

# STATES OF JERSEY



## **DRAFT INCOME SUPPORT (AMENDMENT No. 5) (JERSEY) REGULATIONS 201-**

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**Lodged au Greffe on 8th June 2010  
by the Minister for Social Security**

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**STATES GREFFE**





Jersey

## **DRAFT INCOME SUPPORT (AMENDMENT No. 5) (JERSEY) REGULATIONS 201-**

### **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.

Component rates were last reviewed on 1st October 2009 (P.93/2009) and this proposition sets out proposals to take effect from 1st October 2010.

#### **“Automatic stabiliser” funding**

During 2009 the impact of the global recession led to an increase in the cost of Income Support claims. Additional funding was provided during 2009 (P.83/2009) and a total of £9 million has been allocated for 2010. This is proposed to increase to £11.2 million in 2011.

#### **Comprehensive Spending Review**

All departments have been asked to identify 2% savings for the 2011 financial year. The Social Security Department has sought to protect ongoing benefit payments, and in particular Income Support payments, as far as possible. The proposed budget allocation for Income Support benefit uprating in 2011 has also been substantially protected. The only direct impact on Income Support uprating is in respect of the accommodation component. Working with the Housing Department, it has been agreed that Housing Department maximum rent levels will be frozen for 12 months from 1st October 2010 and that Income Support accommodation components will likewise be maintained at their current level during this time.

#### **Increasing Income Support Benefit**

As set out in P.93/2009, Income Support benefits can be increased by raising the component rates or by improving the incentives and disregards within the Income Support system.

The focus this year is very much on improving incentives. Improving incentives ensures that households are encouraged to take steps to support themselves wherever possible, through taking up employment and providing for their old age through pensions and savings. This will be especially important as job opportunities increase

as Jersey starts to recover from the global recession. For working age people, the Income Support system provides both in-work and out-of-work benefits. The system needs to contain both real financial incentives for people to take up work whenever possible and real financial penalties for those who fail to take up work that is available. An amendment to tighten up the existing rules in respect of the “actively seeking work” requirement will be put forward in the near future.

Improvements in incentives for pensions and savings encourage people to make provision for their retirement. Pensioners currently receiving Income Support have limited opportunities to change their financial circumstances. However, people of working age can be encouraged to ensure they have a pension income and savings to draw on during their retirement.

Creating the appropriate incentives for self-reliance will ensure that the Income Support system remains affordable in the long-term. This is a key theme in the Strategic Plan. Aim 8 of the Strategic Plan states: “Increase social inclusion by encouraging and supporting people to help themselves” and the first action listed in this section is to: “work together to help people to help themselves by providing real incentives to improve their situation and standard of living.”

However, there will always be some people who are not able to take up employment or support themselves financially and components have been increased in specific areas where individuals are least able to make their own provisions.

In addition to the annual budget allocation for benefit uprating, the 2011 Business Plan to be debated by the States in September will include proposals for additional funding for 2011 to provide increased incentives for employment. It is proposed that these additional incentives will be introduced from 1st October 2010 utilising existing budgets to cover the increased costs in 2010. If the additional funding for incentives is not approved, any arrangements made in 2010 will need to be withdrawn before the end of the year.

## **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 will be set during August, based upon the latest financial information available.

This Regulation sets out the component changes.

The majority of the available budget will be allocated to improving disregards (incentives) within the Income Support system. A set of initial proposals is included below and these 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 2010 will also become available. This will determine the increase in contributory benefits in October, which has an impact on the cost of Income Support.

Until the Earnings Index is available it has been assumed for the purposes of costing these proposals that pensions and contributory benefits will rise by 2.2% in October 2010.

The cost of living in Jersey is measured using the Retail Price Index. Since December 2007 the Statistics Unit has published a low income index in addition to the main RPI

measure. The most recent figure for March 2010 indicates an annual increase of 3.1% for low income households compared to the headline rate of 3.2% for the main RPI.

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 2010. The attached Appendix gives a full list of the revised rates and percentages referred to below.

