

Support Notes on Commissioner's Advice

Amounts of Award: Living Expenses

1. General Approach

Awarding less than the legal maximum

The following example illustrates how the amount of the award might be affected by the applicant receiving some other payment (a Child Benefit payment, a gift from a friend, or suchlike) during the period for which the crisis loan is being awarded.

Example: Mr R applies for a crisis loan of £250 for living expenses for him, his partner and his two children for 12 days (until his next IS payment is due). The Inspector finds that he qualifies for an award, and calculates that the maximum that can be awarded for this 12-day period is £242.25. She notes, however, that Mr R is due to receive a Child Benefit payment of £26.80 on day 9 of the 12 day period. She deducts this from the Direction 18 maximum, thereby reducing the award to £215.45.*

2. Calculating the legal maximum

Defining the period of need

The period of need will normally end when the applicant receives his next main benefit payment. However there may be cases where the period of need ends before this. The following example illustrates such a situation:

Example: The situation is the same as in the above example, except that in this case, Mr R receives his child benefit in four-weekly instalments. Therefore on day 9 of the 12 days before he receives his next IS payment, he is due to receive a payment of £107.20.

Because Mr R is due to receive this Child Benefit payment, it is probably not appropriate to award the Direction 18 maximum for the full 12-day period (£242.25). This leaves two possible options. The Inspector could use the same method as in the first example and deduct £107.20 from this maximum figure. However this would leave the family with quite a meagre amount of money to manage on until the Child Benefit arrived. A better solution would be to pay the Direction 18 maximum for a shorter period – for the 8 days until his Child Benefit is due. This method would lead to an award of £161.50.

In such situations, where there are two or more possible ways of calculating the amount, the most appropriate method will generally be the one that is most beneficial to the applicant.*

* Benefit rates used in this example are based on those in force at 7 April 2003.

The mathematics of the calculations

Where a RO has made a maximum award for living expenses an Inspector should consider whether the RO has reached a legitimate figure for the maximum under Direction 18, remembering that there may be more than one legitimate maximum figure. Where a legitimate maximum figure has not been reached this is likely to be a Direction 1 flaw, unless the error has not knocked the decision off course.

Where the RO has not reached a legitimate maximum figure, or where the Inspector is the first to award a maximum figure, he should generally follow the approach to calculations set out in the Advice, examples of which follow:

Example Calculations for a Couple both over 18 with 4 children, requiring payment for 13 days:

- (1) Calculate Total Weekly Allowances:
(Weekly Personal Allowance x 75%) + (Weekly Child Rate x Number of Children)
 $(£85.75 \times 75\%) + (£38.50 \times 4) = £ 218.3125$
- (2) Multiply the Total Weekly Allowances by the Number of Days Payable
 $£218.3125 \times 13 = £2838.0625$
- (3) Divide the product of (2) above by 7
 $£2838.0625 \div 7 = £405.4375$
- (4) Round the product of (3) above, to the nearest penny. (In order to obtain an accurate result, figures should not be rounded before this point.)
 $£405.4375$ is rounded up to **£405.44***

Under this approach figures should not be rounded until the end of the calculations, in line with standard accounting practice. At this point figures should be rounded up or down to the nearest penny in line with normal mathematical convention. There is a crisis loan rates table appended to these Support Notes, but this is subject to a health warning set out in the appendix. The appendix also contains a link to a CL Rates Calculator, which will calculate the maximum award amount once the appropriate personal allowance, the number of children, and the number of days payable are entered in the highlighted fields.

Where benefit rates are to change or have changed, during the period in respect of which a crisis loan is to be paid

Example

An Inspector decides to pay a crisis loan to an applicant aged 18 years and her 2 children for the period 31 March to 13 April 2003. Benefit rates change on 7 April 2003.

* Benefit rates used in this example are based on those in force at 7 April 2003.

