State Pensions Division

Equality Impact Assessment

Pension Credit and Housing Benefit/Council Tax Benefit (for people who have attained the qualifying age for Pension Credit) – Increase to the capital thresholds

October 2009

DWP Department for Work and Pensions

Equality Impact Assessment for changes to the capital thresholds for Pension Credit and Housing Benefit/Council Tax Benefit (for people who have attained the qualifying age for Pension Credit)

1. Introduction

1.1 A change in the rules for three established benefits is being proposed. The benefits are:

- Pension Credit;
- Housing Benefit (HB) for people who have attained the qualifying age for Pension Credit; and
- Council Tax Benefit (CTB) for people who have attained the qualifying age for Pension Credit and are specifically aimed at those on low incomes.

Pension Credit provides an income top up for pensioners, HB provides financial help towards rent and CTB provides financial help towards council tax liabilities.

1.2 The proposed change is to increase the lower capital threshold at which income from capital is assumed in these benefits from the existing £6,000 to £10,000. This will mean that customers will have more of their capital ignored before account is taken of it for the purposes of calculating entitlement to benefit. The change was announced by the Chancellor as part of the 2009 Budget in response to the effect of the economic downturn on pensioners on income related benefits with savings.

Disability Equality Duty

1.3 The Department is required to give due consideration to the Disability Equality Duty in reaching a decision on policy. In addition, public bodies listed in regulations are subject to specific duties, which include a requirement to produce a Disability Equality Scheme that sets out arrangements for assessing the impact of policies, practices and procedures on disability equality.[1]

Race Equality Duty

1.4 The Race Relations Act (RRA) as well as protecting against discrimination places a general Race Equality Duty on public authorities to:

- Eliminate racial discrimination.
- Promote equality of opportunity.

[1] Disability Discrimination (Public Authorities)(Statutory Duties) Regulations 2005 (SI 2005/2966)

- Promote good relations between customers of different racial groups.

1.5 To help meet the Race Equality Duty public bodies have a specific duty to assess the likely impact of current and proposed policies and services and any changes to those.

Gender Equality Duty

1.6 Since April 2007, public bodies are required to promote gender equality. The obligation covers all public functions, policies and services and will requires public bodies to:

- Eliminate unlawful discrimination and Promote equality of opportunity between women and men. The Gender Equality Duty requires public bodies to carry out impact assessments when considering new policy developments or changes to ensure that there will be no adverse impact on either women or men.

1.7 This document is a stage 1 impact assessment (screening exercise). This is an initial consideration of the proposed changes in relation to the Department's duties under equality legislation. As a result of this screening exercise, the Department considers that a full Equality Impact Assessment is not required, as the proposed changes will have no impact in terms of disability, gender or race.

2. Purpose and aim(s) of the proposal or change

2.1 There are established principles for how capital is treated in the income-related benefits. Claimants are not expected to deplete all their capital before they can receive help, so a certain amount of capital is completely ignored. However where claimants hold capital above the level of that disregarded they are expected to use it to contribute to their daily living expenses.

2.2 This change is designed to increase the amount of capital people of pension age can hold before they are expected to use it to contribute towards their daily living expenses. The change is in recognition of the impact that reducing rates of return on savings have had on the most financially vulnerable pensioners. Under the existing rules, the first £6,000 of a customer's capital is ignored when calculating entitlement. For customers residing in a care home or other specified accommodation, the first £10,000 is ignored. These amounts are known as the lower capital thresholds. For any capital which a customer has in excess of these thresholds, £1.00 per week for each £500, or part of £500, of capital in excess of the threshold is assumed as a weekly income for the calculation of benefit.

2.3 The change will mean that income from capital will not be assumed unless a customer's capital exceeds £10,000. Therefore it will benefit customers who have savings exceeding £6,000. The rules for those living in care homes will remain unchanged meaning that the capital thresholds will be aligned for all customers at £10,000.

3. Who will benefit mainly from this proposal or change?

3.1 The vast majority of Pension Credit customers and HB/CTB customers who have attained the qualifying age for Pension Credit, with savings in excess of £6,000 will benefit from this proposal. This change does not apply to people living in care homes, for whom the capital threshold is already £10,000. The threshold for those in care homes is not changed and therefore they are unaffected by this change.

3.2 For Pension Credit, the vast majority (around 80%) of customers have savings of less than £6,000. An increase in the threshold will mean that around 88% of customers will have capital below the level at which income from it is assumed. For those in care homes, around 80% have capital of less than £10,000. The treatment of capital is already generous for those in care homes and enables those with substantial levels of capital to retain entitlement.

3.3 We also estimate that increasing the capital threshold to £10,000 would result in a number of people who are currently not entitled to Pension Credit, HB and CTB becoming entitled. We estimate that around 20,000 would float on to Pension Credit and CTB and less than 5,000 people would float onto HB as a result of these changes.

