STATES OF JERSEY

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PUBLIC AND PRIVATE SECTOR HOUSING RENTAL SUBSIDY SCHEMES: INCOME DISREGARD – RESCINDMENT

Lodged au Greffe on 20th January 2004
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

to refer to their Act of 16th July 2003 in which they approved amendments to the Public and Private Sector Housing Rental Subsidy Schemes with effect from 1st January 2004, and to rescind paragraph (e) of their Act in which they agreed that the income disregard allowance for Invalidity and Disability benefits should be removed over a period of 3 years by making a one-third reduction each year.

DEPUTY G.P. SOUTHERN OF ST. HELIER

NOTE: As required by Standing Order 18B, the following States members also signed the proposition–

1. Deputy Judith Ann Martin of St. Helier
2. Senator Stuart Syvret
3. Senator Edward Philip Vibert

The reason for moving this proposition is set out in the attached report.

REPORT

I do not bring this rescindment motion lightly. I, like every other member, I am sure, have no wish to revisit decisions of the States with which I have disagreed unless there are serious grounds which cast doubt on the wisdom of that decision. I believe that the evidence published in the Income Distribution Survey provides such evidence. Furthermore, I believe that some members may have been effectively misled by the arguments and evidence presented by the Housing Committee during the debate in a number of areas –

- That disability and invalidity benefit are strictly income support mechanisms and that the disregard should be seen as an anomaly to be removed as a matter of fairness and equity. I believe this can be shown to be untrue.

- That those on disability who might suffer some hardship would be covered by other benefits such as H.I.E. or Adult Disablement Allowance. Again, I believe this is demonstrably false.

- That the measures were the subject of wide consultation. This may or may not be true, but the contribution to the consultation process made by the Citizens' Advice Bureau, surely one of the most significant and knowledgeable bodies in the area of poverty and hardship, were kept from members.

Income replacement and equity

To understand this point, members need to be aware, firstly, of the distinction between Invalidity and Disability Benefit. Invalidity Benefit does follow on from Sickness Benefit and can therefore be regarded as income replacement. After 12 months of continuous sickness, the benefit is converted to Invalidity. The recipient mus continue to certify their illness and **cannot take up employment**.

Disability Benefit is very different. A person becomes eligible for Disability Benefit as the result of an injury, usually at work, and is assessed on the extent of his or her loss of faculty by Department of Employment and Social Security (DESS) doctors. The extent of disability may be between 5% and 100% and benefit will be paid accordingly. 100% Disablement equates to the weekly personal rate of all contributory benefits, currently £140.84. Crucially, those on Disability Benefit, even those assessed as 100% disabled, **are permitted to take up employment**. Disability Benefit cannot be said to be income replacement. In the words of the DESS staff who administer the scheme, it "must be seen purely as compensation for loss of faculty".

So to run these two very different benefits together and to claim that they must be treated in the same way as Sickness Benefit and Pension in order to clear up an anomaly and in the interests of fairness and equity is far from accurate. Furthermore, in attempting to clear up one so-called anomaly, the Housing Committee have in fact created another. This concerns a further category of benefit, Adult Disablement Allowance.

It will be noted that the two benefits described above, although very different, are both contributory benefits. A person must have paid sufficient Social Security contributions (normally 6 months) to qualify for either benefit For those who have not been able to contribute to the Social Security system, and are unable to work for some time, the non-contributory Adult Disablement Allowance exists to prevent them from "falling through the Social Security safety net" completely. This is currently paid at the rate of £312.07 monthly, around 55% of the Disability Benefit rate. This, too, must be seen as a form of income support, since those who qualify for this allowance are unable to work and many have to rely on Parish welfare to top up their income. Of the 170 recipients of this allowance, I am informed that 30, 10 of whom are of pensionable age, are currently receiving welfare from St Helier Community Services.

