

# Universal Credit Budgeting Advances

Equality impact assessment

October 2011

# Equality impact assessment for Universal Credit Budgeting Advances

## Consultation and involvement

1. A formal consultation was held on Social Fund reform under the previous administration in March 2010 following the publication of the Green Paper 'Social Fund: credit, debt and low-income families'. Those consulted were internal stakeholders, as well as organisations from the third sector that represent the views of Social Fund customers. The majority of the proposals in that consultation were not taken forward by the coalition government, but important points were raised that are of interest when considering the impact on protected groups. Several of those consulted welcomed a simplified application process, but expressed concern about the accessibility of an online scheme. There was also support for a fast, consistent application of decision making around the country.

## Outline of the existing policy

2. Budgeting Loans (BLs) are interest free loans, currently available to anyone who has been in receipt of a qualifying income-related benefit for 26 consecutive weeks. They are designed to help people on benefit deal with one-off items of expenditure, which are difficult to budget for out of regular income. Applications are made by post, and the decision of whether to award a Budgeting Loan is fact-based, rather than based on discretion, or any evidence of need.
3. There is no quantitative data available regarding what the Budgeting Loan is spent on, as applicants do not have to give evidence of need, or reasons for applying for a Budgeting Loan. They do have to fill out a form that requires them to select from seven categories of items they require the money for, which are:
  - Furniture and household equipment
  - Rent in advance or removal expenses to secure fresh accommodation
  - Travelling expenses within the UK
  - Clothing and footwear
  - Improvement, maintenance and security of the home
  - Expenses associated with seeking or re-entering work
  - Repaying HP and other debts – for any items or expenses which are associated with the categories above

4. There is a piece of qualitative research that focuses on what Budgeting Loans are used for: 'Saving and Borrowing: Use of the Social Fund Budgeting Loan scheme and Community Credit Unions'. 2000. Clare Whyley, Sharon Collard and Elaine Kempson. This included in-depth, qualitative interviews with 16 Budgeting Loan customers, and found that they applied for loans to purchase items including beds and bedding, cookers, fridges, washing machines, floor coverings e.g. carpets, furniture, household goods and baby clothes/equipment.
5. The minimum amount that can be applied for in a Budgeting Loan application is £100, and the maximum amount awarded is dependent on family composition. The maximum a single person without children would be eligible for is the baseline amount (currently £348). A couple without children could receive a maximum of  $\frac{4}{3}$  x baseline amount (currently £464), and a lone parent or a couple with children could receive a maximum of  $\frac{7}{3}$  x baseline amount (currently £812). The amount applicants are awarded is calculated by taking this maximum amount, and subtracting any existing Budgeting Loan debt an applicant has. If the amount applied for is less than this, then the applicant will receive the amount they have requested. Savings over £1,000 (£2,000 for those aged 60 or over) are also taken into account.
6. The equality impact assessment on the Social Fund that was completed in 2009 contained information on the age and household composition of those who were awarded Budgeting Loans in 2008/09. The largest proportion of initial awards went to those who were 25-34, with only 0.5% awarded to those under 18, and just over 17% given to those under 25. Regarding household composition, the majority of Budgeting Loans in 2008/09 were given to single females. The 2009/10 Annual Report on the Social Fund also shows that 45% of the total expenditure on Budgeting Loans goes to lone parents. It is therefore apparent that the current Budgeting Loan system has a greater impact on people with children, women, and those aged 25-34.

## Rationale for reform

7. The Social Fund, as it stands, has failed to keep pace with changes in society. This has led to complex administration, poor targeting of resources, and overlap with local authority and third sector provision. Since the scheme was introduced in 1987/88, society's attitude to credit and saving has changed dramatically, and so parts of the Social Fund such as Budgeting Loans are not effectively meeting customers' needs. The demand for Crisis Loans has increased dramatically, and the budget does not have sufficient funding to meet this demand while still making provision for Budgeting Loans. This is due to the fact that there is a single cash-limited budget for Budgeting Loans and Crisis Loans combined. Crisis Loans have the first call on this budget, and so if the demand for Crisis Loans increases, the amount left for Budgeting Loans decreases. The existing IT system that administers Budgeting Loans is also an issue, as it is out of date, and expensive to maintain.

