

# **STATES OF JERSEY**



## **PUBLIC AND PRIVATE SECTOR HOUSING RENTAL SUBSIDY SCHEMES: INCOME DISREGARD – RESCINDMENT (P.5/2004) – COMMENTS**

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**Presented to the States on 17th February 2004  
by the Housing Committee**

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**STATES GREFFE**

## COMMENTS

### Introduction

The Housing Committee considers that it would be unprofitable, in its response to P.5/2004, to follow strictly the sequence of argument in Deputy Southern's report accompanying P.5/2004, since so much of that argument is obscure, and the supporting figures are often confusing, generally hypothetical, and occasionally misleading. This document is therefore, intentionally, restricted to a discussion of the main issues raised in P.5/2004. For those Members who would wish to see a more detailed exposition, appendices are included in order to illustrate the points made.

### Consultation – CAB response 'kept from Members'

It is not normal practice, when bringing to the House a proposition produced after a period of consultation, to include the detailed consultation responses in the body of the text. But in any event, the Citizens' Advice Bureau's stance changed markedly between Mr. Le Gresley's letter of 20th June 2003, and his meeting with the President and Officers just a few weeks later. The letter, for instance (reproduced in P.5/2004 as Appendix 1), strongly supported the principle of a cap on capital savings, and indeed urged that the cap should be set considerably lower than the £50,000 proposed by the Committee; when it came to the meeting, it appeared that CAB was now adamantly oppose to a cap on capital.

The letter also supported the proposed increased surcharge in respect of adult children and non-dependants in States rental accommodation, and recommended that the Department should bill these residents directly, in order 'to instil a better understanding of a young person's responsibility to contribute to the household' – a suggestion which could not, in legal terms, be pursued.

The letter also opposed the increase in rent as a percentage of income, and the removal of the Invalidity and Disability Benefit disregards, on the basis of arguments which were fully aired, and rejected by the States, when approving P.74/2003.

### Benefits and equity

The P.5/2004 report discusses at some length the differences between Adult Disablement Allowance (ADA), Disability Benefit (DB), Invalidity Benefit (IB) and Sickness Benefit (SB), alleging that Housing policy is inconsistent and inequitable. The Committee would contend that the policy approach is in fact one characterised by common sense and flexibility.

If a person's only income derives from DB or IB, they will be very little affected by P.74/2003, and by 2006 will pay the same rent as if they were pensioners (see Appendix 1). If, on the other hand, they also have significant other income, then it is only reasonable that their total income should be regarded for rent assessment purposes – putting them on a level footing with pensioners and working people with the same total income.

The point is made in P.5/2004 that a recipient of IB cannot take up employment – while neglecting to mention that the same is true of SB – a benefit which has always been regarded.

It is conceded that DB is intended to compensate for loss of faculty – but this is in the sense that loss of faculty is assumed to restrict employment opportunities – though this is by no means always the case. Historically, many recipients of DB have been in well-paid full-time employment, but with a considerable financial advantage over neighbouring pensioners and able-bodied workers. The Committee still believes – and the States confirmed when approving P.74/2003 – that this was an anomaly which should be corrected.

The Committee has no tenants whose sole income is ADA, although in some cases the household includes dependants whose only income is this Allowance. If a tenant's income is supported by welfare then the rent is automatically set at minimum. If a household member is in receipt of ADA the surcharge is always waived. There is no intention to change this principle.

In order to prevent hardship this year, parents have not been surcharged if they could show that their adult child was disabled, whatever benefit was being received.

In order to assist Members, Appendix 2 compares the previous and future rental/rebate positions of 3 couples each with a notional weekly income of £438, from a variety of sources. The tables demonstrate clearly that – while it is impossible, within a flexible system, to completely eradicate all anomalies – these are considerably reduced, post-P.74/2003.

It is worth pointing out that, in 2004, the couple receiving part of their income from IB or DB will still be considerably better off, after housing costs, than their pensioner or working neighbours. It is also worth pointing out, that while P.5/2004 makes great play of the medical expenses which may be incurred by someone in receipt of IB or DB, it makes no mention of the fact that most pensioners also have significant medical expenses.

Appendix 3 shows that, of the 957 (February 2004) rebated tenants in receipt of IB or DB, 74.3% (711) are unaffected by the partial removal of disregard in 2004 – and many are paying a very significantly lower proportion of their income in housing costs than are those whose income is earned or received as pension.

### **Resource implications**

If the States were to approve P.5/2004, and rescind its very recent decision, the resource implications would be significant. The loss to the Committee would be well over £150,000 in the current year, rising to £600,000 in 2006.

