



Short Term Benefit Advances and Budgeting Advances

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Under provisions in the *Welfare reform Act 2012*, from 1 April 2013 Social Fund Community Care Grants and Crisis Loans (other than “alignment loans” to tide people over pending their first payment of benefit) were abolished and funding has been made available to local authorities in England and to the devolved administrations in Scotland and in Wales to provide such assistance in their areas as they see fit.

Other elements formerly covered by the discretionary Social Fund remain however the responsibility of DWP.

Social Fund Budgeting Loans and alignment loans are being replaced by a new nationally administered advance of benefit facility. From April 2013, interim payments and alignment loans were replaced by “Short Term Advances”. “Budgeting Advances” will replace Budgeting Loans for Universal Credit claimants, but Budgeting Loans will continue to be available to people claiming “legacy benefits” (the benefits UC is replacing) until all such claims have been closed or the claimants moved onto Universal Credit. For claimants of Pension Credit – who are not affected by the introduction of Universal Credit – “Benefit Advances” will replace Budgeting Loans.

An [Information sheet on Short Term Advances and Budgeting Advances](#) at the DWP website gives details of the new arrangements.

This note provides a very brief overview of the changes and gives links to further information on the elements which remain the responsibility of DWP.

Library Standard Note SN06413, [Localisation of the Social Fund](#), gives background to the abolition of Social Fund Community Care Grants and Crisis Loans. The Children’s Society’s website has a page which gives links to information on the various local welfare schemes in England and to the schemes established in Scotland and Wales – see [Find your local welfare assistance scheme](#). It is expected that a new “Discretionary Support” scheme will also be established in Northern Ireland later in 2013.

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1 Background

The Social Fund was fully introduced from April 1988. Part of it covers payments including the Sure Start Maternity Grant, Funeral Payments, Winter Fuel Payments and Cold Weather Payments, which are paid according to provisions set down in regulations. The other part was the discretionary Social Fund, which was cash limited and which provided grants and loans to meet particular needs.

The discretionary Social Fund consisted of:

- Community Care Grants
- Budgeting Loans; and
- Crisis Loans

Community Care Grants (CCGs) were non-repayable grants available to people in receipt of Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Pension Credit. They were intended to provide help in certain circumstances, including:

- Where a person needed help to establish themselves in the community after leaving institutional or residential care, or to remain in the community rather than go into care;
- Where a person or family was under "exceptional pressure", for example following family breakdown, or an emergency or disaster; and
- Certain travel expenses, for example to visit a sick person or attend a relative's funeral.

Budgeting Loans (BLs) were intended to provide help with occasional or "lumpy" items of expenditure such as furniture and household equipment, clothing and footwear, rent in advance, removal expenses, travelling expenses, expenses associated with seeking or re-

entering work, and HP or other debts for any of these items. Loans were interest free and were only available to people who had been receiving Income Support, income-based JSA, income-related ESA or Pension Credit for at least 26 weeks.

Crisis Loans (CLs) were available to people faced with an unforeseen emergency or disaster which left them without funds and could be awarded regardless of whether the family was in receipt of any benefit. A CL was only made if the applicant could show that they or their family would otherwise face “serious damage or serious risk to their health or safety”. Loans could only be made if the applicant had insufficient resources to meet immediate short-term needs. CLs could not be made for certain excluded items; the list was extensive, covering, among other things, items such as an educational or training need including clothing and tools, work related expenses, debts to Government departments, holidays, and council tax, council water charges, arrears of community charge, collective community charge contributions or community water charges.

Crisis Loans could also be offered to cover the living expenses of individuals or families pending their first payment of benefit or wages. These were known as “**alignment loans**” or “**alignment payments**.” In 2012-13, alignment payments totalled £47.6 million in Great Britain – 46% of total gross expenditure on Crisis Loans.¹

People affected by delays in benefit claims or payments could also ask for an “**interim payment**.” These were not part of the Social Fund. Regulation 2(1) of the *Social Security (Payments on Account, Overpayments and Recovery) Regulations 1988*² enabled the Secretary of State to make an interim payment where it seemed that a person was or could be entitled to benefit and:

- Where the claim had not been made in the correct way (eg the wrong form was submitted, or the form was not filled in properly), and it was not possible to submit a correct application straight away; or
- Where the claim had been made correctly, but could not be determined immediately; or
- Where an award had been made, but where it was impracticable to pay the claimant immediately other than via an interim payment.

