

Benefits and Work...

Fact Sheet 1: For Residents and Advisers

18th December 2024

www.wolverhampton.gov.uk

1. Introduction

This Fact Sheet is designed to provide information on 'work and benefits' - which benefits are available to people living in Wolverhampton who are in paid employment and what impact working can have on the benefits a person gets.

The majority of the information provided is about Universal Credit. This is because Universal Credit is now the key benefit available to those in paid employment but whose earnings are limited because they only work part-time or because the work they do is low paid.

The Fact Sheet does not seek to provide detailed information on how Universal Credit is calculated in every situation. However, it does provide an overview and through the use of case studies, seeks to provide insight into what people can expect should they move from benefits into paid work or should they be in part-time or low paid employment.

I love my job... 

The Fact Sheet examines the position of people who are working but become too sick to work and those who work but then sustain injury as a result of an accident at work.

Advice for the
self-employed

It also provides information on work and the possible implications for Personal Independence Payment / Disability Living Allowance and Carer's Allowance.

2. Universal Credit

Amongst the aims of the new Universal Credit were the aims of:

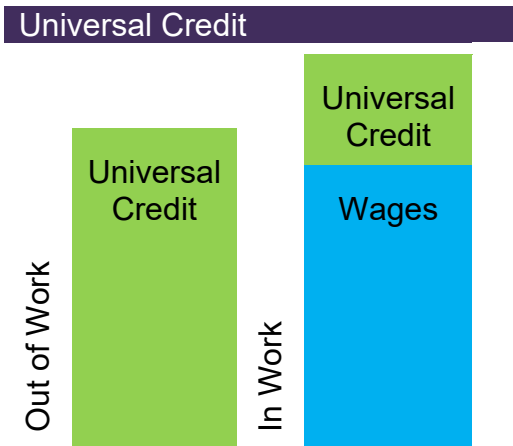
- simplifying the benefits system; and
- making work pay - that people will be better off in work than on benefit.

Some would argue that at least whilst Universal Credit is bedding in, the world of benefits is a much more complicated place than it was.



However, there is no denying the principle that by replacing the concept of ‘in-work benefits’ and ‘out-of-work benefits’ with a system involving a single benefit that people could claim when they were in work or out of work, things should be more straightforward.

Universal Credit should make the transition from unemployment to employment (and vice versa - from employment to unemployment) less onerous.



“...there are substantial advantages to having a more integrated benefits and tax credits system: it would reduce the Government’s administration costs and the amount of money lost to fraud and error and be simpler for recipients to understand, which might in itself encourage some to enter work. We agree with this assessment and consider there to be a strong case for integrating all benefits and tax credits into a single benefit.”

The Institute for Fiscal Studies - November 2010

The Universal Credit White Paper (Universal Credit: Welfare That Works - November 2010) reported that under the tax credit system, many had all or almost all of their earnings deducted from their benefits and that the lack of any significant return from work was compounded by the complexity of separate out-of-work benefits and in-work tax credits and Housing Benefit. This was said to create a disconnect between out-of-work benefits and in-work support. The view was that taking a low-paid job meant people taking a risk as tax credits are calculated and Housing Benefit adjusted over weeks and sometimes months, which many were not prepared to take and so remained trapped on benefits for many years as a result.

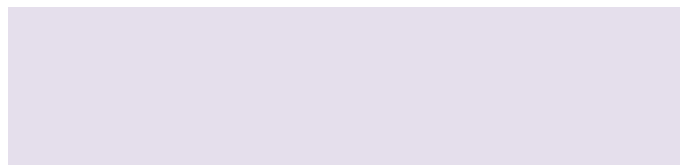
A. Who Can Apply for Universal Credit

Universal Credit is available to a wide group of people of ‘working age’ (aged 18 to 66). It may be claimed by people who are:

- A. unemployed
- B. too sick to work
- C. a carer
- D. lone parents
- E. in part-time employment
- F. in full-time employment.

16 and 17-year-olds: A young person may apply for Universal Credit but in limited situations. For example, a young person may apply for Universal Credit if they are too sick to work, a lone parent or a carer. They may also claim Universal Credit where they live away from home and are without ‘parental support’. Please see our Fact Sheet 2: Benefits for Young People for more information.

Age: In the case of couples at least one member must be aged under 66 in order to be able to apply for Universal Credit.



People in Education: It would be wrong to say that people in education cannot claim Universal Credit. However, the circumstances in which people in education may be entitled to Universal Credit are limited. Everything will depend on the person's age, the nature of the course they are attending and their personal situation. Please see our Fact Sheet 2: Benefits for Young People for more information.

People from Abroad: The rules surrounding the circumstances in which non-British nationals can apply for Universal Credit are complicated. As things stand, if someone is an EEA national and they have **Settled Status** (under the European Union Settlement Scheme) then they should be able to access Universal Credit (and other Social Security benefits) in the same way as any British national. EEA nationals with only **Pre-settled Status** should still be able to access Universal Credit if they may be considered to be a 'worker' or 'self-employed person' or someone who may be treated as retaining their status as a 'worker' or 'self-employed person' during a period when they are not working e.g. due to redundancy, ill-health or pregnancy. As for the rights of those with Pre-settled Status to apply for other benefits e.g. Child Benefit, New Style JSA and New Style ESA then they should be able to do so providing they meet the normal qualifying rules. If a person does not have Settled Status or Pre-settled Status and they are an EEA national or a national from elsewhere then their ability to work / apply for Social Security benefit may be restricted. Indeed, subject to their immigration status they may be disqualified from claiming Social Security benefits altogether. Do seek further information and advice as necessary.

Savings/Capital: Anyone with savings/capital of £16,000 or more will not be able to apply for Universal Credit. Although please see 7: Legacy Benefits and Managed Migration for situations where former tax credit claimants with capital over £16,000 may be able to apply for Universal Credit). Savings include savings in bank or building society accounts and investments and shares. Capital includes any land or property owned. In the case of couples, it is their joint savings/capital that counts. However, it does not include the accommodation the person lives in as their home. Personal possessions such as a car, caravan or jewelry are also not counted providing they have not been purchased with the intention of reducing a person's savings/capital so they can obtain Universal Credit or a greater amount in Universal Credit.

B. The Universal Credit Calculation

Universal Credit is worked out on a monthly basis. How much Universal Credit is paid depends on the personal and financial circumstances of the claimant (and their partner).

The claimant is awarded a 'maximum amount' of Universal Credit according to their personal circumstances (e.g. single, couple and any children) and housing costs (rent / eligible service charges). Extra money can then be included for disability, caring responsibilities and if the person is working, eligible childcare costs.

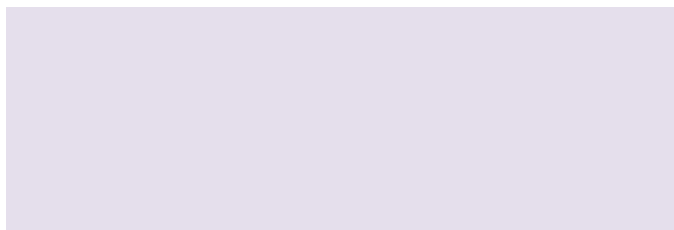
The resulting overall figure is meant to represent the amount a person needs for day-to-day living and to pay their rent, etc. From this amount is deducted the claimant's (and their partner's) 'assessed income'. Under the 'assessed income' formula some income is counted in full, some in part whilst some forms of income may be fully disregarded.

