

STATES OF JERSEY



INCOME SUPPORT AND GST FOOD COSTS BONUS: ADDITIONAL FUNDING

**Lodged au Greffe on 21st October 2008
by the Minister for Treasury and Resources**

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

in accordance with Article 11(8) of the Public Finances (Jersey) Law 2005 to amend the expenditure approval for 2009 approved by the States on 22nd September 2008 in respect of the Social Security Department head of expenditure, to permit the withdrawal of an additional £3,400,000 from the consolidated fund for its net revenue expenditure in order to fund amendments to the benefits payable under the Food Costs (Offset of Average GST) Bonus and Income Support Scheme and as set out in Table A on page 3 of the attached report.

MINISTER FOR TREASURY AND RESOURCES

REPORT

1. Introduction

In accordance with the approval by the States Assembly of Deputy Le Fondré's Proposition (P.138/2008), the Minister for Treasury and Resources proposes a package of appropriate increases to Income Support, the Food Costs (Offset of Average GST) Bonus and Income Tax allowances and/or exemptions with a total cost equivalent to the tax revenue that would have been lost had foodstuffs and domestic energy been zero-rated for GST.

The total package of measures totals £5.8 million which is split in the following proportions—

- £2.4 million for tax allowances, being proposed in the 2009 budget; and
- £3.4 million for the GST Bonus and Income Support schemes.

The Minister for Social Security has assembled a package to improve and increase Income Support payments with effect from 1st February 2009 and to double the GST Bonus scheme payment in 2009, as well as changes to bring forward the payment of the Bonus from October 2009 to March 2009.

2. Summary of Proposals

The proposed amendments to the rates of Income Support and GST Bonus, with a total cost of £3.4 million, are set out in Table A –

Table A

<i>Ref.</i>	<i>Type</i>	<i>Description</i>	<i>Proposed increase</i>
1	GST Bonus	Annual payment	£75 per annum
2	Income Support Component	Adult	£0.98 per week
3	Income Support Component	Child	£0.63 per week
4	Income Support Component	Lone parent	£0.98 per week
5	Income Support Component	Household	£0.49 per week
6	Income Support Component	Personal care level 2	£7.00 per week
7	Income Support Component	Personal care level 3	£7.00 per week
8	Income Support Disregard	Earned income	4%
9	Income Support Disregard	Maintenance income	10%
10	Income Support Disregard	LTIA income	5%
11	Income Support Disregard	Pension income (under 65)	5%
12	Income Support Disregard	Pension income (over 65)	£4.97 per week
13	Income Support Disregard	Pension income (over 65)	£7.91 per week

3. GST Bonus

The current budget for the GST Bonus is £400,000 with households eligible to receive a fixed bonus of £75 per annum. The Treasury estimates that approximately 5,000 households will claim this bonus.

It is proposed to double the value of the Bonus so that the amount paid in 2009 is £150 per household. The additional cost is estimated at £400,000 per annum. The cost of administration will not increase significantly but it is likely that there will be a slightly higher take-up under the amended scheme.

Increasing the GST Bonus by £75 per annum is equivalent to £1.44 extra per household per week.

It is proposed to alter the timing of the GST Bonus so that applications can be made throughout the year. At present, applications cannot be made until 1st October in a given year. Providing for applications throughout the

year will enable applicants to claim the increased benefit of £150 from March 2009, rather than waiting until October to receive any assistance, so that they have the benefit of the Bonus ahead of facing spending pressures, instead of in arrears.

Allowing applications throughout the year is likely to result in a small increase in the number of eligible claims because it will allow people to choose between tax assessments in respect of one or 2 years previously. However other than in 2009, each tax assessment will only be able to be used to claim the Bonus once.

The proposed amendments to the GST Bonus Regulations, to bring these changes into effect are set out in the Draft Food Costs (Offset of Average GST) Bonus (Amendment) (Jersey) Regulations 200- (P.164/2008).

A copy of the draft Regulations is attached at Appendix A.

