



THE PRACTICAL IMPLICATIONS OF UNIVERSAL CREDIT

Part two: calculation of awards

This briefing is the second in a series of guides to the practical implications of universal credit (UC). Part one, which focuses on the issue of eligibility, can be downloaded from the [CIH website](#).

This guide focuses on how awards of UC are calculated and covers the following specific areas:

- calculating the housing costs element of UC
- calculating a claimant's total maximum award
- deductions for other income
- the overall benefit cap
- changes of circumstance.
- reasonable facilities, such as laundry rooms and children's play areas
- provision of basic communal services, such as rubbish collection and secure access
- use of essential items, such as furniture and appliances, in own accommodation.

Calculating the housing costs element of UC

Like housing benefit (HB), the housing costs element of UC is calculated to cover the claimant's rent and any eligible service charges. However, unlike HB, all calculations are based on monthly, rather than weekly, figures.

The types of service charge which are eligible are also similar to those covered by HB. This includes charges for:

- window cleaning of upper floors
- maintenance and cleaning of communal areas
- supply of water and fuel to communal areas
- Deductions may be made to the housing costs element for the bedroom tax, which applies in exactly the same way as it does to HB claimants, and/or for non-dependent deductions (now referred to as 'housing cost contributions').
- Under UC, some claimants are exempt from having any housing cost contributions deducted from their claim. These are claimants who are any of the following (please note that these refer to the UC claimant, not to the non-dependent who is living with them):
- blind
- receiving the middle or high care rate of disability living allowance (DLA)
- receiving the daily living component of personal independence payments (PIP)
- receiving attendance allowance.



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In addition, deductions are also not made from any claim for a non-dependent who is any of the following:

- aged under 21
- receiving state pension credit
- receiving the middle or high care component of DLA
- receiving the daily living component of PIP
- receiving attendance allowance
- receiving carer's allowance
- in prison
- responsible for a child under the age of five
- a son or daughter of the claimant who is a member of the armed forces away on operations.

Calculating a claimant's total maximum award

A claimant's total UC award is calculated by adding the housing costs element together with up to five other elements. Each of these is calculated separately and the sum total of them is the claimant's 'maximum award'. This is the amount that is paid to them if they have no other income and are not affected by the benefit cap.

The five other elements which make up the maximum award are:

- a standard allowance - a fixed amount depending on the claimant's household type and age, equivalent to the HB personal allowance for a single person, couple etc
- the child element - an additional amount paid

for each child in the household, although the government have now announced that from April 2017 the child element will only cover a maximum of two children in most cases. This element replaces child tax credits and the personal allowance for a child under HB

- the work capability element – an additional amount paid to claimants who have been assessed as not being able to work. This replaces the work-related and support components in employment support allowance (ESA)
- the carer element – an additional amount paid to those who receive the carer's allowance. It replaces the carer premium under HB and income support
- child care costs – an additional amount paid to working households per child, up to maximum of two children. This replaces child tax credits for working households and the child care earnings regards of HB.

Deductions for other income

If a claimant has other sources of income, such as a salary or other benefits, they may not receive their maximum UC award in full. Instead their award may be reduced to take their additional income into account.

The rate at which a UC award is reduced is often referred to as the 'taper'. For unearned income, such as other benefits (except for those which are explicitly excluded from calculations), the taper is 100%. This means that for every £1 of additional unearned income that a claimant receives, a corresponding £1 is deducted from their UC award.

For earned income (i.e. pay or income from self employment) the taper is 65%. A key aim of



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universal credit is to improve work incentives by ensuring that claimants are always better off when their income increases. It has therefore been designed to have a shallower taper for earned income than the benefits that it replaces. This means that UC is generally withdrawn at a slower rate as income increases, compared to the existing system.

The taper for earned income is also only applied above a certain level, which is referred to as the 'work allowance'. The work allowance is the equivalent to the earnings disregards in HB, income support, jobseeker's allowance and ESA.

As part of the Summer Budget 2015, the government announced that they now intend to remove the work allowance for non-disabled childless households. For all other households, it will be set at £192 per month. Therefore any household earning less than their work allowance (where this still applies) will not have their award reduced as a result, while a household earning more than theirs will see 65p deducted from their maximum award for every additional £1 that they earn.

The overall benefit cap

The overall benefit cap limits the total amount of most benefits that any working age household can receive. It applies to households receiving UC in broadly the same way as it applies to those receiving HB.

Currently the cap is set at £500 per week (or £26k per year) for couples and single people with children and at £350 per week for single people without children. However the government have now announced that they will reduce the cap for households with children to £385 per week (£20k per year), or £442 per week (£23k per year) in London.

To determine whether the benefit cap applies to a particular household, their UC award is added together with any child benefit and other out of work benefits they may receive. If the total of these exceeds the level of the cap, then their UC award is reduced accordingly.

Working households are exempt from the overall benefit cap. Under UC the threshold for a household to qualify for that exemption has been simplified so that the cap does not apply if the claimant receives £100 per week or more in earned income.

Changes of circumstance

UC is a monthly benefit – it is paid once each calendar month in arrears. The period over which payments are calculated (the 'assessment period') is therefore also a calendar month, and any changes to a claimant's circumstances which affect their award always take effect from the next payment.

The start of the assessment period is determined by the first day of the claimant's entitlement (once any waiting days have elapsed). For example, if the date of a new claim is 1 September and the claimant's waiting days are from 1 September to 7 September, then their first assessment period starts from the 8 September (the first day of the claimant's entitlement).

The assessment period then runs for a complete calendar month from 8 September to 7 October, with a new assessment period beginning on 8 October. The claimants' award is then paid seven days after the end of each assessment period, in this case the 14th of each month starting from 14 October (although in practice exact payment dates may vary, for example if they fall on a Sunday or a bank holiday).



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Crucially, if a change in circumstances occurs halfway through the assessment period, it is not applied 'pro-rata'. Instead the new award is calculated as if the change had occurred at the beginning of the period:

At the start of the assessment period (e.g. 8 November)	At any time during the assessment period	At the end of the assessment period (e.g. 7 December)
The anniversary of the claimant's entitlement indicates the start of a new assessment period	If a change of circumstances occurs, any changes to eligibility or to the size of the claimant's award are applied	Payment is calculated based on the new circumstances, and UC should be paid in a further seven days

Compared to HB, which is a weekly benefit, this means that changes may take longer to take effect (if they occur towards the beginning of an assessment period) or may be applied retrospectively to a longer period of time before which they had actually occurred (if they occur towards the end of an assessment period). Whether this is advantageous or disadvantageous for the claimant depends on the nature of the change (i.e. whether it increases or decreases the size of their award) and when it occurs.

