

STATES OF JERSEY



DRAFT INCOME SUPPORT (AMENDMENT No. 8) (JERSEY) REGULATIONS 201-

**Lodged au Greffe on 1st June 2012
by the Minister for Social Security**

STATES GREFFE



Jersey

DRAFT INCOME SUPPORT (AMENDMENT No. 8) (JERSEY) REGULATIONS 201-

REPORT

1. Introduction

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 2011 (P.107/2011) and this proposition sets out proposals to amend some component rates from 1st October 2012. It also describes improvements in Income Support disregards and incentives, which will be formalized through a Ministerial Order in August 2012.

Separately, these Regulations also make changes to the treatment of adults who do not themselves satisfy the residence condition for Income Support but are included within an Income Support household.

2. Changes to disregard amounts and incentives

The value of Income Support benefit to a household is calculated as a combination of the household income, component rates and incentives and disregards. It is proposed that a significant proportion of the budget available for improvements in Income Support for 2013 should be allocated to continue to improve incentives within the Income Support system. The value of disregards is dealt with in the Income Support (General Provisions) Order and a new Ministerial Order will be made at the end of August.

2.1 Earned income incentive

Households who move towards financial independence by increasing their earned income are incentivised within Income Support through a disregard on gross earnings. It is proposed to increase this disregard from the current level of 20%. It is vital that the employment of local residents is encouraged as the Island continues to be affected by the economic downturn. The Department is currently leading the major 'Back To Work' initiative, which has been identified as the key priority within the new Strategic Plan. An increase in the incentive for earned income will help to ensure that Income Support claimants are further encouraged to take up all employment opportunities. It is not possible to identify the exact improvement until the earnings index for 2012 has been published. Early estimates suggest that an improvement of 2% may be

achievable within the available budget. A Ministerial Order will formalize the new incentive rate at the end of August.

2.2 Pensioners' income disregard

Individuals aged 65 and above are incentivised to provide their own pension through a disregard on pension income. It is proposed to increase this disregard in line with the maximum increase in the Jersey Old Age Pension this year, so that all Income Support pensioners will receive the benefit of the uplift in the full rate of the Old Age Pension, regardless of the value of their own pension.

The Jersey Old Age Pension is increased annually in October in line with the Earnings Index for that year. The current forecast for the 2012 Earnings Index is an increase of 3.5%. It is proposed to increase the pension disregard by the same amount. Based on the current forecast, the full rate pension will increase by £6.46 per week from £184.45 to £190.91 and this would lead to an equivalent increase in the Income Support pension disregard of £6.46 per week.

As above, the exact value of the increase cannot be finalised until the end of August when the Earnings Index is published.

3. Component increases

Components within Income Support are used to fix the maximum level of financial support available in respect of different aspects of household expenditure. The value of each component is set out in the Income Support Regulations. The proposed Income Support (Amendment No. 8) Regulations increase selected component rates.

3.1 Household component

This component is paid to all Income Support claimants who occupy their own accommodation, as lodgers, tenants or owners. It is not available to claimants who live as part of another household, or who live in hostel accommodation. The current value of the household component is £49.56 and it is proposed to increase this by 3.5% in line with the most recent increase in RPI(Y), to a new value of £51.31 per week.

	<i>Current weekly rate</i>	<i>New weekly rate – October 2012</i>
Household component	£49.56	£51.31

3.2 Accommodation

In consultation with the Minister for Housing, it has been agreed that the accommodation components of Income Support will be increased by 3.5% from 1st October 2012 to match the proposed increases in Housing Department rentals at the same time. The following table includes details of the proposed rates for different property types and tenures.

Accommodation Components – weekly rates	Oct–11 £	Oct–12 £
Hostel	76.30	78.96
Bedsit/lodgings	109.41	113.26
One bedroom flat	156.31	161.77
Two bedroom flat	196.63	203.49
Three bedroom flat	223.37	231.21
Four bedroom flat	236.88	245.14
Five (or more) bedroom flat	245.77	254.38
One bedroom house	177.59	183.82
Two bedroom house	231.28	239.40
Three bedroom house	258.02	267.05
Four bedroom house	279.16	288.96
Five bedroom house	303.73	314.37
Six (or more) bedroom house	318.29	329.42
Bedsit – owner	5.67	5.88
One bedroom flat – owner	5.67	5.88
Two bedroom flat – owner	5.67	5.88
Three bedroom flat – owner	8.05	8.33
Four bedroom flat – owner	11.41	11.76
Five (or more) bedroom flat – owner	11.41	11.76
One bedroom house – owner	5.67	5.88
Two bedroom house – owner	8.05	8.33
Three bedroom house – owner	11.41	11.76
Four bedroom house – owner	11.41	11.76
Five (or more) bedroom house – owner	11.41	11.76