### **Incentives**

It is proposed that a large proportion of the budget available for increases in 2011 should be allocated to improving incentives within the Income Support system. These parameters are set by Ministerial Order and the figures proposed in this report will be reviewed in August in light of actual expenditure at that time. It may be necessary to make adjustments if actual expenditure at that time is above or below the current forecast, or if the Earnings Index is significantly different from the forecast value.

The proposals set out below can all be achieved by adjusting existing parameters within the Income Support system. The Income Support review that will commence in the second half of 2010 will consider whether changes are needed to the system itself, for example, should additional disregards be introduced in certain areas.

### **Earnings disregards**

At present, 12% of gross earnings is disregarded in the Income Support calculation, on top of a further 6% in respect of Social Security contributions, bringing the total percentage disregarded to 18%.

In addition to the disregard applied to all earnings, an additional disregard is available when an Income Support claimant moves into permanent employment after a period of unemployment or incapacity. The effect of the earnings on the Income Support rate is not applied until 4 weeks after the worker is first paid, providing the worker with additional benefit for 4 weeks.

This initial disregard will be reviewed with a view to creating further incentives for those who have been without employment for a minimum of 6 months.

An additional sum of £1 million has been allocated to the Income Support budget for 2011, subject to approval of the Business Plan in September. This additional funding has been provided to increase incentives for employment and it will be allocated to improving the disregard on earnings. Combined with funding from the annual uprating budget, it is proposed to improve the earnings disregard from 12% by up to 4.5 percentage points to a maximum of 16.5%. (Including the disregard for Social Security contributions the anticipated increase is from 18% to 22.5%.)

### **Maintenance disregard**

To provide an incentive for a parent to obtain maintenance from an absent partner, a disregard of 10% is applied to maintenance income received. It is proposed to increase this disregard by up to 10 percentage points to a maximum of 20%.

### **Pension income disregard**

People aged 65 and above who have a pension income, either from a Social Security pension or their own private or occupational pension, receive a fixed disregard of £32.69 per week. For a couple, if both partners receive pensions, this is increased to £53.06 per week.

It is proposed to increase these disregards by up to 12%.

### **Capital disregards**

It is proposed that the amounts of savings that can be held without any reduction in Income Support benefit, is increased by up to 5%. This increases the number of claims where savings are completely disregarded. It also benefits all those who have savings above the limit as the “deemed income” is only calculated on savings above the disregard level.

### **Component increases**

The most vulnerable Income Support claimants may not be able to take advantage of the improved incentives and disregards and increases are proposed for a number of components that support these groups directly.

### **Impairment and Carers components**

There are 3 types of impairment component – personal care, mobility and clinical cost. The personal care and mobility components are available to people who have medical conditions that make it more difficult for them to undertake everyday activities.

The carer’s component is available to carers who care full time for someone with very high personal care needs.

It may be harder for people who qualify for these components to support themselves through employment or to make provision for their old age.

These components will be increased by 3.1%, in line with the increase in RPI (low income).

The clinical cost component is available to people who need regular GP consultations to monitor an ongoing medical condition. The medical benefit available in respect of all GP consultations has recently been increased from £15 to £19. In light of this substantial increase, the Income Support clinical cost components will be increased by only 2.5% this year.

### **Household component**

A household component is available to any household who owns or rents their accommodation. Only one household component is paid per household.

A 3.1 % increase in the household component is proposed. This will provide an increase in the basic Income Support entitlement to all households who own or rent their own accommodation.

### **Child component**

A child component is available to any child below school leaving age living in an Income Support household. A 3.1% increase in this component is proposed, in line with the increase in RPI (low income).

## Childcare component

The childcare component provides additional support to parents who need paid childcare whilst they are at work. In certain circumstances, it is also available to parents with medical conditions and parents who are studying full-time.

It is proposed to increase the component rates by 2.5%. This is in line with the increase proposed by the Education, Sport and Culture Department who fund term-time free nursery provision for children in their pre-school year.

In addition, it is proposed to relax the eligibility conditions for this component, which are set out in Part 2C of Schedule 1 of the Regulations. At present it is necessary for the “regarded” earnings (i.e. the net value of earnings after deducting Social Security contributions and the earnings disregard) of the working parent to exceed the total cost of the childcare. As earnings disregards are increased, this makes it more difficult for a working parent with a relatively low hourly rate to qualify for assistance. It is proposed to amend the test to take account of the gross earnings of the working parent, rather than just the regarded earnings. This will not affect parents who already receive the childcare component, but it will allow more parents with lower earnings to take advantage of this assistance with childcare costs.