STEP 1: WORK OUT MAXIMUM UNIVERSAL CREDIT

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STEP 2: WORK OUT ASSESSED INCOME

STEP 3: WORK OUT UNIVERSAL CREDIT ENTITLEMENT



Step 1: Maximum Amount

The 'maximum amount' comprises of:

A. Standard Allowance:	Monthly
- Single Aged 25 or over	£393.45
- Single Aged Under 25	£311.68
- Couple One Aged 25 or over	£617.60
- Couple Both Aged Under 25	£489.23

This is money for the claimant. As you can see different amounts are awarded depending upon age and a greater amount is awarded in the case of couples.

B. Child Element:	Monthly
- Child Element	£287.92

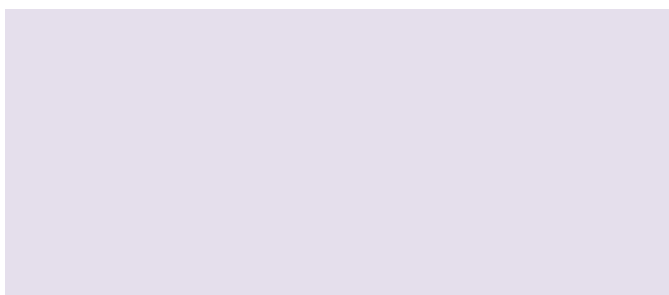
The Child Element is paid for any child for whom the claimant (or their partner) either receives Child Benefit or is able to claim Child Benefit for. If a person has a child that was born before 6.4.2017 then the amount awarded for that child would be £333.33 per month (not £287.92 per month). However, a person may only get one award of the £333.33 per month 'child element'.

Examples. Tina has two children, both born before 6.4.2017. Tina would get two 'child elements' - one for £333.33 per month and one for £287.92 per month. Salma has two children, one born before 6.4.2017 and one born after this date. Salma would get two 'child elements' - one for £333.33 per month and one for £287.92 per month.

John has two children both born after 6.4.2017. John will get two 'child elements'- each for £287.92 per month.

If the claimant has a disabled child (e.g. a child who is getting Disability Living Allowance or Personal Independence Payment) then an extra £156.11 per month or £487.58 per month can be awarded. Do seek further information and advice as necessary.

Two Child Rule: New rules now mean that since 6.4.2017 people may only get a Child Element for a maximum of up to two children unless the children were born before this date. Therefore, if a family has three children and all are born prior to 6.4.2017 then they will get a Child Element for each child.



However, if a family has three children and one was born after 6.4.2017 then they will only receive two Child Elements unless the third child may be exempted from this rule e.g. because they were born as a result of rape or non-consensual intercourse or are children from a multiple birth.

C. Sickness for Work / Carers	Monthly
- LCW Element	£156.11
- LCWRA Element	£416.19
- Carer Element	£198.31

If the person (and/or their partner) is disabled and has been assessed as having 'limited capability for work' (LCW) or 'limited capability for work-related activity' (LCWRA), then an extra amount may be awarded in recognition of this. However, the 'limited capability for work element' may only be paid if the person had an assessment of 'limited capability for work' and was getting Universal Credit prior to 3.4.2017 or they have transferred from Income-related ESA on to Universal Credit and their award of Income-related ESA included the 'work-related activity component'.

Historically, if someone was working or entered paid employment (irrespective of how many hours they work or the amount they actually earn) then they would not have been entitled to any SMI loan. However, this rule was abolished from 3rd April 2023.

Sheltered Housing: If a person is living in sheltered housing ('specific accommodation': accommodation provided by a housing association or charity which provides them with care and support or is temporary accommodation for homeless people) then even if they get Universal Credit, their rent and eligible service charges will be met by Housing Benefit, not Universal Credit.

Further, if the claimant or their partner may be considered to be caring for a disabled child or adult, then a 'carer element' can be awarded.

In any case, please be aware that there is a complicated set of rules which apply when a person (and/or their partner) is able to get the 'limited capability for work element', the 'limited capability for work-related activity element' and/or the 'carer element', to stop individuals and couple's from being awarded all of the different elements at the same time.

For example, if a person is entitled to the 'limited capability for work element' and the 'limited capability for work-related activity element', then their award would only include the higher amount 'limited capability for work-related activity element'. Do seek further information and advice as necessary.

D. Housing Cost Element: Monthly
- Rent / Eligible Service Charges TBD

If the person has rent to pay / eligible service charges, then they can get a 'housing cost element' to help them to meet the cost of their rent / eligible service charges.

Homeowners: If a person has a mortgage / loan secured against their home then whilst the payments may not be included in the 'Maximum Amount' calculation as a 'housing cost' they may, providing they qualify for an award of Universal Credit, apply to receive assistance towards the interest on the payments in the form of a 'Support for Mortgage Interest' (SMI) loan. Any SMI payment would only become payable after 3 months and would need to be repaid upon any future sale of the property / when the homeowner dies.

E. Childcare Element: Monthly
- Cost of eligible childcare TBD*

The amount allowed is equal to 85% of the actual childcare costs up to £1,014.63 per month (one child) or up to £1,739.37 per month (two or more children).

To qualify the person must be in paid work and they must pay for 'relevant childcare' (i.e. childcare provided by a registered childcare provider or childcare agency) to enable them to work. In the case of a couple, both members of the couple must be in paid work unless the one who is not working is unable to provide childcare themselves because they have 'limited capability for work' or 'limited capability for work-related activity' (i.e. they are too sick to work) or they get Carer's Allowance.

Step 2: Assessed Income

The amount of Universal Credit actually awarded is dependent upon the person's (and partner's) 'assessed income'. For this purpose, there are two forms of income - 'earned income' (which counts in part) and 'other income' (which is either counted in full or fully disregarded).

A. Earned Income:

Monthly

The figure for 'earned income' is calculated by taking the person's (and/or partner's) Net Wage and deducting from this any eligible 'Work Allowance'. It is then 55% (63% prior to 24.11.2021) of the balance that counts as 'earned income'.

Net Wage: Is the amount of earnings after deductions for tax and National Insurance contributions.

Earnings include any pay from an occupational sick pay scheme, holiday pay, overtime pay, tips, bonuses, commission and any payment in lieu of notice.

It also includes any Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay.

This [LINK](#) will take you to a website which contains a tool that can be used for calculating annual, monthly and weekly net pay.

In the case of a couple, if both work then it is their combined net take home pay less whatever Work Allowance (if any) they qualify for that will be treated as their earned income.

Work Allowance: The Work Allowance is essentially an earnings disregard. It is the amount that may be deducted from the person's 'net wage' figure for Universal Credit purposes. It may be awarded where the person (or their partner) has a dependent child or has been assessed as having 'limited capability for work' (with or without an assessment of 'limited capability for work-related activity').

The Work Allowance is worth:

- £404.00 per month: Lower Work Allowance

This is awarded where the person's 'maximum Universal Credit' calculation includes an amount for a 'housing cost' (rent / service charges but not mortgage interest).

