

<b>Title:</b> Amendments to payment on account provisions  <b>Lead department or agency:</b> Department for Work and Pensions  <b>Other departments or agencies:</b> Jobcentre Plus	<b>Impact Assessment (IA)</b>
	<b>IA No:</b>
	<b>Date:</b> 16 February 2011
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary Legislation

## Summary: Intervention and Options

### What is the problem under consideration? Why is government intervention necessary?

The need to make amendments to the payment on account provisions proposed here is a consequence of wider changes being made to the welfare system.

A claimant without other available sources of income or finance may have immediate short-term needs that arise whilst awaiting payment of a new claim to benefit or during payment of an award. At present, to resolve this problem, claimants can either request an interim payment or apply for a Social Fund Crisis Loan. Payments of this type are referred to here as *alignment payments*.

Proposed changes to the Social Fund mean that Crisis Loans for alignment payments will no longer be available. The introduction of Universal Credit is likely to reduce the demand for alignment payments for claimants currently switching between benefits. However, as Universal Credit will be payable to those both in and out of work and allow for the transition between the two, there is still likely to be a need for a facility to address the issue.

Reform of the wider welfare system under the Universal Credit proposals provides an opportunity to simplify how alignment payments are dealt with for the claimant and make them more efficient to administer. Payment on account will effectively allow for an advance of benefit that will be repaid, in most circumstances, in instalments from future benefit entitlement.

### What are the policy objectives and the intended effects?

Payment on account seeks to provide a simple and efficient method for dealing with the issue of alignment payments once Universal Credit is introduced. The intention of the policy is to continue to ensure claimants do not have to endure unnecessary hardship whilst they are awaiting their initial benefit payment or during an award, should a short-term immediate need arise.

### What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Three broad options have been considered in addressing the alignment payment issue following the introduction of Universal Credit and abolition of Crisis Loans for alignment payments:

1. Do nothing – do not provide any facility for those requiring an alignment payment prior to an initial benefit payment;
2. Continue provision of interim payments of benefit – this payment would be recovered in full from the claimants initial benefit payment where they are entitled;
3. Implement a revised payment on account facility – this advance of benefit would be recovered in instalments from future benefit payments in the majority of cases.

The revised payment on account option was considered the best means of continuing to avoid claimants having to endure unnecessary hardship as a result of an alignment payment issue, as well as offering a more flexible means of recovering that payment than the existing provisions for interim payments.

### When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

Review procedures will be set out at a later stage – see Annex 1 for details

### Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

See Annex 1 for details

## Summary: Analysis and Evidence

<b>Price Base Year</b> n/a	<b>PV Base Year</b> n/a	<b>Time Period Years</b> n/a	<b>Net Benefit (Present Value (PV)) (£m)</b>		
			<b>Low:</b> n/a	<b>High:</b> n/a	<b>Best Estimate:</b> n/a
<b>COSTS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant Price)</b>	<b>Total Cost (Present Value)</b>	
<b>Low</b>	n/a		n/a	n/a	
<b>High</b>	n/a		n/a	n/a	
<b>Best Estimate</b>	n/a		n/a	n/a	
<b>Description and scale of key monetised costs by ‘main affected groups’</b>					
None at this stage.					
<b>Other key non-monetised costs by ‘main affected groups’</b>					
It is not anticipated that payment on account will have a significant impact on individuals. There will be public expenditure associated with designing and implementing a new payment on account facility within the Universal Credit architecture. However, at this stage in the process it is not yet possible to provide robust estimates of specific costs. Details of the scheme will be provided in regulations, at which point this impact assessment will be updated as required.					
<b>BENEFITS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant Price)</b>	<b>Total Benefit (Present Value)</b>	
<b>Low</b>	n/a		n/a	n/a	
<b>High</b>	n/a		n/a	n/a	
<b>Best Estimate</b>	n/a		n/a	n/a	
<b>Description and scale of key monetised benefits by ‘main affected groups’</b>					
None at this stage.					
<b>Other key non-monetised benefits by ‘main affected groups’</b>					
There will be benefits to the Exchequer from administrative savings as a result of addressing all alignment issues through payment on account within a new centralised facility. However, the development of the Universal Credit architecture generally, and payment on account policy specifically, is not yet at a stage that would allow us to provide robust estimates.					
By allowing alignment payments to be handled through a single channel under Universal Credit, payment on account will provide a simpler and more transparent process for the claimant.					
<b>Key assumptions/sensitivities/risks</b>				<b>Discount rate</b>	n/a
None at this stage.					