## Outline of the new policy

8. Budgeting Loans will continue for existing income-related benefit recipients until Universal Credit is fully rolled out. Universal Credit will not be a qualifying benefit for Budgeting Loans. Instead, Budgeting Advances will be available as advances of Universal Credit for those on the lowest incomes. During the transitional period, as people are moved across to Universal Credit, those who remain on the existing qualifying benefits will be able to apply for Budgeting Loans, but those who are in receipt of Universal Credit will be able to apply for Budgeting Advances. Once Universal Credit is fully rolled out, Budgeting Loans will be abolished.
9. The reform plans for the new local welfare assistance and the national provision of Budgeting Advances and Short Term Advances will help to address the problems outlined above. It will mean that the budget will no longer give priority to Crisis Loans, and Budgeting Advances will be administered through the Universal Credit IT system, which will be far more efficient and cost-effective than the current Social Fund Computer System.
10. Under current plans for reform, applications for a Budgeting Advance will be made online (aligned with the wider Universal Credit strategy). Applications will not depend on the purpose of the advance as that would add unnecessary complexity and cost. The amount available will depend on the applicant's family composition and the amount they are able to repay. From late 2011, there will be a change to Budgeting Loans that will come into effect for the remaining time that Budgeting Loans are available. This change will mean that customers will be able to apply for a Budgeting Loan to cover funeral costs, and costs for maternity items, or items for a new baby.

## Impact of introducing Universal Credit Budgeting Advances

11. This reform will have a positive impact on several different groups. Firstly, the change to Budgeting Loans to include applications for money to cover the costs of maternity items, or items for a new baby, will meet the needs of pregnant women, as well as lone parents and couples who have just had a child. Single mothers are the group most served by the current Budgeting Loan system, and so this will help to meet their needs.
12. There could be a negative impact for older people, as the new application process will be online, rather than by post, which older people could find harder. This could also impact negatively on disabled people, for example, those who are visually impaired, or people with learning difficulties. These possible negative impacts will be addressed in a similar way to the current Budgeting Loan system. Anyone who has difficulty accessing or completing an online application will be able to find support at a Jobcentre Plus office, Citizens Advice, or similar organisations.

13. The reformed system of Budgeting Advances will not provide the same outcome for all applicants, as some will be able to apply for larger amounts than others. However, this will be due to differing family compositions. Lone parents and couples with children will obviously need a larger advance than single people, or couples without children, as they will have a larger need. Couples will receive more than a single person, but not double the amount, as a couple can reasonably be expected to share a lot of costs, and to live with fewer expenses than two single people. Therefore, whilst there may not be the same outcome for all applicants, it is for justifiable logistical reasons.
14. It is not possible to monitor the exact impact of this policy on specific groups as the Universal Credit policy design is still in development. However we can look at the profile of those people who currently access Budgeting Loans as this will form the basis of those eligible for Budgeting Advance although Universal Credit is likely to widen the group who can access this provision.
15. We do not have sufficient information to comment on the impacts (of the current scheme or proposed reforms) based on sexual orientation, gender reassignment, pregnancy and maternity, and religion and belief.

## Gender

### Budgeting Loans

16. In 2009/10 56% of initial decisions for Budgeting Loans were made in respect of single females, 30% were made in respect of single males and 14% were made in respect of a couple. Single females and couples are also more likely to be successful in getting a loan (78% and 73%) than single males (59%).

**Table 1: Budgeting Loan initial decisions by gender<sup>1</sup>**

Category	Number	% of total
Couple	242,430	14%
Single Female	933,250	56%
Single Male	503,930	30%
Total	1,679,600	100%

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<sup>1</sup> Analysis of social fund data scan September 2010 and June 2010 National Benefits Database

**Table 2: Budgeting Loan award success rates based on initial decision by gender**

Category	Number	Success Rate
Couple	176,030	73%
Single Female	728,720	78%
Single Male	299,760	59%
Total	1,204,500	72%

## Age

### Budgeting Loans

17. In 2009/10 the lowest rate of initial decisions for Budgeting Loans are those made in respect of applicants under 18 and those over 45 and this has remained stable for the last two years however those over 50 are more likely to be successful in their application.

**Table 3: Budgeting Loan initial decisions by age**

Age band	Number	% of total
Under 18	10,020	1%
18 to 24	350,690	21%
25 to 34	477,570	28%
35 to 44	396,610	24%
45 to 49	144,040	9%
50 to 54	100,480	6%
55 to 59	72,510	4%
60 to 64	51,640	3%
65 to 69	37,500	2%
70 to 79	33,380	2%
80 to 89	4,870	0%
90 and over	300	0%
Total	1,679,600	100%

**Table 4: Budgeting Loan success rates based on initial decisions by age**

Age band	Number	Success rate
Under 18	5,780	58%
18 to 24	218,590	62%
25 to 34	335,910	70%
35 to 44	292,210	74%
45 to 49	106,520	74%
50 to 54	76,240	76%
55 to 59	57,550	79%
60 to 64	43,340	84%
65 to 69	33,500	89%
70 to 79	30,210	90%
80 to 89	4,390	90%
90 and over	270	90%
Total	1,204,500	72%

## Ethnicity

### Budgeting Loans

18. In 2009/10 70% of Budgeting Loan initial decisions are made in respect of white customers with some ethnic groups receiving less than 1% of the initial decisions and this remains consistent with previous years. Overall success rates are slightly higher for white customers.

