

## Calculating income-related Employment and Support Allowance

### About this factsheet

Employment and Support Allowance (ESA) is a benefit for people of working age who are currently unable to work because of sickness or disability. Age UK's Factsheet 80, *Employment and Support Allowance*, describes the qualifying conditions, assessment process and how to claim ESA. This factsheet explains how income-related ESA is calculated and how your income and savings are taken into account in the means test for it.

The information in this factsheet is correct for the period April 2012 – March 2013. Most benefit rates and other figures are expected to increase in April 2013 but rules and figures sometimes change during the year.

The information in this factsheet applies in England and Wales. Different rules may apply in Northern Ireland and Scotland. Readers in these nations should contact their respective national offices for information specific to where they live – see section 9 for details.

Section 9 also has details of how to order other Age UK factsheets and information materials and the telephone number for Age UK Advice.

If you need more detailed advice or representation, it is often best to find a local advice service. Sometimes this is suggested in the text. Age UK Advice can give you contact details for a local Age UK, or you could contact one of the independent organisations listed in section 8.

## Inside this factsheet

|   |   |    |
|---|---|----|
|   | Inside this factsheet                               | 2  |
| 1 | Recent developments                                 | 3  |
| 2 | Future changes                                      | 3  |
| 3 | What is Employment and Support Allowance?           | 3  |
|   | 3.1 How to work out income-related ESA              | 4  |
| 4 | Are you single or in a couple?                      | 5  |
| 5 | How much capital or savings do you have?            | 5  |
|   | 5.1 How capital is taken into account               | 5  |
|   | 5.2 How is capital valued?                          | 6  |
|   | 5.3 Capital that always counts in full              | 7  |
|   | 5.4 Capital that is not counted                     | 7  |
|   | 5.5 Capital with special rules                      | 8  |
|   | 5.6 Notional capital                                | 9  |
| 6 | How much income do you have?                        | 9  |
|   | 6.1 Income that always counts in full               | 10 |
|   | 6.2 Income that is not counted                      | 10 |
|   | 6.3 Income with special rules or partial disregards | 11 |
|   | 6.4 Deprivation of income (notional income)         | 12 |
|   | 6.5 Your total income for ESA                       | 13 |
| 7 | Applicable amount                                   | 13 |
|   | 7.1 Assessment phase applicable amount              | 13 |
|   | 7.2 Main phase applicable amount                    | 14 |
|   | 7.3 Personal allowance                              | 14 |
|   | 7.4 Premiums  | 14 |
|   | 7.5 Housing costs                                   | 18 |
|   | 7.6 Transitional additions                          | 23 |
|   | 7.7 Components                                      | 24 |
|   | 7.8 Examples of the income-related ESA calculation  | 24 |
| 8 | Useful organisations                                | 26 |
| 9 | Further information from Age UK                     | 28 |

## 1 Recent developments

- Employment and Support Allowance (ESA) is the main benefit for people of working age who are unable to work due to sickness or disability. Some people continued to receive Incapacity Benefit, Severe Disablement Allowance and Income Support (on grounds of incapacity) after the introduction of ESA in October 2008 but a process of migration is underway to assess these claimants for ESA and is due to complete by April 2014.
- As a result of the Welfare Reform Act 2012, a number of changes have been made to contributory ESA from 30 April 2012. See Age UK's Factsheet 80, *Employment and Support Allowance*, for information about contributory ESA.

## 2 Future changes

As a result of the Welfare Reform Act 2012 income-related ESA, along with some other existing benefits for people of working age, will be abolished and replaced with one benefit called Universal Credit from October 2013. The details of the changes will be set out in regulations that have not yet been published. The government proposes to move existing income-related ESA claimants on to Universal Credit some time between October 2013 and 2017. No-one whose circumstances remain the same should lose out financially when they move to Universal Credit.

## 3 What is Employment and Support Allowance?

ESA is a benefit for people who have limited capability for work (which means that they are considered unable to work due to sickness or disability) and who are not entitled to Statutory Sick Pay (SSP).

There are two types of ESA:

- contributory ESA: This is paid if you have enough National Insurance (NI) contributions. It is not means-tested but may be paid at a reduced rate if you have an occupational or personal pension. Contributory ESA can be paid indefinitely if you are placed in the support group, but is paid for a maximum of one year if you are in the work-related activity group.

- income-related ESA: This is a means-tested benefit to cover basic living expenses that can be paid on its own or on top of contributory ESA or other income. Income-related ESA tops your income up to a level set by the government and can be paid indefinitely.

This factsheet only describes how to work out the amount of income-related ESA to be paid.

Age UK's Factsheet 80, *Employment and Support Allowance*, describes the general qualifying conditions, including the medical tests, for ESA. It also covers all aspects of contributory ESA.