<b>Impact on admin burden (AB) (£m):</b>			<b>Impact on policy cost savings</b>	<b>In</b>
<b>New AB:</b> n/a	<b>AB savings:</b> n/a	<b>Net:</b> n/a	<b>Policy cost savings:</b>	<b>n/a</b>

## Enforcement, Implementation and Wider Impacts

<b>What is the geographic coverage of the policy/option?</b>						
<b>From what date will the policy be implemented?</b>						
October 2013						
<b>Which organisation(s) will enforce the policy?</b>						
Jobcentre Plus						
<b>What is the annual change in enforcement cost (£m)?</b>						
None						
<b>Does enforcement comply with Hampton principles?</b>						
YES						
<b>Does implementation go beyond minimum EU requirements?</b>						
NO						
<b>What is the CO<sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO<sub>2</sub> equivalent)</b>						
			<b>Traded:</b> n/a	<b>Non-traded:</b> n/a		
<b>Does the proposal have an impact on competition?</b>						
<b>What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?</b>						
			<b>Costs:</b> 100%	<b>Benefits:</b> 100%		
<b>Annual cost (£m) per organisation (excl. Transition) (Constant Price)</b>		<b>Micro</b>	<b>&lt; 20</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
		N/A	N/A	N/A	N/A	N/A
<b>Are any of these organisations exempt?</b>						

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

<b>Does your policy option/proposal have an impact on...?</b>	<b>Impact</b>	<b>Page ref within IA</b>
<b>Statutory equality duties<sup>1</sup></b>	<b>YES</b>	<b>Separate publication</b>
<b>Economic impacts</b>		
<b>Competition</b>	<b>NO</b>	
<b>Small firms</b>	<b>NO</b>	
<b>Environmental impacts</b>		
<b>Greenhouse gas assessment</b>	<b>NO</b>	
<b>Wider environmental issues</b>	<b>NO</b>	
<b>Social impacts</b>		
<b>Health and well-being</b>	<b>NO</b>	
<b>Human rights</b>	<b>NO</b>	
<b>Justice system</b>	<b>NO</b>	
<b>Rural proofing</b>	<b>NO</b>	
<b>Sustainable development</b>	<b>NO</b>	

<sup>1</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# Evidence Base

## Current Policy

1. A claimant without other available sources of income or finance may have immediate short-term needs that arise whilst awaiting payment of a new claim to benefit or during payment of an award. This issue may arise, for example, when a claimant moves from one benefit to another or as a result of a change in circumstances over which there is a delay in amending the claimant's award. A delay can occur at one of three stages: when the claim is first made, while a claim is being determined, or where an award of benefit has been made but payment in full is yet to be received.
2. At present, to resolve this issue, claimants have two potential sources of assistance:
  - (i) An interim payment - claimants can request an interim payment directly from a Jobcentre Plus office. This is an advance of benefit that is recovered in full from the claimant's first benefit payment;
  - or
  - (ii) A Social Fund Crisis Loan – claimants can make an application to the Social Fund for a Crisis Loan payment. This is an interest-free loan payment that is recovered in instalments.
3. Payments of this type are referred to here as *alignment payments*. The vast majority of claimants seeking an alignment payment currently opt for a Social Fund Crisis Loan to meet needs arising before an initial benefit payment is due. In 2009-10, around 1.1m Crisis Loans for alignment payments were awarded.

## Rationale for intervention

4. The need to make amendments to the payment on account provisions proposed here is a consequence of wider changes being made to the welfare system.
5. Section 5(1)(r) of the Social Security Administration Act 1992 enables regulations to make provision for the making of a payment on account of benefit in certain specified circumstances. Regulations made under that Section provide for the making of an interim payment of benefit as described above. The inflexibility of the provisions for interim payments means that Social Fund Crisis Loans are often used where need arises to cover living expenses up to the first payment of benefit.
6. As part of the Government's wider plans for welfare reform, it was announced in the November 2010 White Paper *Universal Credit: welfare that works* that Social Fund Crisis Loans will be reformed in line with the coalition government's agenda to devolve power and localise services where appropriate. As such, local authorities in England will be responsible for the administration and delivery of much of the reformed scheme, whilst the devolved administrations will determine the most appropriate arrangements for Scotland and Wales.
7. As the Department for Work and Pensions is responsible for benefits throughout Great Britain it would not be appropriate to require local authorities and the devolved administrations to deal with alignment payments under the reformed scheme. Consequently, from the point at which the Social Fund Crisis Loan reforms are implemented, the Department will make provision to enhance the flexibility of payments on account of benefit beyond that already provided by interim payments.
8. Additionally, the introduction of Universal Credit, which can be payable to people in work as well as those out of work, means that there may be a greater likelihood that alignment payment issues could arise during benefit claims. This reform of the wider welfare system under the Universal Credit proposals provides an opportunity to simplify how alignment payments are dealt with for the claimant and make them more efficient to administer for the Department.