3.4 This proposal represents a simplification which will make the both the income and capital rules more generous and easier to understand. Instead of different capital thresholds depending on whether the customer is living in a care home or not, there will be a single threshold which applies to all, regardless of where the customer lives.

3.5 It is anticipated that a very small number (up to 2,000) of Pension Credit recipients who are receiving only the Savings Credit element and who have some income which is non-qualifying income for the Savings Credit, such as spousal maintenance payments or certain social security benefits, may see a small reduction in their entitlement as a result of this change. We estimate that the amount of such losses to be between 20p and £1.60 per week between the date of the change and any uprating changes in April 2010.

3.6 To prevent losers at the point of change anyone who does see a reduction in their entitlement will be identified and given a £40 one-off extra-statutory payment, regardless of the actual level of loss, to compensate them. This was the simplest method of compensating these customers. The one-off payment was set at £40.00 as this more than covers the maximum that a customer could lose in benefit between the introduction for the change and April 2010 (£1.60 x 23 weeks). This payment is in lieu of Pension Credit which has been lost as a result of the change, and as so will be disregarded for 12 months or until the end of the AIP, whichever is later. In reality, because of the small amounts involved, we do not envisage these payments affecting entitlement.

3.7 Customers in receipt of the Guarantee Credit element of Pension Credit only, will continue to receive maximum eligible HB/CTB, and will see a pound-for-pound increase in their Pension Credit. Customers in receipt of both elements of Pension Credit will see an increase in their benefit, but not on a pound-for-pound basis.

3.8 The vast majority of customers (other than those identified at paragraph 3.4 above) getting the Savings Credit only element of Pension Credit along with HB and/or CTB will not see a pound-for-pound increase in their income, but will nevertheless be better off overall as a result of this change.

4. What information and/or data (evidence) has been obtained to impact assess this proposal or change?

4.1 DWP modelling of the change uses data from the Family Resources Survey. The survey collects data on disability, race and gender.

4.2 The main beneficiaries of the change are low income pensioners with capital in excess of £6,000. Certain customers with larger amounts of income do benefit, but these are pensioners in receipt of additional amounts for disability, caring or housing costs.

4.3 Disabled pensioners[2] are as likely to benefit from the change as the non-disabled, with the average weekly gain for the disabled around £4.50 per week compared with the average over all those benefiting from the change of £4 per week.

4.4 Single men and single women are just as likely to benefit from the change. More couples gain from the change because they are more likely to have more than £6,000 capital than single pensioners. The average gain for single men is around £5 per week, for single women and couples it is around £4 per week.

4.5 Sample sizes are too small to allow a robust estimate of the impact on pensioners from the ethnic minorities. However, any ethnic minority pensioners would still benefit from this change in the same way as any other group of pensioners.

4.6 As no adverse impact on existing customers has been identified (see Section 5), more detailed analysis of diversity characteristics of customers has not been considered.

5. Has a negative impact been identified on any group?

5.1 We do not anticipate any negative impacts on customers, other than those mentioned in paragraph 3.2 above, for which the impact will be eliminated by means of a one-off payment.

5.2 This change is restricted to people who have attained the qualifying age for Pension Credit. The Department considers that people of working age who have accumulated savings may reasonably expect to draw on them during times of unemployment, in the expectation that their funds will be replenished

[2] Defined here as being eligible to the additional amount for severe disability

when they are back at work. However, once people have finished their working lives, they would not expect such opportunities, rather that their savings will support them throughout their retirement. Additionally, approximately 99% of working age customers have capital of £6,000 or less and already come within the existing disregard rules.

5.3. This change is not being extended to working age disabled people as to do so would create an unacceptable level of complexity by having a two tier system in respect of the lower capital limits within working age benefits. To do so would be a return to the same position as the changes move away from within Pension Credit. The benefit system already provides additional tailored support to disabled people both within stand alone benefits and disability premiums within our mainstream income related benefits.

6. Is that impact illegal (i.e. does it unlawfully discriminate in relation to equality legislation)?

6.1 Not applicable.

7. Could the impact be minimised or removed?

7.1 Not applicable.

8. Does the proposal or change have a positive impact on any group?

8.1 The change will have a positive impact on those customers affected who are entitled to, or potentially entitled to the relevant benefits who have capital exceeding £6,000 (other than those mentioned at paragraph 3.4).

9. Conclusion

9.1 In view of the information available it is not thought that customers will be unduly or adversely affected by this change, or that the proposed change would discriminate unlawfully (either directly or indirectly) on the grounds of race, disability, gender, age, sexual orientation and/or religious belief. It is concluded that a full impact assessment is not required in respect of this change.

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