

STATES OF JERSEY



LIVING ON LOW INCOME (S.R.4/2016): RESPONSE OF THE MINISTER FOR SOCIAL SECURITY

**Presented to the States on 21st October 2016
by the Minister for Social Security**

STATES GREFFE

LIVING ON LOW INCOME (S.R.4/2016): RESPONSE OF THE MINISTER FOR SOCIAL SECURITY

Ministerial Response to:	S.R.4/2016
Ministerial Response required by:	19th October 2016
Review title:	Living on Low Income
Scrutiny Panel:	Health and Social Security

1. Strategic Aims

As explained by the Scrutiny Chairman, this Review was initiated following the approval by the States Assembly of the first part of the Medium-Term Financial Plan (MTFP) – which included holding the tax-funded benefit budget roughly at its 2015 level through to 2019. To achieve this, a number of changes were agreed to the level of support available through the Income Support system. The Scrutiny Review examines a range of topics, principally based around the experiences of those Income Support claimants who submitted evidence to the Panel.

However, it should be understood that the means to protect vulnerable people within our society are much broader than the provision of a financial benefit system. In particular the Council of Ministers agrees with arguments put forward in the Review which suggest that low-income households should be supported by measures that help them provide for themselves and move towards financial independence. This will be achieved by working across all Departments to improve long-term outcomes for low-income households. The States should support lasting objectives that help low-income and vulnerable households stay healthy, make the best of education, enjoy good quality accommodation and move closer to or achieve financial independence. These are all valuable in themselves, and have the long-term by-product of reducing the proportion of local households wholly or partly dependent on benefits.

In this context it should be noted that the measures agreed in 2015, and in the second MTFP debate in 2016, allow for Jersey to target resources in ways that directly support our strategic aims of improving health and education services. These complement 2 of the strategic aims from the previous Council of Ministers, namely to get people into work and to improve the standard of housing in the Island.

The Strategic Plan observes that poor health can drive social exclusion, and that social exclusion itself can cause health problems. It also establishes the principle that education in Jersey will play a pivotal role in the prevention of social exclusion, based on the evidence that that people who leave school with low levels of educational attainment and poor basic skills are at a higher risk of experiencing social exclusion as adults.

Ministers are pleased to state that significant progress is being made in all 4 areas: housing, work, health and education. This progress is improving the lives of low income families and vulnerable individuals. Any discussion of low income needs to be carried out within the context of a review of the public services and amenities available to low-income households.

Taking these 4 areas in turn:

Health

Low income is often associated with poor health outcomes and the provision of good health services has a disproportionately positive impact on low income groups (i.e. they get the greatest benefit from comprehensive health services).

The States has invested in an ambitious programme of health reform, as agreed in 2012. More investment is planned for the future; this long-term investment is essential to ensure that low-income households in Jersey continue to see their general health and wellbeing improve.

Some recent examples of initiatives relevant to households included in this review include –

- additional support for certain groups of high-risk pregnant women through an intensive health visiting programme;
- rapid response and re-enablement for elderly people after a medical emergency.

A multi-agency antenatal pathway has been developed, which includes midwives, health visitors from Family Nursing and Home Care and social services. The pathway has been developed to provide early identification and intervention to antenatal women identified as requiring additional levels of input. It assesses the need for potential additional support from a range of professionals which may include health visiting teams, social services, safeguarding team and mental health services.

The Rapid Response and re-enablement service uses modern technology and treatment to help people stay in their own home or return back to their own home after a hospital admission or medical emergency. This community-based service also supports patients to be cared for at home to avoid unnecessary hospital admissions, and to avoid premature long term admissions into care homes.

Each of these initiatives will deliver a strong benefit to low-income households. As these are issues that disproportionately affect lower-income households; they represent the sector of society that will benefit most from their introduction.

Education

This is a new priority within the current Strategic Plan; a key feature is the introduction of the Jersey Premium scheme. This scheme will provide funding to schools, earmarked for specific children from low-income families. It will be targeted by the individual school to ensure that these children are helped by their primary and secondary school to get the best start in life. The aim is to promote long-term social equality by reducing the gap in attainment between children from low-income families and children from higher income families. A pilot scheme has been running throughout 2016 with help from Social Security officers, and the full scheme will be operational in 2017.

The growth funding for these, as well as many other health and education projects, flows directly from the current Medium Term Financial Plan. The investments included in the MTFP are supported by the additional funding freed up by holding the benefit budget steady until 2019.

Back to Work

Getting people back to work was the key priority in the previous Strategic Plan, as the Island was dealing with the impact of the global recession. Investment in a range of Back to Work services has been very successful and the level of unemployment has dropped steadily since 2012.

