Universal Credit for foster carers

You will undoubtedly have heard about the roll out of Universal Credit and the problems that have arisen during the process. So how will Universal Credit impact on foster carers?

The basics

• Universal Credit replaces a claimant’s eligibility to the following benefits: Working Tax Credit, Child Tax Credit, Income Support, Housing Benefit, Employment Support Allowance and Jobseekers Allowance - with one monthly payment of a claimant’s entitlement
• Universal Credit is available to people of working age only
• Universal Credit is a means tested benefit and is income based. An assessment of eligibility to Universal Credit starts with looking at a claimant’s/household’s income and level of savings (if household income is above a certain level and/or household savings exceed £16,000, the household automatically loses all eligibility to Universal Credit)
• The important point for foster carers is that all income from fostering is ignored in assessing income for Universal Tax Credit purposes – the household could be receiving £60,000 of fostering income from their service provider and this would be ignored when assessing income for Universal Credit purpose.

Example of income assessment

A couple have a birth child aged 5. One parent is in full time work earning £25,000 per year and the other is a foster carer with a foster child aged 13. The couple live in a three bedroom house paying £600 a month to a private landlord.

Universal Credit entitlement

<table>
<thead>
<tr>
<th>Under the regime, the household would be entitled to:</th>
<th>£</th>
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<tbody>
<tr>
<td>Couple rate per month</td>
<td>498.89</td>
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<tr>
<td>Child rate (for birth child) per month</td>
<td>277.08</td>
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<tr>
<td>Rent</td>
<td>600.00</td>
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<tr>
<td>Total entitlement</td>
<td>1,375.00</td>
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The standard entitlement is reduced by a set proportion of the income coming into the household (excluding fostering income). In this case, the total entitlement would be reduced by around 63% of the working partner’s income of £25,000 per annum – that is £1,187 per month.

Therefore, the family’s entitlement to Universal Credit is:

| Standard entitlement     | £1,375.00 |
| Less: proportion of actual household income | (1,187.00) |
| Monthly entitlement paid to household | 188.00 |

The payment is made in arrears and the Department for Work and Pensions (DWP) can flex the payments depending on the changes in the household’s circumstances.

Conditionality

Once the income/asset position of the claimant/household has been assessed, their Universal Credit payment is calculated, (as above). Claimants will only receive Universal Credit if they comply with certain conditions – referred to as conditionality. On assessment, each claimant is placed into a certain conditionality group and as a result, has to undertake certain work related activities in order to receive their Universal Credit. The groups are:

Group 1: Claimants do not have to undertake any work related activities (LCWRA)

These are claimants with LCWRA (Limited Capability for Work Related Activity), carers of severely disabled people, lone parents or lead carers with a child under one, lead foster carers with child under one. Therefore, if you are the sole carer of a foster child aged under one, or the main carer in a couple caring for a foster child aged under one, there are no conditions placed on your eligibility to Universal Credit.

Group 2: Work focused interviews only (lead foster carer with child under 16 years of age)

If you are a sole carer/lead carer for foster children aged 2-16, the only condition that is placed on you is that you periodically attend work focused interviews with your work coach.

Group 3: Work preparation (limited capacity to work)

Claimants with limited capacity to work must do activities to prepare for work, e.g. attend training, do some work experience, but won’t have to actually search for work or be available for work.

Group 4: All work related requirements (partners of lead foster carers)

People in this group will be expected to be looking for work, their aim being to achieve working 35 hours a week at minimum wage. Members of this group will be expected to spend 35 hours a week looking for work (as required under the old job seekers regime). In our example, the foster carer is in conditionality group 2 and her partner is in conditionality group 4.
**Hurry to put the tax back into your savings!**

**Act now to make the most of your allowances**

The current tax year ends on 5th April and for many of the tax breaks the Government offers it is a case of use it or lose it. As FosterTalk’s preferred partner for financial advice, our job is to help you make the most of what is on offer. The advice we provide is practical, affordable and could improve your finances. For instance, are your savings in tax-efficient plans? Could you contribute more to your pension? Have you considered how you and your spouse or partner can make the most of your allowances jointly?

**To find out how to put the tax back into your savings, book a complimentary, no obligation appointment with one of our professional financial advisers. Call 08000 85 85 90 or email appointments@lighthousefa.co.uk.**

The value of your investments can go down as well as up, so you could get back less than you invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation. Tax advice which contains no investment element is not regulated by the Financial Conduct Authority.

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**Conditionality – key issues for foster carers**

**To summarise**

- Sole/lead carers of foster children up to 16 years of age are eligible for Universal Credit. If their foster children are aged over 16, the expectation is that they will be available for full time work in order to claim Universal Credit.
- The partner of the lead carer will be expected to be available for work in order to claim Universal Credit.
- If you don’t have any foster children in placement for over eight weeks, you must inform the DWP. From week nine until you receive another placement, the foster carer would be in group 4 and expected to meet all job search/work related requirements.

The above points highlight the difference between the Universal Credit and old Working Tax Credit regime. Under the old regime, carers could claim until their foster children were 18 years of age and a couple could both be full time carers without their eligibility being affected.

**Exceptional circumstances**

- If a couple foster a child/children with special needs and they can prove to the authorities that BOTH carers need to be full time carers, then both carers may be put into group 2 – work focused interviews only.
- If a sole carer has a foster child with special needs and they can prove they need to be at home full time to look after the child, then they may stay in group 2 - work related interviews only – until the foster child is 18 years old.

**In both the above scenarios it is a question of having a strong case (supported by letters from social workers/health professionals) to persuade the job coach to make an exception.**

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**When will Universal Credit affect you?**

Universal Credit is being rolled out in stages across the UK. The roll out is slow and is currently expected to take up until 2022. Your postcode dictates the area you are in and how you will be treated for Universal Credit purposes, visit www.revenuebenefits.org.uk to find out the status. If your area is live running, most single childless unemployed people will be put on to Universal Credit. If your area is full service, all new claims will be put on to Universal Credit. Claimants of old benefits (Working Tax Credit/Income Support) will be migrated to Universal Credit between 2019 and 2022.

**Claiming Universal Credit**

You can start a claim for Universal Credit on the ‘Apply for Universal Credit’ page of the gov.uk website. In most cases, you have to claim Universal Credit online and then attend an interview in person.

I hope I have clarified the basic principles surrounding Universal Credit – as with all benefits, no two claimants’ circumstances are identical. Our tax team has extensive training and expertise in this area so please contact us for advice.

**By Pat Lewis**

Tax Department Manager.

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**FosterTalk tax helpline**

The tax team is available Monday to Friday, 9.00am to 5.00pm on 01527 836910 or e-mail enquiries@fostertalk.org