This increase in Income Support components will ensure that all Housing Department tenants and Housing Trust tenants are fully compensated for the increase in Housing Department rentals. Private sector tenants and owner-occupiers will also benefit from the rise in accommodation components.

The current timetable of the Housing Transformation Programme includes a major re-alignment of Housing Department and Housing Trust rentals in April 2013. The resulting increases in rent levels experienced by Income Support tenants will be fully matched at that time by a further increase in the accommodation components.

3.3 Childcare

The Income Support system includes assistance with childcare costs, for working parents who do not have family support to provide childcare. This extra assistance allows parents who would otherwise need to stay at home with their children, to take up employment, making a contribution to the economy and supporting themselves as far as they are able.

It is proposed to increase the maximum hourly allowance for childcare costs by 2.5%. This is in line with the increase agreed between the Education, Sport and Culture Department and childcare providers in respect of the Nursery Education Fund (NEF) scheme for 3- to 4-year-olds funded by that Department.

<i>Age of Child</i>	<i>Oct. 2011 £</i>	<i>Sep. 2012 NEF rate £</i>	<i>Oct. 2012 £</i>
0 to 2 years old	6.12		6.27
3 to 4 years old	4.78	4.90	4.90
5 and above	4.73		4.85

3.4 Medical costs

It is proposed to increase the component associated with the cost of G.P. visits, by approximately 3.5%, in line with the proposed increase in the rate of medical benefit under the Health Insurance Law. This component ensures that claimants with ongoing, chronic medical conditions can receive regular monitoring from their G.P.

<i>Clinical Cost component</i>	<i>Current weekly rate £</i>	<i>New weekly rate £</i>
Level 1	3.01	3.15
Level 2	6.02	6.30

4. Changes to adult components

4.1 Summary

Income Support provides means-tested support to households in which at least one adult satisfies a residence test. The test is that the adult has been resident for the previous 5 years or continuously for 10 years in the past. Further adults in the household, typically the spouse or partner of the claimant, are not required to meet this residence test.

There are currently estimated to be approximately 140 adults included in Income Support households who, if they were required to meet the Income Support residence test, would not do so in their own right.

It is proposed to introduce a new requirement for each adult individually to meet the residence test in order to continue to receive the adult component (£92.12 per week).

Adults who do not satisfy the residence test will continue to be included within the Income Support household, and the accommodation component will continue to be set to the needs of the entire household. Their income will be included within the Income Support calculation, and they will be subject to job seeking requirements, where appropriate. These adults will not be eligible to claim the adult component. They will also not be eligible for the carer's component or any impairment component.

However, the childcare component will still be available. The childcare component will continue to assist an adult who does not satisfy the residence condition to return to work. Any additional take-up of childcare support following the proposed change will be balanced by an increase in the earnings of the household, leading to a minimal net change in the cost of income support to the household and a reduced dependency upon benefits in the medium term.

These changes will mean that Income Support will continue to provide financial assistance to couples in which one partner has been resident in Jersey for less than 5 years, but this assistance will be set at a lower rate compared to the support provided to couples where both partners individually meet the residence conditions under Income Support.

4.2 Background

Income Support is a household benefit available to low income families in which:

- One adult in the household satisfies the residence condition; and
- All adults in the household satisfy the work condition.

The current eligibility conditions do not require every adult in the household to satisfy a residence test. This is similar to previous benefit schemes such as Rent Rebate/Rent Abatement and Family Allowance.

The main test for residence is that the claimant has lived in Jersey continuously for the 5 years immediately preceding the date of the claim. An alternative test is that the claimant has lived in Jersey continuously for a period of 10 years at some point in the past. There are some additional rules to cover specific circumstances.

The Income Support law allows an adult who satisfies the residence condition to make a claim for Income Support which includes a partner who has recently arrived in the Island.