Interim payments were at the discretion of the Secretary of State.

2 Abolition of the Social Fund

As a result of measures in the *Welfare Reform Act 2012*, the Social Fund in Great Britain was abolished with effect from 1 April 2013.

In place of Community Care Grants and Crisis Loans (other than “alignment loans”), funding has been made available to local authorities in England and to the devolved administrations in Scotland and in Wales to provide such assistance in their areas as they see fit. Library Standard Note SN06413, [Localisation of the Social Fund](#), gives further background to the changes.

¹ [Annual report by the Secretary of State for Work and Pensions on the Social Fund 2012/2013](#), June 2013, Annex 9

² SI 1988/664 as amended

2.1 Devolved/local welfare assistance schemes

In Scotland, a [Scottish Welfare Fund](#) has been established, which is delivered by local authorities. Details of the scheme, including practitioner guidance and information on how to apply, can be found at the Scottish Government website.

In Wales, the [Discretionary Assistance Fund](#) has been established. This is a national scheme, which will initially run until March 2015. The scheme is being managed, under contract to the Welsh Government, by [Northgate Public Services](#) working in partnership with The Family Fund and Wrexham County Borough Council.

In Northern Ireland, the corresponding *Welfare Reform Bill* has not yet completed its stages in the Assembly, but it is expected that shortly after this happens a new system providing [Discretionary Support](#) will be established. This expected to happen sometime in Autumn 2013.

In England, it is up to each local authority to decide how to use the new funds provided to it, the eligibility criteria for receiving assistance, how much help should be provided and in what form, how to deal with disputes and appeals, and how new arrangements link to existing services provided by the local authority and its partner organisations. The funding provided by the Government is not “ring-fenced” in any way, although a “settlement letter” accompanying the funding set out in very broad terms what the Government expected the funding to be used for, underlying principles, and expected outcomes.³

There is no official, central register of local welfare assistance schemes in England. The Children’s Society has however compiled a table giving links to information on the various local welfare schemes in England and to the schemes established in Scotland and Wales – see [Find your local welfare assistance scheme](#) at their website.

2.2 Payments remaining the responsibility of DWP

Following abolition of the discretionary Social Fund, DWP retains responsibility for the elements listed in section 1 above which have not been devolved/localised. New regulations have introduced a system of “payments on account” to replace Budgeting Loans, Crisis loan alignment payments and Interim Payments.

Short-term Advances⁴ replaced Interim Payments and Social Fund Crisis Loan alignment payments for DWP benefits from April 2013 (for those on Universal Credit they will be known as **Universal Credit Advances**).⁵

Budgeting Advances replaced Social Fund Budgeting Loans for eligible Universal Credit claimants from April 2013. **Budgeting Loans** will continue to be available to those claiming “legacy benefits” (ie the benefits which UC is replacing) until all such claims have either been closed or migrated to Universal Credit.

The regulations underpinning the new system are the [Social Security \(Payments on Account of Benefits\) Regulations 2013](#)⁶, and collectively the payments may be referred to in DWP guidance as “Payments on Account of Benefit” (possibly abbreviated to POAOB).⁷

³ Library Standard Note SN06413, [Localisation of the Social Fund](#), gives further details

⁴ Confusingly, some official sources also refer to these payments as “Short Term *Benefit* Advances” (STBA)

⁵ Interim payments may still be made to claimants of Child Benefit or Guardian’s Allowance, which are administered by HM Revenue and Customs

⁶ [SI 2013/383](#)

2.3 Overview of the situation before and after 1 April 2013

The extent of the changes from 1 April 2013, together with the transfer of responsibilities and the proliferation of new terms, may cause confusion. The following table summarises the situation before and after 1 April 2013, and looks ahead to the situation which should exist when Universal Credit has been implemented fully (this is expected to be the case by the end of 2017).

