STATES OF JERSEY

DRAFT SOCIAL SECURITY (TELEVISION LICENCE BENEFIT) (AMENDMENT) (JERSEY) REGULATIONS 201-

Lodged au Greffe on 25th August 2015
by the Minister for Social Security

STATES GREFFE

Jersey

DRAFT SOCIAL SECURITY (TELEVISION LICENCE BENEFIT) (AMENDMENT) (JERSEY) REGULATIONS 201-

REPORT

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1. Executive summary

Taking any decision to restrict benefit spending will always be difficult. However, it is right that all areas of public spending play their part in achieving the overall target of £145 million by 2019.

Meeting the target will allow the States to focus on its 5 strategic priority areas of Health and Wellbeing, Economic Growth, Education, St. Helier and Sustainable Public Finances – helping to improve the lives of Islanders and putting the States' finances back on a sustainable footing.

The detailed proposals set out in this report include all the measures that need to be taken to achieve the £10 million savings target set by the MTFP. These measures play only a small part of the £145 million target.

Wherever possible, the opportunity has been taken to improve the overall fairness and structure of the benefit system. The proposals have been carefully chosen to meet the following objectives –

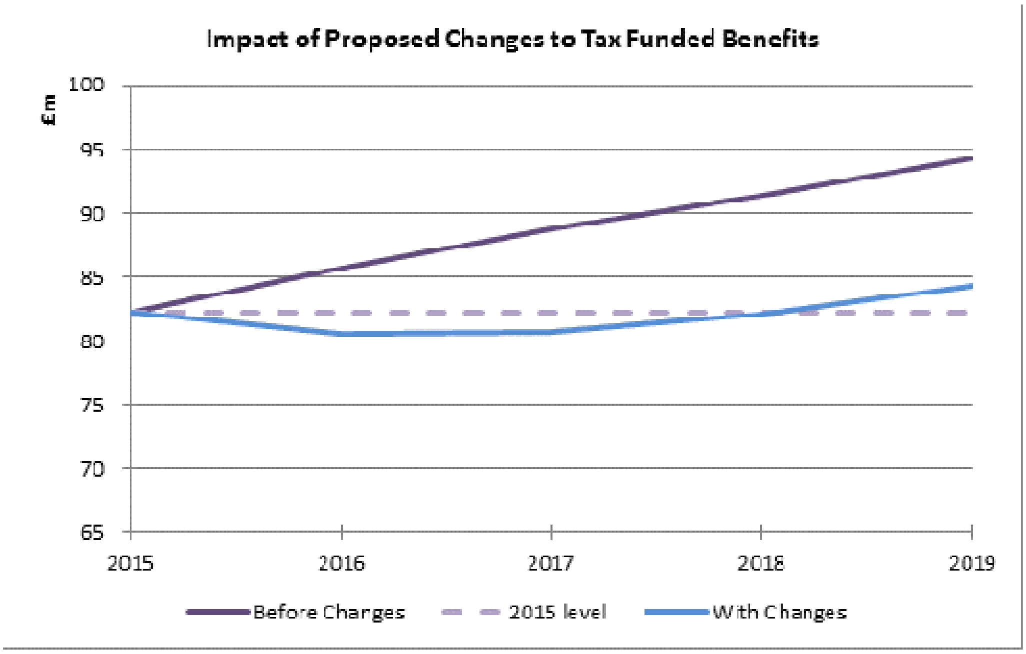
- ***Promote financial independence***
- ***Improve the targeting of benefits***
- ***Minimise the impact on individuals.***

This report describes the overall picture of the proposed £10 million benefit savings. This proposition asks the States to close the 75+ TV Licence benefit to new entrants at the end of 2015 (section 4.6), which is part of the £10 million savings.

1.1 Background

In the Draft Medium Term Financial Plan 2016 – 2019 (MTFP), the States aims to make £145 million of annual savings and other measures by 2019 to balance its budget and address the structural deficit.

The Council of Ministers agreed a target of £10 million savings in annual benefit budgets by 2019; this plays a small part of the overall target. The Minister for Social Security's proposals will help people in Jersey achieve and maintain financial independence, and safeguard the most vulnerable in our society by keeping the overall benefit budget more or less flat over the next 4 years, rather than cutting it.



1.2 Demographics

People are now generally living longer and healthier lives. Whilst this is to be welcomed, it means that over the next 20 years, the number of over-65s will increase from about 16,000 at the end of 2014 to around 28,000 by 2035. This steep growth in the number of pensioners will affect the demand for public services, and in particular the cost of healthcare, pensions and benefits.

1.3 Benefit changes

The Social Security Department has examined all of the benefits it provides to identify where savings should be made.

Wherever possible, the opportunity has been taken to **improve the overall fairness and reduce complexity** in the benefit system. In particular, the 3 criteria: **promote financial independence, improve targeting** and **minimise impact on individuals,** have guided the proposed changes.

The Minister has designed the proposals so that the following areas can be protected and will be unaffected by the need to make savings –

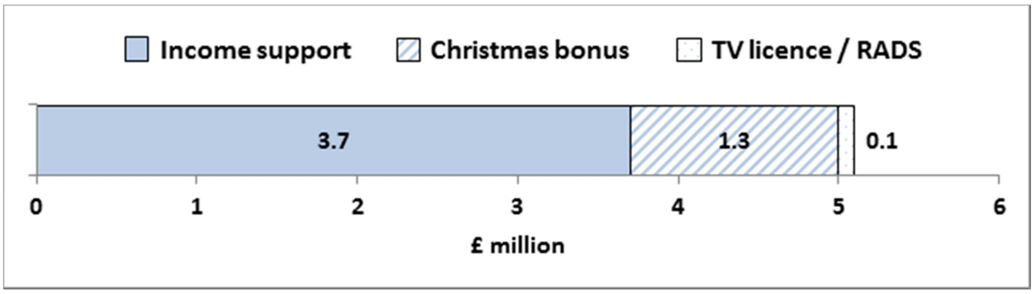
- The **old-age pension** has been protected.
- **Support for primary care services** will not be affected. There is a major review of healthcare taking place, including a review of the future role of primary care services.
- **Long-Term Care Benefits** will not be affected.
- The components for **rental and child care costs** for Income Support claimants will be uprated.
- **Cold weather payments and the Cold Weather Bonus** have been protected.
- The **65+ Health Scheme** has been protected.

The Minister is proposing to (see section 4 for more information) –

- **Change Income Support** in the following ways –
    - o **Maintain most component rates at 2015 levels until October 2017.** Rental components and child care components will still be increased each year.
    - o **Phase out the additional single parent component, but instead increase the disregard against income received as maintenance**. The extra single-parent component will not be available to new Income Support claimants from November 2015, and existing claimants will see reductions in benefit starting in January 2016. However, increasing the maintenance income disregard will help to offset this change and incentivise single parents to secure maintenance agreements with ex-partners where possible.
    - o **Remove the additional allowance for some types of contributory benefit income**, for example Long-Term Incapacity Allowance (LTIA).
    - o **Gradually replace the fixed-value pension allowance with a percentage allowance**. New claimants will receive a pension allowance based on the value of their pension. Existing claimants will continue to receive the existing fixed allowance.
    - o **Provide support for white goods, furniture and fittings as loans rather than grants**.
    - o **Young jobseekers** – Include most jobseekers aged under 25 still living at home in their parents' household for Income Support purposes.
- **Close the Christmas Bonus Scheme after it has been paid at the end of 2015**.
- **Improve the 65+ Health Scheme** with some of the money saved from closing the Christmas Bonus.
- **Close the TV Licence benefit to new entrants at the end of 2015**. Current claimants will not be affected by this change.
- **Close the Recently Arrived Discount Scheme (RADS)** to new entrants at the end of 2015. This supports a small number of recently arrived parents with the costs of childcare.