### Example

Consider a parent who earns £7 per hour and works 35 hours per week.

The gross earnings of the parent are £7 per hour, or £245 per week.

The earnings included in the Income Support calculation are calculated as –

Gross	£245
Less	
Social security contributions	£245 x 6% = £14.70
Less	
Proposed Earnings disregard	£245 x 16.5% = £40.43
Net earnings for IS calculation	£245 - £14.70 - £40.43 = £189.87

Assume the parent has a child aged under two with childcare costs of £5.83 per hour. Assume that the parent needs half an hour to get to and from the nursery and thus requires 40 hours’ childcare per week, this will cost £5.83 x 40 = £233.20 per week.

Under the current Regulations, the childcare costs of this parent would not be covered by Income Support as the cost of childcare at £233.20 per week exceeds the net earnings used for the Income Support calculation of £189.87.

Under the proposed change, the childcare costs of this parent would be covered by Income Support as the cost of childcare at £233.20 per week is less than the gross earnings of the parent.

## Accommodation Component

The Housing Department will shortly be publishing policy proposals in relation to the setting of social housing rent levels. In the interim, as part of the CSR savings bid submitted by the Department to maintain accommodation components at their current

level for 12 months from 1st October 2010, the Housing Department has agreed to freeze maximum social housing rent levels for one year from 1st October 2010.

The net impact, taking into account the loss of income to the Housing Department and the saving in the uprating budget for the Social Security Department, is a saving of £228,000 in 2011. There will be no impact on States Housing tenants. Private sector rents cover a wide range of values and there are a number of private sector tenants with rent above the Housing Department levels. If these private rents are increased in 2011, the Income Support component will not increase and the tenant will bear the additional cost directly.

### **Adult and lone parent component**

It is not proposed to change these components. The range of additional incentives and disregards set out above will increase the amount of Income Support available to all working age households that take steps to improve their own income. Pensioner households will also see increases through improved disregards in respect of pension income and the savings disregards.

### **Financial and manpower implications**

The estimated cost of this package, including the additional earnings incentives, in 2011 is £2.4 million, which is provided for in the cash limits to be proposed to the States by the Council of Ministers. The effect of improvements for the 3 months to December 2010 is £600,000 which is provided for in the 2010 cash limit.

There are no additional manpower implications.



**APPENDIX**

**Proposed Component Rates and Disregards**

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

<b>Component rates</b>	<b>Current weekly rate (£)</b>	<b>% increase</b>	<b>Proposed weekly rate (£)</b>
Adult	92.12	0.0%	92.12
Single parent	132.51	0.0%	132.51
Child	62.09	3.1%	63.98
Household	47.11	3.1%	48.58
Personal care 1	22.26	3.1%	22.96
Personal care 2	98.14	3.1%	101.15
Personal care 3	140.91	3.1%	145.25
Mobility 1	22.26	3.1%	22.96
Mobility 2	44.52	3.1%	45.92
Carer	45.57	3.1%	46.97
Clinical cost 1	2.87	2.5%	2.94
Clinical cost 2	5.74	2.5%	5.88
<b>Component rates</b>	<b>Current hourly rate (£)</b>	<b>% increase</b>	<b>Proposed hourly rate (£)</b>
Childcare under 3	5.69	2.5%	5.83
Childcare 3–4	4.55	2.5%	4.66
Childcare 5–11	4.50	2.5%	4.61
<b>DISREGARDS TO BE FINALISED IN AUGUST</b>			
<b>Capital disregards</b>	<b>Current Disregard</b>	<b>% increase</b>	<b>Proposed disregard</b>
Single adult with personal care comp	13,053	5%	13,706
Other single adult under 65	8,702	5%	9,137
Couple with at least one personal care comp	21,636	5%	22,718
Other couple under 65	14,424	5%	15,145
Single adult aged 65 or over	13,053	7.5%	13,706
Couple 65 or over	21,636	7.5%	22,718
<b>Income and earnings disregards</b>	<b>Current % disregard</b>		<b>Proposed % disregard</b>
Earnings – disregard on gross earnings	12%		16.5%
Earnings – disregard for Soc. Sec. contributions	6%		6%
Maintenance income	10%		20%
Long Term Incapacity Allowance income	5%		8%