Summary of Proposals

- Double the value of the GST Bonus from £75 per annum to £150 per annum for 2009 with the 2010 value uprated by the annual rise in the food cost index;
- Allow applications for the GST Bonus at any time during the year from March 2009 onwards.

4. Income Support

Income Support provides the opportunities and tools to increase the level of income for claimants in a number of ways –

- Increasing entitlement for all on income support by increasing the basic, fixed level components in respect of adults, children and household costs (N.B. not rental costs);
- Improving incentives in the scheme to encourage greater financial independence;
- Increasing certain component rates and disregards to target greater assistance to those less able to find work.

All three of these mechanisms are combined in this package to ensure guaranteed minimum increases for all on income support, together with a real improvement in the incentives available within the system.

Basic component increases

All Income Support claims include basic components for adults, children, lone parents and households as appropriate. Increasing these rates ensures that every claim will receive a certain level of additional benefit. The amount of additional benefit will depend on the number of people in the household, with larger households receiving a higher amount than smaller households.

Increasing incentives to work and provide for retirement

It has always been the intention to improve work incentives within Income Support. The proposed package of disregards will increase the incentive for earned income to 10% of gross earnings, i.e., for every additional pound earned, the individual will retain an additional 10p, instead of the current 6p.

It is also proposed to increase the pension income disregard by approximately £5 per week for a single pensioner aged over 65 years and by just under £8 per week for a couple aged over 65 years (both receiving pensions) thereby improving both the incentive and reward for making provision for income in retirement.

Maintenance income disregards

It is acknowledged that the current lack of a disregard for those receiving maintenance income means that there is no incentive for them to pursue, or even claim, maintenance. It is proposed to introduce a new 10% maintenance income disregard to provide a real incentive for maintenance agreements to be put in place.

Targeted support

There are certain groups who encounter additional barriers to accessing the workplace and so will be less likely to be able to take advantage of the improved incentives above. A package of measures is proposed to compensate these groups.

- Pensioners below the age of 65 years

Whilst some people may opt to retire early, there are others who are forced into retirement, for example as result of ill-health. To provide additional support to this group, it is proposed to introduce a disregard of 5% for pension incomes to those under the age of 65 years.

- Long Term Incapacity Allowance (LTIA)

Individuals receiving LTIA have a long-term illness or disability which may well reduce their opportunities for employment. It is proposed to introduce a 5% disregard on LTIA income. This will also include individuals still claiming Invalidity Benefit under previous benefit rules.

- Individuals with moderate or high personal care needs

Many individuals with high personal care needs will benefit from one or more of the above proposals. However, there will be some individuals who are unlikely to be able to enter the labour market and who, for a variety of reasons, do not receive LTIA or a pension.

Providing an increase in the Personal Care components levels 2 and 3 will ensure that this group also receive additional benefit. The components will be increased by £7 per week.

The full year cost of these increases is estimated at £3.0 million in total.

This combination of increased components and disregards will ensure that all Income Support households will benefit from the increased funding being made available.

Summary of Income Support proposals

Increase in weekly component rates

<i>Component</i>	<i>Current rate £</i>	<i>Proposed increase £</i>	<i>Proposed rate £</i>
Adult	89.32	0.98	90.30
Child	60.27	0.63	60.90
Lone parent	128.94	0.98	129.92
Household	45.71	0.49	46.20
Personal care level 2	89.32	7.00	96.32
Personal care level 3	131.25	7.00	138.25

The proposed amendments to the Income Support Regulations to bring these changes into effect are set out in the Draft Income Support (Amendment No. 3) (Jersey) Regulations 2008 (P.165/2008).

A copy of the draft Regulations is attached at Appendix B.

Increase in disregards

<i>Disregard</i>	<i>Current rate</i>	<i>Proposed increase</i>	<i>Proposed rate</i>
Earned income	6%	4%	10%
Maintenance income	0%	10%	10%
LTIA income	0%	5%	5%
Pension income (under 65)	0%	5%	5%
Pension income (over 65)	£27.09 per week	£4.97 per week	£32.06 per week
Pension income (over 65)	£44.10 per week	£7.91 per week	£52.01 per week

The above will be enacted through the approval of an Order by the Minister for Social Security, should the States agree this proposition.

