

# STATES OF JERSEY



## **DRAFT INCOME SUPPORT (AMENDMENT No. 4) (JERSEY) REGULATIONS 200-**

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**Lodged au Greffe on 2nd June 2009  
by the Minister for Social Security**

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**STATES GREFFE**





Jersey

## **DRAFT INCOME SUPPORT (AMENDMENT No. 4) (JERSEY) REGULATIONS 200-**

### **REPORT**

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#### **Introduction**

The Income Support legislation requires the Minister for Social Security to bring forward any proposals to changes to the rates of components of Income Support for consideration by the States Assembly. These component rates must be reviewed at least once a year.

Most Social Security benefits are uprated annually in October to take into account either the increase in the cost of living or annual earnings, depending upon the benefit concerned.

It is normally quite straightforward to calculate the cost of a benefit increase as claimant numbers and claim costs change slowly from year to year. This is not the case with Income Support at present. The economic recession is having a significant impact on the cost of Income Support, and the Department will need to meet the increased cost of claims. Funding has been requested from the Stabilisation Fund as part of the automatic stabiliser package. If this funding is not forthcoming, this proposition will be withdrawn as the Department will be unable to meet both the additional costs arising from the recession and an increase in benefits. Other measures would also need to be taken to reduce costs.

It is impossible to predict in advance the full impact of the recession and the ongoing cost of Income Support for the remainder of the year. This uncertainty also makes it difficult, at present, to fully quantify the precise additional cost of a benefit uprate.

#### **Previous Benefit Increases**

Income Support benefits have been increased 3 times since January 2008 when the scheme was introduced. In May 2008, components affected by GST were increased by 3% to coincide with the introduction of GST. In October 2008, components and fixed disregards were increased by 3.7%. In February 2009, a variety of increases were made to component rates, fixed disregards and percentage disregards.

A summary of the changes to date is provided in Appendix 1 to this Report.

The increase in benefit that has been experienced by individual families is made up of a combination of the components appropriate to that family and the disregards applied to their other income.

## **Methods of increasing Income Support benefit**

Improvement in Income Support benefit can be achieved in 2 ways.

The value of components can be increased. This is simple to implement and allows a percentage increase to be applied across the board. The disadvantage to increasing component rates is that it increases the base level at which benefits are paid, keeping more families in the benefit system. Increasing components does not provide any incentive for claimants to improve their own situation. If component levels are high, it may have the opposite effect and discourage people from seeking to improve their position through their own efforts.

Alternatively, the value of disregards can be increased. Disregards are applied to different types of income and savings. Some are provided as a fixed amount – e.g. a single pensioner currently has the first £32.06 of pension income disregarded per week. Others are percentage disregards – e.g. an adult earning £300 per week would receive a disregard of 10% of their gross earnings, worth £30 per week. As disregards are applied to income that the household receives or the savings that the household has, the impact of increasing disregards will vary considerably depending on the amount and type of income and savings for the individual household. This has the advantage that the increase in disregards acts as an incentive to encourage the household to seek to maximise its own income and become more independent.

There are some individuals and households who have very little opportunity for improving their own income and they are dependent on the component rates themselves.

### **Proposal**

In order to implement increases in benefits on 1st October, component rates and disregards must be finalised by the end of August. In reality, this means that component rates which are set by Regulation need to be approved before the summer recess. Disregards are amended by Ministerial Order and can be set during August.

Given the uncertainty regarding the economic situation at present, it is proposed that an increase equivalent to 2.0% of the value of the components as at October 2008 is applied to most components from 1st October 2009. Details of changes to specific components are set out below. These Regulations set out these component changes.

The remainder (approximately one-third) of the available budget will be allocated to improving incentives within the Income Support system. An indication of possible proposals is included below, and these improvements will be finalised in August when more information will be available to estimate the cost of Income Support for the remainder of the year. At that point the Earnings Index for 2009 and the RPI for June 2009 will be available. In particular, the Earnings Index will determine the increase in contributory benefits in October, which has an effect on the cost of Income Support.

Until these indices are available, it has been assumed for the purposes of costing these proposals that pensions and contributory benefits will rise by 3% in October 2009.