### 3.1 How to work out income-related ESA

If you meet all the qualifying conditions for ESA, including the medical tests, you can work out if you are entitled to any income-related ESA by following the following steps

- Consider whether you will count as a single person or a couple for ESA.
- Work out how much capital or savings you (and your partner) have, and whether this will disqualify you from income-related ESA or have any effect on the income to be taken into account in the ESA calculation.
- Work out how much income you (and your partner, if you have one) already have, and whether any of it can be ignored under the means-testing rules.
- Work out your applicable amount – which is the amount of money the government allows for your basic living expenses.
- Compare your income and your applicable amount and if your income is less than your applicable amount, work out the difference to find out how much income-related ESA you should get.

The following sections work through these points in more detail.

## 4 Are you single or in a couple?

If you live with a partner, you have to claim as a couple.

You count as a couple if:

- you are married or have a civil partner and you live in the same household as your husband, wife, or civil partner
- you live in the same household with someone as if you are married or civil partners.

With a couple's claim, the income and capital of both partners are counted when the benefit is worked out. If you claim income-related ESA, your partner cannot claim it as well – you must decide which of you should claim. If your partner gets Income Support, Pension Credit (PC) or income-based Jobseeker's Allowance (JSA), you cannot get income-related ESA.

If you have a dependant child, any income or capital they have is not taken into account and you do not get extra ESA for them, although some younger parents get a higher ESA personal allowance than if they had no children (see section 7.3).

---

**Action:** If you are in a couple and you are not sure which benefits to claim, seek independent advice as the choice you make may affect the amount of money you get as well as the assessment process you have to go through.

---

## 5 How much capital or savings do you have?

The term 'capital' refers to all forms of savings (including any money you have saved from your benefits or earnings), lump sum payments, investments, land and property. Some forms of capital (including your home) are not counted, as explained in section 5.4.

### 5.1 How capital is taken into account

The amount of capital you have can affect your eligibility for income-related ESA. The same limits apply to both single people and couples. If you have a partner, their capital is added to yours.

For income-related ESA there is a capital limit of £16,000. If you have more than £16,000 and none of it is ignored you will not be able to get income-related ESA.

Capital up to £6,000 (£10,000 if you are in a care home), and any income you receive from it, is ignored for income-related ESA.

Every £250 (or part of £250) of capital you have between £6,000 and £16,000 is assumed to produce an income of £1 a week, which is added to your other income when income-related ESA is worked out.

---

**Examples:** If you do not live in a care home and have £11,200 capital, this produces tariff income of £21 a week to be added to your other income. This is because the difference between £6,000 and £11,200 is £5,200 and dividing this by 250 gives 21. If you have the same amount and live in a care home, £5 a week tariff income would count.

If you have £16,600 capital, you are not eligible for income-related ESA.

If you have £5,700 capital, no tariff income is taken into account.

---

## 5.2 How is capital valued?

Your capital is generally assessed at its present-day market value. If there would be expenses involved in selling your capital, 10% of its value is deducted. Any debt or mortgage secured on a capital asset is deducted from its value. If you have unsecured debts these cannot be offset against the value of any capital you have.

Any capital you own jointly with other people (other than your partner) is normally divided equally between the joint owners. This could be, for example, if you jointly own a property with a family member. Seek independent advice if there is any reason why the property should not be valued on a proportionate, equal share basis.

---

**Example:** If you and your son have a joint bank account of £10,000, you would normally be assessed as each owning £5,000.

---

### 5.3 Capital that always counts in full

Capital counted in full includes:

- cash
- money in all types of bank or building society accounts, including current accounts
- fixed-term investments including National Savings accounts and certificates (there are special rules for valuing these)
- income bonds
- stocks and shares
- Premium Bonds
- income tax refunds
- any savings or capital held by another person for you.

### 5.4 Capital that is not counted

Types of capital that are ignored include:

- the surrender value of any annuity or life insurance policies (although, if a policy is cashed in, the money you receive is normally counted as part of your capital)
- the value of a personal pension fund and the value of the right to receive a workplace or personal pension
- the value of a pre-paid funeral plan
- personal possessions such as jewellery, furniture or a car
- some payments from social services departments for children, families and care leavers
- payments from specified trusts and funds including the Macfarlane Trusts and the Independent Living Fund
- capital belonging to a dependent child.

## 5.5 Capital with special rules

Some types of capital can be ignored in certain circumstances or for particular periods of time. The rules are often complex so if you have any capital not listed in this factsheet, or any other queries about how your capital will be dealt with, contact Age UK Advice (see section 9) or a local advice service (see section 8).

Special rules apply to following types of capital.