These proposals are designed to reduce the annual benefit budget by £10 million by 2019. £5.1 million of this total will be achieved in 2016 as follows:

2016 Savings



1.4 Building in flexibility

The Department's savings proposals build in sufficient flexibility to cover any uncertainties and the possibility that demand for benefits might be higher than anticipated over the next few years.

The use of phased changes gives the Minister the flexibility to adjust the Income Support components and disregards to keep firmly within the agreed budget. Equally, it allows for the possibility of increases to Income Support during this MTFP, if economic conditions and States finances allow.

The proposals also allow for the possibility that separate component rates will be established for the first, and then all subsequent, children in an Income Support household.

1.5 States approval

These draft Regulations propose to amend the Social Security (Television Licence Benefit) (Jersey) Law 2006, so that the 75+ TV Licence benefit scheme is closed to new entrants from 31st December 2015.

The other changes described in this report will be dealt with as follows:

Proposal	Process
Income Support	
Maintain most component rates at 2015 levels (increase rental and childcare cost components)	States to debate Regulations to increase selected component rates next year
Phase out the extra single-parent component	States to debate separate legislation
Simplify the treatment of income (for example, gradually replacing the fixed-value pension allowance with a percentage allowance)	Ministerial Order
Jobseekers under 25 change	Ministerial Order, already made
One-off payments as loans rather than grants	Ministerial guideline, already made
Other benefits	
Close the Christmas Bonus Scheme after it has been paid at the end of 2015	States to debate separate legislation
Improve the 65+ Health Scheme for low-income pensioners	States to debate separate proposition (early 2016)
Close the 75+ TV Licence benefit to new entrants at the end of 2015	**This proposition**

Proposal	Process
Close RADS to new entrants	Ministerial Decision
Flexibility	
Create separate child component rates	States to debate separate legislation

1.6 Benefit savings estimates 2016 – 2019

Proposals	2016 £m	2017 £m	2018 £m	2019 £m
Maintain most component rates at 2015 levels for 2 years (increase rental and child care cost components)	2.0	3.9	4.0	4.1
One-off changes:				
Close the Christmas Bonus after it has been paid in 2015	1.3	1.4	1.5	1.6
Remove LTIA / Invalidity / Survivor's Benefit disregards	0.6	0.6	0.6	0.6
Limit eligibility for jobseekers under 25	0.2	0.2	0.2	0.2
Change more emergency grants to loans	0.1	0.2	0.2	0.2
Limit growth of the TV Licence benefit (and close RADS)	0.1	0.1	0.1	0.1
Phased changes to Income Support, including removal of single parent component, introduction of percentage pension disregard and net improvements in incentives	0.8	1.7	2.8	3.2
TOTAL	**5.1**	**8.1**	**9.4**	**10.0**

2. Background

2.1 Strategic Plan

In April this year, the States Assembly approved the Strategic Plan, which will guide States policies over the next 4 years. Five strategic priority areas were identified: Health and Wellbeing, Education, Economic Growth, St. Helier and Sustainable Public Finances. The Resources Statement to the Strategic Plan (P.27/2015)[1] sets out that the States will reprioritise spending, make savings, improve efficiency, and introduce fees and charges in order to provide funding for improvements in these areas.

[1] http://www.statesassembly.gov.je/AssemblyPropositions/2015/P.27-2015Add.pdf

2.2 Medium Term Financial Plan

In the Draft Medium Term Financial Plan 2016 – 2019 (MTFP)[2], the States aims to balance its budget and address any structural deficit with sustainable measures by 2019. This requires the States to make £145 million of annual savings and other measures by 2019.

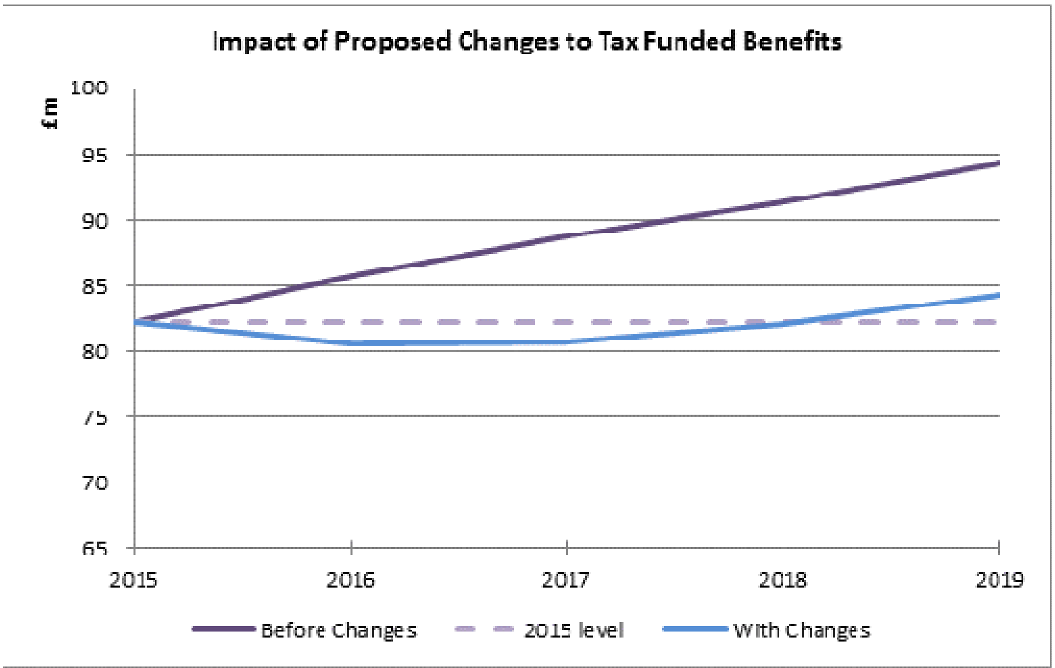
The Social Security Department, along with all other departments, will be reducing spending across staff and non-staff budgets.

To assist with annual cash limits during the MTFP, the Department has agreed to propose 2 standalone measures –

- The level of support provided from the States to supplement the pension contributions of lower-paid earners will be held at the 2015 level of £65 million throughout the MTFP, reducing budgeted spend by approximately £20 million over the MTFP period 2016 – 2019.
- A further £30 million has been identified in one-off transfers from the Health Insurance Fund in 2017 and 2018 to support the growing costs of health care.

In addition, the Council of Ministers agreed to set a target of £10 million savings in annual benefit budgets by 2019. **The Minister for Social Security's proposals will help people in Jersey achieve and maintain financial independence, and safeguard the most vulnerable in our society by keeping the overall benefit budget more or less flat over the next 4 years, rather than cutting it.**

The graph below shows the original tax-funded benefit budget rising to £95 million by 2019. If all the benefit proposals are adopted, this cost will be limited to £85 million by 2019, roughly maintaining the 2015 benefit budget in cash terms.



The scale of the financial challenge facing the States has required every aspect of public spending to be examined. Whilst the decision to restrict benefit budgets is a difficult one, the £10 million contribution from benefit budgets plays only a small part – less than 7% – in the overall target to be achieved by 2019.

[2] http://www.statesassembly.gov.je/AssemblyPropositions/2015/P.72-2015%20FULL%20PLAN.pdf

	£m	% of total
Cost savings (staff and non staff)	90	62%
A new health charge	35	24%
Liquid and solid waste charge	10	7%
Benefit spending - hold at 2015 levels	**10**	**7%**
	145	**100%**

2.3 Demographics

People are now generally living longer and healthier lives. Whilst this development is to be welcomed, it does mean that there will be an increasing proportion of older people in the population in the future, which will put pressure on the demand for public services.

Chart 1 shows the impact of living longer on the Jersey population. Over the next 20 years, the number of over-65s will increase from about 16,000 people at the end of 2014 to around 28,000 people by 2035, regardless of the level of inward migration. Looking further forward, the level of net inward migration now will eventually have an effect, but the rapid growth in the number of older people over the next 2 decades is principally driven by people already living in Jersey. This is shown by the lines in Chart 1, which remain very close together until 2045, and can then be seen to spread out between 2045 and 2080.