The following sections set out the proposed changes for individual components. The net effect on an Income Support household will be a combination of the increases in individual components and the improvements in disregards, which will add to the total benefit income available.

All increases will apply from 1st October.

## **Housing Component**

A major component of the Income Support scheme is the financial support provided to tenants to assist with housing costs. The Housing Department is completing a major review of social housing policy which is likely to have significant implications for the manner in which rents are set in the public sector in future. Until the review is published and the recommendations discussed, it is premature to make any significant changes to the current rental levels.

The Housing Department intends to increase rentals by 2.5% in October 2009 and, accordingly, the Housing components within Income Support will rise by the same figure on 1st October.

## **Childcare component**

Childcare costs were originally set in September 2007 based on the annual survey of childcare costs undertaken by the Jersey Child Care Trust. Since then the methodology of the survey has been revised, and a more accurate analysis of local childcare costs is now available, in particular showing a higher average rate for the care of school age children.

The Education, Sport and Culture Department will be providing up to 20 hours' term-time free early years education for children who secure a place with a registered private nursery provider. This will commence from September 2009 and is available to children in the school year before they start compulsory education. The Education, Sport and Culture Department has agreed an initial rate of £4.55 per hour with private childcare providers for this scheme.

It is proposed that the hourly rates for those under a year old and for one and 2 year-olds be increased from £5.58 to £5.69 (2% increase).

It is proposed that the hourly rates for 3 and 4 year-olds be increased from £4.37 to £4.55 (4.1% increase).

It is proposed that the hourly rates for children aged 5 – 11 years be increased from £3.14 to £4.50 (43.3% increase)

## **Clinical cost component**

The clinical cost component provides additional benefit to those with chronic health conditions who require additional G.P. visits to monitor their condition. As medical costs are not subject to GST, this component was not affected by the increases in May 2008. It is proposed that these component rates be increased slightly in excess of other components, and that the 2 rates be adjusted so that the higher rate is double the lower rate.

It is proposed that the rate for Clinical Cost Component level 1 be increased from £2.73 to £2.87 (5.1% increase).

It is proposed that the rate for Clinical Cost Component level 2 be increased from £5.53 to £5.74 (3.8% increase).

## **Other components**

Other components relate to living costs, personal care, mobility and carer allowances. These components were uprated to take account of GST and most were also increased in February 2009, in addition to the annual increase in October 2008. An increase of

2.0% in October 2009 will give a total increase in each of these components since the start of Income Support of a minimum of 9.0%, which compares closely to the anticipated increase in low income RPI over this period. The increase in the adult and child components will be in excess of 10%.

Where components have been increased in February 2009, the percentage increase for October 2009 is calculated from the October 2008 figure and then applied to the current rate.

A summary of all proposed component changes is given in Appendix 2.

The component formerly set out at paragraph 6(3)(d) of the Schedule to the Regulations has been removed. This provision specified a rate applicable to individuals living in residential care establishments. Specific Regulations to cover Income Support for residential care residents are being developed at present but, until they are ready, individuals receive support through the Income Support (Transitional Provisions) (Jersey) Order 2008, rather than through the rate set in the Regulations. Fee rates have been agreed with local care providers and are reviewed on a regular basis.

### **Incentives**

The balance of the budget available for increases in 2009 will be allocated to improving incentives within the Income Support system. In advance of the Income Distribution Survey (IDS) in 2010, it is proposed that the increase in incentives be applied to 3 specific areas. Following the results of the IDS, other incentives within the Income Support system will be reviewed to ensure that appropriate incentives are available to different household groups.

Using information available at present, it is anticipated that the improvements will be possible in the following areas –

1. Earnings disregard could be increased by up to between 1% and 2.5%.
2. Capital disregards, either by increasing the value below which savings are disregarded by up to between 10% and 20%, or by improving the rate of deemed income by up to between 2.5% and 3.5%.
3. Pension disregards could be increased by up to between 2.5% and 5%.