- If you own the property you live in its value does not count towards your capital. But if you own a property that you do not live in, its value, less any loans or debts secured on the property, usually counts as capital. There are some specific circumstances where the value of a property you own and do not live in can be ignored, at least for a period – for example, if you are taking steps to sell it or a close relative who is over Pension Credit qualifying age or incapacitated lives there. If you own a property that you do not live in, seek independent advice about whether its value can be ignored.
- Rental income from a property other than your home is usually taken into account as capital rather than income, with some allowances if you use any of the rent to pay a mortgage on the property.
- Future interests in most kinds of property are ignored, but if you have a future interest in a property that you have let out to tenants its value will count.
- Capital payments made by someone else to a third party on your behalf count in some circumstances but not in others. For example, if you have a mortgage and someone pays money to the building society towards the capital repayments, this does not count as part of your capital.
- Compensation payments for damage to or loss of your personal possessions are ignored for six months, or longer if reasonable.
- A personal injury payment to you is ignored for 52 weeks initially and indefinitely if held in a trust. Other types of trust fund may or may not count as capital depending on the terms of the trust.
- Arrears of many types of social security benefits and tax credits are ignored for 52 weeks, and sometimes for longer if there was an official error.
- Some payments from employment and training programmes are ignored for specified periods.

- Loans to you usually count as capital but there are some exceptions.
- Business assets can often be ignored.
- The value of a right to receive a payment in the future may be counted or ignored depending on the type of payment it is.
- How overseas assets are valued depends on whether there are any exchange controls preventing you from transferring your capital to this country.

## 5.6 Notional capital

If you deprive yourself of capital in order to qualify for benefit or increase the amount of benefit you get, the Department for Work and Pensions (DWP) can treat you as still having that capital – this is known as notional capital. This might happen if you give money away to members of your family, buy expensive items or pay off a debt early in order to qualify for a benefit. It can also happen if you choose not to apply for capital which you could get if you applied for it. Seek independent advice if you are told that you are going to be treated as having notional capital.

## 6 How much income do you have?

Income includes most regular payments you receive, converted into weekly amounts. Most types of income count in full for income-related ESA, but there are some disregards. All income is assessed after deductions for tax and NI contributions and half of any contribution to an occupational or personal pension scheme. If you receive income without tax deducted, but are due to pay tax on this later, you can ask HMRC for a forecast of tax due, or the DWP should carry out its own calculation of how much to deduct to cover your future tax liability.

---

**Note:** Sometimes the distinction between income and capital is not clear – seek independent advice if you have something taken into account as income, which should be capital, or vice versa.

---

## 6.1 **Income that always counts in full**

Many types of income count in full when your entitlement to income-related ESA is worked out, including:

- Carer's Allowance
- contribution-based Jobseeker's Allowance (JSA)
- contributory ESA
- Incapacity Benefit
- Severe Disablement Allowance
- Industrial Injuries Benefits, apart from Constant Attendance Allowance and Exceptionally Severe Disablement Allowance which are ignored
- Maternity Allowance
- State Pensions
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay
- Widow's Pension, Bereavement Allowance and Industrial Death Benefit
- Working Tax Credit
- all types of occupational and personal pensions
- tariff income from capital (as described in section 5.1).

## 6.2 **Income that is not counted**

Some income is ignored altogether for income-related ESA, including:

- Attendance Allowance
- Disability Living Allowance
- Constant Attendance Allowance, Exceptionally Severe Disablement Allowance and Severe Disablement Occupational Allowance paid because of an injury at work or war injury
- Social Fund payments

- Housing Benefit, Council Tax Benefit and discretionary housing payments
- Child Benefit, Child Tax Credit, Guardian's Allowance, maintenance payments for children, any increases for child dependants paid on your benefits
- any dependent child's income
- most types of adoption, guardianship and fostering allowances and residence order payments
- most regular charitable and voluntary payments
- mobility supplement under the War Pensions Scheme
- payments for expenses if you are doing voluntary work
- most mortgage protection and insurance payments for, and used to repay, mortgages, loans, credit card and hire purchase repayments
- any money given to you for, and used to pay, housing costs, rent or care home fees not met by income-related ESA, Housing Benefit or your local authority
- actual income from capital/savings (only the tariff income is counted as described in section 5.1 – but interest that has been paid into an account is counted as part of your capital).

### 6.3 Income with special rules or partial disregards

Some types of income are partially ignored for ESA or are subject to special rules including the following.

- An earnings disregard of £20 a week is allowed against earnings from employment or self-employment. This can be increased to a maximum of £97.50 for certain types of 'permitted work' that you may be allowed to do while claiming.
- £10 of any War Widow's, Widower's or Surviving Civil Partner's Pension or War Disablement Pension is ignored.
- £10 of Widowed Mother's Allowance or Widowed Parent's Allowance is ignored.

