

Advances- Budgeting Advance

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Advances

Universal Credit claimants have access to four types of advances:

- New Claim Advance
- Change of Circumstances Advance
- Benefit Transfer Advance
- Budgeting Advance

The following content focuses on Budgeting Advances.

Budgeting Advances

Budgeting advances provide valuable access to interest free payments for one-off items.

They are designed to help claimants with irregular expenses, for example:

- obtaining or retaining employment such as work clothes, tools, travelling expenses and childcare costs
- buying essential household items such as furniture, cot, pram, appliances, clothing and footwear
- help with rent in advance or removal expenses to secure new accommodation
- improvement, maintenance and security of their home

They are not intended to help pay for unexpectedly high household bills for example an electricity or gas bill.

Budgeting advances are discretionary payments. There is no right of appeal if the claimant is not satisfied with the decision, they can ask for it to be looked at again.

Timescales

Claimants can apply for a budgeting advance at any point during their assessment period.

Eligibility criteria

To be eligible for a budgeting advance the claimant must not have repayment of a budgeting advance outstanding and also have been in continuous receipt of Universal Credit or the following qualifying benefits, for at least 6 months:

- Income Support (IS)
- Jobseeker's Allowance (income-based) (JSA)(IB)
- Employment and Support Allowance (income-related) (ESA)(IR)
- Pension Credit
- Housing Benefit (HB)

A budgeting advance request must be:

- no less than the minimum amount of £100
- no more than the maximum their circumstances allow:
 - £348 for a single adult
 - £464 for a couple
 - £812 for a single person or couple with children

The claimant must:

- not have repayment of a budgeting advance outstanding or have a partner who has repayment of a budgeting advance outstanding
- not have earned more than their allowable earnings:
 - £2600 in the previous 6 assessment periods for a single claimant (with or without children)
 - £3600 for a couple (with or without children)

Earnings include:

- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary Statutory Paternity Pay
- Additional Statutory Paternity Pay
- Statutory Adoption Pay
- Maternity Allowance

Exception to the 6 month rule for eligibility criteria

An exception to the 6 month rule may be applied if the budgeting advance is to help the claimant start or stay in work. For example, it is needed for upfront childcare costs, travel costs, clothing or tools. However, a budgeting advance is available for upfront child care costs only in cases where the applicant has a confirmed job offer.

The calculation uses a formula to pro-rata the actual amounts of the earnings threshold by the number of complete assessment periods available prior to the date the application for the budgeting advance is made. This gives a pro-rata earnings threshold which the claimant's household earnings must not exceed over the available complete assessment periods.

For example, a claimant:

- has been in receipt of Universal Credit for 3 months
- applies for the budgeting advance during the 4th assessment period
- has a partner who has on-going earnings
- needs a budgeting advance to help them start work

Because the household has earnings, the earnings condition would be calculated by applying the following calculation: $3 \times \text{£}3600 \div 6$ (the number of complete assessment periods (3) x £3600 earnings threshold for a couple \div by 6) = £1800.

The claimant's household earnings must not have exceeded £1800 over the preceding 3 complete assessment periods.

If the same claimant had been in receipt of Universal Credit for 4 months and applied for the budgeting advance in the fifth assessment period, the formula applied would be: $4 \times \text{£}3600 \div 6 = \text{£}2400$.

If there are 6 complete assessment periods available to calculate the household's earnings over, the set earnings thresholds should be used. This would be £2600 for a single claimant or £3600 for a couple.

Written notice

Before a budgeting advance can be made, the claimant (and their partner) must be given a written notice (this can be an electronic notification). This notice will contain their agreement to the amount of the advance and the deductions and timescale to repay it and their liability to repay the advance either by deductions from their Universal Credit or by another means such as an attachment to earnings if they leave Universal Credit.

Budgeting advances are carefully managed to ensure that claimants do not incur an unmanageable amount of debt.

Amounts

A budgeting advance will only be made if it is known the claimant can afford to repay it from their Universal Credit payments within the required timescales.

Once a claimant's eligibility is confirmed, their maximum amount that can be advanced is calculated in the following way:

1. Calculate 40% of the appropriate Standard Allowance for the benefit unit – this is the maximum amount that can be deducted from a claimant's monthly Universal Credit award.
2. Take off any existing deductions from benefit – if other deductions which are higher on the Deductions Priority Order already account for the entire deductible amount, no advance should be made (this will ensure repayments of any existing priority debts they have are not affected, and ensure that DWP is not advancing money it is unlikely to recover).
3. Multiply the remaining amount by twelve – the standard maximum recovery period is 12 months.
4. Cap this figure at the appropriate overall maximum level as above in 1 and 2, for example £348, £464 or £812.
5. Reduce the remaining amount in proportion to any capital the claimant has above £1000, for example if total capital held is £1,300 then we deduct a further £300 from the maximum Budgeting Advance available to the claimant as already calculated using the steps above.

This end figure is the maximum amount that can be advanced, although the claimant will not automatically be given the maximum. This will depend on what the budgeting advance is needed for. Only an appropriate amount should be given, limiting it to the maximum end figure.

Recovery

Budgeting Advances will be recovered over 12 months or 18 months in exceptional circumstances.

During the recovery of the advance, a change in the circumstances of the benefit unit could mean that recovery over 12 months will push the claimant into genuine hardship. In these circumstances, it is possible to defer payments for up to 6 months.

Payments can be deferred in this way only in exceptional circumstances and full recovery must be completed within 18 months.

Exceptional circumstances would be an unforeseen expense that occurs after an advance is agreed. Continued recovery for the initial agreed repayment period would cause the claimant and their household genuine hardship. An example of

this is when a child goes into hospital, resulting in unexpected regular bus/taxi fares for parents to visit.

Only one Budgeting Advance can be paid at a time. No further Budgeting Advances will be made available until the balance of the previous Budgeting Advance is cleared. If two benefit units merge and one claimant is liable for an outstanding Budgeting Advance, the new benefit unit is ineligible for a further Budgeting Advance until the first has been repaid in full.

Budgeting Advance or Flexible Support Fund

In certain circumstances a budgeting advance is not always appropriate.

A claimant may request a budgeting advance under £100 to help them start work or remain in work, for example for:

- transport costs
- work clothes
- tools

These are examples, not a complete list.

Or to help obtain employment but is not entitled to Universal Credit, for example, they are going into work and will not have future entitlement to Universal Credit

In these circumstances the Flexible Support Fund should be considered to help the claimant with their request.

Payment

Advances are paid by BACS transaction into the account that the claimant is using for their Universal Credit claim within three working days.

If a payment is needed more quickly, provision can be made for a same day Faster Electronic payment. These should only be made where there are exceptional circumstances that require this, for example, where the claimant does not have enough money to last until the advance is paid.