Social Fund payments and Interim Payments of benefits: equivalent provision from 1 April 2013 onwards

Before 1 April 2013	1 April 2013 to end of 2017	From end of 2017
<p>"Interim payments" of benefit – made when a person has made a claim for a benefit but a decision on their claim can't be made straight away</p> <p>or</p> <p>Crisis Loan "alignment payments" – loans to people in advance of their first payment of benefit</p>	<p>Universal Credit Advances</p> <p>or</p> <p>Short Term Advances (for claimants of "legacy benefits" – ie those benefits being replaced by UC – and certain other DWP benefits including contributory JSA, contributory ESA, Pension Credit, State Pension, Carer's Allowance, Maternity Allowance, Bereavement Allowance/Benefit, and Industrial Injuries Disablement Benefit)</p>	
<p>Crisis Loans (other than alignment payments)</p>	<p>Local/devolved welfare assistance schemes</p>	
<p>Community Care Grants</p>		
<p>Budgeting Loans</p>	<p>Budgeting Loans for claimants of "legacy benefits"</p> <p>or</p> <p>Budgeting Advances for UC claimants</p>	<p>Budgeting Advances for UC claimants</p> <p>or</p> <p>Benefit Advances for Pension Credit claimants</p>

An article by David Simmons in the April 2013 edition of the Child Poverty Action Group *Welfare Rights Bulletin*, "[What is replacing the social fund?](#)", also gives an overview of the changes from 1 April 2013.

⁷ DWP Memo DMG 6/13, *Changes to Interim Payments*, March 2013

3 Payments on account: the detailed rules

The detailed rules underpinning the new system of “payments on account” are in the [Social Security \(Payments on Account of Benefits\) Regulations 2013](#).⁸ The DWP’s [Explanatory Memorandum](#) accompanying the regulations gives a quite detailed overview of the provisions.

Beyond this, there is however relatively little official information on Short Term Advances and Budgeting Advances readily available in the public domain.

An [Information sheet on Short Term Advances and Budgeting Advances](#) at the DWP website gives some information on the new arrangements. A similar but slightly longer [DWP note for local authorities](#) is also available at the DWP website. There are no obvious links to the notes from the [DWP homepage](#) however.⁹ At the time of writing, there does not appear to be any information on Short Term Advances or Budgeting Advances on the new [GOV.UK](#) website (apart from a brief reference to Universal Credit advances in the DWP leaflet [Budgeting your Universal Credit](#)).

3.1 Short Term Advances/Short Term Benefit Advances

The DWP’s [Information sheet on Short Term Advances and Budgeting Advances](#) gives the following overview:

Short Term Advance

For those claiming a current legacy benefit, the advance that replaces interim payments and alignment payments is called a Short Term Benefit Advance. For those claiming Universal Credit, these advances are called either – a Universal Credit Advance (new claim) or a Universal Credit Advance (change of circumstances).

When someone makes a new claim to benefit, they can sometimes encounter a period of financial need before receiving their first payment of benefit. An advance of benefit may be available to help claimants through that period, which would be recovered from subsequent payments of benefit.

An advance may also be available to claimants who have experienced a change of circumstances that significantly increases the amount of benefit to which they are entitled.

Advances of benefit are available to claimants of any contributory or income-related social security benefit, including Universal Credit. To be eligible for an advance, the claimant must be able to demonstrate that they are in financial need. The Regulations define financial need as a “serious risk of damage to the health or safety of A [the claimant] or any member of their family” and guidance has been provided to assist Decision Makers determine whether the claimant meets this criterion.