The maximum crisis loan award is calculated as follows:

- (1) Calculate Total Weekly Allowances for the period before the change (Period A):
(Weekly Personal Allowance x 75%) + (Weekly Child Rate x Number of Children).
 $(£53.95 \times 75\%) + (£37 \times 2) = £114.4625$
- (2) Multiply the Total Weekly Allowances for Period A by the Number of Days Payable in Period A.
 $£114.4625 \times 7 = £801.2375$
- (3) Calculate Total Weekly Allowances for the period after the change (Period B):
(Weekly Personal Allowance x 75%) + (Weekly Child Rate x Number of Children).
 $(£54.65 \times 75\%) + (£38.50 \times 2) = £117.9875$
- (4) Multiply the Total Weekly Allowances for Period B by the Number of Days Payable in Period B.
 $£117.9875 \times 7 = £825.9125$
- (5) Add the product of (2) above to the product of (4) above.
 $£801.2375 + £825.9125 = £1627.15$
- (6) Divide the product of (5) above by 7.
 $£1627.15 \div 7 = £232.45$
- (7) Round the product of (6) above to the nearest penny. (Again no figures should be rounded before this point.)
 $£232.45$ does not require any rounding, and so the maximum crisis loan is **£232.45**.

Explaining the decision

Inspectors should give the reasons for their decision in the letter they send to the applicant. This includes how they calculated the amount of the award. Below are two examples of how this might be explained. They are by no means prescriptive. Generally, a brief explanation will be appropriate, as in Example 1. However, where there is a dispute about the calculations a more detailed account may be appropriate, as in Example 2.

Example 1:

I cannot award the full amount you have asked for (£150). This is because it is more than the law allows. I have awarded the most the law allows for living expenses for you and your child for 11 days. The amount is equal to 75% of your income support personal allowance, plus the full allowance for your child, adjusted to cover a period of 11 days.

Example 2:

I have awarded you a loan to cover your living expenses from the date of your application to the day before your next payment of benefit:

9/5/03 to 19/5/03 = 11 days

I cannot award the full amount you have asked for (£150). This is because it is more than the law allows. According to the law, the most that may be awarded as a crisis loan for living expenses is 75% of your personal allowance plus the full allowance for children. Your personal allowance is £54.65, and the allowance for your daughter is £38.50.

75% of £54.65 = £40.9875

£40.9875 plus £38.50 = £79.4875

I have adjusted this amount to fit your period of need (11 days) using the following calculation:

$(£79.4875 \times 11) \div 7 = £124.91$ (this figure has been rounded up to the nearest penny)*

New applications within the same period

Occasionally, an applicant, having been awarded a crisis loan for living expenses for a certain period, returns before the end of that period to request a new loan. This can happen because the applicant has lost or spent the money they were previously awarded.

It has been argued that to award a further crisis loan in such circumstances would subvert the intention of Direction 18, which is to limit the amount that an applicant can be awarded for living expenses. However, the direction as written only sets a limit for the amount that can be paid for living expenses on each application. It does not make any reference to previous or future applications. Inspectors should not, therefore, use Direction 18 to refuse to award a crisis loan in the circumstances described above.

Direction 18(2)

Direction 18(2) applies only to the (very rare) cases when the applicant's partner would, if he or she applied for a crisis loan, fall under any of the restrictions of Direction 17(b) to (e). It differs from 18(1) only in that no amount can be awarded for the applicant's partner. The purpose of it appears to be to prevent disallowed or sanctioned jobseekers circumventing the restrictions of Direction 17 by getting their partners to apply for CLs on their behalf. Inspectors are advised to consult a Direction 17 specialist in these cases.

Direction 20

Direction 20 applies to applicants who are receiving reduced-rate (hardship) JSA. Applicants in this situation are probably under some sort of sanction, so the issue of Direction 17 may need to be addressed. Inspectors are advised to consult a Direction 17 specialist in these cases.

* Benefit rates used in this example are based on those in force at 7 April 2003.

3. Grants for living expenses

Situation 1: *Where a grant is being awarded under Direction 4(a)(iv).*

The Guidance on awards made under Direction 4(a)(iv) is found at paragraph 3002 of the Social Fund Guide. It says:

It would normally be reasonable to give the person who receives IS, income-based JSA, Pension Credit or payment on account of such benefits for each day, one seventh of either:

- *if the prisoner joins their partner, the difference between the partner's IS, income-based JSA, Pension Credit or payment on account of such benefits in payment and the appropriate amount for the couple*
- *the appropriate personal allowance*

Do not treat as a resource the sum paid by the prison authorities for expenses on the journey.