- £673.00 per month: Higher Work Allowance

This is awarded where the claimant's 'maximum Universal Credit' calculation does not include an amount for a 'housing cost' (rent / service charges but not mortgage interest).

A person will only be awarded one Work Allowance even if both they and their partner work.

Self-employed: If someone is self-employed then their 'earned income' will be calculated in the following way:

- **Step One:** Income from self-employment less 'permitted expenses' = 'gross profit'
- **Step Two:** 'gross profit' less tax and national insurance and contribution towards a personal pension.

The DWP will apply the Work Allowance disregard to the 'earned income' figure in the same way as it would for people who are employed by a company. It will then be 55% (63% prior to 24.11.2021) of the balance that will be taken into account as the claimant's actual 'earned income'.

It is the 'earned income' from self-employment month to month that is taken into account, not annual profit as it is with tax credits. Further, it will be up to the person (and/or their partner) to report their 'earned income' to the DWP.

Note 1: Universal Credit is paid on a month-to-month 'assessment period' of need and income. This can cause problems when someone is paid a wage in one 'assessment period' but which relates to a later period. This could happen where a person is paid monthly but receives a payment of wages early because it is a Bank Holiday or Christmas, or they are paid four-weekly (so, not monthly).

What can then happen is that the DWP will, for the purposes of their Universal Credit claim, treat that person as having twice the level of earnings that they normally would in one month and nothing in the following month. You might think that it would not matter. You might think that things would even themselves out.

Pay day!

However, the system does not work like that, and it could end up with the person losing, not least because they would only be awarded on Work Allowance against two pay slips not two.

Therefore, you should know that in June 2020 the Court of Appeal (in R (Johnson and Others) v Secretary of State for Work and Pensions [2020]) held that the practice of attributing double payments to one 'assessment period' was unlawful.

In consequence the DWP amended the rules so as they now provide:

“Where a person is engaged in an employment where they are paid on a regular monthly basis and more than one payment in relation to that employment is reported in the same assessment period, the Secretary of State may, for the purposes of maintaining a regular pattern, determine that one of those payments is to be treated as employed earnings in respect of a different assessment period.”

This amendment gives the DWP the power to attribute, in essence, a double payment of wages to the respective 'assessment periods' in which the payments were intended.

Anyone caught out by this should either message the DWP using their Journal or speak with their Work Coach in an attempt to get things resolved.

Note: The [Minimum Income Floor](#) (MIF) is a system under which self-employed people may be treated as deriving a notional amount of 'earned income' (the 'individual threshold' figure) from their self-employment if this amount is actually greater than their actual earnings after the first 12 months of their being self-employment whilst getting Universal Credit (i.e. the 'start-up period'). In most cases the 'individual threshold' amount would be equivalent to the level of the NMW (£11.44 per hour) multiplied by 35 hours per week = £1,735.00 per month.

The amount could be less if the actual number of hours a person is expected to work under their Claimant Commitment is less, for example, due to poor health/disability.

Moreover, the MIF rule should not be applied to people who under Claimant Commitment rules, either have no 'Work-related Requirements' to fulfill or they only need take part on Work-focused Interviews and Work Preparation.

In effect, they are not expected to look for work or be available for work as a condition of their Universal Credit entitlement.

Universal Credit and Self-employed

When the MIF should be applied can get complicated if the self-employed person is a seasonal worker or has periods where they make a profit and then do not make a profit or if they are in a period whereby, they are unable to work due to ill health. Therefore, do seek further information and advice as necessary.

B. Other Income:

Monthly

In assessing a person's 'Other Income', some forms of income are counted in full and some income is completely disregarded.

Income Counted in Full includes:

- Carer's Allowance
- New Style JSA
- New Style ESA
- Industrial Injuries Disablement Benefit

Income Fully Disregarded includes:

- Child Benefit
- Child maintenance
- Personal Independence Payment
- Disability Living Allowance

Savings/Capital: If the person (and partner) is assessed as having savings/capital of £16,000 or more then they will not be entitled to apply for Universal Credit. Although please see 7: Legacy Benefits and Managed Migration for situations where former tax credit claimants with capital over £16,000 may be able to apply for Universal Credit).

If a person is assessed as having savings below £6,000 then this will not affect their claim.

However, if they are assessed as having savings/capital of between £6,000 and £16,000 then they will be treated as having an assumed income of £4.35 per month for each £250.00 they have above £6,000.

Step 3: Universal Credit Payable

Once a person's (Step 1) 'Maximum Universal Credit' amount and (Step 2) 'Assessed Income' amount have been determined then in order to work out how much (if any) Universal Credit they are entitled to, you simply need to deduct one from the other.

If a person's 'Maximum Universal Credit' amount is greater than their 'Assessed Income' then they will be entitled to Universal Credit.

However, should the person's 'Assessed Income' figure be greater than their 'Maximum Universal Credit' figure then they will not be entitled to Universal Credit.

Note 6: The [Benefit Cap](#) seeks to limit the maximum amount of benefits a person of 'working age' can be awarded.

Because of the way the Benefit Cap operates, it should only really impact on people living in Wolverhampton who live in rented accommodation and get Universal Credit (or Housing Benefit) and have 3 or more children.

The current limit for people living in Wolverhampton is £1,835.00 per month for couples and lone parents; and £1,229.42 per month for single people. However, there are a number of situations in which people may be exempt from the Benefit Cap. This includes those who have earnings (or combined net earnings in the case of a couple) of £793.00 or more per month after deductions for tax and National Insurance contributions. Do seek further information and advice as necessary.

C. The Claimant Commitment

Under Universal Credit there are **Work-related Requirements** which a person (and their partner) will usually be expected to meet as a condition of their on-going entitlement.

Under the Work-related Requirements a person may be expected to:

- **Work-focused Interviews:** attend Work-focused Interviews with their Job Centre Plus Work Coach which are designed to identify barriers to work and explore options to gaining employment
- **Work Preparation:** engage in Work Preparation training or courses designed to improve a person's job prospects / give people work experience
- **Work Search:** undertake active steps to find paid employment
- **Work Availability:** ensure that they are available to attend a job interview or take up an offer of employment immediately.

The general principle is that to be entitled to Universal Credit a person must be willing to work full-time (i.e. 35 hours per week) or look for work full-time (i.e. 35 hours per week).

If someone is working less hours, then they may be required to look for more work to take their working hours up to full-time. However, what may be expected is dependent upon a person's circumstances.

The requirements can, for example, be adjusted in the case of those who have been assessed as having 'limited capability for work' and those who have a caring responsibility for a child(ren) or a disabled person.

Details of what is expected should be included in the Claimant Commitment which should be drawn up by a Job Centre Work Coach.

JobCentre Plus...

None of the Work-related Requirements should apply to a person who is working provided that their monthly gross earnings (earnings before any deductions for tax or national insurance):

- **single person:** are equal to or greater than their individual 'earnings threshold'; or
- **couple:** combined are equal to or greater than the 'earnings threshold' for a couple.

Earnings Threshold: For a single person, this is equal to the level of the National Minimum Wage (NMW) multiplied by the number of hours they are expected to work. As stated, the number of hours a person is expected to work is normally 35 hours per week.