- £20 of the payment from each tenant, sub-tenant, licensee or boarder (lodger) in your own home plus in the case of boarders (lodgers), half of any payment made above £20. Any income left after applying these disregards may be offset against any housing costs that you have which are not met by income-related ESA.
- If you own a property other than your home and its capital value is ignored under the rules described in section 5.5, and you are renting it out, the rent counts as income, although certain expenses including mortgage repayments can be deducted.
- If your ESA personal allowance is reduced to £71.00 or £56.25 because you or your partner are under 18, an amount of income equivalent to the reduction (up to £55.20) is disregarded.
- Payments from an annuity usually count in full as income, but there are special rules for home income plans and annuities set up because of personal injury. There are also special rules about income from personal injury trust funds.
- There are special rules about income from official employment and training programmes.

---

**Action:** As with capital, the income rules can be complex. If you have any types of income that are not mentioned in this factsheet or if you want to find out how particular types of income will be dealt with, seek advice from Age UK Advice or a local advice agency.

---

## 6.4 Deprivation of income (notional income)

Sometimes you may be treated as having income that you do not actually have. This is known as notional income. This might happen if you fail to apply for income you are entitled to, or you are owed income, or you have deliberately got rid of income with the intention of increasing your benefit entitlement. Seek independent advice if this rule is applied to you.

## 6.5 Your total income for ESA

All your weekly income after any ignored amounts is added together. The total is the amount that is taken into account in the income-related ESA calculation and compared with your applicable amount.

## 7 Applicable amount

Your applicable amount is the amount of money you are expected to live on each week. Your income-related ESA tops up the income you have from other sources, calculated as set out in section 6, to the amount of your applicable amount.

In the ESA assessment phase your applicable amount is lower than in the main phase. See Factsheet 80, *Employment and Support Allowance* (section 7), for an explanation of phases and how you can sometimes go straight into the main phase without an assessment phase.

There are some circumstances when your applicable amount can be reduced, for example if you are homeless, or your partner is subject to immigration control or you have not turned up for a work-focused interview.

---

**Action:** If your applicable amount is reduced for any reason, seek independent advice.

---

### 7.1 Assessment phase applicable amount

In the assessment phase your applicable amount is made up of:

- a personal allowance – the amount the law says you need for living expenses
- premiums – amounts for extra needs, if you qualify for any
- housing costs – towards the cost of some mortgages, home loans, service charges and ground rent if you are a home owner
- transitional addition – if you have been transferred to ESA from other benefits and your ESA would be less than your previous benefit.

## 7.2 Main phase applicable amount

In the main phase your applicable amount may also include an additional component. You will also receive a personal allowance at the rate for over-25s regardless of your age.

In the main phase your applicable amount will be made up of:

- a personal allowance
- premiums, if applicable
- housing costs, if applicable
- a transitional addition, if applicable
- a support component or work-related activity component.

## 7.3 Personal allowance

The amount of your personal allowance depends on whether you are single or in a couple, whether you have children and your age. Only the rates of personal allowance for people aged 18 or over are given here. If you are aged under 18 or you have a partner aged under 18, contact an advice service to find out how much your personal allowance would be.

### Weekly rates of personal allowance

|                               | Assessment phase | Main phase |
|-------------------------------|------------------|------------|
| Single person aged 18–24      | £56.25           | £71.00     |
| Lone parent aged 18 or over   | £71.00           | £71.00     |
| Single person aged 25 or over | £71.00           | £71.00     |
| Couple, both aged 18 or over  | £111.45          | £111.45    |

## 7.4 Premiums

Premiums are extra amounts to help with expenses caused by age, disability or caring responsibilities. You may not qualify for any premiums, or you may qualify for one or more.

## Pensioner premium

You qualify for a pensioner premium if:

- your partner has reached Pension Credit qualifying age, *or*
- you are a man who has reached PC qualifying age.

PC qualifying age is currently increasing from 60 to 66 at the same rate as the State Pension age for women. PC qualifying age was 61 in April 2012 and will be 61 years and 6 months by March 2013.

If you are a woman who is claiming ESA and you reach PC qualifying age, you should claim PC instead.

The amount of the premium varies according to whether the ESA claimant is entitled to any components and whether you are in a couple. Only one partner has to fulfil the conditions for the premium for the couple rate to be included.

## Weekly rates of the pensioner premium

|  | Single | Couple  |
|--|--------|---------|
| Claimant entitled to support component               | £37.65 | £72.40  |
| Claimant entitled to work-related activity component | £43.55 | £78.30  |
| Claimant not entitled to either component            | £71.70 | £106.45 |

## Enhanced disability premium

You are entitled to an enhanced disability premium if either:

- you qualify for the support component, *or*
- you or your partner receive the highest rate care component of Disability Living Allowance (DLA) and have not yet reached the qualifying age for PC.

The enhanced disability premium cannot be paid on top of the pensioner premium.