This steep growth in the number of over-65s will affect the demand for public services. This has a direct impact on the Social Security Department, through higher pension, benefit and health costs.

The balance between the size of the younger and older populations will be an important factor in determining how this extra pressure will be managed. The younger population contributes more to States income (through taxes for example) than it costs through the services they use, whilst the older population uses more in services than it provides in income.

The current population policy of averaging net inward migration of 325 people a year would lead to a steady population of 70,000 working-age people. Chart 2 shows this, together with the impact of a higher or lower migration rate.

Clearly, the States must make plans to ensure that public finances are sustainable in both the medium and long term. The MTFP sets out the medium term plan, but is not designed to address the longer term challenge of maintaining a viable Social Security pension scheme.

To do this, a review of the long-term future of the Social Security Fund and the balance between contributions and pensions will start later this year.

This review will consider the level at which the States Grant should be set in future. It will also consider all aspects of the current scheme, including the level of contributions collected and the eligibility for, and the value of, pensions and benefits payable. The review will consider options for –

- increasing the liability for contributions from higher-earners
- reviewing the level of the standard earnings limit and the upper earnings limit
- increasing the percentage rate for contributions
- reviewing the balance between employer and employee contributions

- reviewing the liability of self-employed contributors
- reviewing the method for uprating pensions and benefits
- increasing the state pension age
- reviewing the eligibility for pensions
- reviewing the range of working-age benefits available.

Chart 1: Growth in 65+ population – estimated number of people for different levels of net migration

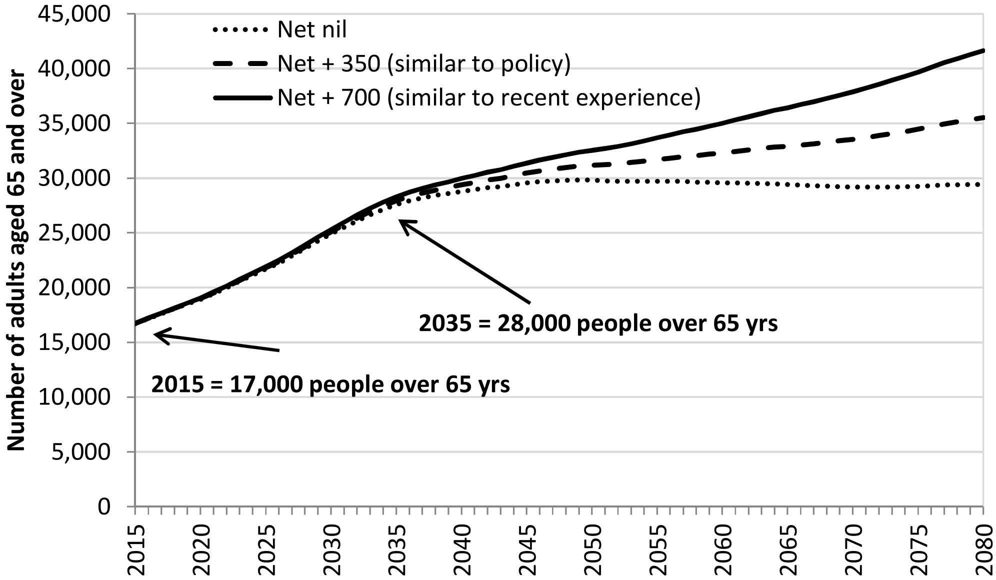
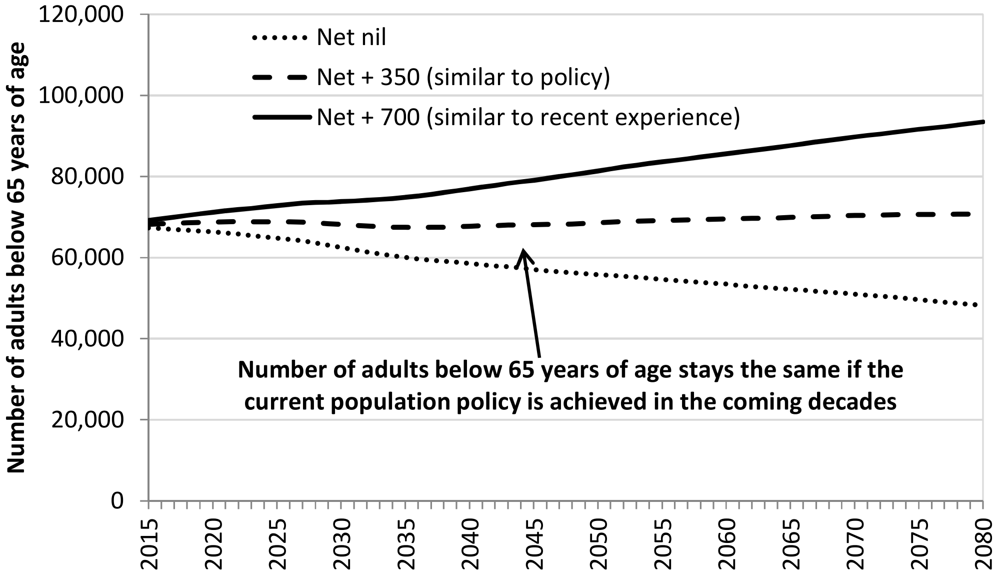


Chart 2: Size of the under-65 year-old population – estimated number of people for different levels of net migration



3. Overview of benefit changes

3.1 Social Security Benefits

The Social Security Department provides a range of benefits, not just from its tax-funded cash limit (as provided by the Treasury) but also from 3 ring-fenced funds –

- The Social Security Fund (SSF) receives both Social Security contributions from working-age people, their employers, and a tax-funded States grant. The SSF is used to pay the cost of old-age pensions and a variety of working-age benefits.
- The Health Insurance Fund (HIF) receives Social Security contributions from working-age people and their employers. It does not receive any funding from tax-funded budgets. The HIF is used to pay a subsidy towards G.P. visits and meet the costs of dispensing community-prescribed drugs.
- The Long-Term Care Fund (LTCF) receives both contributions from adults who pay income tax and a tax-funded States grant. The LTCF is used to provide financial support to adults who have long-term care needs.

As part of the overall MTFP process, the Department has examined all areas of expenditure, regardless of the source of funding, but no savings are being proposed in respect of any of the benefits provided through these ring-fenced funds. In particular:

The old-age pension has been protected. The old-age pension is a key element of the local benefit system. At the end of 2014, 17,500 pensioners living in Jersey received an old-age pension, based on the number of years of contributions that they have made. In 2014, the States paid pensioners living in Jersey £131 million – an average of £146 per week per pensioner. The current full rate pension is £197.40 per week.

Old-age pension rates are increased automatically each October. Since 2013, the uprating process has taken account of both the growth in earnings and the cost of living for pensioners. For example, in October 2013, the pension rate was set higher than working-age benefits by £2.10 per week to ensure that pensioners received an increase in line with the RPI at that time. This increased the full pension by an extra £100 a year, protecting pensioners from the impact of price rises during the economic downturn.

A major review of social security contributions, pensions and benefits will start later in 2015 as changes are needed to maintain the sustainability of the Fund. The review will examine a wide range of options and will include public consultation.

Support for primary care services will not be affected – Health Insurance Fund benefits provide financial support for some primary care services such as G.P. consultations and prescriptions. In 2014, these benefits cost a total of £28 million and this cost is forecast to rise rapidly in coming years. Changes are needed to the way that healthcare is delivered in Jersey so that we can deal with the extra demands of an ageing population. A major review of healthcare in Jersey is ongoing, including a review of the future role of primary care services.

The Long-Term Care Scheme will not be affected. This is a new benefit, introduced in July 2014, supporting individuals with the cost of long-term care, for example care home fees. It is predominantly claimed by older people, with 82% of the claimants being aged 65 or above. In the first 6 months of the benefit, £17 million has been provided to claimants who are living in a care home, or receiving a package of care in their own home.

