

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 16th JUNE 2009**

Question

Will the Minister explain to members why the number of households on transition payments in Income Support (IS) has fallen to 2,734, according to answers given to the Assembly on 28th April 2009, when the report "Distributional analysis of income support households" of June 2008 showed 3,559 households in receipt of such protected payments?

Will he further state how many of these 800 plus households have had their protection payments removed due to the practice of treating any change of circumstances as a new application for IS which does not qualify for protected payments?

In addition, will he explain to members how this practice fits with his commitment to extend 100% transitional protection from October 2009 to January 2010 and then to October 2010 through the Economic Stimulus package as revealed in his answer on 28th April 2009?

Will he also give members an estimate of how much money has been cut from benefit support through this practice over the past year?

Answer

The number of households receiving protected payments is affected by a number of factors, and was always due to steadily decrease following the introduction of Income Support.

Inevitably, some claimants will die and others will leave the Island. Other claimants will experience a change of circumstances which improves their financial position. If the change of circumstances is such that they would no longer have qualified for the benefit that they received prior to Income Support, then the protection in respect of that benefit is removed. This is no different to what would have happened if the previous benefit were still in place.

All these factors were anticipated, and, prior to the introduction of Income Support, it was stated that the transitional phasing would be adjusted, in line with the actual cost, once the full effect of these factors was understood.

Two factors were not anticipated in advance. Both factors have led to the number of households needing protected payments falling more quickly than expected. The global recession has led to a decrease in income for many local families and this is reflected in higher Income Support rates. In general, if the Income Support entitlement for a household exceeds the value of the protected payment, then the protected payment falls away as it is no longer needed, but has been replaced by Income Support. This leads to an increase in the cost of Income Support and a decrease in the cost of protected payments.

Income Support components and incentive rates have also increased faster than was originally predicted. This is mainly due to the additional funds provided following the acceptance of P.163/2008 (the Le Fondré proposition) at the end of 2008. Each time that Income Support rates or incentives are improved, a number of households previously receiving a small amount of protection, will no longer need that protection as their Income Support benefit rises above the protected level.

The question refers to the "practice of treating any change of circumstances as a new application for Income Support which does not qualify for protected payments". This is not an accurate statement of the terms under which protected payments are provided, as set out in the Income Support (Transitional Provisions) (Jersey) Order 2008.

Households receiving Income Support with or without an additional protected payment are required to notify changes of circumstance to the Department in a timely fashion. The Department will recalculate the Income Support entitlement and adjust the protection as necessary. In the majority of cases, there is a small adjustment up or down and the protected payment will continue to be paid at a revised level, reflecting the change in the Income Support entitlement.

However, as explained above, if the household circumstances change such that the household would no longer be entitled to the previous benefit (as if it still existed), then the protection in respect of that previous benefit is removed. A simple example is that of Family Allowance. This was available in respect of a child up to the age of 18 (in education). If a child of an Income Support family reaches the age of 18, then that family will no longer receive protection in respect of the previous Family Allowance benefit.

In some cases the change of circumstance will increase the Income Support entitlement of the household to such an extent that a protected payment is no longer necessary as the Income Support amount is higher than the protected amount.

For example, a household previously received £50 per week rent abatement and now has an Income Support entitlement of £20 per week. The household therefore receives £30 in protected payment. If an adult in the household is made redundant and the household income drops significantly, then their Income Support entitlement will increase to, say, £300 per week. This household no longer needs to receive any protected payment as the Income Support they receive is now greater than the legacy benefit of £50. If the household subsequently has a further change of circumstance and the household income increases, then the Income Support entitlement is adjusted according to the circumstances at that time and no longer relates back to the protected payment that was originally provided.

One of the major aims of protected payments was to provide a smooth transition for households with little opportunity to increase their household income, such as pensioners and individuals with disabilities. These household groups are less likely to be subject to the fluctuations set out above and are currently benefiting from the extension of 100% protection.

Members will be aware that the Department has successfully bid for additional funding for protected payments in the 2009 Business Plan and has submitted a further bid for additional funding in the Economic Stimulus programme. The original budget for protected payments of £22.5 million has now been increased to £28.25 million with a further £1.44 million requested.

The total Income Support benefit budget has increased from £74 million in 2008 to £80 million in 2009. A further bid for up to £2.3 million is included in P.83, to meet the additional costs of Income Support benefits during the recession.

It is not practicable to track the benefit costs associated with individual families experiencing particular changes in circumstances. However, as shown above, both Income Support budgets and protected payment budgets have grown considerably since the inception of Income Support.