A copy of the proposed Income Support (General Provisions) (Amendment No. 2) (Jersey) Order 2009 is attached as Appendix C.

5. Transitional Arrangements – Protected payments

There are about 2,900 households who will continue to receive protected payments at a level above their Income Support entitlement, after the proposed improvements have been introduced. These households will continue to receive their full protection until October 2009 following the additional £2.2 million funding agreed in the States Business Plan.

Furthermore, unless they are taxpayers, they will also receive the additional GST Bonus payment described above. However, they will not benefit directly from the increases in Income Support components and disregards until their protected payments cease in up to 5 years' time.

The increase in Income Support rates does however lead to a reduction in the cost of the transitional protection scheme. This saving will amount to approximately £840,000 in 2009. It is proposed that this saving be ring-fenced and used to improve the protection arrangements for pensioner and disability households and also to fund pilot schemes to assist jobseekers in returning to work. As individual measures prove their cost effectiveness they will be incorporated into the main Income Support budget at no additional ongoing cost. Further details of these measures will be published in early 2009.

6. Implementation

Administrative systems will need to be amended to implement these changes. It is proposed that the improved Income Support rates will be paid from 1st February 2009, and that the GST Bonus will be available from 1st March 2009.

The implementation of these proposals will incur some additional administrative and system costs and staff will need to be diverted from other tasks while the enhancements are implemented.

To minimise delays, overtime and temporary staff will be used. The staff and IT development costs will be contained within the proposed allocation of funds.

7. Impact of Income Support changes

For households receiving Income Support, the following examples illustrate the additional weekly benefit that will be available to various typical families –

- Single pensioner, receiving a pension – £6.44/week
- Pensioner couple, both receiving pensions – £10.36/week

- Pensioner couple, both receiving pensions, one with high personal care needs – £17.36/week
- Lone parent family, no earnings, one child, £50/week maintenance – £7.10/week
- Working family earning £400 gross per week – 2 adults, 2 children – £19.71/week
- Working family earning £300 gross per week, 2 children, one with a disability – £22.71/week
- Single person, no earnings, 60% LTIA – £6.63/week
- Single person, with disability, living with parents – £7.98/week
- Single jobseeker – £1.47/week (£76.44 year).

8. Financial and manpower implications

There are no permanent manpower implications. The full year additional cost to Income Support and GST Bonus payments is £3.4 million.

Implementation costs, including administration, are estimated at a maximum of £25,000 and will be funded from within the £3.4 million or the consequential savings to the protected payment budget in 2009.

9. Conclusion

The addition of £3.4 million will make a significant improvement to the level of benefits available. Income Support rates were adjusted in May 2008 to compensate fully for the introduction of GST. These additional increases (together with the increase in the Winter Fuel Allowance) will ensure that Income Support households are also well protected from the recent increases in food and fuel costs.

The level of the GST Bonus will double from its original level and will provide some protection against the cost of food itself in addition to the cost of the GST levied on food items. The extension of protection previously agreed in the Annual Business Plan and the additional protection included in these proposals ensures that families just above the Income Support level will also receive additional benefits for a number of years.



DRAFT FOOD COSTS (OFFSET OF AVERAGE GST) BONUS (AMENDMENT) (JERSEY) REGULATIONS 200-

REPORT

Subject to States' agreement of P.163/2008, these Regulations give effect to the proposed changes to the GST Bonus.

Introduction

The current budget for the GST Bonus is £400,000, with households eligible to receive a fixed bonus of £75 per annum. The Treasury estimates that approximately 5,000 households will claim this bonus.

It is proposed to double the value of the Bonus so that the amount paid in 2009 is £150 per household. The additional cost is estimated at £400,000 per annum. The cost of administration will not increase significantly, but it is likely that there will be a slightly higher take-up under the amended scheme.