Whilst it is right that low-income families should receive means-tested financial assistance, support to move towards financial independence is of far greater and longer-lasting benefit to both the individual and the Island as a whole. Helping a family towards financial independence has a long-term positive impact on that family in a number of ways, not solely those restricted to their immediate income. As they earn more, these households will also contribute more towards the economy.

In 2015, as a result of the ongoing improvement in the labour market, key Back to Work services were successfully extended to parents of nursery age children and to some individuals with long-term health conditions. As these individuals are helped back into the labour market they will increase their household income as well as gaining from the other well-documented benefits of employment, particularly the improved health and social outcomes that come from being in regular work.

This was reported in the Social Security Department: Minister's Report 2015 ([R.104/2016](#)) as follows –

Actively Seeking Work: Statistics

We gather and maintain data on all individuals who are actively seeking work (ASW). This data is reported to the Statistics Unit on a monthly basis and is used to produce and publish an independent analysis.

This is illustrated in Figure 24 which shows the number of individuals actively seeking work from 2009 to 2015, with 1,390 people ASW in December 2015 compared to 1,440 in December 2014. In December 2015 a quarter of those registered as ASW are working part time, but required to find more hours under their Income Support requirements.

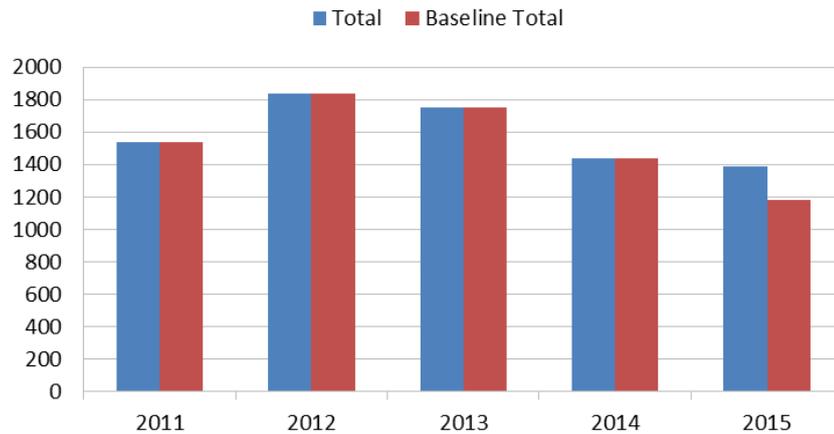


Figure 24: Number of individuals actively seeking work at 31 Dec, 2011 to 2015, including an estimate of the baseline total without additional ASW groups.

As previously noted, changes in ASW reporting throughout 2015 resulted in increases to the numbers of people recorded as ASW. These had the effect of including certain Income Support groups in the ASW figures for the first time. Despite this, Back to Work was still able to report a positive trend of decreasing numbers of people looking for work, particularly through the additional support services offered to these groups.

The Back to Work teams and initiatives helped unemployed people into 1,910 paid jobs over 2015, compared to 2,140 in 2014 and 1,818 in 2013 when unemployment levels were higher. There is no doubt that without the investment in Back to Work the numbers of those registered as seeking work would have been higher than those experienced.

Housing

States members have previously acknowledged the poor quality of many social housing properties, and have called for significant investment to be made in the refurbishment of existing social housing, and in building new social housing for rent and to purchase. Decades of under-investment had resulted in a position where a large number of the social housing properties owned and managed by the former Housing Department were in urgent need of repair and modernisation. For example, in 2010 only 75% of States-owned properties achieved the Decent Home Standard.

The unacceptable standard of some properties lead to a fundamental review of the structure of social housing provision being carried out in 2010. The Housing Transformation Programme (HTP) identified a number of key challenges, including the resource constraints faced by the Housing Department in refurbishing and developing social housing, particularly where a large variation in the levels of rents paid by tenants existed across social housing properties.

The States recognised that investment in social housing had become an urgent problem, and there was a need to place the social housing sector on a long-term sustainable financial footing. The HTP was agreed as a result by the Assembly in 2013 ([P.33/2013](#) 'The Reform of Social Housing') and implemented from 2014 onwards. The measures adopted by the Assembly included the creation of a not-for-profit,

States-owned housing company, Andium Homes, tasked with supplying new and better standard homes – underpinned a £250 million housing bond to inject the necessary funds, sustained by the 90% rent policy to generate sufficient income to invest and repay borrowing.