If you are a single person, the enhanced disability premium is £14.80 a week.

If you are a couple, the enhanced disability premium is £21.30 a week, whether one or both of you qualify for it.

## Severe disability premium

The severe disability premium should be included in your applicable amount if:

- you get the middle or highest rate of DLA care component **and**
- no one is paid Carer's Allowance for looking after you (although it doesn't matter if someone has 'underlying entitlement' to Carer's Allowance for you) **and**
- you live alone, **or** you can be treated as living alone.

### 'Living alone'

You can sometimes count as 'living alone' even if you share your home with other people. The following people can be ignored when deciding if you are living alone:

- anyone receiving Attendance Allowance, or the middle or highest rate of DLA care component
- anyone who is registered blind or who has stopped being registered blind in the past 28 weeks
- any child or young person who is under 18 or for whom Child Benefit is being paid
- anyone who is not a close relative and is a joint tenant or co-owner with you
- anyone who is not a close relative and is your landlord
- anyone who is not a close relative and is a licensee, tenant or sub-tenant
- some live-in helpers.

If you are a single person and you qualify for the severe disability premium, it is worth £58.20 a week.

If you have a partner, you will only be able to get the severe disability premium if your partner also gets the middle or highest rate of DLA care component or Attendance Allowance or is blind. If you and your partner both receive the middle or highest rate of DLA care component (or Attendance Allowance), and no one else counts as living with you, and neither of you has a carer receiving Carer's Allowance, a double rate of £116.40 a week will be included in your applicable amount. If one of you has a carer who is actually paid Carer's Allowance the single rate of £58.20 will be included.

---

**Action:** This is a complex area of law. If you need further information about whether you qualify for the severe disability premium, contact Age UK Advice or a local advice centre.

---

### Carer premium

A carer premium can be included in your applicable amount if you or your partner:

- are receiving Carer's Allowance, or
- have claimed Carer's Allowance and fulfil the conditions for it but cannot be paid it because you are getting another benefit instead. In this case you have an 'underlying entitlement' to Carer's Allowance.

If you are a single person and you qualify for the carer premium, an extra £32.60 a week will be included in your applicable amount.

If you and your partner both qualify for the carer premium, an extra £65.20 a week will be included. If only one of you is a carer the single rate will be included.

The carer addition continues for eight weeks after you stop looking after someone, for example if they die or move into a care home.

In some circumstances, where Carer's Allowance is being paid, a carer could receive an extra £32.60 a week through the carer premium but the person they care for might lose the severe disability premium (described above), which is worth £58.20. If you are not sure whether to claim Carer's Allowance seek independent advice first.

It is possible to receive both the carer and severe disability premiums – for example, a disabled couple who provide a substantial amount of care for each other could receive both.

See Age UK's Factsheet 55, *Carer's Allowance*, for more information.

## 7.5 Housing costs

If you own your home and you have a mortgage, home loan, or other housing-related charges to pay, your applicable amount may include extra amounts for housing costs. You may have to wait for a period before you get help with your housing costs.

If you own your home jointly with someone else who is not your partner, you may only be eligible for your share of the housing costs.

If other adults live with you and your partner, they may be expected to contribute towards the housing costs and deductions from your benefit may be made.

If you rent your home, you can apply to your local authority for Housing Benefit to help with rent and any service charges.

To receive help with your housing costs you or your partner must be liable or treated as liable to pay the costs and they must be for the home you normally live in.

If your ESA claim ends because you or your partner are starting full-time work, you can sometimes qualify for 'mortgage interest run-on'. This means that you continue to get help with your housing costs for four weeks after your ESA claim ends.

### Waiting periods

Your housing costs are not usually included in your applicable amount when you first apply for ESA – there is a 'waiting period' before they are included.

New temporary rules about waiting periods were introduced on 5 January 2009 and these rules currently remain in force. This factsheet only describes the temporary rules – seek independent advice if you are subject to the rules that applied before January 2009.

You can get your housing costs included without any waiting period if you have a partner who is over Pension Credit qualifying age. If you are over Pension Credit age you should consider claiming Pension Credit instead.

A 13-week waiting period applies in most other cases before housing costs can be included in your applicable amount. Sometimes you can avoid the waiting period if your claim can be linked with a previous claim for ESA or other income-related benefit.

If you are not entitled to income-related ESA until your housing costs are included, you may have to make two claims for ESA – one to trigger the start of the waiting period, and the second when the waiting period has finished.

Once you have completed any waiting period, housing costs can be included in your applicable amount indefinitely while you are on ESA.

### **Mortgages and home loans**

The maximum loan or mortgage that you can usually receive help with is £200,000 under the temporary rules introduced in January 2009.

If your housing costs are considered to be excessive they can be restricted to a lower amount (for example, if the property is considered too large).

