

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

ANSWER TO BE TABLED ON TUESDAY 1st JULY 2008

Question

1. Does the Minister not accept that a like-for-like comparison of benefits on 27th January 2008 with Income Support (IS) at 28th January 2008 is needed if members are to properly understand the impact of the reforms?

Further, does the Minister not accept that such a comparison should not be an arduous task since much of this data would have been used to assess the new IS system before its introduction and some of the data was actually contained in the letters sent out to IS claimants?

Would such an analysis produce a different figure for those ‘equal or better off’ under the new scheme than the 56% he currently claims?

Answer

I do not accept that a like-for-like comparison of benefits on 27th January 2008 with income support on 28th January 2008 is needed for members to properly understand the impact of the income support reforms. On 28th January 2008 all claimants receiving a reduced benefit under Income Support were fully protected at the rate of their previous benefit. The impact of the reforms as at 28th January 2008 was that everyone that had applied for income support was receiving benefit at a rate equal to or above their previous benefit rate.

Whilst it would not be an “arduous task” in itself to make the like-for-like comparison requested, it must be acknowledged that a considerable amount of officer time is expended in answering the detailed questions submitted by the Deputy on a regular basis.

A comparison of benefits on 28th January 2008 would produce a different figure to the 56% quoted. However, I will not be asking my officers to undertake this analysis as their time is better spent on producing meaningful information to help us to provide a better service for claimants.

Question

2. Will the Minister inform members how many people are affected by, and the cost of, the 3 ‘minor enhancements’ to his scheme namely –
 - The extension of lone parent component to parents of children aged 16 to 18 who remain in full time education;
 - The high level personal care component to be available to parents of a child with a severe disability, without reference to parental income; and,
 - Automatic entitlement to first level personal care component for those with a 100% Long Term Invalidity Allowance (LTIA) award

Answer

It is estimated that 167 households are affected by the change in definition of the lone parent component, at a

budgeted annual cost of approximately £300,000.

There are currently 69 families that will be affected by the change to the way in which the high level personal care component for children is provided. The budgeted additional cost is estimated at £186,500 per annum.

Providing entitlement to the first level personal care component will affect approximately 535 households. The budgeted cost of these components is estimated at just over £500,000 per annum. However, this is not additional cost, as the proposal is concerned with the means by which individuals can apply for the component.

Question

3. In answer to a further question on After Housing Costs (AHC) disposable income, the Minister stated that *“the introduction of Income Support did not affect rental or other housing costs”* but then suggested that there would be no impact on AHC disposable income. Will the Minister explain to members exactly how the following changes will or will not affect AHC disposable income?

- Change from Health Income Exemption (HIE) to HMA for some;
- Reduction of Disabled Transport Allowance by 50% for those not working;
- Changes to the Rent Rebate/Abatement scheme for some claimants?

Whilst addressing the changes to the Rent Rebate/Abatement scheme, will the Minister also explain to members how this has been brought about and whether the reduction in the “generosity” of the scheme affects all claimants or just those at the higher incomes, and at what income level these reductions occur along with the total savings achieved?

Answer

It is difficult to answer this question as its intention is not clear.

As a general principle, any analysis that seeks to isolate the impact of individual components of income support or predecessor benefits will be unlikely to produce any meaningful information due to the very different rules governing the different benefit schemes.

The terms “after housing costs” (AHC) and “before housing costs” (BHC) are commonly used in the analysis of disposable household income. BHC incomes are calculated without deducting the rental or other accommodation costs of the household. AHC incomes are calculated having deducted the rental and other accommodation costs of the household.

The Health Insurance Exemption scheme, Disabled Transport Allowance and rent rebate/abatement schemes have all been replaced by income support. It is impossible to distinguish between changes to benefit levels as a result of these benefits being replaced compared to changes resulting from other benefits that were replaced by income support. The total change to AHC income would be identical to the total change to BHC income.