An analysis of 6,634 open Income Support claims in March 2012 identified 187 adults legitimately included on these claims who have yet to complete a continuous period of 5 years' residence. It is estimated that approximately one quarter of these individuals will meet the alternative residence test by providing evidence of 10 years' prior residence, leaving approximately 140 claims which include an adult who does not satisfy either residence test.

4.3 Proposal

Under the current Income Support rules a single person must live in Jersey for 5 years before being eligible for benefit. However, an individual who has lived in Jersey for less than 5 years has full access to Income Support if they are the partner of an Income

Support claimant. This creates a concern that the treatment of these individuals is inequitable, and it is appropriate to review the eligibility criteria for this tax-funded benefit.

Public and political concern has been expressed as to the ongoing levels of immigration to Jersey, and it is argued by some that the current eligibility rules for Income Support provide an incentive for migrants to remain in Jersey and to bring their partners or children to live with them. Departmental records do not provide any evidence of this type of behaviour becoming more common over the last few years. However, there is a continual movement of individuals to and from Jersey, and individuals who satisfy the residence test for Income Support may return to the Island with a partner from another country, or form a household with an individual who has recently moved to Jersey. In these situations, the individual joining the Income Support household is treated more favourably than a single person who has lived in Jersey for a similar length of time.

It is proposed that the amount of Income Support available to a household which includes an adult who does not satisfy the residence test should be set at a lower level, by excluding any component associated specifically with that adult.

4.4 Extent of exclusions

The change will only apply to adults in Income Support households. Under the Income Support Law, an adult is anyone aged above compulsory school leaving age. There will be no change to the components available to children below this age.

The change will apply equally to couples who are married, those who are in a civil partnership and those living together as if they are married or in a civil partnership.

For example: A Jersey-born man moves to the UK in his mid-20s, gets married and then returns to the Island with his English wife and a young baby. Under the proposal, the family will receive Income Support components at the full rate in respect of the man and the baby. The family will not receive any components for the wife until she has satisfied the 5 year residence test in her own right.

Other components available to an individual include impairment and carer components. These will not be available to an adult who does not satisfy the residence condition in their own right. However, the Minister holds discretionary powers to make payments in exceptional circumstances and in the event of an accident or other unusual situation, existing discretionary powers could be used to provide financial support.

The childcare component will continue to be available to assist an adult who does not satisfy the residence condition to return to work. Any additional take-up of childcare support following the proposed change will be balanced by an increase in the earnings of the household, leading to a minimal net change in the cost of Income Support to the household and a reduced dependency upon benefits in the medium term.

4.5 Timetable and transitional arrangements

It is proposed to introduce the new policy to apply to new claims immediately.

Although it will involve some extra administration, it is relatively straightforward to apply a residence test to all adults in respect of new claims. If approved, the Draft Regulations will introduce this change from 1st August and from that date new claims will be processed under the new rules.

The Draft Regulations also include a transitional provision so that the new rules will apply to existing claimants from the beginning of next year. Subject to the approval by the States of the Draft Regulations, existing claimants will be notified of the forthcoming changes and claims will be reviewed between August and December 2012 to allow existing adult participants to provide evidence of their residence in Jersey.

4.6 Analysis of Claims

The value of the adult component is £92.12 per week and most of the claims that will be affected by this change will experience a loss in benefit of £92.12. If the total Income Support benefit currently received is less than £92.12 per week, the household will no longer be entitled to any benefit.

The table below indicates the number of claims that might be affected based on an analysis of Social Security registration data. It also indicates the restriction in the value of Income Support payable in respect of these claims.

<i>Data extracted March 2012</i>		
<i>Adult currently included on Income Support claim who has not been in Jersey for the last 5 years (based on existing registration data)</i>		
<i>Nationality of adult included on claim</i>	<i>No. of adults</i>	<i>Full year impact of removal of adult rate from claim £</i>
British	85	463,287
Polish	28	128,571
Portuguese	43	177,441
Other	31	62,298

As noted above, some of the 187 adults identified in this table will be able to satisfy the residence test through a 10 year continuous period in Jersey in the past. These will be reviewed on a case-by-case basis. Assuming that 25% of these adults satisfy the 10 year test, a total of approximately 140 claims will be affected and the overall withdrawal of benefit will amount to a saving of approximately £600,000 in a full year.