The system is designed to give help towards interest payments, not capital repayments or endowment policies. Interest on mortgages and other loans is only covered if the money borrowed was used to buy your home or freehold, to pay for specified repairs and improvements or to pay off an earlier loan that would have qualified.

A loan for repairs and improvements only qualifies if it is spent (usually within six months) on:

- essential works to adapt the home for a disabled person
- the provision of a bath/shower, sink, WC, ventilation, natural light, insulation, electric lighting and sockets, drainage, damp proofing
- the provision of facilities to prepare and cook food, store fuel or refuse
- the provision of a separate bedroom for children/young people depending on their age/gender
- repairs to heating systems

- repairs to unsafe structural defects.

You will not generally get help with the interest on a loan taken out to buy a home while you are on income-related ESA, unless you take out a loan or increase your loan:

- to buy alternative accommodation more suited to the needs of a disabled person, for example sheltered accommodation
- to buy a new home to provide separate sleeping accommodation for a boy or girl aged over 10 but under 20 for whom you are responsible
- to replace one mortgage with another, but housing costs will be restricted to the amount you were receiving before you took out the new loan
- to buy a property when the previous week you were receiving Housing Benefit or 'other housing costs' paid with a means-tested benefit, in which case you only get the amount you were previously getting (in Housing Benefit or other housing costs) to begin with.

### **How mortgage interest is calculated**

Once the DWP has decided how much of your mortgage is eligible for help, this is multiplied by a standard interest rate to calculate the amount of interest for the year. The result is divided by 52 to reach the weekly figure that will be added to your applicable amount.

The standard interest rate is linked to the Bank of England's average mortgage interest rate. In April 2012 the standard interest rate is 3.63% and it will change whenever the Bank of England publishes an average rate that differs from the standard rate by 0.5% or more.

---

**Example:** Jordan has a mortgage of £50,000. All of it was borrowed to buy his home and so the whole loan is eligible for help on income-related ESA. In a full year he is entitled to  $£50,000 \times 3.63\% = £1815$ . Divided by 52, this gives a weekly figure of £34.91, which is added to his applicable amount after he has waited for 13 weeks.

---

## Service charges

You may have to pay service charges as a condition of living in your home, if for example you are a leaseholder. Your applicable amount can include help towards some of these charges. Reasonable charges for the following services are eligible:

- services for the provision of adequate accommodation including some caretaker services, gardens, lifts, entry phones, portering, rubbish removal, TV and radio relay charges
- laundry facilities like a laundry room in a sheltered housing scheme but not personal laundry services
- cleaning of communal areas and windows
- minor repairs and maintenance but not for the repairs and improvements listed on page 20 above. You may qualify for help with the interest on a loan taken out to pay for those
- house insurance if it has to be paid under the terms of the lease.

Service charges for community/emergency alarm systems, personal care and support services are not covered. You may be able to get help with any support services from your local authority's Supporting People team.

When you apply for help with service charges you may be asked to supply documentary evidence; for example accounts, invoices and a breakdown of the charges. The amount of eligible service charges will be converted into a weekly amount and added to your applicable amount.

---

**Example:** Michael has to pay a total of £880 a year in service charges. A breakdown of the charges shows that this is all for eligible services apart from £100 for a contingency fund. £100 is deducted and the remaining £780 is divided by 52, giving a weekly amount of £15 for service charges, which is added to his applicable amount.

---

## Ground rent and other housing costs

You can also get help with some other housing costs on income-related ESA including:

- ground rent
- payments under a co-ownership scheme
- rent if you are a Crown tenant (minus any water charges)
- payments for a tent and its pitch if that is your home.

The normal weekly charge for these costs is added to your applicable amount. If the charges are payable annually, the weekly amount is worked out by dividing the annual amount by 52.

### **Non-dependant deductions**

The amount for housing costs included in your applicable amount may be reduced if you have someone living with you other than your partner or dependent child. This is referred to as a 'non-dependant deduction'.

The deductions are made because it is assumed that someone living with you, such as an adult son or daughter, will contribute towards your housing costs. The sums deducted are fixed regardless of how much the person actually contributes. If you have more than one non-dependant there is a deduction for each of them but only one deduction is made for a couple. The deduction for a couple is the highest that would have been made if they were treated as individuals but based on their joint income.

No deductions are made if you (or your partner) are blind or receive the care component of DLA or Attendance Allowance.

No deductions are made for:

- your partner, dependent children and most young people under the age of 20 for whom you receive Child Benefit
- anyone who is a joint owner or joint tenant with you
- a resident landlord, boarder or sub-tenant (and members of their households) unless they are your close relatives
- anyone receiving PC
- anyone aged under 18
- anyone under 25 and receiving Income Support, income-based JSA or particular rates of ESA

- most full-time students and people on some training allowances
- someone employed by a charitable or voluntary organisation as a resident carer for you or your partner and who you pay for that service
- anyone staying with you who normally lives elsewhere
- anyone who is in hospital for more than 52 weeks
- anyone who is in prison.