<b>Pension disregards</b>	<b>current weekly disregard (£)</b>	<b>% increase</b>	<b>proposed weekly disregard (£)</b>
Pension income – first pensioner	32.69	12%	36.61
Pension income – additional pensioner	20.37	12%	22.82

## Explanatory Note

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These Regulations amend the Income Support (Jersey) Regulations 2007 (the “principal Regulations”).

*Regulation 1* defines the principal Regulations.

*Regulation 2* amends Regulation 1 of the principal Regulations so as to substitute the definition “earnings”.

The present definition provides that the expression means the amount of a person’s earnings net of any disregards applied in accordance with the Income Support (General Provisions) (Jersey) Order 2008, specifically, paragraph 5 of Schedule 2 to that Order.

The substituted definition does not provide for any deduction of disregarded amounts. The definition is relevant to paragraph 7(3)(b) (rate of mobility element of impairment component) and paragraph 9(a) (entitlement to child day care component) of Schedule 1 to the principal Regulations.

*Regulation 3* amends Schedule 1 to the principal Regulations. The amendments increase the basic component rate for a child or a household, the rate for each of the elements of the impairment component, each of the applicable rates for the child day care component and the rate for the carer’s component.

*Regulation 4* provides for the citation of these draft Regulations and for their commencement on 1st October 2010.

Basic component rates and elements of components were last amended on 1st October 2009.





Jersey

## **DRAFT INCOME SUPPORT (AMENDMENT No. 5) (JERSEY) REGULATIONS 201-**

*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 Interpretation**

In these Regulations “principal Regulations” means the Income Support (Jersey) Regulations 2007<sup>2</sup>.

### **2 Regulation 1 amended**

In Regulation 1(1) of the principal Regulations, for the definition “earnings” there shall be substituted the following definition –

“‘earnings’ means any sum payable to a person (whether under a contract of service, a contract for services or any other office, employment or arrangement whereby the person is rewarded for work done or services rendered) by way of wages, salary, fees, bonuses, commission, overtime pay or any other emolument including the value of any loan, perquisite or any other benefit in kind;”.

### **3 Schedule 1 amended**

In Schedule 1 to the principal Regulations, in a provision specified in column 1 of the following table, for the amount specified in column 2 of the table opposite that provision there shall be substituted the amount specified in column 3 of the table opposite that provision –

<i>1</i>	<i>2</i>	<i>3</i>
<i>Provision of Schedule 1</i>	<i>Existing amount</i>	<i>New amount</i>
<i>Basic components</i>		
Paragraph 2(c) (child rate)	£62.09	£63.98
Paragraph 2(d) (household rate)	£47.11	£48.58
<i>Impairment components</i>		
Paragraph 6(3)(a) (lowest rate of personal care element)	£22.26	£22.96
Paragraph 6(3)(b) (middle rate of personal care element)	£98.14	£101.15
Paragraph 6(3)(c) (highest rate of personal care element)	£140.91	£145.25
Paragraph 7(3)(a) (lower rate of mobility element)	£22.26	£22.96
Paragraph 7(3)(b) (higher rate of mobility element)	£44.52	£45.92
Paragraph 8(2)(a) (lower rate of clinical cost element)	£2.87	£2.94
Paragraph 8(2)(b) (higher rate of clinical cost element)	£5.74	£5.88
<i>Child day care components</i>		
Paragraph 10(3)(a) (child under 3)	£5.69	£5.83
Paragraph 10(3)(b) (child 3 or over but under 5)	£4.55	£4.66
Paragraph 10(3)(c) (child 5 or over)	£4.50	£4.61
<i>Carer's component</i>		
Paragraph 12	£45.57	£46.97.

#### **4 Citation and commencement**

These Regulations may be cited as the Income Support (Amendment No. 5) (Jersey) Regulations 201- and shall come into force on 1st October 2010.

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