Increasing the GST Bonus by £75 per annum is equivalent to £1.44 extra per household per week.

It is proposed to alter the timing of the GST Bonus so that applications can be made throughout the year. At present, applications cannot be made until 1st October in a given year. Providing for applications throughout the year will enable applicants to claim the increased benefit of £150 from March 2009, rather than waiting until October to receive any assistance, so that they have the benefit of the Bonus ahead of facing spending pressures, instead of in arrears.

Allowing applications throughout the year is likely to result in a small increase in the number of eligible claims because it will allow people to choose between tax assessments in respect of one or 2 years previously. However, other than in 2009, each tax assessment will only be able to be used to claim the Bonus once.

Comments on amendments to Regulations

As the Bonus is no longer linked specifically to an offset of average GST on food, the name of the Regulations will be amended by removing the reference to GST, and just referring to a bonus for food costs.

Regulations 3 and 4 – Applications will be allowed throughout the year. Claims made before 1st October will use the Income Tax assessment for 2 years previous and

claims made between 1st October and 31st December will use the Income Tax assessment for the previous year.

The Income Tax assessment for a particular year can only be used to claim the Bonus in one subsequent year. This rule will not be applied to applications made in 2009, to allow applications to be made based on a 2007 tax assessment which has also been used in respect of the application for the 2008 Bonus.

Regulation 5 – the rate for 2009 is set at £150. For 2010 the rate will be increased by the annual increase in food costs as at September 2009. This will be the most up-to-date food index available on 1st January 2010.

Financial and manpower implications

There are no manpower implications. Implementation costs, including administration, are estimated at a maximum of £15,000. The cost of the increased Bonus can be met from the Departmental cash limit, subject to the approval of P.163/2008.

Explanatory Note

These Regulations amend the Food Costs (Offset of Average GST) Bonus (Jersey) Regulations 2008 (the "principal Regulations").

Regulation 1 is the interpretation provision.

Regulation 2 amends Regulations 1, 2 and 8 of the principal Regulations with the effect that the bonus payable under the Regulations will, for the future, be known simply as the Food Costs Bonus.

Regulation 3 and 4 amend Regulations 3 and 4 of the principal Regulations so as to enable an application for Food Costs Bonus to be made at any time in a year. Currently, an application may only be made between 1st October and 15th December. Depending on when in the year an application is made, the applicant's entitlement will be determined either by reference to the household's liability to income tax for the preceding year or for the year before that. However, a household's liability to tax for one year cannot be used twice to determine entitlement to the bonus. So, if entitlement to bonus in 2009 is determined by reference to a household's tax liability for 2008, entitlement to bonus for 2010 must be determined by reference to the household's tax liability for 2009.

Regulation 5 sets the rate of bonus for 2009 at £150. The rate of bonus for 2010 is set at £150 plus the percentage increase in the food costs figure for the period October 2008 to September 2009 inclusive.

Regulation 6 provides for the citation of these Regulations and for their commencement on 1st March 2009.



**DRAFT FOOD COSTS (OFFSET OF AVERAGE
GST) BONUS (AMENDMENT) (JERSEY)
REGULATIONS 200-**

Arrangement

Regulation

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**DRAFT FOOD COSTS (OFFSET OF AVERAGE
GST) BONUS (AMENDMENT) (JERSEY)
REGULATIONS 200-**

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

THE STATES, in pursuance of the Order in Council dated 28th March 1771,
have made the following Regulations –

1 Interpretation

In these Regulations, “principal Regulations” means the Food Costs (Offset of Average GST) Bonus (Jersey) Regulations 2008.

2 Regulations 1, 2 and 8 amended

In Regulations 1(1), 2 and 8(1) of the principal Regulations the words “(Offset of Average GST)” shall be deleted.