Where a non-dependant deduction has to be made, a fixed amount is deducted. The deduction is £11.45 a week unless the person works 16 hours a week or more, in which case the following rates apply:

| Gross weekly income of non-dependant | Weekly deduction from housing costs |
|--------------------------------------|-------------------------------------|
| Less than £124.00                    | £11.45                              |
| £124.00–£182.99                      | £26.25                              |
| £183.00–£237.99                      | £36.10                              |
| £238.00–£315.99                      | £59.05                              |
| £316.00–£393.99                      | £67.25                              |
| £394.00 or more                      | £73.85                              |

When assessing the gross income of a non-dependant most income is counted apart from Attendance Allowance and DLA. If you are applying for housing costs and you have a non-dependant you will need to produce evidence of their income, for example pay slips or benefit award letters.

## 7.6 Transitional additions

Claimants of Incapacity Benefit, Severe Disablement Allowance and Income Support on grounds of incapacity are being reassessed and migrated to ESA and this process is due to be complete by 2014. When this happens you are assessed for ESA according to the rules described in this factsheet and in Age UK's Factsheet 80, *Employment and Support Allowance*.

If your claim for Income Support on grounds of incapacity is migrated to an award of income-related ESA, your ESA will include a top-up payment or 'transitional addition' if your ESA would be worth less than your Income Support. The amount of transitional addition will be equal to the difference between your Income Support applicable amount and your ESA applicable amount. The value of any transitional addition will be eroded by future annual increases to ESA rates and certain other changes. Transitional additions will be abolished in April 2020.

## 7.7 Components

In the main phase of ESA you may become entitled to either the work-related activity component or the support component. See Age UK's Factsheet 80, *Employment and Support Allowance*, for details of how the decision is made as to which component you get.

The work-related activity component is £28.15 a week and the support component is £34.05 a week. The same rate is paid whether you are single or a couple. If you are in a couple where you both have limited capability for work only one component is paid, at the rate that applies to the claimant. If you are in a couple where you both qualify for income-related ESA, you may want to consider who is most likely to qualify for the support component when you decide which of you should be the claimant, or seek independent advice.

Your work-related activity component can be reduced or removed altogether if you fail to take part in a work-focused interview that you are required to attend.

## 7.8 Examples of the income-related ESA calculation

### Syedda

Syedda has been out of work for four years and has been claiming Jobseeker's Allowance. She has no other income or savings. She is 55 years old and lives alone in a Housing Association flat. She becomes seriously ill and makes a claim for ESA as she can no longer meet the job-seeking conditions for Jobseeker's Allowance.

Syeeda is not entitled to contributory ESA and so she is assessed for income-related ESA. In the assessment phase her personal allowance is £71 a week. This is also her total applicable amount as she is not entitled to any premiums, housing costs or transitional addition. She has no other income and so her total income-related ESA is £71 a week.

In the main phase, Syeeda is assigned to the work-related activity group and becomes entitled to the work-related activity component. Her applicable amount, and the amount of income-related ESA, is increased by £28.15 to £99.15 a week.

## Jordan

Jordan, aged 57, receives the high care and high mobility components of DLA (£131.50 a week). His partner, Marie, who is aged 54, gets Carer's Allowance (£58.45 a week) to look after him. They have savings of £11,200 between them. They have a mortgage of £50,000. Jordan has no entitlement to contributory ESA and once he is in the main phase of ESA he is placed in the support group. His applicable amount in the main phase is made up of:

|                                     |         |
|-------------------------------------|---------|
| Personal allowance for a couple     | £111.45 |
| Enhanced disability premium         | £ 21.30 |
| Carer premium                       | £ 32.60 |
| Housing costs (mortgage of £50,000) | £ 34.91 |
| Support component                   | £ 34.05 |
| Total applicable amount             | £234.31 |

Jordan's DLA is ignored as income in the assessment. The savings of £11,200 generate an assumed income of £21 a week. Marie's Carer's Allowance is counted and so the total weekly income taken into account in the assessment is £79.45 a week (£58.45 + £21 = £79.45). Their income-related ESA is £154.86 a week (£234.31 - £79.45 = £154.86).

## 8 Useful organisations

### Benefit Enquiry Line

Government-run information line about benefits for people with disabilities, carers and representatives.

Tel: 0800 88 22 00 (free call)

Textphone: 0800 24 33 55 (free call)

Website: [www.direct.gov.uk/disability-money](http://www.direct.gov.uk/disability-money)

### Carers UK

National charity working on behalf of carers. Offers wide range of information on carers' rights and sources of help and contact details for local carers' support groups.