The exact nature and level of these incentive improvements will be determined in August, following the publication of the Earnings Index. At that time, it will be possible to produce a more accurate estimate of the cost of Income Support benefits for the remainder of the year. The changes to incentives will be made by Ministerial Order at the end of August.

A report will be circulated to Members giving examples of the impact of all proposed changes on a range of typical households in advance of the debate on this proposition.

### **Financial and manpower implications**

The estimated cost of increases to components as proposed in these Regulations in 2010 is £1.62 million, whilst the improvements to incentives will be costed within an additional £0.8 million, both of which are provided for in the cash limits to be proposed to the States by the Council of Ministers. The effect of component increases for the 3 months to December 2009 is £406,000, and the improvements to incentives

will cost approximately £200,000, both of which are provided for in the 2009 cash limit.

However, the recession has resulted in rising pressures on the Income Support budget, and the Minister for Treasury and Resources will be bringing forward a proposition to provide additional funds in 2009. In the event that funding is not agreed the changes proposed in these Regulations will not be affordable in 2009.

There are no additional manpower implications.

**APPENDIX 1**

**Changes to Income Support rates and Disregards since 28th January 2008**

<b>Components – weekly rates (£)</b>	<b>28/01/2008</b>	<b>01/05/2008</b>	<b>01/10/2008</b>	<b>01/02/2009</b>
Adult	83.58	86.10	89.32	90.30
Lone parent	120.68	124.32	128.94	129.92
Child	56.42	58.10	60.27	60.90
Household	42.84	44.10	45.71	46.20
Accommodation (rented/owner occupier)	various	unchanged	increased by 3.7%	unchanged
Personal care – 1st level	20.37	21.00	21.77	21.77
Personal care – 2nd level	83.58	86.10	89.32	96.32
Personal care – 3rd level	122.85	126.56	131.25	138.25
Mobility – non-earner	20.37	21.00	21.77	21.77
Mobility – earner	40.74	42.00	43.54	43.54
Clinical cost 5+ consultations	2.66	2.66	2.73	2.73
Clinical cost 9+ consultations	5.32	5.32	5.53	5.53
Carer	41.79	43.05	44.66	44.66
<b>Components – Hourly rate (£)</b>				
Childcare under 3 years	5.38	5.38	5.58	5.58
Childcare 3–4 years	4.21	4.21	4.37	4.37
Childcare 5–11 years	3.03	3.03	3.14	3.14

<b>Capital disregards (£)</b>	<b>28/01/2008</b>	<b>01/05/2008</b>	<b>01/10/2008</b>	<b>01/02/2009</b>
single adult with personal care element	11,443	11,443	11,866	11,866
Other single adult under 65	7,629	7,629	7,911	7,911
couple with at least one with personal care element	18,967	18,967	19,669	19,669
Other couple under 65	12,645	12,645	13,113	13,113
Single adult 65 or over	11,443	11,443	11,866	11,866
Couple 65 or over	18,967	18,967	19,669	19,669

<b>Income and earning disregards (£ per week)</b>	<b>28/01/2008</b>	<b>01/05/2008</b>	<b>01/10/2008</b>	<b>01/02/2009</b>
Pension – First pensioner	26.11	26.11	27.09	32.06
Pension – Pension from Additional pensioner	16.38	16.38	17.01	19.95
Lone Parent – 1st level	15.68	15.68	16.24	16.24
Lone Parent – 2nd level	26.11	26.11	27.09	27.09
Lone Parent – 3rd level	47.04	47.04	48.79	48.79

**Income and earning disregards (% of gross income)**

Earnings disregard	6%	6%	6%	10%
Maintenance disregard	N/A	N/A	N/A	10%
Pension disregard (under 65)	N/A	N/A	N/A	5%
LTIA disregard	N/A	N/A	N/A	5%



## APPENDIX 2

### Summary of Component Increases

All weekly rates are divisible by 7 and this has led to some adjustments in the exact amount of the increase.

