Guide for self-employed childminders - How will you be affected by Universal Credit?

Universal Credit (UC) is a new means-tested benefit being introduced in Portsmouth for new claims from 26th September 2018. For general information on UC, visit Portsmouth.gov.uk/universalcredit.

This guide has been produced by Portsmouth City Council to explain how self-employed childminders who claim benefits or tax credits will be affected by the introduction of UC.

UC will eventually replace 6 existing benefits (the 'legacy benefits'):

- Child Tax Credit
- Working Tax Credit
- Housing Benefit
- Jobseeker’s Allowance (income based)
- Employment and Support Allowance (income related)
- Income Support

If you currently receive any of the 6 legacy benefits listed above, if your situation does not change you don't need to do anything and those benefits will continue. If you claim UC, any legacy benefits you receive will be cancelled and you will not be able to claim them again.

From 26th September, anyone living in the Portsmouth and Cosham jobcentre areas (PO1 - PO8) could make a claim for UC (unless you have 3 or more dependent children, in which case you will initially be excluded from claiming UC). However, unless your situation means that you are no longer allowed to claim legacy benefits, you may be better off remaining on those benefits, until anything happens that means you need to claim UC. This is a short guide to which changes mean you need to claim UC, and this is a more detailed guide. You can also use an online benefits calculator to see how your entitlement would change if you switch from legacy benefits to UC.

If parents that you provide childcare for claim UC, they must report any payments they make for childcare in the monthly assessment period when the payment is made. The monthly assessment period is different for everyone, and depends on when you first made your claim for UC.

If childcare costs are not reported in the monthly assessment period when they are made, parents will not receive any help towards those costs from UC. Parents will notify UC of their childcare costs using their online Journal. It would help parents if you can remind them that they must notify their childcare payments straight away.

Parents must also provide proof of their payments for childcare, so please ensure parents get a receipt every time they make a payment.
Everyone who claims UC is required to ring the jobcentre to make an appointment with one of the Work Coaches. As a self-employed childminder, you will be required to provide your Work Coach with evidence that you are self-employed, which could include:

- lists of customers and suppliers
- invoices, receipts and contracts of services
- previous years trading accounts
- HMRC correspondence (including previous tax returns, Unique Tax Reference numbers etc)
- bank statements
- marketing materials (e.g. business cards, flyers, website)
- Cash Flow Statement (including actual figures, forecast figures and Personal Survival Budget)
- business plan
- certificates relating to your business

If your Work Coach does not accept that you are actively self-employed, you will be required to look for work, and show evidence of your job search.

If you have any questions about what you are required to do to maintain your claim for UC, or how your income will be assessed, you should ask your Work Coach.

**Why is UC different to legacy benefits for childminders?**

Under the legacy benefits, childminders have two thirds of their gross income disregarded, even if their expenses are much less than this. Under UC, only business expenses are deducted from your income. There are also fewer income disregards under UC, so more income is taken into account when calculating your benefit entitlement. Use an online benefit calculator to calculate how this change will affect you.

All self-employed people on UC must report their income and business expenses for each monthly assessment period on the last day of the period. If you don’t report this information your UC payment will be delayed or stopped. If your net income changes each month, your UC entitlement will change.

Self-employed people can also be subject to a 'minimum income floor'. Read the UC Self-Employment Guide UCFS5a for more information on this.
Money management advice for childminders

- Put money aside if you have a high income month and budget for a quieter month.
- Change any annual payments (insurance for example) to monthly so your outgoings are evened out through the year.
- Decrease your recurring monthly expenses as much as possible – go through your outgoings and decide what is important and what can be reduced.
- Charging for parent holidays could help to keep your monthly income as stable as possible.
- If you have term-time only children, work out their fees quarterly or annually rather than monthly so you can show a regular monthly income from them.
- Put your childminding income and expenses through a separate bank account (personal account is fine – it doesn’t need to be a business account) so you can keep a close eye on your budget and spot any fluctuations.
- Work out how much you pay for services such as gas, electricity, council tax etc monthly – they will need to show as monthly outgoings in your bank account if you are audited.
- Know your statutory expenses so you can work out how much you will need to deduct for, for example:
  - Income tax – personal allowance £11,500 from April 2018 – 19 – pay 20% on everything above this amount.
  - National Insurance Class 2 – allowance of £5,965 from April 2018 – 19 – pay £2.80/week after this amount.
  - National Insurance Class 4 – allowance of £8,424 from April 2018 – 19 – pay 9% on everything above this amount.
  - Pension contributions qualifying for tax relief – varies.

Further advice

This is a list of organisations who can give you advice on claiming UC and how it will affect you.