer aligns with the full implementation of Universal Credit.*
- **Retaining funding for supported housing in welfare** – *As announced in August 2018, the government has decided to retain funding for supported housing within the welfare system, rather than moving to a local funding model.*
- **Reinstating automatic entitlement to housing support for 18 to 21 year olds** – *As announced by the Secretary of State for Work and Pensions in March 2018, the government will reinstate automatic entitlement for housing support for 18 to 21 year olds. This group will therefore be entitled to claim support for housing costs under Universal Credit.'*

This announcement confirms many of the policy changes which have already been announced.

3. Parental bereavement leave and pay

'The government will introduce a new statutory entitlement to two weeks' of leave for employees who suffer the death of a child under 18, or a stillbirth after 24 weeks of pregnancy. Employed parents will also be able to claim pay for this period, subject to meeting eligibility criteria. This entitlement will come into force in April 2020.'

This is a welcome addition to statutory rights for bereaved parents, who currently have no rights to time-off following the loss of a child.

4. Industrial Injuries Disablement Benefit –

'Dupuytren's contracture will be added to the existing list of over 70 prescribed diseases for which Industrial Injuries Disablement Benefit is payable, as recommended by the Industrial Injuries Advisory Council. Eligible claimants are expected to gain, on average, over £1,200 per year.'

This is a welcome addition to the list of prescribed diseases for IIDB.

5. National Minimum/Living Wage Increases

The Budget confirmed that from April 2019: -

- the NLW for workers over 25 will increase from £7.83 to £8.21;
- the NMW for 21 to 24 year olds will increase from £7.38 to £7.70 per hour;
- the NMW for 18 to 20 year olds will increase from £5.90 to £6.15 per hour;
- the NMW for 16 to 17 year olds will increase from £4.20 to £4.35 per hour; and
- the rate for apprentices will increase from £3.70 to £3.90 per hour