For rent abatement purposes, Disablement Allowance continues to be disregarded, and yet Disability Benefit is has lost the disregard from 1st January 2004. The Housing Committee's new rent rules have created two classes of disablement – that which is regarded and that which is not. These are two mutually exclusive groups which henceforth are to receive different treatment from the Housing Committee. I quote from the Social Security leaflet "People with disability and carers" –

> "Adult Disablement Allowance can only be paid to people who do not qualify for Incapacity or Accident Benefit because they have been unable to pay Social Security contributions and build up a contribution record."

The inconsistencies then multiply from there. In the letter sent to tenants explaining the changes to rent abatement in June 2003, under Part 2– Surcharges, it states clearly –

> "As at present the surcharge will be waived where the child is in full time education, or in receipt of only Adult Disability."

However this statement does not appear in the current leaflet "Completing an application for rent abatement or rent rebate". Instead under Section 3– Surcharges for adult relatives over 18 years, we find the following –

> "If this person is disabled and not in receipt of a full disability allowance or pension you should contact the Department as in certain cases the surcharge can be waived."

What was clear has become less clear. Following an enquiry through the Citizens' Advice Bureau (CAB) concerning a tenant's son who is on full invalidity benefit of £140.84 per week, the Department's response was as follows –

> "If the income of the adult child is the Disabled Adult Allowance then the surcharge is waived. If the income of the adult child is solely Invalidity or Disability Benefit is also waived unless there is some additional income".

It does indeed seem a strange policy from a Committee intent on removing anomalies that for tenants, Invalidity and Disability Benefit is treated income from 1st January 2004 but for adult children living at home, it is not. Where is the logic? Where is the consistency?

Other benefits are available to cover hardship

In the debate on 16th July much was made of the capacity of other benefits to cover the additional costs of disability. In particular, Health Insurance Exemption (H.I.E.) was cited for the case of additional medical costs, which are common amongst the disabled. Let us then examine a specific case, where hardship may be caused. This couple have just seen their abatement cut because one third of the disability benefit is now included as income. Their rent has gone up from by 42%, from £52 to £74 per week. He is 61 years old and on 85% disability of £198 per week. Despite being of pensionable age his wife continues to work full time in retail. She earns around £240 per week. He has to see his G.P. every 6 weeks to be monitored and to get a prescription routinely containing 6 items. He does not qualify for disabled transport allowance since he can walk short distances. Can this couple obtain H.I.E. to remove his £270 annual medical bill? That is out of the question because a member of the family is in full-time employment. The case would not even be considered.

Let us pursue the case. What if the wife were more qualified and was paid not at £6.40 an hour but at £9.60 and could therefore earn the same amount from part-time work (<25 hours per week)? Would this couple then qualify for H.I.E.? The limits for income are essentially set at 20% above Parish Welfare rates. High medical bills do not enter the calculation. The calculation looks like this –

Family member	*Weekly income allowance* £
Couple	207.75
Disability benefit disregard	20.75
Full rent net of abatement	74.00
Total	302.50

With an income limit around £300, this couple do not come close to qualifying for H.I.E. Even in 2 years' time when their rent will have risen to around £120, they will still not qualify. Whether one performs these calculations for couples, families with children or single persons, H.I.E. will not ameliorate high medical costs suffered by many disabled people. Only those at, or very close to, welfare levels can be helped by H.I.E.

Response of CAB

The response of Francis Le Gresley, Manager of the Citizens' Advice Bureau, dated 20th June 2003, can be found in Appendix 1. Members will find the detailed response there. In short, the CAB is supportive of amendment (a on savings, and express some reservations about (b) the rise in adult child surcharge. The CAB recommend that the Committee abandon amendments (c) and (d), the changes to the abatement calculations.

On the subject of this rescindment, the measures on the disabled, the CAB have this to say –

> "We understand the Committee's reasoning for this amendment because we have had clients who, on reaching pensionable age, have been shocked to receive a rent increase or reduction in subsidy. **However, this is not a sufficient justification for treating long term incapacity and disability as income when assessing rent rebate or abatement.** People under the age of 65 who have the misfortune to suffer long-term sickness or permanent injury are surely the most vulnerable people in our society. Unless they are on H.I.E. they will have extra medical costs to pay and face a lifetime on benefits. **We therefore recommend that the Committee abandon any proposal to remove the disregard for invalidity and disability benefits."**

In the summary, the CAB draws particular attention to the following statement from the Parr Report on housing of October 2000 –

> "It will be important to ensure that those most in need are protected from subsidy reductions" (para. 236).