However, this may alter depending on a person's circumstances. For example, in the case of apprentices it is 30 hours per week (not 35 hours). Further, the number of work hours expected by carers of children/disabled adults will be lower. For a couple, the amount would normally be the combined amounts of the value of their individual 'earnings threshold' figure if they were a single person.

A person will not be expected to look for work (or more work) under the 'work search requirement' if they earn over the 'administrative earnings threshold' (AET):

- (a) are single and they work, and have gross earnings of at least £743.00 (since 1.4.2024) per month
- (b) are a member of a couple and they work and have gross earnings of £1,189.00 (since 1.4.2024) per month (or they and their partner have joint earnings of this amount or greater).

Spring Budget (15.3.2023): Please note that in the Spring Budget plans were announced to increase the earnings threshold to £812.00 per month (18 x NWM £10.42). It was also announced that the intention was to dispose of the couple threshold. So, at some point in the future both members of a couple may need to be earning in excess of £812.00 per month in order to avoid the requirement to look for work / look for more work. We are not presently aware from what dates the new rates will be applied.

If a person does not keep to the terms of their Claimant Commitment, then they can be refused Universal Credit or sanctioned.

See our [Information Guide 3: Universal Credit - Claimant Commitment](#) for more information.

3. Work and Universal Credit - Case Studies

The following case studies are meant to provide a guide/comparator to people's Universal Credit entitlement whilst both out of work and in work.

Case Study One: Ardy

Ardy is aged 21. He is single. He lives with his mother and father. Ardy is unemployed. Whilst out of work Ardy would be entitled to the 'standard allowance' of Universal Credit worth £311.68 per month.

Ardy has now been offered temporary employment with a local employer. He will be working part-time. His gross earnings will be £495.73 per month (10 hours x £11.44 = £114.40 per week).

Ardy will not be expected to pay tax or National Insurance contributions because his earnings are so low. Therefore, his take-home pay (net pay) will be £495.73 per month.

For the purposes of Universal Credit, Ardy will be treated as having 'earned income' of £272.65 per month (£495.73 net pay per month @ 55% taper = £272.65 per month). He will not be entitled to a Work Allowance because he is not a parent, nor has he been assessed as having 'limited capability for work'.

Ardy will be entitled to £39.03 per month Universal Credit whilst he is working (£311.68 per month Maximum Universal Credit less £272.65 per month assessed earned income = £39.03 per month Universal Credit).

Overall, Ardy should be **£223.16** per month 'better off' in work than out of work. Whilst working he would have an overall income of £534.76 per month (£495.73 per month wages plus his £39.03 per month Universal Credit = £534.76 per month) compared to just £311.68 Universal Credit were he out of work.

Ardy now moves into a one-bedroom housing association flat. His rent is £320.00 per month (£73.84 per week).

Flat to rent...

In this instance, Ardy's 'maximum Universal Credit' would increase to £631.68 per month (£311.68 per month 'standard allowance' plus £320.00 rent per month = £631.68 per month) and he would be entitled to £359.03 per month Universal Credit (£631.68 'maximum Universal Credit' less £272.65 'earned income' = £359.03 Universal Credit) on top of his wages.

Limited Capability for Work: If Ardy were to have a physical or mental condition and be assessed as having 'limited capability for work' (with or without 'limited capability for work-related activity') then he would be eligible to the **Higher Work Allowance** (worth up to £673.00 per month) whilst living with his parents or the **Lower Work Allowance** (worth up to £404.00 per month) whilst living in his rented accommodation.

This would mean that up to £673.00 per month / £404.00 per month would be deducted from his net wage as part of calculating his 'earned income'. It would then be 55% of the balance (if there were any balance) that would be counted as his 'earned income'.

If Ardy were to have '**limited capability for work**' (with or without 'limited capability for work-related activity') then applying his entitlement to a Work Allowance, he would be entitled to:

- £311.68 per month Universal Credit whilst living with his parents plus his wages; or
- £581.23 per month Universal Credit whilst living in his own rented accommodation plus his wages.

From his Universal Credit and wages he would have to pay his rent (£320.00 per month) and his council tax.

With an assessment of '**limited capability for work**' (with or without 'limited capability for work-related activity') Ardy would be entitled to a greater amount of Universal Credit whilst living with his parents because his Work Allowance would be greater (Higher Work Allowance £673.00 per month vs. Lower Work Allowance £404.00 per month). Living at home, Ardy would now be **£495.73** per month (£114.39 per week) '**better off**' working because in effect all his earnings would be disregarded. Whilst living in rented accommodation he would be **£543.08** per month (£125.32 per week) '**better off**' working than not working because only £50.45 per month of his wages would be taken into account.

Case Study Two: Kevin and Jessica

Kevin (aged 27) and Jessica (aged 26) live together. They have two children aged 8 and 5. They live in a two-bedroom flat which they rent from Wolverhampton Homes.

Neither Kevin nor Jessica work. Their rent is £498.50 per month. The couple's only income is Child Benefit of £42.55 per week.

Whilst out of work the couple would be entitled to £1,737.35 per month Universal Credit - comprising of £617.60 'standard allowance' plus the £333.33 'child element' for their eldest child / £278.92 'child element' for their

youngest child and £498.50 'housing cost element' for their rent = £1,737.35. This amount would be meant to provide sufficient income for day-to-day living and rent.

Kevin now gets a job. He will be working full-time. His gross earnings will be £1,834.21 per month (37 hours x £11.44 = £423.28 per week).

On this level of salary Kevin's net / take home pay after tax and National Insurance contributions would be £1,614.00 per month / £372.46 per week.

For the purposes of Universal Credit, the couple will be treated as having an 'earned income' of £665.50 per month (£1,614.00 per month less £404.00 Work Allowance = £1,210.00 @ 55% taper = £665.60 per month).

Based upon Kevin's earnings, the couple will be entitled to £1,071.85 per month Universal Credit (£1,737.35 per month 'maximum Universal Credit' less £665.60 per month 'earned income' = £1,071.85 per month Universal Credit).

The couple will therefore be **£947.70** per month (£218.70 per week) '**better off**' with Kevin in work than out of work.

Owner Occupier: If Kevin and Jessica were to be buying their home instead of renting it then they would be eligible for a 'Support for Mortgage Interest' (SMI) repayable loan towards their mortgage interest. See 'Housing Cost Element' on page 5 for more information.

Moreover, in that situation the couple would get the higher 'work allowance' instead of the lower 'work allowance' because assistance under the SMI scheme would not be considered to be help with a 'housing cost' (e.g. rent / service charge).

See Section 10. Free School Meals (page 20) for more information on whether Kevin and Jessica would be eligible.

Case Study Three: Cindy

Cindy is aged 23. She is a lone parent. Her daughter, Storm, is aged 4. Cindy lives in a two-bedroom rented accommodation. Her rent is £365.00 per month. Her only income is Child Benefit of £25.60 per week.

Whilst out of work, Cindy is entitled to £964.60 per month Universal Credit - comprising of £311.69 'standard allowance' plus the £287.92 'child element' for her daughter and £365.00 'housing cost element' for her rent = £964.60. This amount is meant to provide sufficient income for her day-to-day living and her rent.

Cindy gets a job working part-time. Her gross earnings are £1,191.65 per month (22 hours x £12.50 = £275.00 per week). On this level of salary Cindy's net / take home pay after tax and National Insurance contributions would be £1,118.00 per month / £258.00 per week.