Situation 2: *Where a crisis loan cannot be awarded because the Social Fund debt of the applicant and his partner has reached the £1000 maximum.*

Awards that are part crisis loan/ part grant

Often the applicant's Social Fund debt is slightly below the £1000 maximum. In these circumstances, a crisis loan can be awarded, but the amount that can be awarded may be so limited that it is insufficient to meet the applicant's needs. A possible solution to this problem is for the Inspector to use his power under Direction 49 to look at a grant for the remaining need. Of course for a grant to be awarded the conditions of Directions 25 and 4 must be met, and the need must not be for an excluded expense such as board and lodging charges or fuel costs.

There is also one further obstacle. In order for the exclusion on daily living expenses to be lifted, the £1000 maximum debt must already have been reached. This limit is only reached when the applicant has accepted the crisis loan that takes him up to the £1000 maximum debt. In other words, a grant can only be awarded once the crisis loan has been accepted.

The most practical solution to this problem is for the Inspector to make his grant award conditional on the applicant accepting the crisis loan, and to incorporate both these awards in a single decision letter. While there is no specific statutory licence for making such conditional awards, there is nothing in the statute to prohibit it either. The alternative would be to award the maximum crisis loan and advise the applicant, if he chooses to accept the loan, to make a new application for a grant. This route involves extra inconvenience for all concerned. For this reason, Inspectors are advised to operate the "conditional grant" solution.

Appendix

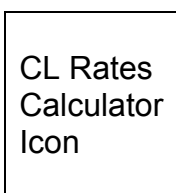
Crisis Loan Rates Table From 7 April 2003

Inspectors may use the following table setting out maximum award amounts. The figures have been validated. However, the table may only be used if it produces the particular maximum for the case before you. It is not possible to add to a figure found in the table or to multiply a figure in the table, as the figures in the table have already been rounded to the nearest penny. Where the table does not produce the complete answer the Inspector will need to perform the calculations described above, or use the CL Rates Calculator (see below).

Days	Single < 18	Single 18-24 or < 18H	Single ≥ 25	Couple both ≥ 18	Lone Par. ≥ 18 & 1 C.	Lone Par. ≥ 18 & 2 Cn.	Lone Par. ≥ 18 & 3 Cn.	Lone Par. ≥ 18 & 4 Cn.	Couple both ≥ 18 & 1 C.	Couple both ≥ 18 & 2 Cn.	Couple both ≥ 18 & 3 Cn.	Couple both ≥ 18 & 4 Cn.
1	3.53	4.63	5.86	9.19	11.36	16.86	22.36	27.86	14.69	20.19	25.69	31.19
2	7.05	9.27	11.71	18.38	22.71	33.71	44.71	55.71	29.38	40.38	51.38	62.38
3	10.58	13.9	17.57	27.56	34.07	50.57	67.07	83.57	44.06	60.56	77.06	93.56
4	14.1	18.54	23.42	36.75	45.42	67.42	89.42	111.42	58.75	80.75	102.75	124.75
5	17.63	23.17	29.28	45.94	56.78	84.28	111.78	139.28	73.44	100.94	128.44	155.94
6	21.15	27.8	35.13	55.13	68.13	101.13	134.13	167.13	88.13	121.13	154.13	187.13
7	24.68	32.44	40.99	64.31	79.49	117.99	156.49	194.99	102.81	141.31	179.81	218.31
8	28.2	37.07	46.84	73.5	90.84	134.84	178.84	222.84	117.5	161.5	205.5	249.5
9	31.73	41.71	52.7	82.69	102.2	151.7	201.2	250.7	132.19	181.69	231.19	280.69
10	35.25	46.34	58.55	91.88	113.55	168.55	223.55	278.55	146.88	201.88	256.88	311.88
11	38.78	50.97	64.41	101.06	124.91	185.41	245.91	306.41	161.56	222.06	282.56	343.06
12	42.3	55.61	70.26	110.25	136.26	202.26	268.26	334.26	176.25	242.25	308.25	374.25
13	45.83	60.24	76.12	119.44	147.62	219.12	290.62	362.12	190.94	262.44	333.94	405.44
14	49.35	64.88	81.98	128.63	158.98	235.98	312.98	389.98	205.63	282.63	359.63	436.63

Crisis Loan Rates Calculator From 7 April 2003

Click on the following icon, if you wish to use the CL Rates Calculator:



The CL Rates Calculator will calculate the maximum award for living expenses, if the appropriate personal allowance, the number of children, and the number of days payable, are entered in the highlighted fields. It also gives a detailed account of the calculations, should these be required.