These advances are required to be recovered within a specified period, which is agreed when the advance is awarded.¹⁰

⁸ [SI 2013/383](#)

⁹ Some information formerly on the DWP website has now been transferred to the new cross-Government GOV.UK website, but some material – including information for intermediaries and advisers – will remain on the DWP website until later in 2013

¹⁰ Original emphasis

Short Term Advances may be payable to people making a claim for:

- Universal Credit
- Jobseeker's Allowance
- Employment and Support Allowance
- Income Support
- Pension Credit
- State Retirement Pension
- Carer's Allowance
- Maternity Allowance,
- Bereavement Allowance/benefits
- Industrial Injuries Disablement Benefit

Payments may be made to people in financial need where:

- a claim for benefit has been made but a decision on entitlement is still awaited, if it appears likely that the conditions will be satisfied; or
- benefit has been awarded but the first payment has not yet been made.

Short-term advances may also be available:

- Before a second payment of benefit, if the first payment was made in respect of a period shorter than the normal period for which benefit is paid; or
- to claimants who have experienced a change of circumstances that will increase the amount of benefit they are entitled to; or
- in cases where it is impractical for benefit to be paid on the due date (eg due to technical problems in processing the claim or payment).

Payments will not be made if an appeal is pending about the benefit in question.

3.2 Budgeting Advances

The DWP's [Information sheet on Short Term Advances and Budgeting Advances](#) explains:

Budgeting Advance

Budgeting Advances replace Social Fund Budgeting Loans for eligible Universal Credit claimants. Budgeting Loans will continue to be available to those claiming legacy benefits until all such claims have either been closed or migrated to Universal Credit.

Budgeting Loans from the Social Fund are available to income-related benefit claimants who have been in receipt of such benefit for 26 weeks or more. They are intended to help claimants defray intermittent expenses such as needing to buy essential items such as furniture or household equipment, or expenses related to, for example, maternity or starting work. These loans will continue to be available for those

claiming legacy benefits until all such claims have been closed or migrated to Universal Credit.

Budgeting Advances replace Budgeting Loans for Universal Credit claimants to ensure that those with the lowest incomes claiming Universal Credit will continue to have access to an interest-free alternative to high-cost lending for emergency and unforeseen expenses. The conditions for Budgeting Advances reflect much of the existing Budgeting Loan eligibility requirements and available amounts. As such, Budgeting Advances will in most cases require the claimant to have been claiming Universal Credit – or have had a continuous claim to a legacy income-related benefit migrating to Universal Credit – for at least six months. To maintain work incentives however, that requirement may not apply if the expense for which a Budgeting Advance is required is necessary as a consequence of the claimant obtaining or retaining employment.

Budgeting Advances are only available to those on the lowest incomes and the Regulations specify the maximum earnings threshold for eligibility. The Regulations also specify the maximum amount that can be advanced, based on whether the Universal Credit claim is in respect of a single person or a couple, and on whether the claimant is responsible for any children or qualifying young people. Any advance will be reduced by capital held by the claimant or their partner.

There are some clear differences between Budgeting Loans and Budgeting Advances. For example, there is a maximum recovery period of 12 months (extendable to 18 months in exceptional circumstances), which compares to 104 weeks for a Budgeting Loan. Additionally, claimants will not be eligible for a further Budgeting Advance until any previous Budgeting Advance has been fully repaid.

Budgeting Advances may be made for the purposes of defraying an intermittent expense. “Intermittent expense” is not defined in the regulations.

UC claimants will not be eligible for a Budgeting Advance if their earned income totalled more than £2,600 in the previous six months (£3,600 for couples).

Payments are also made subject to two further conditions “to ensure households can afford repayments and to prevent long-term debt”¹¹:

- claimants will need to have repaid any outstanding Budgeting Advance before a further Budgeting Advance is awarded; and
- taking into account debts and other liabilities, the Secretary of State must be satisfied that the Budgeting Advance can reasonably be expected to be recovered

The minimum Budgeting Advance award is £100. The maximum amount that may be awarded is:

- £348 for single claimants without dependent children
- £464 for couples without dependent children
- £812 for single persons or couples with dependent children

¹¹ DWP [Explanatory Memorandum](#), para 7.15

Where a claimant (and/or their partner, if they have one) has capital in excess of £1,000, the amount of Budgeting Advance which would otherwise be payable reduced by that excess amount.