For the purposes of Universal Credit, Cindy would be treated as having an 'earned income' of £392.70 per month (£1,118.00 per month less £404.00 Work Allowance = £714.00 @ 55% taper = £392.70 per month).

Based upon Cindy's current earnings, she will be entitled to £571.90 per month Universal Credit (£964.60 per month 'maximum Universal Credit' less £392.70 per month 'earned income' = £571.90 month).

Cindy will be **£725.30** per month (£167.37 per week) '**better off**' in work.

See also Section 10. Free School Meals (page 20) about how her rights to free school meals may be affected.

Childcare Costs: If Cindy incurred eligible childcare costs to enable her to work then she would get 85% of this (up to £1,014.63 per month for one child / £1,739.37 per month for two or more children) included in her 'maximum Universal Credit' amount. This, in effect, means that she would be expected to pay for 15% of her own childcare costs. This would in turn reduce the amount by which she could be considered to be 'better off' in work.

Council Tax

One of the key financial considerations to consider in the 'better off' calculation between being in work and out of work for those living in rented / owner occupier accommodation, is the impact working will have on the level of council tax they have to pay.

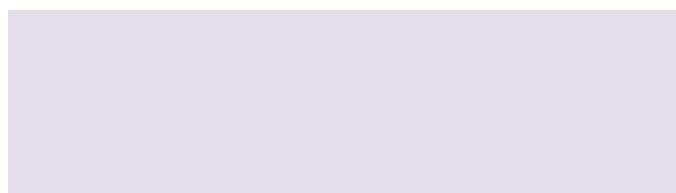
2024/2025 Figures: The Council Tax liability for properties in Wolverhampton is as follows:

Band	Per Annum	Per Month
Band A:	£1,530.01	£127.50
Band B:	£1,785.08	£148.76
Band C:	£2,040.01	£170.00
Band D:	£2,295.02	£191.25
Band E:	£2,805.02	£233.75
Band F:	£3,315.02	£276.25
Band G:	£3,825.03	£318.75
Band H:	£4,590.04	£382.50

There are **TWO** discount systems in place which enable people to reduce the amount of council tax they are expected to pay. One is a 'status discount'. The other is a 'disability reduction'. A 'status discount' is given where only one adult is living in the property or is treated as living in a property. The 'disability reduction' saving is given where the property has an extra room used predominantly by a disabled person or a second bathroom or kitchen or it enjoys sufficient floor space for use of a wheelchair.

Anyone who qualifies for a 'status discount' will qualify to have their council tax liability reduced by 25%. In some cases, it may be that no adults are living in the property (or may be treated as living in the property), in which case a 50% discount may be applied. Anyone who is eligible for the 'disability reduction' will get a reduction in their council tax equal to the difference between the amount they would otherwise pay and the amount of the band below them. In the case of someone living in a Band A property then they would get a reduction equal to the difference between Band A and Band B properties.

In addition to the above provisions, people living in Wolverhampton may apply for assistance towards their council tax bills under the Council Tax Support (CTS) scheme.



People of 'working age' who are getting:

- Universal Credit
- Income-based JSA
- Income-related ESA
- Income Support

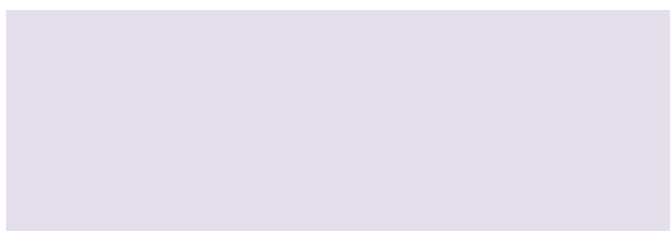
are entitled to claim Council Tax Support and get up to 78% relief on their council tax bills. This amount rises to 88% if the person is single and aged under 25 and they have no children, or they get DLA (highest rate care component) or PIP (enhanced rate daily living component).

However, people need to be aware that if they are getting Universal Credit whilst they are working then their Council Tax Support will reflect this. It could be that depending on the level of their earnings they can no longer qualify for Council Tax Support.

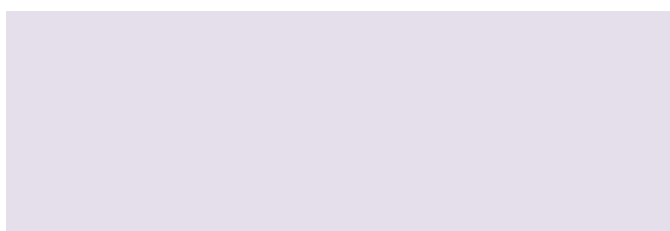
See the [LINK](#) for more information the City of Wolverhampton Council's Council Tax Support scheme. A Council Tax Support calculator can be accessed through the link. Moreover, the link may be used to make an online application for Council Tax Support.

4. Universal Credit / ESA - Permitted Work...

Under **Universal Credit** there is no equivalent to the 'permitted work' provisions that exist under Employment and Support Allowance. See page 14 for more information.



What exists under Universal Credit is a system which enables those with a physical or mental condition to be assessed under the Work Capability Assessment as having (or retaining an assessment of having) 'limited capability for work' (with or without an assessment of having 'limited capability for work-related activity') providing that if they work, their monthly earnings are not equal to or in excess of their assessed 'relevant threshold'.



The 'relevant threshold' will be different depending on a person's age. It is the amount of the person's National Minimum Wage entitlement multiplied by 16 hours, multiplied by 52 weeks and then divided by 12 months.

National Minimum Wage (From April 2023):

- £11.44 per hour - Aged 21 or over
- £8.60 per hour - Aged 18 to 20
- £6.40 per hour - Aged under 18
- £6.40 per hour - Apprenticeship

Example: In the case of a person aged 23 or over, the 'relevant threshold' would be £793.17 per month ($£11.44 \times 16 = £183.04 \times 52 = £9,518.08$ divided by 12 = £793.17).

If a person's earnings are greater than their individual 'relevant threshold' amount then:

- A.** If they have not already been assessed as having 'limited capability for work' (with or without an assessment of 'limited capability for work-related activity') then they may not be so assessed; or
- B.** If they have already been assessed as having 'limited capability for work' (with or without an assessment of 'limited capability for work-related activity') then they can retain their 'limited capability for work' 'limited capability for work-related activity' assessment providing they get Personal Independence Payment, Disability Living Allowance or Attendance Allowance.

If a person has already been assessed as having 'limited capability for work' (with or without an assessment of 'limited capability for work-related activity') and their earnings exceed their 'relevant threshold', and they do not get Personal Independence Payment, Disability Living Allowance or Attendance Allowance then the DWP can use this as a trigger for reassessing their 'limited capability for work' / 'limited capability for work-related activity'.

As far as working is concerned, it is important to understand that the work and activities that a person undertakes can be used in a negative or positive way to evidence what their actual physical and mental functionality is.

Further, it must be recognised that in a lot of cases a person is assessed as having 'limited capability for work' / 'limited capability for work-related activity' only because of the potential for a 'substantial risk' to their health (or the health of another person) should they work or undertake 'work-related activity', including taking part in Work-focused Interviews, training courses and work experience.