The introduction of the new scheme has removed the worry that many people previously faced as to whether they would be able to afford the cost of their own care. The long-term care benefit levels will be reviewed in the autumn.

A number of tax-funded budgets have also been protected. These include:

Income Support – rental costs will be uprated: Weekly Income Support payments help about 4,700 working-age households and 1,800 pensioner households to maintain an acceptable standard of living. This costs £74 million a year. The Income Support changes described below do not affect the support for rental costs, which make up nearly 40% of the weekly Income Support budget.

Implementation of the Housing Transformation Programme was a key strategic aim for the previous States Assembly. The agreed changes included rental increases for Andium and other social housing providers at 0.75% above RPI each year. These increases will be fully reflected in the rental components available through Income Support.

Cold weather payments and cold weather bonus have been protected: These additional payments were introduced in 2008 and 2012 and mainly help lower-income pensioners. The payments are well-targeted as they cover locally resident pensioners with incomes too low to pay tax. The value of the payments is adjusted each year in line with the severity of the winter weather and the local cost of fuel.

65+ Health Scheme has been protected: This scheme supports lower-income pensioners with the cost of dental, optical and chiropody costs, and covers both check-ups and treatment. It is available to locally resident pensioners with incomes too low to pay income tax. The scheme is well-targeted to help pensioners maintain their independence by helping with vital areas of personal health spending. Both the cold weather scheme and the 65+ Health Scheme provide funding to meet specific needs, which may be difficult to plan for.

Increase funding for the 65+ Health Scheme: The benefit proposals put forward by the Department include an extension of the 65+ Health Scheme, with an allocation of an additional £200,000 from 2016 onwards. This will give more help to pensioners to maintain their independence.

The use of the additional funding will be discussed with stakeholders, including pensioner and healthcare groups, over the next few months. Options to be considered include –

- extending the range and type of health services covered by the scheme
- increasing the value of the payments made through the scheme
- expanding the coverage of the scheme to a greater proportion of lower-income pensioners.

It is also proposed to review the operation of the scheme, to improve the claim process and to reduce administration costs.

Housing adaptation grants will not be affected: These help home-owners, private tenants and housing trust tenants with the cost of adaptations to their home to help them to continue to live independently where they have particular physical needs. A similar scheme is provided separately by Andium for their tenants.

3.2 Benefit changes – general principles

The Department has undertaken an extensive review process as part of the development of the MTFP, looking at every Social Security benefit. Wherever possible, the opportunity has been taken to improve the overall fairness and structure of the benefit system. In particular, 3 criteria have been used to help identify the proposed changes –

- **Promote financial independence** – use changes in benefit to promote activities that will support the financial independence of claimants, and protect benefits which are supporting the financial independence of claimants;
- **Improve targeting of benefits** – change benefits in areas where public money is not specifically targeted to vulnerable groups. Consider the question: "If this benefit did not exist, would we introduce it now?";
- **Minimise impact on individuals** – spread changes over large groups of people, rather than a few individuals.

3.3 Benefit changes – summary

In order to achieve a total reduction of £10 million in the benefit budget by 2019, changes are proposed in the following areas:

<u>Income Support</u>

- **Component rates –** maintain most component rates at 2015 levels until October 2017. Rental components and child care components will be increased each year (see section 4.1).
- **Single parents –** phase out the additional single-parent component of Income Support and increase the maintenance income disregard (see section 4.2).
- **Young jobseekers** – Include most jobseekers aged under 25 still living at home in their parents' household for Income Support purposes (see section 4.3).
- **Treatment of benefit income** – remove the additional allowance available for some types of contributory benefit income, for example Long-Term Incapacity Allowance (see section 4.4).
- **Treat pension income consistently with other forms of income** – improve fairness in the system by gradually replacing the fixed-value pension allowance with a percentage allowance, similar to the treatment of earned income (see section 4.4.3).
- **One-off payments** – provide support for white goods, furniture and fittings as loans rather than grants (see section 4.5).

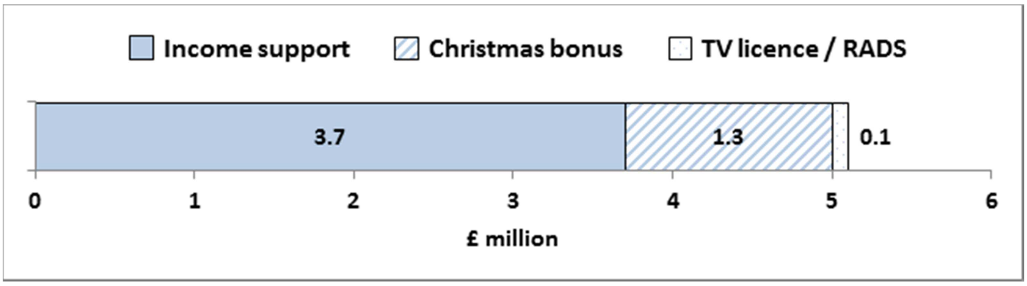
<u>Other benefits</u>

- **Close the Christmas Bonus Scheme after it has been paid at the end of 2015** (see section 4.6.1).
- **Close the TV Licence benefit to new entrants at the end of 2015** (see section 4.6.2).
- **Close the Recent Arrivals Discount Scheme (RADS) to new entrants** at the end of 2015. (This is a childcare benefit designed to help recently arrived

parents who do not qualify for Income Support to support their child care costs whilst they are at work.) (See section 4.7.)

The £10 million savings will be achieved by 2019, of which £5.1 million will be made in 2016.

2016 Savings: Overall impact



These changes are explained in more detail in section 4.

3.4 Building in flexibility

The detailed proposals set out in the next section include all the measures that need to be taken to achieve the savings target set by the MTFP. They are designed to be sufficient to reduce the benefit budget by £10 million by 2019 without the need for any further reductions in benefit levels during this time.

It is important to recognise that the projected savings are estimates and that the actual change in expenditure may be more or less than the current estimate.

The Social Security Department’s budget is doubly vulnerable to future changes in the Island’s economy, in that a worse than expected economic situation may result in lower than expected States income whilst simultaneously increasing the demand for benefits. This is particularly true of Income Support.

Therefore, it is essential for the Department’s savings proposals to build in sufficient flexibility to cover these uncertainties and the possibility that future demand for benefits might be higher than anticipated.

The use of phased changes allows the impact of the changes to be carefully monitored during the MTFP period. The overall plan currently allows for improvements in Income Support components and/or incentives from 2017 onwards, subject to economic conditions. If conditions are less favourable than anticipated, these improvements can be delayed, ensuring that the full savings target is still achieved.

These proposals also include one amendment to Income Support to allow for future changes in the child component. Income Support currently allocates a single basic component to each child, currently £63.98 per week, which is the same regardless of the number of children. This contrasts with comparable benefit systems in other jurisdictions which generally pay a slightly higher amount for the first child compared to the second (and subsequent children), acknowledging that there are some economies of scale for households that include more than one child – via the sharing of items, recycling of clothing, etc.

The Minister proposes to amend the Income Support components to allow for the possibility of 2 distinct rates for children in the future. Both rates will initially be set at the current amount of £63.98 per week, and this change will **not** affect the amount of benefit received by families claiming Income Support in 2016.

However, this change will give the States flexibility in the future to set different child component rates, so that there could be a higher rate for the first child compared to the second or subsequent child in a household.

4. Details of benefit proposals

This section outlines all of the proposed changes to benefits that are required to make the £10 million savings. However, only some of these changes require a decision by the States Assembly. Details of the decision-making process for each proposal are explained in section 5.

4.1 Income Support benefit components

Maintain most Income Support component rates at 2015 levels until October 2017. Rental components and child care components will be increased each year.

Key theme: Minimise the impact on individuals – spread changes over large groups of people rather than a few individuals.