3 Regulation 3 amended

For paragraph (3) of Regulation 3 of the principal Regulations there shall be substituted the following paragraphs –

“(3) The second condition is that, subject to paragraph (3A) –

- (a) where an application for a bonus is made on behalf of the household before 1st October in the year to which it relates, no member of the household was served with a notice of assessment under Article 25 of the Income Tax (Jersey) Law 1961 showing a liability to income tax for the year of assessment falling 2 years before the year to which the application relates;
- (b) where an application for a bonus is made on behalf of the household on or after 1st October in the year to which it relates, no member of the household was served with a notice of assessment under Article 25 of the Income Tax (Jersey) Law 1961 showing a liability to income tax for the

year of assessment preceding the year to which the application relates.

(3A) Subject to paragraph (3B), where a household has qualified for a bonus in a year by meeting the second condition in the case described in paragraph (3)(b), the household cannot qualify for a bonus in the following year by meeting the second condition in the case described in paragraph (3)(a) and, accordingly, any application made on behalf of the household for the following year, if made before 1st October, shall be deemed to have been made on or after that date.

(3B) Paragraph (3A) shall not prevent an application for a bonus in 2009 being determined by reference to the members of the household's liability to income tax for the year of assessment 2007."

4 Regulation 4 amended

In Regulation 4(1)(a) of the principal Regulations the words "between 1st October and 15th December (inclusive)" shall be deleted.

5 Regulation 5 amended

In Regulation 5 of the principal Regulations for paragraphs (2) and (3) there shall be substituted the following paragraphs –

"(2) For 2009 the amount of bonus is £150.

(3) For 2010, the amount of the bonus is £150, plus a percentage increase of that sum that is the same percentage as that of the rise, if any, in the food costs figure during the 12 months starting on 1st October 2008."

6 Citation and commencement

These Regulations may be cited as the Food Costs (Offset of Average GST) Bonus (Amendment) (Jersey) Regulations 200- and shall come into force on 1st March 2009.



DRAFT INCOME SUPPORT (AMENDMENT No. 3) (JERSEY) REGULATIONS 200-

REPORT

Subject to States' agreement of P.163/2008, these Regulations give effect to the proposed changes to the component rates in Income Support.

Basic component increases

All Income Support claims include basic components for adults, children, lone parents and households, as appropriate. Increasing these rates ensures that every claim will receive a certain level of additional benefit. The amount of additional benefit will depend on the number of people in the household, with larger households receiving a higher amount than smaller households.

Targeted support

There are certain groups who encounter additional barriers to accessing the workplace, and so will be less likely to be able to take advantage of the improved incentives available in the Income Support system.

Many individuals with high personal care needs will be unlikely to be able to enter the labour market and, for a variety of reasons, may not receive LTIA or a pension.

Providing an increase in the Personal Care components levels 2 and 3 will ensure that this group receive additional benefit. The components will be increased by £7 per week.

Summary of component increases

Increase in weekly component rates

<i>Component</i>	<i>Current rate</i>	<i>Proposed increase</i>	<i>Proposed rate</i>
Adult	£89.32	£0.98	£90.30
Child	£60.27	£0.63	£60.90
Lone parent	£128.94	£0.98	£129.92
Household	£45.71	£0.49	£46.20
Personal care level 2	£89.32	£7.00	£96.32
Personal care level 3	£131.25	£7.00	£138.25

Financial and manpower implications

There are no manpower implications. Implementation costs, including administration, are estimated at a maximum of £10,000. The cost of the increased benefits can be met from the Departmental cash limit, subject to the approval of P.163/2008.

Explanatory Note

These Regulations further amend the Income Support (Jersey) Regulations 2007 (the "principal Regulations"). Certain rates for income support components were last increased with effect from 1st October 2008. These draft Regulations would further increase certain of those rates from 1st February 2009.

The adult rate basic component is increased from £89.32 to £90.30.

The single parent rate basic component is increased from £128.94 to £129.92.

The child rate basic component is increased from £60.27 to £60.90.

The household rate basic component is increased from £45.71 to £46.20.

The rate of personal care element payable is increased in 2 cases by £7.



