

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY BY
DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 17th JUNE 2008

Question

1. In the report "Distributional analysis of Income Support" issued on 4th June 2008, the Minister makes the following statement on page 3:

"Considering all households and assuming that all the proposals put forward by the Minister for Social Security are approved by the States, including the increase in component rates from 1 October 2008, 56% of households will be in receipt of Income Support at a level equal to or above their benefit entitlement under the benefit systems replaced by Income Support."

Will the Minister inform members

- a) whether this analysis includes the uprating of Income Support (IS) to include the increase of non-housing elements of IS to compensate for GST, and the expected rise in pensions and contributory benefits of 5.1% for October 2008, along with the anticipated annual cost of living rise in IS of 3.7% and therefore renders any comparison with previous benefits (pre 28th January 2008) invalid in terms of like-for-like analysis, and if not why not?

Answer

This part of the question and several subsequent parts refer to a comparison with previous benefits. The aim of the report was to identify the situation of households at the first percentage downrate, which will now take place on 28 January 2009. This is the first date that any household will see a partial reduction in the level of benefit received and the report clearly sets out the number of households that will see a reduction on this date. Households previously receiving benefits now replaced by income support have not seen any reduction in benefit at this point. There is little useful information to be gleaned from an analysis of households at an earlier date as all households are currently fully protected.

The analysis includes the expected rise in pensions and contributory benefits of 5.1% and the proposed rise in Income Support components of 3.7% (Which also takes into account the increase in the nonhousing elements of Income Support to compensate for GST). This is clearly set out on page 3 of the report.

Question

- b) whether the further inclusion of major corrections to the IS scheme proposed in his statement of 3rd June, as follows
- Extension of lone parent component to parents of children aged 16 to 18 who remain in full time education.
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 - High level personal care component to be available to parents of a child with a severe disability, without reference to parental income.
 - Automatic entitlement to first level personal care component for those with 100% LTIA award;

further affects proper analysis of the impact of the introduction of IS on 28th January 2008, and if not why not?

Answer

Again as set out on page 3 of the report, the three minor enhancements to the Income Support scheme are included in the analysis.

Question

- c) whether he is prepared to produce properly collated figures to assess the impact of the original IS scheme, including accurate like-for-like figures for IS and previous benefits as of 28th January 2008 (already indicated on letters sent to IS recipients) showing winners and losers in real and percentage terms, without any uprating, to replace the first table on page 4 and the 6 groups analysed in the report and listed in the second table on page 4 of the report, and if not why not?

In the light of his responses to the above will the Minister withdraw his figure of 56% (or 3,791 families) on the same level or better off than under the previous schemes?

Answer

My department has undertaken an analysis of the position of claimants to indicate their position when the first transition downrate is applied on 28 January 2009. This provides useful information to the Department regarding the impact of Income Support on various household types. There is no operational information to be derived from undertaking an historic analysis of the position of these households on 28 January 2008.

Considering the amount of work that would be involved, I am not prepared to ask my department to produce these figures for 28 January 2008 as they would not provide any significant benefit.

There is no information provided in the responses set out above that would lead me to withdraw the statement at bottom of page 3 of the report which states that

“considering all households and assuming that all the proposals put forward by the Minister for Social security are approved by the States, including the increase in component rates from 1 October 2008, 56% of households will be in receipt of Income Support at a level equal to or above their benefit entitlement under the benefit systems replaced by Income Support.”

Question

2. Given that “disposable income” has been reduced for the majority of benefit recipients by the combined impact of the change from HIE to HMA, the reduction in the levels of rent rebate/abatement (now the housing component of IS), and the 50% reduction in DTA for those not working, will the Minister now produce After Housing Costs (AHC) disposable income figures (based on the January 2008 levels) for members, and if not why not?

Under the AHC disposable income analysis what proportion and number of households are shown to be “on the same level or better off” than on previous schemes?

Answer

The introduction of Income Support did not affect rental or other housing costs and therefore an analysis of benefit “before housing costs” and “after housing costs” (AHC) in the old and new systems would give identical results.

Question

3. Will the Minister inform members of the costs involved in the changes to IS and in particular, how the

additional funds have been made available to protect those on Attendance Allowance, Adult Disability Allowance and Child Disability Allowance?

Will the Minister give examples of how increased access to the high level personal-care element will affect the level of benefits received by families with children with severe disabilities, before and after IS, using January 2008 like-for-like figures?