The household, adult, child, impairment and carer's components will be maintained at their 2015 values throughout 2016. Maintaining these component values will save £2.1 million in 2016 compared to the cost of uprating them in line with inflation. By holding these components steady across 6,500 households, a substantial saving in the overall budget is achieved, whilst reducing the impact on individual households.

Even though these components will stay at the same level, households that claim Income Support will have the opportunity to increase their total income by increasing their own household income, for example through earnings.

In addition, and subject to States' approval at the time, an increase is planned in the accommodation component and the child care component of Income Support in October 2016[3]. Increasing support for rental costs ensures that households will see their benefits adjust to take full account of any social rent increase. The annual planned increases in rents by Andium and other social housing providers will be matched by an increase of the same amount in the rental component.

One of the Council of Ministers' goals in the Strategic Plan 2015 – 2018 is to help people in Jersey achieve and maintain financial independence, and to safeguard the most vulnerable in our society. The Minister for Social Security wants to increase the child care component of Income Support each year to make sure that parents can afford the cost of child care when they return to work. This helps families move towards financial independence.

[3] Child care components were increased on 3rd August 2015, in line with P.52/2015. Accommodation components for all social housing tenants will be increased in October 2015 in line with annual rent uprate.

4.2 Fair treatment of adults under Income Support – phase out the additional single-parent component

Key theme: Improve the targeting of benefits

This proposed change will equalise the treatment of a single parent with other adults in the Income Support system, to create a fairer overall system.

The extra component for single parents will not be available to new Income Support claimants from November 2015. Existing claimants will see reductions in the component starting in January 2016 as follows:

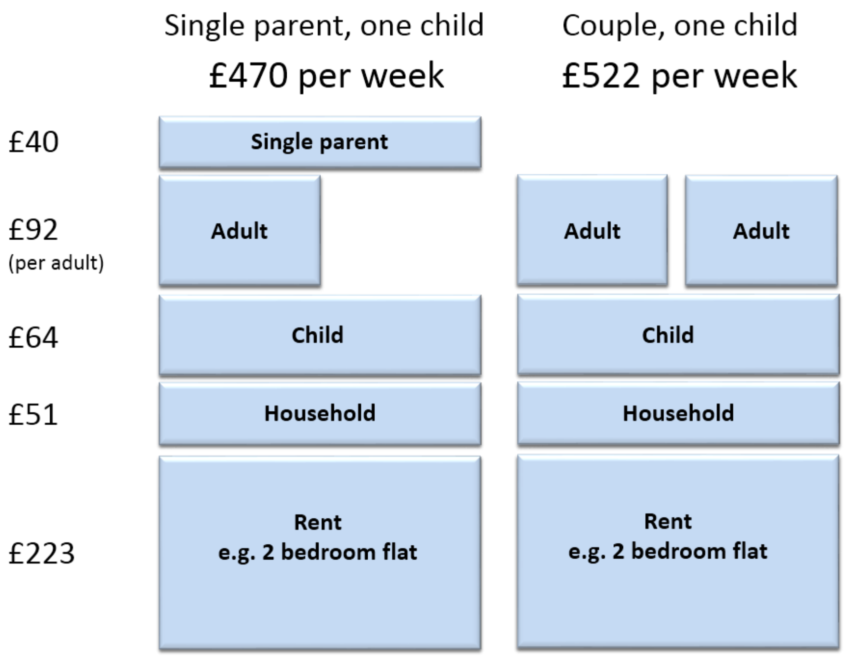
Date	Basic weekly component allocated to single parent £ per week	Change
Current (August 2015)	£92.12 adult component + £40.39	
1 January 2016	£92.12 adult component + £30.31	Down by £10.08
1 October 2016	Adult component + £20.23	Down by £10.08
1 October 2017	Adult component + £10.15	Down by £10.08
1 October 2018	Adult component	Down by £10.15

Separately, providing fair and simple rules for the treatment of income will provide a greater incentive for single parents to enter into maintenance agreements and collect maintenance income. Income Support already requires that single parents pursue maintenance, and so this policy is further supported by an increase in the disregard of maintenance income from 10% to 23%, in line with the treatment of earned income (see section 4.4.1).

Since the start of Income Support, many improvements have been made to increase the amount of benefit available to single parents and encourage them to move towards financial independence. For example –

- **A higher earnings disregard** – which makes working more worthwhile, because benefit is reduced more slowly as earnings increase;
- **Better support with child care and child care costs**: reducing the barriers to work and making sure work pays; and
- **A maintenance income disregard**: providing an additional incentive for single parents to agree on maintenance payments with ex-partners where possible.

The following diagram compares the weekly components that are included in a typical Income Support claim, for a single parent with one child and a couple with one child. The single parent receives an additional component of £40.39 per week but, given that a separate component is available for each child, the extra payment made to the single parent is not linked to any specific, additional household cost that a single parent would face. For simplicity, this diagram does not show the effect of household income, and is rounded to the nearest pound.



Impact of the change on households

There are about 1,300 single-parent households currently claiming Income Support who will be affected by this proposed change. Not all of these households will experience the full transition – over this period many parents will no longer need Income Support: for example, when a parent returns to full-time work after their child finishes secondary school. In other cases, the household composition will change as the single parent moves into a new long-term relationship.

The single-parent component as it currently exists can be seen to reward single-parent households, and can act as a barrier to another adult joining the household as a partner.

4.3 Fair treatment of adults under Income Support – young jobseekers

Key theme: Improve the targeting of benefits

Include most jobseekers aged under 25 still living at home in their parents' household for Income Support purposes

This change includes 19–24 year-old jobseekers in the family Income Support claim, treating them in the same way as students of the same age. To align with the new academic year, this change took place in July and will be applied to existing claimants from 1st September.

This change will only result in a reduction of benefit from 19–24 year-old jobseekers whose families already have sufficient income that they would not qualify for Income Support when considered as a household. Those jobseekers who have low-income parents will continue to be eligible for the adult component, with the change that it will now be paid as part of the weekly Income Support payments made to their parents.

Until recently, there has been a difference in the treatment of a young adult aged under 25 who remains in the family home, depending on whether they are a full-time student or a jobseeker. Whereas the student has been included in the Income Support claim of the family, the jobseeker aged between 19 and 24 was allowed to make an Income Support claim in their own right. In most cases this would give them a weekly benefit, based on the adult component, of £92.12 a week. This does not seem appropriate where the parental household does not qualify for Income Support and may, in some cases, be wealthy.

Therefore, to improve the fairness of the system, and provide equal treatment for students and jobseekers, the Minister has recently amended the Income Support rules so that both jobseekers and students are included in the family Income Support claim. This improves the targeting of benefits towards low-income families.

Jobseekers in this age-bracket will continue to receive full, tailored support through ‘Back to Work’, regardless of whether or not they qualify for Income Support.

A young person with a disability[4] or who is living independently, for example, a care leaver, will continue to have their own claim and will not be affected by this change.

In particular, the following existing claimants will be affected –

- 75 jobseekers aged 19–24 will no longer receive £92.12 per week, as they are part of a household that is not otherwise eligible to receive Income Support.
- 55 jobseekers aged 19–24 will move to their parents’ Income Support claim, and altogether they will not be made better or worse off.

4.4 Simplify the treatment of income under Income Support rules

Key theme: Promote financial independence

The Income Support system currently includes a variety of different income treatments. These add complexity to the operation of the scheme and they do not give a consistent message to claimants to help them to move towards financial independence. This table shows the 6 main current treatments of weekly income (figures rounded to the nearest pound).

Type of income	Current disregard	For £100 of income the household will keep an extra:	For £200 of income the household will keep an extra:
Earnings	23%	£23	£46
Pension	Fixed amount	£55	£55
Maintenance	10%	£10	£20
Short term incapacity allowance (STIA - sickness benefit), maternity allowance	None	£0	£0
Long term incapacity allowance (LTIA), invalidity benefit and pension income received by working age people	6%	£6	£12
Investment income (interest, dividends etc) (See point 3 below)	100%	£100	£200

Note: There are also extra rules for the earned income of single parents.