Being able to retain the 'limited capability for work' / 'limited capability for work-related activity' assessment is important because it can entitle people to extra Universal Credit by way of the:

- 'Limited capability for work element' worth up to £156.11 per month; or
- 'Limited capability for work-related activity element' worth up to £416.19 per month

Note: The 'limited capability for work element' was abolished for new claim made on or after 3.4.2017 unless they have transferred from Income-related ESA on to Universal Credit and their award of Income-related ESA included the 'work-related activity component'.

Another benefit of retaining an assessment of 'limited capability for work' is that the person then qualifies for the Work Allowance disregard on earnings. This can be worth up to £673.00 per month (higher allowance) or £404.00 per month (lower allowance). See Section 2. Universal Credit (Step 2: Assessed Income) for more details.

Under **Employment and Support Allowance** (both New Style ESA and/or Income-related ESA) the 'permitted work' rule enables people to:

- **Permitted Work Lower Limit:** work and earn up to £20.00 per week
- **Permitted Work Higher Limit:** work less than 16 hours per week and earn up to £183.50 per week

Note: Under the **Permitted Work Higher Limit** provision a person could only work for a maximum period of 52 weeks. However, this time limit rule was removed from 3.4.2017.

Moreover, under **Supported Permitted Work** a person can work and earn up to £183.50 per week irrespective of the number of hours worked providing the work is carried out as part of a treatment program under medical supervision whilst the person is an inpatient or a regular outpatient of a hospital (or similar institution); **OR** work and earn up to £183.50 per week irrespective of the number of hours worked, providing the work is done under the supervision of a person employed by a public or local authority or voluntary or community-interest organisation that provides work opportunities for disabled people without it affecting the amount of New Style ESA or Income-related Employment and Support Allowance paid to them.

If someone is getting Employment and Support Allowance and working, then they need to report this. They can do so by ringing 0800 169 0310 or completing a [PW1 form](#) which is available online. They may also like to study the fact sheet on permitted work produced by the DWP. See this [LINK](#).

5. PIP/DLA and Working...

Personal Independence Payment (PIP) is not an incapacity benefit. That is to say that it is not a benefit paid due to sickness or an incapacity to work.

PIP is a benefit paid to people who need help with their personal care or because they have problems with their mobility.

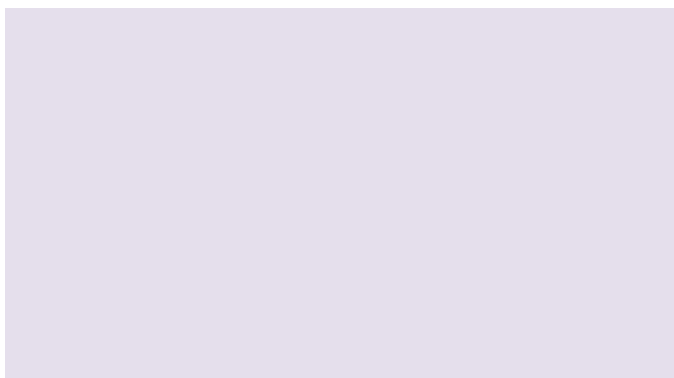
There is nothing which prevents people from claiming PIP whilst in work or getting PIP whilst not working but then moving into part-time or full-time employment or self-employment.

Clearly there are many disabled people (some with significant disabilities) who do work.

Further, because entitlement to PIP is not means-tested, the amount a person earns has no direct impact on the amount of PIP paid.

However, what is important is to bear in mind is that the Department for Work and Pensions (DWP) could seek to use evidence of a person entering into work (or moving from part-time employment to full-time employment or simply changing the nature of work they do perhaps within the same company or a different company), as a potential change in their health/disability/care needs/mobility difficulties and on this basis, seek to reassess any existing award of PIP.

Further, please be aware that under the terms of entitlement to PIP a person is responsible for reporting changes in their circumstances that they could 'reasonably be expected to know' might affect their benefit entitlement. In the case of PIP, this is really meant to apply to improvements in health/disability, but it could be deemed to include starting work, undertaking more work or different work.



If it is held that a person has failed to disclose something material which has served to reduce the amount of benefit and in consequence, they have been overpaid benefit, then this would most likely result in an overpayment of benefit which the DWP could seek to recover from them.

Note: Disability Living Allowance (DLA) is a similar benefit to PIP. It was replaced by PIP for people of 'working age' from 8.4.2013. Since, those people of 'working age' who have been getting DLA have been expected to eventually forego their DLA and apply for PIP. The principles outlined above in relation to PIP apply equally to DLA.

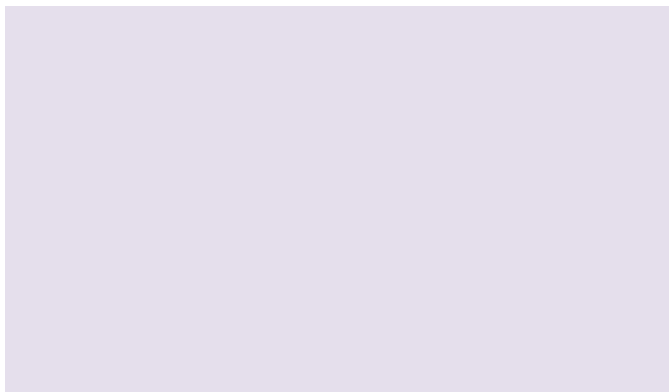
Do seek further information and advice as necessary.

6. Too Sick to Work...

When a person is working but falls sick, they can seek to apply for the following from their employer:

- **occupational sick pay** - provided they meet the conditions for payment
- **Statutory Sick Pay** - provided their average earnings have been more than £123.00 per week.

Occupational sick pay should not be confused with Statutory Sick Pay and vice versa.



A person is afforded rights to occupational sick pay under the terms and conditions of their contract of employment. Most companies do not have an occupational sick pay scheme. The right to claim Statutory Sick Pay is a right afforded under United Kingdom primary and secondary legislation.

To qualify for Statutory Sick Pay it does not matter whether a person works full-time or part-time. Entitlement is also not dependent upon how long the person has worked at the company or a person's National Insurance contributions record. All that matters is that due to ill-health / disability the person is presently unable to do the job for which they were employed.

Whilst agency workers and those on temporary contracts can qualify, providing they meet the conditions for payment, some groups are disqualified from the scheme. This includes new employees who have not yet started work.

It is possible for a person who has two jobs to get Statutory Sick Pay from one employer whilst still working for the other. Depending on the nature of ill-health/disability, a person could be too sick to do one form of employment but sufficiently able to do another form of work.

Statutory Sick Pay is paid at £109.40 per week. It is, however, not paid for the first 3 'qualifying days' of absence. A 'qualifying day' is normally the day a person would otherwise be expected to work (i.e. if they were not sick) / a day on which they are contracted to work.

Statutory Sick Pay may be paid for a maximum period of 28 weeks. Separate periods of sickness linked by a gap of less than 8 weeks are linked together.

If a person is long-term sick, then they may need to apply for Contributory ESA and/or Universal Credit.

Go to this [LINK](#) for more information about Statutory Sick Pay and how to apply.

Industrial Injuries Benefit: This is a Department for Work and Pensions benefit.