So where was this vital information in the July debate? It was undeclared. The Housing Committee had no wish to enter into debate on these grounds.

Income Distribution Survey

In the several debates in July – amendments, reference back, and the substantive debate – many references were made to the absence of up to date information on the level of poverty and income distribution on the island. Many members suggested that to make such an important change to basic support mechanisms prior to the results of the Income Distribution Survey (IDS) would be a mistake. Those results are now available. They demonstrate clearly that those in social housing, who constitute the majority of those in receipt of rent subsidy, are to be found in the poorest sector of society on all measures of relative poverty. The tables referred to can be found in Appendix 2.

Table 3 of IDS shows the enormous discrepancy between incomes in a range of tenures, with those in States or housing trust rentals having the lowest incomes on all measures. In particular, they have less than half the average income after housing costs. This is made even more startling in Table 7 where it is revealed that over half of these tenants are in the bottom quintile in terms of income.

The examination of those who are classified as relative low-income households as defined by 60% of median threshold shows that after housing costs almost two-thirds of States and Housing Trust tenants fall into this category.

Finally, I turn to other material which has been published since debating P.74/2003. In the Employment and Social Security Committee's proposition Disability Benefit System: Reform (P.178/2003), the possibilities for change to the Disability Transport Allowance are examined. The Committee dismiss one option – to reduce the current rate of allowance – with these words –

> "The Committee does not believe it is right to take away or reduce a benefit once appropriately awarded, particularly to those in the very low income category. **It may well create a degree of hardship for people who have come to rely on it as a source of income…"**

The States, once again, has one policy on one committee and the opposite policy on another.

Financial and manpower implications

There are no implications for manpower arising from this proposition.

The Housing Committee would suffer increased expenditure of between £170,000 and £180,000 in the current year, rising to around £600,000 per year by 2006.

APPENDIX 1

Our ref: FLG/DB/leter03/DEPTLEMAIN

20 June 2003

Deputy T. Le Main
President
States of Jersey Housing Committee
P O Box 587
Jubilee Wharf
24 The Esplanade
St. Helier
Jersey
JE4 8XT

Dear

Public and Private Sector Housing Rental Subsidy Schemes

Having read the Committee's proposition; lodged au Greffe on 3rd June 2003, we would wish to comment as follows:

Amendment

a) 'to render ineligible for rental subsidy those applicants who either solely, or with partners, own liquid or fixed assets with 'a value equal to or in excess of £50,000.'

We fully support this amendment and feel the 'asset limit could have been further reduced to say £20,000 for a single person and £35,000 for a couple. It would be interesting to calculate what estimated savings could be made with these lower limits.

b) 'to increase the surcharges for adult children and dependants from £18 and £34 to £25 and £40 respectively'.

We have evidence at the Bureau that some parents in the public sector are reluctant to take money from their adult children to help with the rent, housekeeping etc. We would recommend that adult children or dependants in States rental accommodation are invoiced by the Housing Department rather than the parent(s) rent increased. This would instil a better understanding of a young person's responsibility to contribute to the household. We appreciate that there may be practical problems with introducing such a policy, particularly as there is no contractual liability, however, these should not be insurmountable.

We think the proposed new rates are fair in relation to the likely weekly income of adult children and dependants.

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20 June 2003

Deputy T. Le Main
President
States of Jersey Housing Committee

c) 'to increase the proportion of rent payable as a percentage of income to a minimum of 18.01% at an income of £133 per week, gradually increasing to a maximum 26.34% at a weekly income of £437 and above.'