Tel: 0808 808 7777 (free call)

Website: [www.carersuk.org](http://www.carersuk.org)

### Citizens Advice

National network of free, independent advice centres. Depending on available resources may offer benefits check and help filling forms.

Tel: 020 7833 2181 (for details of your local Citizens Advice Bureau)

Website: [www.adviceguide.org.uk](http://www.adviceguide.org.uk)

### Community Legal Service

National network of Legal Services Commission funded organisations and advice providers that fund, provide and promote civil legal aid services – free, confidential and independent legal advice for residents of England and Wales.

Tel: 0845 345 4345

## **Directgov**

The official government website of information for citizens with information about public services including money, tax and benefits and a specific section for the over-50s. It also offers information about pensions and retirement planning.

Website: [www.direct.gov.uk](http://www.direct.gov.uk)

## **Disability Rights UK**

A national charity promoting meaningful independent living for disabled people, promoting disabled people's leadership and control, breaking the link between poverty and disability, and campaigning for disability equality and human rights.

Website: [www.disabilityrightsuk.org](http://www.disabilityrightsuk.org)

## **Disability and Carers Service**

Part of the DWP and responsible for administration of Carer's Allowance, Attendance Allowance and Disability Living Allowance.

Tel: 0845 7 12 34 56

## **The Pension Service**

Part of the DWP, dealing with all aspects of State Pensions, including forecasts/statements, how to claim your pension and Pension Credit.

Tel: 0845 60 60 265

Textphone: 0845 60 60 285

Website: [www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm](http://www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm)

## 9 Further information from Age UK

### Age UK Information Materials

Age UK publishes a large number of free Information Guides and Factsheets on a range of subjects including money and benefits, health, social care, consumer issues, end of life, legal, issues employment and equality issues.

Whether you need information for yourself, a relative or a client our information guides will help you find the answers you are looking for and useful organisations who may be able to help. You can order as many copies of guides as you need and organisations can place bulk orders.

Our factsheets provide detailed information if you are an adviser or you have a specific problem.

### Age UK Advice

Visit the Age UK website, [www.ageuk.org.uk](http://www.ageuk.org.uk), or call Age UK Advice free on 0800 169 65 65 if you would like:

- further information about our full range of information products
- to order copies of any of our information materials
- to request information in large print and audio
- expert advice if you cannot find the information you need in this factsheet
- contact details for your nearest local Age UK

## Age UK

Age UK is the new force combining Age Concern and Help the Aged. We provide advice and information for people in later life through our publications, online or by calling Age UK Advice.

Age UK Advice: 0800 169 65 65

Website: [www.ageuk.org.uk](http://www.ageuk.org.uk)

In Wales, contact:

Age Cymru: 0800 169 65 65

Website: [www.agecymru.org.uk](http://www.agecymru.org.uk)

In Scotland, contact:

Age Scotland: 0845 125 9732

Website: [www.agescotland.org.uk](http://www.agescotland.org.uk)

In Northern Ireland, contact:

Age NI: 0808 808 7575

Website: [www.ageni.org.uk](http://www.ageni.org.uk)

## Support our work

Age UK is the largest provider of services to older people in the UK after the NHS. We make a difference to the lives of thousands of older people through local resources such as our befriending schemes, day centres and lunch clubs; by distributing free information materials; and through calls to Age UK Advice on 0800 169 65 65.

If you would like to support our work by making a donation please call Supporter Services on 0800 169 80 80 (8.30am–5.30pm) or visit [www.ageuk.org.uk/donate](http://www.ageuk.org.uk/donate)

## Legal statement

Age UK is a registered charity (number 1128267) and company limited by guarantee (number 6825798). The registered address is Tavis House, 1-6 Tavistock Square, London, WC1H 9NA. VAT number: 564559800. Age Concern England (charity number 261794) and Help the Aged (charity number 272786) and their trading and other associated companies merged on 1 April 2009. Together they have formed Age UK, a single charity dedicated to improving the lives of people in later life. Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age Northern Ireland, Age Cymru.

## Disclaimer and copyright information

This factsheet has been prepared by Age UK and contains general advice only which we hope will be of use to you. Nothing in this factsheet should be construed as the giving of specific advice and it should not be relied on as a basis for any decision or action. Age UK does not accept any liability arising from its use. We aim to ensure the information is as up to date and accurate as possible, but please be warned that certain areas are subject to change from time to time.

Please note that the inclusion of named agencies, companies, products, services or publications in this factsheet does not constitute a recommendation or endorsement by Age UK.

© Age UK. All rights reserved.

This factsheet may be reproduced in whole or in part in unaltered form by local Age UKs and Age Cymru with due acknowledgement to Age UK. No other reproduction in any form is permitted without written permission from Age UK.