It provides for workers (not self-employed or volunteers) who suffer disability/loss of faculty from:

- personal injury from an accident at work; or
- contracting a prescribed industrial disease through working in a relevant place of employment.

It could be that someone is off work sick as a result of an injury sustained or disease contracted in the course of their work. If this results in disablement/loss of faculty (lasting more than 15 weeks), the person could be entitled to this benefit.

The standard industrial injury benefit is Industrial Injuries Disablement Benefit. This may be paid at different rates depending on the level of the disability/loss of faculty - £44.30 per week would be payable for 14% disablement and £221.50 per week for an assessment of 100% disablement.

Please go to this [LINK](#) to find out more about the Industrial Injuries Benefits.

An award of Industrial Injuries Disablement Benefit can be made for as long as the resulting disability/loss of faculty lasts. If someone sustains a permanent disability/loss of faculty then they can qualify for an award of Industrial Injuries Disablement Benefit for life.

Industrial Injuries Benefit is not a sickness or incapacity benefit. Therefore, it can be paid even if someone is working. It could be in the same job as they suffered their industrial accident / contracted their industrial disease or with the same employer or a different job or place of work altogether.

7. Legacy Benefits and Managed Migration...

Universal Credit is set to completely replace Income-based JSA, Income-related ESA, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit - the so-called 'legacy benefits'.

If someone is getting one (or more than one) 'legacy benefit' and has a 'relevant change' in their circumstances, then they will see any 'legacy benefits' withdrawn and they will be expected to apply for Universal Credit.

In relation to **work situations**, a person will be deemed to have triggered a 'relevant change' in circumstances and so be expected to give up their 'legacy benefits' and apply for Universal Credit if they cease to be entitled to:

- Income-related JSA or Income Support because they have started work (e.g. they/their partner are now working 16 / 24 hours or more per week or their earnings are or become too great to qualify)

- Working Tax Credit because they cease to be able to be treated as in 'remunerative work' (e.g. due to long-term sickness) or they cease to work the required number of hours each week (i.e. 16 / 24 / 30 hours per week) in order to continue to qualify for Working Tax Credit.

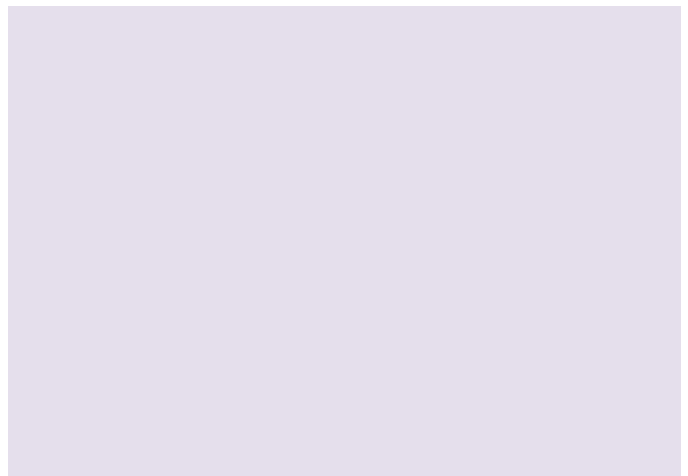
In the case of **Income-related ESA**, a person will lose their entitlement to this (and any other 'legacy benefits') if they start work which is not 'permitted work.' See 4. Universal Credit / ESA - Permitted Work. They will similarly lose their entitlement if they work and the work they are doing ceases to be 'permitted work.' See 4. Universal Credit / ESA - Permitted Work.

The DWP have now begun the process across the whole country of moving those people who have been getting 'legacy benefits' (which includes tax credits - Working Tax Credit and Child Tax Credit) on to Universal Credit. This process is known as 'Managed Migration' and involves people being sent a 'migration notice' and being given a 'deadline day' (at least 3 months from the date of the migration notice) by which they must apply for Universal Credit. If a person fails to do so within the allowed time limit, then any tax credits they have been receiving will stop whilst any other 'legacy benefit' entitlements (e.g. Housing Benefit) will 'run-on' for two weeks and then stop.

When a person who receives a 'migration notice' makes a claim for Universal Credit their tax credit entitlement will end and any other 'legacy benefit' entitlements (e.g. Housing Benefit) will 'run-on' for two weeks and then end. They will be assessed for Universal Credit entitlement and the process, putting things simply, will in part involve comparing the indicative value of their 'legacy benefits' against the indicative value of their new Universal Credit amount.

If it is found that the former amount is greater than the latter amount, then the person's Universal Credit entitlement will be assessed based upon what they would in normal circumstances be awarded plus the difference (known as a 'transitional element') between the two amounts in an attempt to ensure that they are at no worse off at the point of transfer.

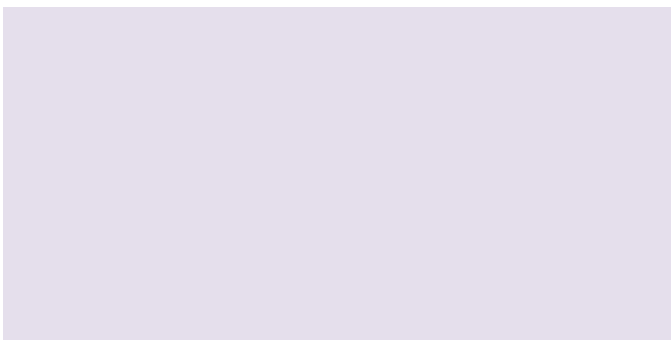
If it is established that the indicative value of the person's former 'legacy benefits' is lower than the indicative value of their new Universal Credit amount, then their entitlement to Universal Credit will be assessed with any 'transitional element.'



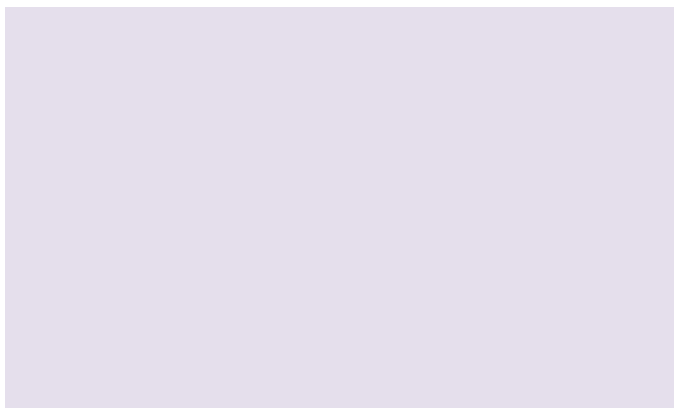
To stand any chance of receiving a 'transitional element,' a person must make their Universal Credit claim within the stated time limit or within at least one month after this (the 'final deadline day').

If a person should fail to claim in time, then they can still make an application for Universal Credit, but they would not be entitled to a 'transitional element' even if the value of their 'legacy benefits' was greater than the amount they would receive in Universal Credit.

Disabled Workers: If a person has been getting Working Tax Credit as a disabled worker (i.e. their Working Tax Credit calculation included a 'disabled worker element' or 'severe disability element') then they should be aware that upon making the move to Universal Credit that, depending on the nature of their disability / health problems, number of hours they work or the level of their actual earnings, they may be required to meet certain 'work-related requirements' involving them looking for more work.