Components	Oct 08	Feb 09	Oct 09	% increase since Jan 08	% increase since Oct 08
Adult	89.32	90.30	92.12	10.2%	3.1%
Single parent	128.94	129.92	132.51	9.8%	2.8%
Child	60.27	60.90	62.09	10.0%	3.0%
Household	45.71	46.20	47.11	10.0%	3.1%
Hostel	72.59	72.59	74.41	6.3%	2.5%
Bedsit/lodgings	104.16	104.16	106.75	6.3%	2.5%
One-bedroom flat	148.82	148.82	152.53	6.3%	2.5%
Two-bedroom flat	187.11	187.11	191.80	6.3%	2.5%
Three-bedroom flat	212.59	212.59	217.91	6.3%	2.5%
Four-bedroom flat	225.40	225.40	231.07	6.3%	2.5%
Five- (or more) bedroom flat	233.87	233.87	239.75	6.3%	2.5%
One-bedroom house	169.05	169.05	173.25	6.3%	2.5%
Two-bedroom house	220.08	220.08	225.61	6.3%	2.5%
Three-bedroom house	245.56	245.56	251.72	6.3%	2.5%
Four-bedroom house	265.72	265.72	272.37	6.3%	2.5%
Five-bedroom house	289.10	289.10	296.31	6.3%	2.5%
Six- (or more) bedroom house	302.96	302.96	310.52	6.3%	2.5%
Bedsit – owner	5.39	5.39	5.53	6.8%	2.6%
One-bedroom flat – owner	5.39	5.39	5.53	6.8%	2.6%
Two-bedroom flat – owner	5.39	5.39	5.53	6.8%	2.6%
Three-bedroom flat – owner	7.63	7.63	7.84	6.7%	2.8%
Four-bedroom flat – owner	10.85	10.85	11.13	6.7%	2.6%
Five- (or more) bedroom flat – owner	10.85	10.85	11.13	6.7%	2.6%
One-bedroom house – owner	5.39	5.39	5.53	6.8%	2.6%
Two-bedroom house – owner	7.63	7.63	7.84	6.7%	2.8%
Three-bedroom house – owner	10.85	10.85	11.13	6.7%	2.6%
Four-bedroom house – owner	10.85	10.85	11.13	6.7%	2.6%
Five- (or more) bedroom house – owner	10.85	10.85	11.13	6.7%	2.6%
Personal care – 1st level	21.77	21.77	22.26	9.3%	2.3%
Personal care – 2nd level	89.32	96.32	98.14	17.4%	9.9%
Personal care – 3rd level	131.25	138.25	140.91	14.7%	7.4%
Mobility – non-earner	21.77	21.77	22.26	9.3%	2.3%
Mobility – earner	43.54	43.54	44.52	9.3%	2.3%
Clinical cost 5+ consultations	2.73	2.73	2.87	7.9%	5.1%
Clinical cost 9+ consultations	5.53	5.53	5.74	7.9%	3.8%
Carer	44.66	44.66	45.57	9.0%	2.0%
Childcare under 3 years	5.58	5.58	5.69	5.8%	2.0%
Childcare 3–4 years	4.37	4.37	4.55	8.1%	4.1%
Childcare 5–11 years	3.14	3.14	4.50	48.5%	43.3%

## Explanatory Note

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These Regulations increase the rates payable in respect of each component of income support.

The increase in each housing component is an amount equal to approximately 2.5% of the rate payable on 1st October 2008.

Childcare and Clinical cost components have been increased by varying amounts.

The childcare hourly rate for 0,1 and 2 year-olds is increased from £5.58 to £5.69.

The childcare hourly rate for 3 and 4 year-olds is increased from £4.37 to £4.55.

The childcare hourly rate for children aged 5 – 11 years is increased from £3.14 to £4.50.

The rate for Clinical Cost Component level 1 is increased from £2.73 to £2.87.

The rate for Clinical Cost Component level 2 is increased from £5.53 to £5.74.

The increase in all other components is an amount equal to approximately 2% of the rate payable on 1st October 2008.

The component rate for individuals living in residential care establishments has been removed.

These increases take effect on 1st October 2009.