**DRAFT INCOME SUPPORT (AMENDMENT No. 3)
(JERSEY) REGULATIONS 200-**

Made [date to be inserted]

Coming into force [date to be inserted]

THE STATES, in pursuance of Articles 5 and 18 of the Income Support (Jersey) Law 2007, have made the following Regulations –

1 Schedule 1 to Income Support (Jersey) Regulations 2007 amended

In Schedule 1 to the Income Support (Jersey) Regulations 2007 –

(a) for paragraph 2 there shall be substituted the following paragraph –

***2 Rates for basic components**

The rates payable for the basic components under Article 5(2) of the Law are –

(a)	under Article 5(2)(a) of the Law (adult rate)	£90.30
(b)	under Article 5(2)(b) of the Law (single parent rate)	£129.92
(c)	under Article 5(2)(c) of the Law (child rate)	£60.90
(d)	under Article 5(2)(d) of the Law (household rate)	£46.20.”;

(b) in paragraph 6, for clauses (b) and (c) of sub-paragraph (3) there shall be substituted the following clauses –

“(b)	for a score of at least 36 but less than 56	£96.32
(c)	for a score of at least 56 where the member of the household is not receiving appropriate residential care	£138.25”.

2 Citation and commencement

These Regulations may be cited as the Income Support (Amendment No. 3) (Jersey) Regulations 200- and shall come into force on 1st February 2009.



INCOME SUPPORT (GENERAL PROVISIONS) (AMENDMENT No. 2) (JERSEY) ORDER 200-

Explanatory Note

This Order increases certain existing disregards used in determining a person's income for the purposes of calculating entitlement to income support and introduces new disregards.

The disregard of the earnings of an adult who is not a sole adult in a household is increased from 6% to 10%.

New disregards are introduced –

- (a) for 5% of any income derived from long term incapacity allowance or invalidity benefit;
- (b) for 10% of income derived from a qualifying maintenance payment;
- (c) for 5% of income derived from a pension or annuity paid to a person under the age of 65.

The disregard for income derived from a pension or annuity paid to one person in the household aged 65 or over is increased from £27.09 to £32.06. The disregard for income derived from a pension or annuity paid to any other person in the household aged 65 or over is increased from £17.01 to £19.95.

The alternative disregard for the earnings of a lone parent that is based on a percentage of total earnings is increased from 6% to 10%.



INCOME SUPPORT (GENERAL PROVISIONS) (AMENDMENT No. 2) (JERSEY) ORDER 200-

Made [date to be inserted]

Coming into force [date to be inserted]

THE MINISTER FOR SOCIAL SECURITY, in pursuance of Articles 7 and 18 of the Income Support (Jersey) Law 2007, orders as follows –

1 Interpretation

In this Order, “principal Order” means the Income Support (General Provisions) (Jersey) Order 2008.

2 Schedule 2 paragraph 5 amended

In Schedule 2 to the principal Order, in paragraph 5 –

- (a) in sub-paragraph (a) for the amount “6%” there shall be substituted the amount “10%”;
- (b) after sub-paragraph (b) there shall be inserted the following sub-paragraphs –
 - “(ba) 5% of any income derived from an award of long term incapacity allowance under Article 16 of the Social Security (Jersey) Law 1974 or of invalidity benefit by virtue of Article 18 of the Social Security (Amendment No. 14) (Jersey) Law 2000;
 - (bb) 10% of any income derived from any qualifying maintenance payment received by any person in the household;
 - (bc) 5% of any income derived from a pension or annuity of any person under the household aged under 65 years;”;
- (c) in sub-paragraph (c) for the amount “£27.09” there shall be substituted the amount “£32.06”;
- (d) in sub-paragraph (d) for the amount “£17.01” there shall be substituted the amount “£19.95”;

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- (c) in sub-paragraph (c) for the amount “6%” there shall be substituted the amount “10%”.

3 Citation and commencement

This Order may be cited as the Income Support (General Provisions) (Amendment No. 2) (Jersey) Order 200- and shall come into force on 1st February 2009.