In the current financial climate, there seems no realistic possibility that this gap would be bridged by the Finance and Economics Committee ‘finding the money’. Inevitably, the shortfall would have to be made up from a reduction in planned maintenance (it could not come from responsive repairs, which by definition must be carried out, to fulfil the Committee’s duty to tenants).

Planned maintenance is already below the level which the Committee considers desirable. Any further reduction would risk having a catastrophic impact on the States’ social rented housing stock.

**COMPARISON OF RENT PAYABLE BY PENSIONERS AND THOSE ON INVALIDITY OR  
DISABILITY BENEFIT BETWEEN 2004 AND 2006**

(This table is calculated at 2004 rates and assumes no other income than that shown.)

	<i>Income £</i>	<i>Rent 2004 £</i>	<i>Rent 2005 £</i>	<i>Rent 2006 £</i>
Single Pensioner	140.34	25.49	25.49	25.49
Couple Pensioner	233.80	44.56	44.56	44.56
Single IB Claimant	140.34	22.50	22.50	25.49
Couple IB Claimant	233.80	36.64	36.64	44.56

**RENTAL/RENT SUBSIDY POSITIONS OF 3 COUPLES, EACH WITH AN INCOME OF £438 FROM DIFFERENT SOURCES IN 2004 AND 2006**

**2004**

<i>Invalidity Benefit</i> £	<i>Pension</i> £	<i>Earned Income</i> £	<i>Total Income 2004</i> £	<i>Regarded Income 2004</i> £	<i>Rent payable</i> £	<i>Extra Social Security</i> £	<i>Extra medical bills</i> £	<i>Income remaining after rent, Social Security and medical bills</i> £
198	0	240	438	306	66.78	0	5.2	366.02
0	0	438	438	438	115.37	12.87	0	309.76
0	198	240	438	438	115.37	0	0	322.63

**2006**

<i>Couple</i>	<i>Invalidity Benefit</i> £	<i>Pension</i> £	<i>Earned Income</i> £	<i>Total Income 2006</i> £	<i>Regarded Income 2006</i> £	<i>Rent payable</i> £	<i>Extra Social Security</i> £	<i>Extra medical bills</i> £	<i>Income remaining after rent, Social Security and medical bills</i> £
Mr & Mrs A	198	0	240	438	438	115.37	0	5.2	317.43
Mr & Mrs B	0	0	438	438	438	115.37	12.87	0	309.76
Mrs & Mrs C	0	198	240	438	438	115.37	0	0	322.63

## APPENDIX 3

In 2004, 74.3% of the tenants whose income was wholly or partially made up of Invalidity or Disability Benefits did not have an increase in rent due to the partial (1/3<sup>rd</sup>) regard of these benefits.

### Number of applicants whose rent changed in 2004 due to changes in treatment of IB/DB

<i>Increase due to ID/DB</i>		<i>Abatement No. of tenants</i>	<i>Rebate No. of tenants</i>	<i>Total tenants</i>
<i>From:</i>	<i>To:</i>			
<b>No change due to IB/DB</b>		<b>561</b>	<b>150</b>	<b>711</b>
£0.01	£5.00	37	17	54
£5.01	£10.00	31	15	46
£10.01	£15.00	40	18	58
£15.01	£20.00	42	16	58
£20.01	£25.00	15	2	17
over	£25.00	9	4	13
<b>Total</b>		<b>735</b>	<b>222</b>	<b>957</b>

Average rent paid as a percentage of gross income for those tenants whose rent has increased in 2004 due to regarding 1/3<sup>rd</sup> of their invalidity or disability benefits

<i>Total weekly gross Income</i>		<i>Abatement</i>		<i>Rebate</i>	
<i>Greater than</i>	<i>Less than or equal to</i>	<i>Number of tenants</i>	<i>Average rent paid as % GROSS income</i>	<i>Number of tenants</i>	<i>Average rent paid as % GROSS income</i>
£	£		%		%
<b>500</b>		18	18.0	9	20.7
<b>450</b>	<b>500</b>	12	16.7	9	19.0
<b>400</b>	<b>450</b>	30	16.6	5	17.2
<b>350</b>	<b>400</b>	43	17.0	13	18.3
<b>300</b>	<b>350</b>	34	16.4	11	14.8
<b>250</b>	<b>300</b>	14	15.9	6	14.9
<b>200</b>	<b>250</b>	11	14.4	14	14.7
	<b>200</b>	12	13.5	5	13.9
		<b>174</b>		<b>72</b>	