Jersey

## **DRAFT INCOME SUPPORT (AMENDMENT No. 4) (JERSEY) REGULATIONS 200-**

*Made* [date to be inserted]

*Coming into force* [date to be inserted]

**THE STATES**, in pursuance of Articles 5 and 18 of the Income Support (Jersey) Law 2007<sup>1</sup>, have made the following Regulations –

### **1 Amendment of Schedule 1 to Regulations**

In Schedule 1 to the Income Support (Jersey) Regulations 2007<sup>2</sup> –

(a) for paragraph 2 there shall be substituted the following paragraph –

#### **“2 Rates for basic components**

The rates payable for the basic components under Article 5(2) of the Law are –

(a)	under Article 5(2)(a) of the Law (adult rate)	£92.12
(b)	under Article 5(2)(b) of the Law (single parent rate)	£132.51
(c)	under Article 5(2)(c) of the Law (child rate)	£62.09
(d)	under Article 5(2)(d) of the Law (household rate)	£47.11.”;

(b) for paragraph 4(2) there shall be substituted the following sub-paragraph –

“(2) The rates payable under this sub-paragraph are –

(a)	in the case of a hostel	£74.41
(b)	in the case of lodgings or a bedsit	£106.75
(c)	in the case of a flat with 1 bedroom	£152.53
(d)	in the case of a flat with 2 bedrooms	£191.80
(e)	in the case of a flat with 3 bedrooms	£217.91

- (f) in the case of a flat with 4 bedrooms £231.07
- (g) in the case of a flat with 5 or more bedrooms £239.75
- (h) in the case of a house with 1 bedroom £173.25
- (i) in the case of a house with 2 bedrooms £225.61
- (j) in the case of a house with 3 bedrooms £251.72
- (k) in the case of a house with 4 bedrooms £272.37
- (l) in the case of a house with 5 bedrooms £296.31
- (m) in the case of a house with 6 or more bedrooms £310.52.”;

(c) for paragraph 4(4) there shall be substituted the following sub-paragraph –

- “(4) The rates payable under this sub-paragraph are –
- (a) in the case of a bedsit or flat with 1 or 2 bedrooms £5.53
  - (b) in the case of a flat with 3 bedrooms £7.84
  - (c) in the case of a flat with 4 or more bedrooms £11.13
  - (d) in the case of a house with 1 bedroom £5.53
  - (e) in the case of a house with 2 bedrooms £7.84
  - (f) in the case of a house with 3 or more bedrooms £11.13.”;

(d) for paragraph 6(3) there shall be substituted the following sub-paragraph –

- “(3) The rate of personal care element payable in respect of the total score calculated under sub-paragraph (2) is as follows –
- (a) for a score of at least 15 but less than 36 £22.26
  - (b) for a score of at least 36 but less than 56 £98.14
  - (c) for a score of at least 56 where the member of the household is not receiving appropriate residential care £140.91.”;

(e) for paragraph 7(3) there shall be substituted the following sub-paragraph –

- “(3) The rate of mobility element of the impairment component is –
- (a) £22.26; or
  - (b) £44.52 if the person’s average weekly earnings exceed the amount in this clause.”;

- (f) for paragraph 8(2) there shall be substituted the following sub-paragraph –

“(2) The rate of clinical cost element of the impairment component is –

- (a) £2.87; or
- (b) if, based on the criteria set out in sub-paragraph (1)(b), the member will need at least 9 consultations with an approved medical practitioner, £5.74.”;

- (g) for paragraph 10(3) there shall be substituted the following sub-paragraph –

“(3) The rates payable under this sub-paragraph are –

(a)	for a child under the age of 3 years	£5.69
(b)	for a child aged 3 years or over but under the age of 5 years	£4.55
(c)	for a child aged 5 years or over	£4.50.”;

- (h) for paragraph 12 there shall be substituted the following paragraph –

**“12 Rate for the carer’s component**

The rate payable in respect of the carer’s component is £45.57.”.

**2 Citation and commencement**

- (1) These Regulations may be cited as the Income Support (Amendment No. 4) (Jersey) Regulations 200-.
- (2) These Regulations shall come into force on 1st October 2009.

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- <sup>1</sup> *chapter 26.550*  
<sup>2</sup> *chapter 26.550.30*