We do not support the increase to 18.01% from 16.66%. People on low incomes are least able to cope with above cost of living increases in essential expenditure. Any increase should be targeted at the higher income earners. An income of £437 per week is only equivalent to £22,724 per annum. Hardly a high income when compared with average earnings in Jersey.

We recommend the Committee abandon this amendment.

d) ‘to increase the minimum rent in line with the increase in (c) above’.

The same comments above (c) apply to this amendment.

e) ‘to remove the income disregard allowance for Invalidity and Disability benefits over a period of 3 years by making a one-third reduction each year’.

We understand the Committee’s reasoning for this amendment because we have had clients who, on reaching pensionable age, have been shocked to receive a rent increase or reduction in subsidy. However, this reason is not sufficient justification for treating long term incapacity and disability as income when assessing rent rebate or abatement. People under the age of 65 who have the misfortune to suffer long term sickness or permanent injury that prevents them from working are surely the most vulnerable people in our society. Unless they are on H.I.E. they will have extra medical costs to pay and face a lifetime on benefits. We therefore recommend that the Committee abandon any proposal to remove the disregard for invalidity and disability benefits.

Summary

We understand the Committee has to make savings of about £1.5M in rental subsidy payments in 2004. However, we would draw the Committee’s attention to the following sentence in the Parr report of 4th October 2000:

> ‘it will be important to ensure that those most in need are protected from subsidy reductions’ (Para. 236).

We do not believe that amendments (c), (d) and (e) of the latest proposition meet this criteria. If the budget for rent subsidies needs to be pruned then it needs to be targeted at those who can best afford it.

Yours sincerely,

Francis Le Gresley MBE
Bureau Manager

APPENDIX 2

Table 3 – Average Weekly Income by Tenure of Property

	Households in 2001 (estimated)	Pre-benefit £	Gross cash £	Net cash £	Net BHC £	Net AHC £
States tenancy	*4,644*	295	341	319	393	250
Parish or housing association tenancy	*401*	350	475	450	455	226
Private tenancy (including lodgers)	*10,674*	584	608	535	547	380
Owner-occupancy without mortgage	*8,512*	776	796	699	708	695
Owner-occupancy with mortgage	*9,488*	1,148	1,162	998	1,029	840
Other	*1,843*	665	674	571	722	537
All households	***35,562***	**738**	**763**	**666**	**698**	**562**

Table 7 – Percentage of Households by Tenure of Property

	Number of households	Bottom quintile	Second quintile	Third quintile	Fourth quintile	Top quintile
re Housing Costs						
States, Parish or housing assn. tenancy	*5,045*	35	34	20	9	2
Private tenancy (including lodgers)	*10,674*	12	24	27	24	14
Owner-occupancy without mortgage	*8,512*	32	16	20	17	15
Owner-occupancy with tgage	*9,488*	8	13	16	24	40
Other	*1,843*	12	11	24	24	28
r Housing Costs						
States, Parish or housing . tenancy	*5,045*	52	24	17	5	2
Private tenancy (including ers)	*10,674*	24	21	25	18	12
Owner-occupancy without tgage	*8,512*	12	19	22	24	22
Owner-occupancy with tgage	*9,488*	6	14	18	27	34
Other	*1,843*	7	26	18	22	27

Table 15 – Relative Low Income Households by Tenure of Property

	Before housing costs		After housing costs	
	Number	% of total	Number	% of total
Owner-occupancy without mortgage	2,360	28	1,380	16
Owner-occupancy with mortgage	510	5	870	9
Private tenancy (including lodgers)	1,020	10	2,900	27
States, Parish or housing assn. tenancy	1,630	32	3,240	64

Other	80	4	130	7

APPENDIX 3

Old Age Pensions	17,724
Widows/Survivors Benefits	4,998
Disablement Benefit	827
Injury Benefit	76
Invalidity Benefit	1,954
Disability Transport Allowance	2,949
Childcare Allowance	71
Family Allowance	1,334
Child Disablement Allowance	115
Attendance Allowance	632
Attendance Allowance (Child)	90
Invalid Care Allowance	128
Adult Disablement Allowance	170