[4] Claiming personal care level 2 or 3 of the Income Support impairment component.

The Minister for Social Security is planning to simplify the treatment of income as follows –

1. **Income that helps the household towards financial independence will be subject to a 23% disregard.** This includes: earnings; pension income for those over pension age; and maintenance income. This means that for every extra £100 of income received, a household claiming Income Support will be £23 better off. This provides an incentive to earn, and tapers the reduction in benefit that occurs when earnings gradually increase. These households have a strong incentive to move towards financial independence whilst claiming Income Support, and in the case of working adults to work to provide a larger pension.
2. **Other income will be subject to a pound-for-pound reduction in the amount of Income Support received.** This mainly comprises income from other benefits that the claimant is receiving. **The receipt of these other benefits does not encourage the claimant to move towards financial independence, and there is no justification to award an additional disregard.**
3. **Income received from capital assets (e.g. interest received from a savings account) – there is no change proposed.** This income is not included in the Income Support claim, i.e. it has a 100% disregard. Instead, the value of the assets themselves are taken into account and a generous level of assets is allowed before there is any impact on the benefit payable. For example, a pensioner couple can hold savings of over £22,000 before they see any reduction in their weekly Income Support benefit. Holding a reasonable amount of capital assets provides a household with a level of financial stability, which allows them to meet unexpected costs and helps to maintain financial independence.

These changes are an important part of the whole package of measures that will treat claimants fairly, improve the operation of Income Support and incentivise desirable working and savings behaviour in the future.

The proposed changes will lead to the following simple structure:

Type of income	Proposed disregard	For £100 of income the household will keep an extra:	For £200 of income the household will keep an extra:
Earned income, pension income, maintenance income	23%	£23	£46
All other income including short term incapacity allowance (sickness benefit), maternity allowance, long term incapacity allowance, invalidity benefit and pension income received by working age people	None	£0	£0
Investment income (interest, dividends etc)	100%	£100	£200

The details of these changes are explained below.

4.4.1 Increase the disregard in respect of maintenance income from 10% up to 23%

Single parents are already required to seek maintenance payments from the absent partner. The income received is subject to a disregard, currently set at 10%. For each £1 of maintenance income, a single parent claiming Income Support is 10p better off after the amount of benefit they receive is reduced after taking into account this extra income.

Just under half of the single parents who claim Income Support receive maintenance income, typically ranging from £10 a week to £100 a week. This measure will mean that the single parent will keep a higher proportion of the maintenance payment that they receive. For example, if a single parent has £45 per week maintenance income (the average), the higher 23% disregard will mean that their total income will increase by almost £6 per week compared to the current rules.

Encouraging the take-up of maintenance agreements reduces the overall cost of benefit to the taxpayer, increases the income to the single parent, and promotes their financial independence. It also supports the important principle that parents should be responsible for their children, even when a relationship has ended.

4.4.2 Remove the additional disregard against the earnings of single parents

The extra disregard against low levels of single-parent earnings is only claimed by a small number of single parents; it is complicated to calculate, poorly understood and only offers a benefit at low levels of weekly income. Simplifying the benefit rules will improve the fairness of the system. A single 23% disregard for all earned income for all households claiming Income Support will help to achieve this.

4.4.3 Change pensioner income disregards

Treatment of pension income – gradually replace the fixed-value pension allowance with a percentage allowance

Promoting financial independence includes encouraging workers to save towards a pension for their old age. At the moment, if someone expects to claim Income Support in old age, there is little incentive for that person to maximise their pension income. Under the current rules, the total income, including benefit, is the same for a household claiming Income Support whether it has a small amount of pension income, or a large amount of pension income.

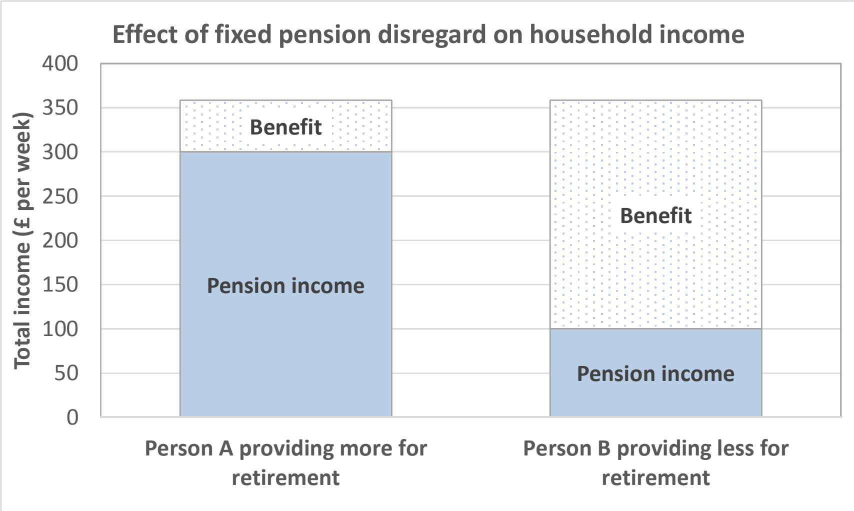
For example, compare 2 people –

- Person A works in Jersey for 45 years, paying contributions and also paying into an occupational pension scheme. When Person A reaches pension age they will get the full old-age Jersey pension (£200[5]) and an occupational pension (say, £100), coming to a total of £300 per week.
- Person B works in Jersey for 23 years, paying contributions but making no other provision for their retirement. At pension age, Person B will get half of the old-age Jersey pension, at roughly £100 per week.

At the moment, from age 65, both Person A and Person B would be supported by Income Support to exactly the same amount of total household income, even though Person A has made much greater efforts to provide for their old age, compared to Person B.

[5] Rounded to the nearest £10.

The following chart describes this example in more detail:

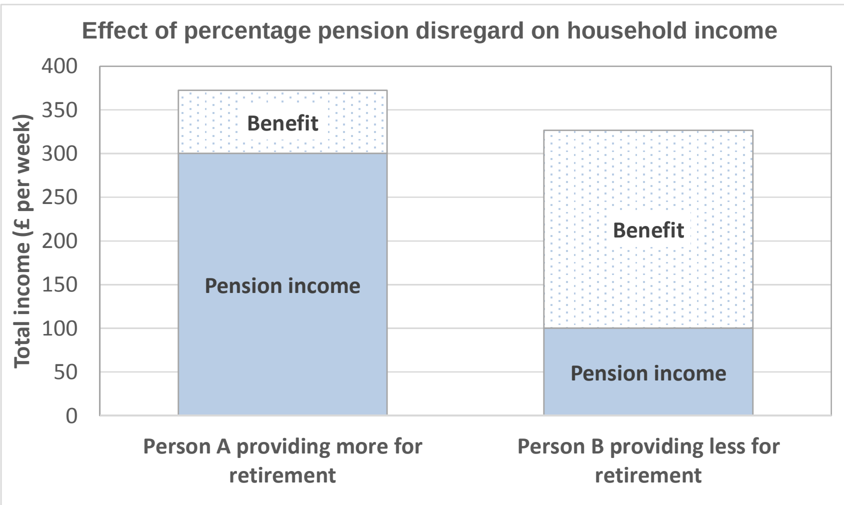


The current system has a fixed pension disregard of £55.23 for a single person (£91.00 for a couple). This means that once a single pensioner has at least £55.23 of pension income, there is currently no advantage in having made additional provision for their old age. The Income Support benefit tops all pensioners up to exactly the same level, and above that level, every pound of pension income results in a pound less of Income Support.

The Minister proposes to replace the existing flat rate disregard with a 23% income disregard, so that a working age person who has made more provision for pension income in old age (for example, by paying into a pension scheme) would see that reflected in a higher total household income if they should reach pension age and need to claim Income Support.

The proposed changes to the treatment of pension income will mean a fairer Income Support system in future, so that Income Support households that have provided for their old age will be better off compared to those that have not.