Over three-quarters of the claims that might be affected include one or more children. Details of the 187 claims above are shown in the following table.

<i>No. of children in household</i>	<i>Nationality of Claimant</i>			
	<i>BRITISH</i>	<i>POLISH</i>	<i>PORTUGUESE</i>	<i>OTHER</i>
0	22	3	10	7
1	38	18	14	5
2	27	4	14	1
3	14	2	1	3
4	4			

As noted above, all components provided in respect of these children will continue to be paid.

4.7 Social Impact

The social impact of the proposal in terms of the impact on low income families, many of whom include children, needs to be weighed up against the ongoing concerns as to the level of current and future immigration into Jersey and the cost of the current level of support provided to these households. The proposal will affect approximately 2% of all Income Support claims, thus limiting any potential impact.

A consideration of long-term issues highlights the increased proportion of older people in the resident population and the need to maintain a sufficient number of local, younger working age people.

5. Ten year residence condition

As well as amending the eligibility for component rates for adults, it is also proposed to align the Income Support Law more closely with the new Control of Housing and Work (Jersey) Law 2011- (CHW).

As an alternative to the 5 year rule, claimants can currently satisfy the residence test through a continuous residence period of 10 years at any time in the past. This option was added as a substitute for the “Jersey-born” provision in the previous Parish welfare system. The differences between the Income Support rule and the current housing legislation can result in confusion for claimants and a degree of duplicated effort across States departments.

Subject to the approval by the States of the CHW Regulations later this year, the 10 year residence test under the Income Support legislation will be amended so that individuals, who have “entitled” status under CHW (proposed Regulation 2(1)(a), (b), (c) or (d)), will also be deemed to have satisfied the residence conditions for Income Support.

There will be an additional cost to Income Support as certain categories of individual with aggregated periods of residence, but without 10 years’ continuous residence will in future be able to qualify for Income Support. In particular, Jersey-born persons and children of qualified persons who arrived in the Island before age 20 are able to

aggregate periods of residence to gain entitlement (as they presently can under the Housing Law). However, most of these persons have actually completed a continuous period of residence and few take advantage of the aggregating provisions (or have 5 years' continuous residence since their return) so the additional costs are expected to be relatively small. There will also be savings in administration costs and a co-ordinated approach between the 2 Laws will simplify the application process for individuals – indeed, many applicants struggle to understand why they have to qualify themselves at 2 separate Departments at present.

The CHW Draft Regulation 2(1)(e) and (f) covers replacements for existing 1(1)(k) and 1(1)(g) “hardship” approvals. Gaining entitled status in these categories will not be included in the Income Support legislation, as neither category includes any requirement for residence in Jersey. However, existing arrangements that provide support for “hardship” cases will continue to be available through Ministerial discretion.

6. Financial and manpower implications

The total cost of the package of Income Support component rate and incentive changes in 2013 will be £2.64 million, as allowed for in the Treasury provisions for uprating in the Medium Term Financial Plan. This figure allows for an element of growth in the volume of Income Support claimants during 2013.

The changes will take place from 1st October 2012 and the increased cost of £650,000 in 2012 is provided for in the current departmental cash limit.

The financial impact of the change to the adult component is estimated at a full year saving of £600,000. This saving will contribute to the delivery of the departmental CSR target for 2013.

There are no additional manpower implications associated with the changes to Income Support financial parameters. There will be some increase in administration at the start of an Income Support claim due to the need to check the residence of both adults on a claim, but savings will be made in respect of those adults who have entitled status under CHW. Any net increase in administration will be absorbed within existing operational manpower.

Explanatory Note

These Regulations increase, by approximately 3.5%, the rates payable in respect of the household basic component, the housing component and the clinical cost element of the impairment component of income support, and increase by approximately 2.5% the child day care component of income support. These increases take effect from 1st October 2012.

These Regulations remove a household's entitlement to the basic component, the impairment component and the carer's component in respect of any adult in the household who has not been ordinarily resident in Jersey for the period prescribed in an Order made under Article 2(1)(b) of the Income Support (Jersey) Law 2007. (The period prescribed is 5 years – but different rules apply where the 5 years' residency does not immediately precede the application for income support.) This change will take effect from 1st August 2012 in respect of all applications for income support received on or after that date. Where an application for income support has been made before 1st August 2012 in respect of a household and that household was entitled before that date to a basic component, impairment component or carer's component in respect of a person who has not been ordinarily resident in Jersey for the period prescribed in Article 2(1)(b) of that Law, that household shall continue to be eligible to receive such a component until 31st December 2012.