The DWP's *Explanatory Memorandum* accompanying the *Social Security (Payments on Account of Benefits) Regulations 2013* explains how Budgeting Advances for Universal Credits claimants differ from the current Budgeting Loans scheme:

7.18 The main differences between Budgeting Advances and the current Budgeting Loans scheme are:

- The current scheme allows a claimant to take-out multiple loans up to a maximum debt limit. These loans can only be recovered one at a time in date order, with the oldest collected first. This means there is little incentive for claimants to anticipate needs and budget for themselves, and has led to claimants hovering at their maximum debt limit at levels of debt that many take a number of years to repay. The Budgeting Advances scheme ensures that households can afford repayments and prevents long term debt arising by limiting claimants to one Budgeting Advance at a time, which must be repaid before another Budgeting Advance can be considered. This is intended to encourage improved budgeting and personal financial responsibility, and should help claimants make the transition to work by preparing out of work households for the realities of budgeting for themselves on a monthly income.
- Decision Makers' guidance will set out a maximum recovery period of 12 months to minimise the length of time the claimant will be in debt, extendable to 18 months in exceptional circumstances. This compares with a maximum 104 weeks recovery period for a Budgeting Loan under the Discretionary Social Fund.

4 Implementing the new system

The new "payments on account" system was introduced from 1 April 2013.

Shortly afterwards, the DWP faced accusations from local authorities and others that it had failed to publicise adequately the existence of Short Term Advances. In April there were media reports that Jobcentre Plus staff had in some areas been referring people awaiting their first payment of benefit to their local authority for emergency assistance, instead of offering a Short Term Advance.¹²

There were also been a number of Parliamentary Questions on this, including the following question for written answer on 25 April:

Hilary Benn: To ask the Secretary of State for Work and Pensions what discussions his Department had with (a) the Department for Communities and Local Government and (b) local authorities about the potential effect on local authorities of his Department's decision not to externally advertise the availability of short-term benefit advances to claimants. [153333]

¹² See "[Jobcentre staff accused by councils of failing to alert public to poverty loans: Local authorities say their crisis support schemes, many reliant on charity and suffering from cuts, are struggling to cope](#)", *Guardian*, 21 April 2013; and Patrick Butler's blog in the *Guardian* on 30 April, "[Benefit loans: cock-up or conspiracy? Councils report that job centres are wrongly telling penniless benefit claimants to apply for food parcels rather than offering them the short term loan they are entitled to. But why?](#)"

Steve Webb: My Department has had numerous discussions with the Department for Communities and Local Government and local authorities about the reforms to the Social Fund which were introduced on 1 April 2013.

Short Term Benefit Advances are not a specific benefit or separate scheme like the Social Fund and the process reflects this. They are an advance of the claimant's benefit. Where the claimant tells us they are in financial need (either at the start of their claim or those who have had a change of circumstances resulting in a significant increase in their benefit) then DWP staff will consider a Short Term Benefit Advance where appropriate. This will most commonly happen at the new claims stage when staff are discussing with the claimant what will happen next. DWP endeavours to pay any benefit due where possible and in many cases this is happening.

In response to DWP's own monitoring of the new arrangements and issues raised with us by local authorities, we have already issued our own staff with additional guidance and provided local authorities with further information (including more detail on the Short Term Benefit Advance "rules" and processes).¹³

Guidance has been issued by DWP to "all staff dealing with enquiries from customers declaring an immediate financial need" to ensure that they are aware of the "correct action to take" in regard to handling applications for Short Term Advances, and signposting claimants to local/devolved welfare assistance schemes.¹⁴

It is not clear whether inappropriate signposting of people seeking help pending payment of benefit to local authorities and other agencies remains a problem.¹⁵

¹³ HC Deb 25 April 2013 cc1088-1089w

¹⁴ DWP, *Change Implementation Update: Social Fund Reform*, undated

¹⁵ See "Huge rise in use of food banks since welfare changes"; and "Homeless and penniless – the food bank users with nowhere else to turn", *Guardian*, 11 July 2011