The analysis that can be undertaken, and has been presented to the States in the detailed report circulated on 4th June, is to consider the impact of all the changes on different types of household.

In particular, the rent rebate and rent abatement schemes no longer exist and housing costs are now supported through the income support scheme. This has been brought about in exactly the same way as the replacement of all other previous benefits following a number of States decisions which clearly listed all the benefits to be replaced.

One of the main reasons for introducing income support was to provide a common assessment of income and assets, to ensure that all households were treated fairly. The calculation of income support benefit is based on

(sum of components) less (assessed income) equals (income support benefit).

For tenants, the accommodation component is set at the rental value of the property occupied, subject to the property being an appropriate size for the household, and the rental being no greater than the fair rental value for the size of property. These rules are applied consistently to all claimants, not just those at higher incomes.

There have been no savings by replacing the rent rebate and rent abatement scheme as the full budget from these benefits and all other benefits replaced by income support has been transferred to the income support budget.

Question

4. The Minister has assured members on several occasions that the sum allocated to IS was the sum, adjusted for inflation, that was previously spent on all the previous benefits replaced by IS and that there was only a small contingency fund set aside for the unexpected. How was the Minister able to state in his answer of 17th June 2008 that a total of over £2.5 million has been found for additional spending to deal properly with Attendance Allowance, Adult Disability Allowance and Child Disability Allowance from within the budget?

Answer

The explanation for the adjustments to income support was given in my answer tabled on 3rd June 2008. I repeat the explanation:

“The analysis of cost undertaken before the implementation of income support was, of necessity, prudent and estimates had to be made for the distribution costs within income support. It is still very early to attempt to analyse the ongoing cost of income support but I am committed to providing the best possible support that can be provided within the budget allocation. I am confident that the cost of these minor adjustments can be met. I will continue to monitor costs very carefully and introduce further enhancements to income support whenever possible.”

As explained in the report circulated to States members on 4th June, in some areas of income support, claims will build up over a period of time. The effect of this is to provide some additional funding for one-off costs. It must also be recognised that the costs involved in income support are subject to complex interactions between a wide range of factors.

The budgeted cost of providing additional protected payments in respect of recipients of Attendance Allowance, Adult Disability Allowance and Child Disability Allowance is £685,000 in 2008 and £587,000 in 2009, this is a total of £1,272,000 over the two years. These are one-off costs which will not recur.

The £2.5 million quoted in the Deputy’s question relates not just to the additional protected payments but also to the cost for 2008 and 2009 of the budgeted cost of the three changes (mentioned above) relating to lone parents, children with severe disabilities and working age adults with 100% LTIA awards. As previously explained this is not all additional spending.

Question

5. Will the Minister confirm that the figures given in an answer to my question on June 17th regarding incentives to work mean that a person on IS will be able to earn only around £40 (or between 7 and 8 hours on the minimum wage) before being subject to a 94 pence deduction in IS for every additional £1 earned, and if so, how is this supposed to encourage claimants to return to full-time (35+ hours) working?

Answer

To qualify for income support, adults must be in full-time work or satisfy one of the exemptions for full-time work. A claimant who is capable of undertaking full-time work must take up available work in order to claim income support. A claimant who chooses not to undertake full-time work when such work is available and, has no good reason for not taking up work is not eligible for income support.

Income Support introduces a statutory requirement to support oneself, whenever that is practical. The law also includes a large number of exemptions to ensure that individuals are not required to work if they are elderly, looking after a young child, caring for someone with a severe disability, unable to work due to their own disability or illness or in full-time education. An individual who is available for work but unable to find employment is also supported, as long as s/he undertakes appropriate jobseeking activities.

The stepped disregards set out in schedule 2, Paragraph 5 of the General Provisions Order apply to earnings up to £435.50 per week. Above this level, the 6% disregard is used as it produces a greater reduction than the stepped disregard. In addition to the 6% disregard, allowances against earned income are also made for social security contributions at all income levels (a further 6%).