Jersey

DRAFT INCOME SUPPORT (AMENDMENT No. 8) (JERSEY) REGULATIONS 201-

Arrangement

Regulation

1	Interpretation	15
2	Schedule 1 amended – component rates.....	15
3	Schedule 1 amended – eligibility for certain components.....	16
4	Transitional arrangement.....	17
5	Citation and commencement	17



Jersey

DRAFT INCOME SUPPORT (AMENDMENT No. 8) (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 2007¹, have made the following Regulations –

1 Interpretation

In these Regulations –

“Law” means the Income Support (Jersey) Law 2007²;

“Regulations” means the Income Support (Jersey) Regulations 2007³.

2 Schedule 1 amended – component rates

In Schedule 1 to the Regulations –

- (a) in paragraph 2(d) for the amount “£49.56” there shall be substituted the amount “£51.31”;
- (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	£78.96
(b)	in the case of lodgings or a bedsit	£113.26
(c)	in the case of a flat with 1 bedroom	£161.77
(d)	in the case of a flat with 2 bedrooms	£203.49
(e)	in the case of a flat with 3 bedrooms	£231.21
(f)	in the case of a flat with 4 bedrooms	£245.14
(g)	in the case of a flat with 5 or more bedrooms	£254.38
(h)	in the case of a house with 1 bedroom	£183.82

- | | | |
|-----|--|------------|
| (i) | in the case of a house with 2 bedrooms | £239.40 |
| (j) | in the case of a house with 3 bedrooms | £267.05 |
| (k) | in the case of a house with 4 bedrooms | £288.96 |
| (l) | in the case of a house with 5 bedrooms | £314.37 |
| (m) | in the case of a house with 6 or more bedrooms | £392.42.”; |
- (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 | £5.88 |
| (b) | in the case of a flat with 3 bedrooms | £8.33 |
| (c) | in the case of a flat with 4 or more bedrooms | £11.83 |
| (d) | in the case of a house with 1 bedroom | £5.88 |
| (e) | in the case of a house with 2 bedrooms | £8.33 |
| (f) | in the case of a house with 3 or more bedrooms | £11.83.”; |
- (d) 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) | £3.15; 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, £6.30.”; |
- (e) 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 | £6.27 |
| (b) | for a child aged 3 years or over but under the age of 5 years | £4.90 |
| (c) | for a child aged 5 years or over | £4.85.”. |

3 Schedule 1 amended – eligibility for certain components

In Schedule 1 to the Regulations –

- (a) after paragraph 1(4) there shall be added the following paragraph –
- “(5) A household is not entitled to a basic component under Article 5(2)(a) or (b) of the Law in respect of any member of the household who has not been ordinarily resident in Jersey for the period prescribed under Article 2(1)(b) of the Law.”;

-
- (b) after paragraph 5(4) there shall be added the following sub-paragraph –
- “(5) A household is not entitled to an impairment component in relation to any member of the household in respect of whom the household has no entitlement to a basic component under Article 5(2)(a) or (b) of the Law as a consequence of paragraph 1(5).”;
- (c) after paragraph 11(2) there shall be added the following paragraph –
- “(3) A household is not entitled to a carer’s component in respect of any carer while the household is not entitled to a basic component under Article 5(2)(a) or (b) of the Law in respect of the carer as a consequence of paragraph 1(5).”.

4 Transitional arrangement

Despite Regulation 3 a household that made an application for, and was entitled to, a basic component under Article 5(2)(a) or (b) of the Law in respect of any member of the household who has not been ordinarily resident in Jersey for the period prescribed under Article 2(1)(b) of the Law before the coming into force of Regulation 3 shall remain so entitled until 31st December 2012.

5 Citation and commencement

These Regulations may be cited as the Income Support (Amendment No. 8) (Jersey) Regulations 201- and –

- (a) Regulations 1, 3 and 4 shall come into force on 1st August 2012; and
- (b) Regulation 2 shall come into force on 1st October 2012.

-
- ¹ *chapter 26.550*
 - ² *chapter 26.550*
 - ³ *chapter 26.550.30*