In a broader context, government will also be looking at incentives for all workers to save towards pension schemes to encourage higher levels of income and self-reliance in old age over the next few years. Pensioners who claim Income Support for the first time from 1st January 2016 will receive the new 23% income disregard.



This will benefit not just the individual, who will receive a higher pension income when they reach pension age, but will also help to control the growth in the cost of Income Support for pensioners. In future, pension income and earned income will be treated in the same way in the Income Support system.

This change will not be applied to existing Income Support pensioners, as they are unlikely to have the opportunity to increase their pension income. The existing flat-rate disregards will be maintained at the current level for this group, to protect their existing household income. However, this group will be able to benefit from the 23% income disregard if this results in a higher total benefit amount – in other words, from January 2016 they will be eligible to receive whichever is the higher of the fixed amount or the percentage amount.

4.4.4 Remove the income disregard for contributory benefits and pension income received by working-age claimants (i.e. people below pension age)

The Minister is planning to remove the current disregards that are applied to some types of contributory benefit and pension income received by working-age people from 1st January 2016. At present, a disregard of 6p in the pound is applied to income received from Long-Term Incapacity Allowance, Invalidity Benefit and Survivor's Pension. However, claimants receiving other benefits such as Short-Term Incapacity Allowance or Maternity Allowance are not entitled to this disregard.

The maximum standard rate of benefit for a single working-age person is £196.42 per week and the 6% disregard, for those who qualify, is worth up to £11.79 per week.

This change will bring the treatment of all contributory benefits in line. The full value of the contributory benefit received will be included as a form of income in the Income Support calculation. This makes good sense because there is no reason to include a disregard, in effect paying people twice, if they receive one of these benefits whilst claiming Income Support.

People in low-income households with a disability or a long-term medical condition are already able to receive additional support through the separate impairment component of Income Support. This component offers extra financial assistance to people who have personal care needs, mobility needs and/or costs incurred by the need for additional visits to their doctor.

For people with a lower level of incapacity, where working part-time or full-time is a realistic expectation, the full range of 'Back to Work' services are available, supporting people to move towards and into employment to improve their financial independence.

'Back to Work' services are available to entitled claimants up to the age of 65. Claimants are encouraged to look for appropriate work, even if they are already in receipt of some pension income before they reach the state pension age.

Every Income Support claimant of any age who has a part-time or full-time job will benefit from the 23% disregard of earned income, and will be better off by 23p for every extra £1 earned, after their benefit has been adjusted.

4.5 Provide some Income Support special payments through loans rather than grants

Key theme: Promote financial independence

One-off payments – provide loans for white goods, furniture and fittings rather than grants

In the past, Income Support households have been able to apply for help to cover one-off payments for buying and replacing white goods (like fridges and cookers), essential furniture and other fittings (like carpets). This help has usually been in the form of a grant.

In the future, Income Support households will apply for an interest-free loan from the Social Security Department to help cover these costs. These loans will be repaid by making a small reduction in the household's ongoing weekly Income Support benefit.

This facility is very useful for households with low incomes who might not have the savings to deal with the cost of a move or something breaking unexpectedly. Offering a loan, rather than a grant, is a more cost-effective way of providing this service. It is vital that loans should be available so that households, often including children, have appropriate living conditions. At the same time, the household gains an appreciation of the cost of the item and the need to budget for this type of expense.

4.6 Pensioner benefit changes

Key theme: Improve the targeting of benefits

One of the major financial pressures facing the States is the level of extra public spending associated with the growth in the number of people aged 65 and above, which is set to rise steeply – by about 75% – between 2015 and 2035. A range of measures will be needed, both to raise additional income and to re-allocate existing spending from other areas. This is necessary to ensure that we can continue to provide pensions and high-quality health care to local residents, at the same time as investing in the key priorities of education and economic growth.

Bearing this in mind, the Minister for Social Security proposes changes to 2 benefits – the Christmas Bonus and the TV Licence benefit – which are predominantly claimed by older people, to help meet the increasing costs of an ageing population, particularly within the health service.

As noted above, the decision to restrict or withdraw benefits is never taken lightly. Every area of benefit spending has been reviewed, and priority has been given to maintaining benefits that support the independence of older people, and particularly those that are targeted towards low-income older people.

The choice between: (a) benefits aimed at a regular item of expenditure, such as an annual TV Licence; and (b) benefits that adjust to meet a specific need, such as additional heating costs in a severe winter, has been carefully weighed up.

For pensioners with lower incomes, targeting government help to meet specific needs is more effective than a benefit that helps with regular expenditure, that can be more easily budgeted for. Furthermore, it is difficult to justify paying a benefit such as Christmas Bonus to large numbers of wealthier households, when it is clear that the needs of low-income pensioners will increase significantly in the future.

Identifying savings from within existing pensioner benefits will assist with future cost pressures in 2 separate ways –

- First, as with any saving, budget is released to support the key strategic aims of maintaining a high-quality health care system, providing high-quality education and supporting economic growth.
- Second, without any change to these benefits, their costs will continue to increase sharply as the number of people aged 65 and above increases. This will create growth in this area of benefit spending, reducing the budget available in other key areas such as pensions and healthcare.

While the savings are not linked to any particular project in other States Departments, a saving of £1 million would, for example, more than meet the 2016 cost of additional beds on Samarès Ward for rehabilitation of elderly patients for 2 years (£270,000), Care of the Elderly consultant and additional specialist nurses (£225,000), and more funding to support people with long-term conditions (£300,000).

4.6.1 Close the Christmas Bonus Scheme after it has been paid at the end of 2015

The first change is to make a final Christmas Bonus payment this year, and not pay it from 2016 onwards. The Christmas Bonus is not means-tested, or targeted, and cost over £1.5 million in 2014. The payment was £83.72 per person (equivalent to about £1.60 a week) to about 19,000 people.

As the number of older people increases in the future, so will the cost of paying a Christmas Bonus. Over the next 20 years, the population aged 65 years and over is expected increase by about 65%. Without any change to this benefit, the taxpayer will need to find an extra £1 million a year (in today’s prices), to continue to meet this cost. It will become increasingly difficult to justify this growing expenditure when the government is facing the increasing costs of health and social care.

The great majority of pensioners do not rely on this single payment to meet the costs associated with Christmas. In round terms, there are 17,500 pensioners living in Jersey, of whom 2,000 qualify for Income Support. Of the £1.5 million total cost, £1.3 million is paid to 15,500 pensioners each year who have a regular income and savings that can support more than just basic living costs.

With limited budgets, the States must ensure that taxpayers’ money is focussed on key areas that provide support for the basic needs of the most vulnerable people in our society.

The option of means-testing the bonus has been considered. However, it is difficult to justify the bureaucracy associated with introducing a means-tested Christmas Bonus, particularly in view of the relatively small amount of money that is distributed to each person.

Ministers have instead supported the proposal of the Minister for Social Security to reinvest £200,000 of the savings to improve the existing 65+ Health Scheme. This scheme helps older people to remain independent and stay healthy, by helping to pay for dental, optical and chiropody costs. This support is well-targeted at older people with lower incomes (i.e. those who do not pay income tax) and have limited savings. It is available to home-owners who meet these conditions, as well as tenants.

The use of the additional funding will be discussed with pensioner and healthcare representatives over the next few months. This could include extending the range of health services covered by the scheme, increasing the value of the payments made through the scheme, and expanding the scheme to more pensioners. At the same time, the way in which the scheme is run will be reviewed to improve the claim process and to reduce administration costs.

Subject to States approval, the revised 65+ Health Scheme will be available during 2016.

The States needs to focus on its strategic aims and ensure they can be properly funded. The full £145 million of measures must be achieved over the next 4 years to do this. Repealing the Christmas Bonus Law sends a clear message that in future, the benefits funded by taxpayers will be fair and targeted.