9. The amendments to the payment on account provisions in the Social Security Administration Act 1992 provide the additional flexibilities required and will be brought into force alongside the Social Fund Crisis Loan reforms and the introduction of Universal Credit in October 2013. As now, the amended powers will enable the making of regulations to make the required provisions, the specific details of which will be developed during the intervening period.

## **Policy objective**

10. The amended payment on account provisions seek to provide a simple and efficient method for dealing with the issue of alignment payments once Universal Credit is introduced and Social Fund Crisis Loans for alignment payments are abolished. The intention of the policy is to continue to ensure claimants of Universal Credit or any other relevant benefit do not have to endure unnecessary hardship whilst they are awaiting their initial benefit payment or during a benefit claim in specified circumstances (for example, where a claimant of Universal Credit whilst in work is made redundant and becomes entitled to an increase in Universal Credit).
11. Payment on account will effectively allow for an advance of benefit that will be repaid, in most circumstances, in instalments from future benefit entitlement. Existing recovery mechanisms will continue to be available for recovering payments from those that are not successful in their benefit claim.

## **Options considered**

12. Three broad options have been considered in addressing the alignment payment issue following the introduction of Universal Credit and the abolishment of Crisis Loans for alignment payments:
  - (i) Do nothing – do not provide any facility for those requiring an alignment payment prior to an initial benefit payment;
  - (ii) Continue provision of interim benefit payments – this payment would be recovered in full from the claimants initial benefit payment where they are entitled;
  - (iii) Implement a revised payment on account facility – this advance of benefit would be recovered in instalments from future benefit payments in the majority of cases.
13. The revised payment on account option was considered the best means of avoiding claimants having to endure unnecessary hardship as a result of an alignment payment issue, as well as offering a more flexible means of recovering that payment than the existing provisions for interim payments.

## **Costs and benefits**

14. The policy allows the Department to continue to provide for an advance of benefit in situations in which initial payment is delayed or an immediate short-term need arises during payment of an award. Therefore, it is not anticipated that payment on account will have a significant impact on individuals beyond the benefits associated with a simpler and more efficient process to address an alignment payment issue.
15. There will be costs, in terms of public expenditure, associated with designing and implementing a new payment on account facility within the Universal Credit architecture, which is intended will provide for the making of a payment on account of any relevant benefit. It is envisaged that the new architecture will allow for payment and recovery to be automated, where possible. However, there will still remain administrative costs associated with processing claims and dealing with recoveries for claimants that are not, or no longer, on benefit.
16. There will be benefits to the Exchequer as a result of this policy due to administrative savings from addressing all alignment issues through payment on account within a new centralised Universal Credit architecture that will seek to automate processes as far as is possible and where appropriate.

17. However, regarding both estimates for the monetary costs and benefits described above, the development of the Universal Credit architecture generally, and payment on account policy specifically, is not yet at a stage that would allow robust estimates.
18. The policy will continue to be developed, with details concerning eligibility, payments and recoveries eventually being set out in regulations, and a detailed impact assessment will be published as required, once the detailed policy design and implementation solution have been developed in sufficient detail.
19. Payment on account will allow alignment payments to be largely handled through a single channel under Universal Credit rather than having claimants apply to a separate part of the welfare system for assistance, as is the case for those who currently seek Crisis Loan alignment payments. This will provide a simpler and more transparent process for the claimant.

### **Risks and assumptions**

20. None at this stage.

### **Summary and preferred option**

21. The revised payment on account option was considered the best means of avoiding claimants having to endure unnecessary hardship as a result of an alignment payment issue, as well as offering a more flexible means of recovering that payment than the existing provisions for interim payments.

## Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<b>Basis of the review:</b> n/a
<b>Review objective :</b> n/a
<b>Review approach and rationale:</b> n/a
<b>Baseline:</b> n/a
<b>Success criteria:</b> n/a
<b>Monitoring information arrangements:</b> n/a
<b>Reasons for not planning a PIR:</b> As discussed above, the development of the Universal Credit architecture generally, and payment on account policy specifically, is not yet at a stage that would allow us to detail review plans. We will continue to develop the policy, with details eventually being set out in regulations, and we will publish a detailed impact assessment with a PIR plan as required, once the detailed policy design and implementation solution have been developed in sufficient detail.