Should someone find themselves in this position then they should consider the information in 4: Universal Credit/ESA Permitted Work above. They may also wish to obtain a Fit Note from their GP in order to start the process of being assessed under the Work Capability Assessment. Please do seek further information and advice, as necessary.



Transitional Capital disregard: The normal Universal Credit rules provide that those with more than £16,000 in savings / capital (please see the information on savings / capital on page 3) are not eligible to receive Universal Credit.

However, special transitional rules apply which mean that people who have been receiving tax credits and who apply for Universal Credit upon being issued with a 'migration notice' will have any savings / capital amount above £16,000 fully disregarded for at least 12 months.

The transitional savings / capital disregard ends if the person's capital falls below £16,000. If after 12 months a person still has capital over £16,000, then their entitlement to Universal Credit would end.

See [Information Guide 6: Managed Migration](#) for more details about the move to Universal Credit.

8. Carer's Allowance...

Carer's Allowance is a benefit that may be awarded to those who look after a 'disabled child or adult'. See below. It is paid at the rate of £81.90 per week to those who qualify.

Part of the qualifying rules provide that whilst a carer may work and get Carer's Allowance, they must not be working and have assessed earnings (gross earnings less tax certain allowable expenses) exceeding £151.00 per week.

Therefore, those who get Carer's Allowance must think carefully before embarking on paid employment.

Having said that, the Universal Credit 'carer's element' (worth up to £198.31 per month) is included in the 'maximum Universal Credit' calculation when someone is getting Carer's Allowance and is also included in circumstances where a carer is unable to qualify for Carer's Allowance simply because their earnings are too great (i.e. they work and earn above £151.00 per week).

A '**disabled child or adult**' is someone who has been awarded Disability Living Allowance care component at the middle or higher rate, or Personal Independence Payment for daily living, or Attendance Allowance.

Go to this [LINK](#) for more information about Carer's Allowance and how to apply.

9. NHS Benefits...

The groups of people who may qualify for free prescriptions, dental treatment, sight tests and glasses include those who receive:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Pension Credit (Guaranteed Credit).

People who get **Universal Credit** may also qualify providing they are either not in paid work or if they are that the amount their **net earnings** (in the relevant 'assessment period') are not more than £435.00 per month.

In the case of those who have children or have been assessed as having 'limited capability for work' (with or without an assessment of 'limited capability for work-related activity') then the net earnings figure used is £935.00 per month (in the relevant 'assessment period') not £435.00.

Those getting Child Tax Credit and/or Working Tax Credit may also qualify. Where they do, they will be given an NHS exemption certificate from HMRC confirming they qualify.

Those that do not qualify for free help can apply for assistance on grounds of 'low income.' The claim form for help towards NHS costs is a HC1. Anyone who qualifies for assistance will be provided with either a HC2 Certificate (confirming full/maximum assistance) or a HC3 (confirming partial assistance).

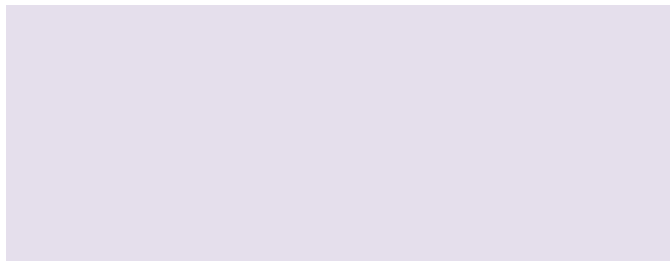
A number of people who do not qualify for free prescriptions under one of the above headings may, nonetheless, irrespective of income, still qualify for free prescriptions. This includes children aged under 16, young people aged under 19 who are in full-time education, people aged 60 or over and women who are pregnant or who have given birth within the last 12 months.

Similarly, these groups may also qualify for free sight tests and glasses and dental treatment (although not dental treatment if the ground is that they are aged 60 or over). Do seek further information and advice as necessary. See below.

See this [LINK](#) for more information or ring 0300 300 1341 (NHS Business Services Authority) for more information.

10. Free School Meals...

One of the considerations people with children need to be mindful of when considering a return to work is the issue of free school meals.



Presently the groups of people who qualify for free school meals for their children include those who receive:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Pension Credit (Guaranteed Credit)
- Child Tax Credit providing they are not also getting Working Tax Credit and have an annual gross income of no more than £16,190.

People who get **Universal Credit** may also get free school meals for their children.

However, if someone has claimed Universal Credit on or after 1st April 2018, then they would lose their right to free school meals if their net earnings (not including any Social Security benefit entitlements) are more than £7,400 per year / £616.67 in the month. In the case of couples, it is their combined net earnings figure that will count.

The cost of school meals does vary from school to school. In the first instance, parents are encouraged to talk to the school and register with them where eligible.

See this [LINK](#) for more information on free school meals in Wolverhampton. Alternatively, ring (01902) 554128.

11. Maternity Leave and Pay...

Pregnant women and parents of newborn children (or adopted children) potentially have rights to a wide range of:

- maternity benefits - Maternity Allowance and Statutory Maternity Pay / Statutory Shared Parental Pay; and
- leave entitlements - up to 52 weeks statutory maternity leave / shared parental leave.

There are also both paternity leave and adoption leave and Statutory Paternity Pay and Statutory Adoption Pay provisions.

See this [LINK](#) for more information.

12. Fact Sheets and Information Guides

The Welfare Rights Service produces the following Fact Sheets and Information Guides on Social Security benefits and welfare reform.

Benefits Fact Sheets:

1. Benefits and Work
2. Benefits and Disabled Children
3. Benefits and Young People
4. Benefits and Older People
5. Benefits and People from Abroad
6. Private Tenants and Universal Credit
7. Volunteering and Benefits

Benefits Information Guides:


1. Universal Credit
2. Universal Credit - Claims and Payments
3. Universal Credit - The Claimant Commitment
4. Universal Credit - Sanctions and Hardship Payments
5. Universal Credit and Vulnerable People - Claims and Payments
6. Universal Credit - Managed Migration
7. Universal Credit and The Work Capability Assessment - Toolkit
8. Personal Independence Payment

9. Personal Independence Payment - Toolkit
10. Form Filling: PIP2
11. Form Filling: ESA50 / UC50
12. DWP Social Fund
13. The Spare Room Subsidy
14. The Benefit Cap
15. Disputes and Appeals
16. Going to Appeal: First-tier Tribunals

The information in our fact sheets and guides is designed to provide details of the different benefits that may be available to people in a variety of situations including when they are in work, unable to work due to ill-health, unemployed or retired. It also seeks to inform people of the steps that may be taken should they wish to dispute a decision made surrounding their benefit entitlement.

A copy of the Fact Sheets and Information Guides may, together with other topical benefit information, be obtained from our [Social Security Benefits](#) page on the City of Wolverhampton Council website.

Please also watch out for our periodical **Benefits Bulletins** which provide news on the latest developments surrounding benefits and welfare reform. These are also available on the website.

 Telephone: (01902) 555351

 Email: WRS@wolverhampton.gov.uk

Note: The details provided in this and our other Fact Sheets and Information Guides is meant to provide an overview on important and topical issues relating to Social Security benefits and welfare reform. The details 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.

Welfare Rights Service
Specialist Support Team
City of Wolverhampton Council