**Table 5: Budgeting Loan initial decisions by ethnicity**

Ethnic group	Number	% of total
White	1,177,780	70%
Mixed	23,700	1%
Asian or Asian British: Indian	5,160	0%
Asian or Asian British: Pakistani	10,250	1%
Asian or Asian British: Bangladeshi	3,470	0%
Asian or Asian British: Other Asian	3,530	0%
Black or Black British: Black Caribbean	30,240	2%
Black or Black British: Black African	25,870	2%
Black or Black British: Other Black	7,340	0%
Chinese or Other Ethnic Group: Chinese	520	0%
Chinese or Other Ethnic Group: Other Ethnic Group	15,390	1%
Prefer not to say	75,260	4%
Unknown	302,790	18%
All	1,681,310	100%

**Table 6: Budgeting Loan awards and success rates based on initial decisions by ethnicity**

Ethnic group	Number	Success rate
White	816,030	69%
Mixed	15,580	66%
Asian or Asian British: Indian	3,380	66%
Asian or Asian British: Pakistani	6,690	65%
Asian or Asian British: Bangladeshi	2,110	61%
Asian or Asian British: Other Asian	2,120	60%
Black or Black British: Black Caribbean	19,320	64%
Black or Black British: Black African	16,770	65%
Black or Black British: Other Black	4,580	62%
Chinese or Other Ethnic Group: Chinese	390	75%
Chinese or Other Ethnic Group: Other Ethnic Group	9,970	65%
Prefer not to say	51,590	69%
Unknown	256,260	85%
All	1,204,790	72%

## Disability

### Budgeting Loans

19. In 2009/10 30% of Budgeting Loan initial decisions are made in respect of disabled people which represents a 10% increase on the previous year. This increase is thought to be linked to the introduction of Employment and Support Allowance. Overall success rates are slightly higher for non-disabled customers (71%) than disabled customers (69%).

**Table 7: Budgeting Loan initial decisions by disability**

All BL decisions in 2009-10		
Disability status	Number	% of total
Not disabled	1,028,960	61%
Disabled	503,900	30%
Not considered	15,250	1%
Unknown	133,190	8%
All	1,681,310	100%

**Table 8: Budgeting Loan initial awards and success rates based on initial decisions by disability**

Disability status	Number	Success rate
Not disabled	728,320	71%
Disabled	348,530	69%
Not considered	13,570	89%
Unknown	114,360	86%
All	1,204,790	72%

## Sexual orientation

20. The Department does not hold information on its administrative systems on the sexual orientation of claimants. The Government does not envisage an adverse impact on these grounds.

## Religion or belief

21. The Department does not hold information on its administrative systems on the religion or beliefs of claimants. The Government does not envisage an adverse impact on these grounds.

## Marriage and Civil Partnership

22. The Department does not hold information on its administrative systems on the civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

## **Pregnancy and maternity**

23. The Department only holds information on pregnancy and maternity on its administrative systems where it is the primary reason for incapacity. It cannot therefore be used to accurately assess the equality impacts. The Government does not envisage an adverse impact on these grounds.

## **Gender reassignment**

24. The Department does not hold information on its administrative systems on transgender persons. The Government does not envisage an adverse impact on these grounds.

## **Monitoring and evaluation**

25. The material in this equality impact assessment covers the equality groups currently covered by the equality legislation, i.e. age, disability, gender (transgender), ethnicity, religion, sexual orientation, pregnancy/maternity and civil partnerships. DWP is committed to monitoring the impacts of its policies and we will use evidence from a number of sources on the experiences and outcomes of the protected groups.

- a) We will use administrative datasets, including the Department for Work and Pension's Work and Pensions Longitudinal Study (WPLS), to monitor trends in the benefit caseloads for the protected groups and in the level and distribution of benefit entitlements. The administrative data will provide robust material for age and gender although not, as a rule, for the other protected groups. Where it is practical we will endeavour to incorporate information for the other protected groups.
- b) We will use survey data, such as the Family Resources Survey (FRS) and Labour Force Survey (LFS), to assess trends in the incomes of the protected groups and in their employment outcomes. Both the FRS and LFS will collect information on age, disability, gender, ethnicity, sexual orientation, religion and civil partnerships.
- c) We will use qualitative research and feedback from stakeholder groups to assess whether there are unintended consequences for the protected groups, and whether the policy is likely to result in adverse consequences for particular groups.
- d) We will utilise feedback from Departmental employee networks and internal management information. For example we will monitor the level of complaints in order to assess the broader impact of the policy.
- e) We will draw on broader DWP research where appropriate, as well as any research commissioned specifically as part of the evaluation of the measure.

26. As part of our actions in the context of the data requirements under the Equality Act, we are looking across DWP activities to identify and address further gaps in data provision wherever reasonable.

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