4.6.2 Close the Television Licence Benefit to new entrants at the end of 2015

The second change is to close the 75+ TV Licence benefit scheme to new entrants from 31st December 2015. The scheme provides free TV Licences to some pensioners (2,000) aged 75+ and costs £0.3 million a year. Pensioners who are already receiving a free TV Licence under this scheme will continue to do so. The cost of this benefit to the States will over time gradually fall, and eventually cease altogether.

Currently, pensioners under the age of 75 years of age are meeting the cost of their TV Licence each year. Closing the TV Licence benefit scheme to new entrants will mean that when these pensioners reach 75 years of age, they will continue to pay for a TV Licence each year. This proposal will not change the budget of these households and the regular expenses that they are accustomed to meeting.

As noted above, without any change to these pensioner benefits, their costs will increase as the number of older residents increases. Without any changes, the TV Licence benefit cost will increase to £0.5 million over the next 20 years, before taking into account any future increases in the cost of a TV Licence.

4.7 Child care costs for recently arrived parents

Close the Recently Arrived Discount Scheme to new entrants at the end of 2015

Key theme: Improve the targeting of benefits

The Recent Arrivals Discount Scheme (RADS) is a child care benefit designed to help recently arrived parents who do not qualify for Income Support to support their child care costs whilst they are at work. It is specifically aimed at parents who do not satisfy the residency condition for Income Support, as they have lived in Jersey for less than 5 years. As such, it does not fit well with other States policies, which are designed to encourage local employment whenever possible.

The scheme has had very limited take-up, and existing claimants will continue to be supported until they have lived in Jersey for 5 years and can claim Income Support, if they still need it. However, it is proposed that this benefit will be closed to new entrants from the end of 2015.

4.8 Summary of the impacts of the proposals

Proposal	Households affected
Income Support	
Maintain most component rates at current levels until October 2017 (increase rental and child care cost components)	All Income Support households (about 11,700 people in 6,500 households).
Phase out the single-parent component	Single-parent IS households (1,300).
Simplify the treatment of income	Existing OAPs protected. Future OAP claims will receive % disregard. Single parents will see improved maintenance disregard (about 650). Approximately 1,100 individuals also claim another benefit alongside Income Support and will no longer receive an extra disregard.
Jobseekers under 25 change	75 young jobseekers will no longer qualify for Income Support.
One-off payments as loans rather than grants	Approximately 40 claims a month.
Other benefits	
Close the Christmas Bonus Scheme after it has been paid at the end of 2015	17,500 pensioners and 1,700 working-age individuals.
Improve the 65+ Health Scheme for low-income pensioners	2,400 pensioners registered, and more if eligibility is expanded.
Close the 75+ TV Licence benefit to new entrants at the end of 2015	All current claimants are protected. Future 75+ will not be able to claim.
Close RADS to new entrants	Less than 5 new claims per year
Flexibility	
Create 2 separate child component rates	None

5. Structure of legal changes

Whereas this report has described all the changes required to achieve a savings target of £10 million, the attached draft Regulations propose to amend the Social Security (Television Licence Benefit) (Jersey) Law 2006, so that the 75+ TV Licence benefit is closed to new entrants at the end of 2015.

Subject to the approval of the States of the overall MTFP package, the Minister will then make amendments to the Income Support (General Provisions) (Jersey) Order 2008 to change the treatment of income as previously described. This Order has already been changed (R&O.85/2015) to implement the treatment of jobseekers aged under 25 before the beginning of the next school year. The Minister has also already revised treatment of Income Support special payments under ministerial guidelines.

The Minister is also lodging, on the same date as these draft Regulations –

- draft Regulations to amend the Income Support (Jersey) Regulations 2007; and
- a draft Law to repeal the Christmas Bonus (Jersey) Law 2011.

The closure of the child care scheme for recent arrivals will be formalised through a Ministerial Decision.

Proposals to extend the 65+ Health Scheme will be presented to the States Assembly early in 2016, for approval and implementation.

Altogether, these changes make up the package of savings measures outlined in the MTFP report (P.72/2015). In summary:

Proposal	Process
Income Support	
Maintain most component rates at 2015 levels (increase rental and child care cost components)	States to debate Regulations to increase selected component rates next year
Phase out the extra single-parent component	States to debate separate legislation
Simplify the treatment of income (for example, gradually replacing the fixed-value pension allowance with a percentage allowance)	Ministerial Order
Jobseekers under 25 change	Ministerial Order, already made
One-off payments as loans rather than grants	Ministerial guideline, already made
Other benefits	
Close the Christmas Bonus Scheme after it has been paid at the end of 2015	States to debate separate legislation
Improve the 65+ Health Scheme for low-income pensioners	States to debate separate proposition (early 2016)

Proposal	Process
Close the 75+ TV Licence benefit to new entrants at the end of 2015	**This proposition**
Close RADS to new entrants	Ministerial Decision
Flexibility	
Create separate child component rates	States to debate separate legislation

5.1 Other administrative changes

The Minister is also taking the opportunity to make a change to Income Support rules in respect of a claimant who moves into an approved care home to receive long-term care.

At the moment, when an individual who claims Income Support moves into a care home, they can continue to receive Income Support to cover the notice period required for the rent of their home for the first 4 weeks.

The Minister proposes to extend the amount of time an individual can claim for the cost of rent for up to 12 weeks. This will allow for cases when the transition to a care home is not straightforward, and the claimant may decide to return to the family home after a short period in the care home.

6. Financial and manpower implications

The net impact of all the changes described in this report is a forecast reduction in departmental tax-funded budget of £10 million by 2019.

The current estimate of the savings will be phased over the MTFP period as follows:

	2016 £m	2017 £m	2018 £m	2019 £m
Savings	5.1	8.1	9.4	10.0

This means that £5.1 million will be saved in 2016, a further £3 million in 2017, £1.3 million in 2018, and the final £0.6 million in 2019.

In 2016, current estimates suggest that a net saving of £5.1 million will be achieved as follows:

Benefit savings estimates for 2016 – 2019

Proposals	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**
Maintain most component rates at 2015 levels for 2 years (increase rental and child care cost components)	2.0	3.9	4.0	4.1
One-off changes:				
Close the Christmas Bonus after it has been paid in 2015	1.3	1.4	1.5	1.6
Remove LTIA / invalidity / survivor's benefit disregards	0.6	0.6	0.6	0.6
Limit eligibility for jobseekers under 25	0.2	0.2	0.2	0.2
Change more emergency grants to loans	0.1	0.2	0.2	0.2
Limit growth of the TV Licence benefit (and close RADS)	0.1	0.1	0.1	0.1
Phased changes to Income Support, including removal of single-parent component, introduction of percentage pension disregard and net improvements in incentives	0.8	1.7	2.8	3.2
TOTAL	**5.1**	**8.1**	**9.4**	**10.0**

Explanatory Note

These Regulations amend the Social Security (Television Licence Benefit) (Jersey) Regulations 2009 so that a person is not eligible for the grant of a television licence benefit on or after 1st January 2016 unless the person has received a television licence benefit before that date.

Jersey

DRAFT SOCIAL SECURITY (TELEVISION LICENCE BENEFIT) (AMENDMENT) (JERSEY) REGULATIONS 201-

Made *[date to be inserted]*
Coming into force *[date to be inserted]*

THE STATES, in pursuance of Article 1 of the Social Security (Television Licence Benefit) (Jersey) Law 2006[1], have made the following Regulations –

1 Regulation 6 amended

After Regulation 6(2) of the Social Security (Television Licence Benefit) (Jersey) Regulations 2009[2] there shall be inserted the following paragraph –

"(2A) A person is not eligible for the grant of a television licence benefit unless the person has received a television licence benefit before 1st January 2016.".

2 Citation and commencement

These Regulations may be cited as the Social Security (Television Licence Benefit) (Amendment) (Jersey) Regulations 201- and shall come into force 7 days after they are made.

[1] *chapter 26.950*

[2] *chapter 26.950.50*