Department for Work & Pensions

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3 March 2021

Dear Colleagues,

March 2021 Budget

I am certain many of you will have followed the Chancellor's Budget announcement. I wanted to write to share with you what the headlines around Universal Credit will mean in practice which will hopefully address any initial queries you may have.

Standard Allowance

Originally introduced as part of the government's economic response to the pandemic, aimed at people who had suffered a significant fall in income from the economic impact of the pandemic, the temporarily increased Standard Allowance in Universal Credit has been in effect for the duration of the 2020/21 tax year and has been worth up to £1,040.

The Budget has now confirmed the temporary increase will be extended by 6 months to coincide with the extension of other support measures like furlough. This change is in addition to the 0.5% annual benefits payment increase already announced.

Advances and deductions

Newly eligible Universal Credit claimants currently have the option to receive up to 100% of their estimated Universal Credit payment upfront within a few days at the beginning of their claim. This effectively means that claimants will receive their annual award over 13 payments during their first year, instead of 12.

From next month, all New Claim and Benefit Transfer Advance applications will be offered the option to access the equivalent of 25 payments over a 24-month period.

Deductions are made in Universal Credit including for priority debts such as rent and utility arrears. These play an important role in safeguarding the welfare of claimants who have incurred debt, so last resort deductions can be applied to protect vulnerable claimants from eviction and/or having their fuel supply disconnected, by providing an affordable repayment plan for arrears of these essential services.

Again, starting next month, the normal maximum deduction rate will change from 30% to 25% of a claimant's standard allowance benefitting more than 350,000 families.

Both measures were originally announced in the Spring Budget 2020. I am pleased my team have been able to bring forward the implementation date for these measures from October 2021 to next month. Something many of you have been asking for.

Suspension of Minimum Income Floor

The temporary suspension was initially introduced in March 2020 as part of wider COVID-19 support measures, with the existing regulations suspending the Minimum Income Floor due to expire on 30 April 2021.

The Minimum Income Floor for self-employed Universal Credit claimants will now remain suspended until the end of July 2021. It will be gradually reintroduced from August, with Work Coaches applying discretion to not applying it on an individual basis where they assess that claimants' earnings continue to be affected by COVID-19 restrictions.

Shared Accommodation Rate exemptions for care leavers

The Shared Accommodation Rate applies to those who are under the age of 35, living alone and renting privately. There are a number of exemptions which enable certain claimants to receive the higher one-bedroom LHA rate.

Care leavers are currently exempt from the shared accommodation rate until the age of 22. From June 2021, following the introduction of legislation, we will be extending that additional support to age 25, ensuring continuity of the level of housing support for an extra three years.

Currently those aged 25-34 who have spent 3 months in a homeless hostel for the purposes of rehabilitation/re-settlement are exempt from the SAR., We will be extending this to those under 25 to ensure they have the same support as those who are 25 and over.

These changes were originally planned for introduction in October 2023. However, due to the impact of COVID-19 on young people, we have worked hard to bring the implementation date forward, by over two years to June 2021.

Surplus earnings

The surplus earnings policy aims to prevent people who are paid large amounts of earnings on an irregular basis from receiving a significantly greater amount of benefits and earnings than claimants who, for example, earn the same annual salary but are paid over 12 regular salary payments.

Previously, the current surplus earnings de minimus level, set at £2,500 per month, had been due to expire on 31 March 2021, but it will now be in place until 31 March 2022.

Our current estimates are that around 500,000 households on Universal Credit will benefit from this during the course of 2021/22.

As usual, I hope you found this update useful.

Yours sincerely,

Neil Couling
Universal Credit SRO