

# STATES OF JERSEY



## **DRAFT INCOME SUPPORT (AMENDMENT No. 4) (JERSEY) REGULATIONS 200- (P.93/2009): ADDENDUM**

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**Presented to the States on 14th July 2009  
by the Minister for Social Security**

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**STATES GREFFE**

## COMMENTS

This report describes the impact of the proposed October 2009 updates to Income Support components on selected sample households.

The component rates are set by Regulation and must be reviewed at least once a year. Rates were last increased on 1st February 2009 following the approval of P.163/2008 and P.165/2008 at the end of last year.

The amount of Income Support received by a specific household depends on the component rates, but also on the incentives or disregards that are applied to the household income. At present there are disregards for –

- Earned income
- Pension income (65+)
- Pension income ( under 65)
- Maintenance income
- Long Term Incapacity Allowance / Invalidity Benefit Income

There are also disregards applied to capital assets. The value of these disregards is set by Order.

As discussed in the report accompanying P.93/2009, it will be possible to improve some incentives within the Income Support system at the same time as the components are increased.

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% percentage points.
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.

The examples provided below are all based on a set of theoretical assumptions. In practice, the actual entitlement of a particular household will depend on a variety of factors and will change from time to time.

For each household example, two estimates are provided – the value of the Income Support benefit based on the increase due to the rise in component rates set out in the

P.93/2009 draft Regulations; and the value of the benefit including the impact of increased incentives. The incentive package chosen for the examples is –

- Earnings disregard – Increased by 2 percentage points;
- Capital disregards – Increased by 10%;
- Pension disregards – Increased by 2%.

Details of the changes in incentives included in the example are as follows:

<b>Earnings Disregard</b>	<b>Disregard as at 01/10/2008</b>	<b>Current disregard (set 01/02/2009)</b>	<b>Example of increased disregard (2% point increase)</b>
All earned income	6%	10%	12%

<b>Capital Disregards</b>	<b>Current disregard (set 01/10/2008) (£)</b>	<b>Example of increased disregard (10% increase) (£)</b>
Single adult with personal care element	11,866	13,053
Other single adult under 65	7,911	8,702
Couple with at least one with personal care element	19,669	21,636
Other couple under 65	13,113	14,424
Single adult 65 or over	11,866	13,053
Couple 65 or over	19,669	21,636

<b>Pension Disregards (Over 65)</b>	<b>Disregards as at 01/10/2008 (£ per week)</b>	<b>Current Disregards (set 01/02/2009) (£ per week)</b>	<b>Example of increased disregard (2% increase from February 09) (£ per week)</b>
Pension – First pensioner	27.09	32.06	32.70
Pension – Couple both with pensions	44.10	52.01	53.05

This set of incentives is an example of the type of package that is likely to be achieved within the available budget. The exact level of each incentive disregard will be set in August.

## Examples<sup>1</sup>

### Household 1:

- Single parent with a 5 year old child
- Renting a 2 bedroom flat
- Earnings in October 2009 of £14,560 per year (£280 per week)
- 15 hours of after school childcare per week

This household will see an increase in benefit income due to the significant adjustment on childcare component for 5-11 years olds in October. It has also benefited from the increase in earnings disregard in February 2009.

	Oct 2008	Oct 2009 (P.93 components only)	Oct 2009 (P.93 components plus incentives)
<b>Total Weekly Benefit</b>	£240.66	£265.81	£271.41
<b>% increase in benefit</b>		10.45%	12.78%
<b>Total Income</b>	£512.50	£545.81	£551.41

### Household 2:

- Couple with 2 children aged 4 and 6
- Earnings in October 2009 of £17,500 per year (£336 per week)
- Renting a 3 bedroom house

This household has benefited from the improvement in earnings disregard in February 2009.

	Oct 2008	Oct 2009 (P.93 components only)	Oct 2009 (P.93 components plus incentives)
<b>Total Weekly Benefit</b>	£302.92	£324.56	£331.29
<b>% increase in benefit</b>		7.14%	9.36%
<b>Total Income</b>	£629.66	£661.10	£667.83

### Household 3:

- Single person
- Unemployed
- Renting a bedsit

When the individual finds permanent employment the first 28 days earnings will normally be completely disregarded.

	Oct 2008	Oct 2009 (P.93 components only)	Oct 2009 (P.93 components plus incentives)
<b>Total Weekly Benefit</b>	£239.19	£245.98	£245.98
<b>% increase in benefit</b>		2.84%	2.84%
<b>Total Income</b>	£239.19	£245.98	£245.98

Household 4:

- Couple aged over 65
- £25,000 of savings
- Renting a one bedroom flat
- Pensions in October 2009 of £270 and £70 per week respectively (total of £15,600 pa)

This couple has benefited from the increase in pension disregard in February 2009.

	Oct 2008	Oct 2009 (P.93 components only)	Oct 2009 (P.93 components plus incentives)
<b>Total Weekly Benefit</b>	£104.68	£114.57	£123.47
<b>% increase in benefit</b>		9.45%	17.95%
<b>Total Income (excluding investment income)</b>	£395.94	£414.57	£423.47

Household 5:

- Over 65 single
- Owner of a one bedroom house
- Full States pension
- Personal care needs (level 2)
- £10,000 savings

This pensioner has benefited from the increase in pension disregard and the increase in the personal care component in February 2009.

	Oct 2008	Oct 2009 (P.93 components only)	Oct 2009 (P.93 components plus incentives)
<b>Total Weekly Benefit</b>	£84.00	£96.95	£97.59
<b>% increase in benefit</b>		15.42%	16.18%
<b>Total Income</b>	£256.83	£274.96	£275.60

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<sup>1</sup> The assumptions made in respect of these examples are as follows:  
Component increases on 1 October 2009 as per P.93/2009  
Earnings and pensions are 3% higher on 1/10/2009 compared with 1/10/2008  
Rent increase of 2.5% on 1/10/2009

It must be emphasised that these assumptions are not a forecast of the actual situation on 1 October. They are used merely for illustrative purposes.