Answer

The costs for 2008 and 2009 are

	2008	2009
Additional Income Support	250,000	1,000,000
Additional protected payments	£685,000	£587,000

No additional funds have been made available. The additional costs involved in the changes to Income Support are available from within the existing budget. The analysis of cost undertaken before the implementation of Income Support was, of necessity, prudent and estimates had to be made for the distribution of costs within Income Support. It is still very early to attempt to analyse the ongoing cost of Income Support but I am committed to providing the best possible support that can be afforded within the budget allocation. I am confident that the cost of these minor adjustments can be met. I will continue to monitor costs very carefully and to introduce further enhancements to Income Support whenever possible.

Examples

Family with two children, one with a severe disability. One parent in full time work, one parent receives Invalid Care Allowance and stays at home to care for the child.

These examples use current component rates and compare the impact of including and excluding the high level personal care component from the Income Support calculation.

Example 1

Family in rented accommodation 3 bedroomed house
 Parent in work earns £350 per week (£18,200 pa)
 Parent with ICA receives £167.56 per week (£8,713 pa)

IS calculation before change in treatment of high level personal care

Total components, excluding Personal care	£569.31
Personal care component	£126.56
Total components, including personal care	£695.87
Total assessed income	£473.76
Total Income Support	£222.11

IS components after change in treatment of high level personal care

Total components, excluding Personal care	£569.31
Personal care component (not included)	
Total assessed income	£473.76
Total Income Support	£95.55

Personal Care component	£126.56
Total benefit	£222.11

In this example, the total benefit level remains at £222.11 per week

Example 2

Family own their home

Parent in work earns £700 per week (£36,400 pa)

Parent with ICA receives £167.56 per week (£8,713 pa)

IS calculation before change in treatment of high level personal care

Total components, excluding Personal care	£342.93
Personal care component	£126.56
Total components, including personal care	£469.49
Total assessed income	£781.76
Total Income Support	£0

IS components after change in treatment of high level personal care

Total components, excluding Personal care	£342.93
Personal care component (not included)	
Total assessed income	£781.76
Total Income Support	£0
Personal Care component	£126.56
Total benefit	£126.56

In this example, the family will receive a benefit of £126.56 under the revised scheme, compared with no entitlement under the existing scheme.

Question

4. Will the Minister state why he has not extended support for people with disabilities beyond October 2010, by adopting UK standards for their equivalent benefits (ie removing the means test)?

Will he further explain to members whether the extension of protection until October 2010 will be applied to new applicants for IS, or will they be treated differently, and if so how?

Answer

The personal care component within Income Support is set at 3 levels –

Personal care level 1 : £ 21.00,
 Personal care level 2 : £ 86.10 and
 Personal care level 3 : £126.56 per week

The UK disability living allowance is paid at 3 levels

- £17.75,
- £44.85 and
- £67.00 per week.

The highest level is only available to individuals who need frequent supervision day and night.

The States have endorsed the concept of targeting support to low income families in Jersey. The level of benefits available in Jersey ensures that a high level of support is available to those families in the greatest financial need.

Any claimant who received a benefit which has been replaced by Income Support has been provided with a protected payment, as long as they applied for Income Support before or within one month after the start date. Only in the most exceptional circumstances would an individual now be offered protected payments in respect of benefits that ceased payments four months ago (in other words, the claimant has not been receiving this benefit for the last four months and has not yet put in an application for Income Support).

New applicants for Income Support are assessed under the Income Support rules.

Question

5. Will the Minister give examples of the “*additional incentives for lone parents to move into part time employment*” highlighted on page 9 and elsewhere in the report?

In particular, will he show how each additional £1 earned will be affected by a reduction in benefit, and what this reduction would be?

Answer

These are set out in schedule 2, paragraph 5 of the General Provisions Order.
Earnings below £15.68 per week are completely disregarded from the income calculation
Earnings between £15.68 and £26.11 per week are subject to a 50% disregard
Earnings between £26.11 and £47.04 per week are subject to a 25% disregard.

Question

6. Will the Minister explain to members what criteria have been used to produce the figure of £1 per week “deemed income” for each additional £250 of capital or savings over the capital limits in calculating IS? What consideration, if any, has he given to reducing the rate of interest on capital, which equates to over 20%, and does he not agree that this is a disincentive for people to save?

Answer

The parish welfare system used a deemed income of one pound per each additional £200 of capital or savings over the capital limit. The Income Support system has used the same method of gradually reducing benefit as household assets increase but has used more generous parameters, so that the deemed income is one pound for each £250 of assets. The capital limits for pensioners have also been increased by 50% above the previous level.

As the capital below the limit is disregarded, the effective rate of interest is always below the deemed rate.

For example, if a pensioner couple had savings of £25,000.

Exempt allowance is currently £18,967.

Amount subject to deeming is £25,000 - £18,967 = £6033.

Deemed income is £6033 x 20.8% = £1254 per annum

This equates to a 5% income on the full value of their savings. (£25,000 x 5% = £1250 pa)