This investment is already producing positive results. Andium Homes provides an increasingly high standard of social housing to over 4,500 families, and will continue with a significant development programme in the years ahead, which will result in over 1,000 new home completions on former States-owned sites, land rezoned for social housing and through intensification on existing sites.

This will go a long way towards meeting the island’s affordable housing needs as identified in the 2016 Housing Strategy and revised 2011 Island Plan, helping to reduce the numbers of people waiting to access social housing on the Housing Gateway, which currently stands at approximately 1,000 households.

The recent Andium Homes’ annual report and strategic business plan¹ illustrate the success of HTP in delivering new homes and creating sufficient investment to fund the steady improvement in the quality of existing homes available to low income families. The Business Plan includes this section –

Objective 2 – Providing great homes in safe communities

When the States transferred its residential portfolio of 4,500 homes to Andium Homes, only 75% of these homes met the minimum ‘Decent Homes’ standard, following many years of under-investment. If this underinvestment had continued, non-compliance rates would have dropped to 50% by 2018. Andium Homes was charged by the States with the significant challenge to bring all these homes up to the “Decent Homes” standard within ten years, by 2024. At the end of 2015, those homes meeting the standard had increased to 88% and a five year plan is now in place to achieve 100% compliance by the end of 2020, some four years early. The financial implications of that plan are built into the figures set out within this business plan.

Ministers are pleased with the positive results that Andium Homes are producing – including achieving the Decent Homes Standards on all properties by 2020; delivering 1,000 affordable homes by 2020; and increasing opportunities for affordable home ownership by 300 homes over 5 years demonstrates the impact that the investment in social housing is now making.

It would not have been possible to improve and expand social housing provision without the necessary significant, long-term investment underpinned by borrowing and the 90% rent policy.

Alternative approaches and different rent models were considered as part of the HTP, but it was found that there no were no other ways of effectively achieving the necessary improvements without the model that was adopted. Indeed, this opinion was shared by the Health, Social Security and Housing Scrutiny sub-panel as part of its

¹<https://www.andiumhomes.je/publications/Documents/Andium%20Homes%20Strategic%20Business%20Plan%202016%20-%202020.pdf>
<https://www.andiumhomes.je/publications/Documents/Annual%20Report%202015%2012.06.16.pdf>

review of the HTP,² which included a key finding that “if rents are set at lower than 90% of market rents in the future the Housing Company [Andium Homes] risks becoming unsustainable.”

The 90% policy needs to be maintained to secure this continuing significant investment, although it should be noted that it is only applicable to new tenancies. At this stage, 23% of tenants are on a 90% market rent, and the average rent is 77% of market rent. By 2019, the average rent will be 80%. The move onto 90% rents is therefore a gradual process. Low income households are protected from increases when they move on to the 90% rents policy through Income Support, as Income Support components have been adjusted upwards to fully reflect the rates charged to social housing tenants. This means that even where rents have risen, the tenant has been fully protected and has not faced any extra cost.

The Minister for Housing believes that the investment being made in social housing is now showing significant benefits. The housing trusts are also contributing towards the Island’s need for affordable housing, as identified in the Housing Strategy and the revised 2011 Island Plan.

Andium Homes’ tenants are also benefitting from more efficient properties because they now meet the Decent Homes Standard and so are cheaper to run. Furthermore, it is believed that the standard of living of tenants is not just a function of their income levels, but also the quality of their housing and neighbourhoods, which is a key component of the 2016 Housing Strategy. In terms of improving standards, Andium carried out a survey in 2015 which demonstrated a 95% satisfaction rate with the neighbourhood in which their clients live.

Finally, the Minister for Housing believes that housing costs generally are best addressed by a consistent supply of housing. A greater supply of homes for purchase and to rent both in the private and social housing sectors will help to reduce upward pressure on housing costs by more closely matching supply and demand.

The Social Security Department is also participating in Andium’s programme to train tenant representatives in issues that affect people living in social housing. Officers will be leading workshops on both the Income Support and Long-Term Care benefits, with the aim that tenants will feel more confident in helping their neighbours access benefit and communicate issues to Social Security.

The Panel has made one recommendation in this area:

	Recommendations	To	Accept/ Reject	Comments	Timescale
7	The Minister for Housing should conduct an economic and social impact assessment on the current housing rental policy and report to the States by July 2017.	HM	Reject	The 90% market rent policy was adopted by the States Assembly in P.33/2013 ‘The Reform of Social Housing’ and underpins the purpose of the Housing	

² [S.R.6/2013](#):Health, Social Security and Housing Scrutiny sub-panel (April 2013) ‘Housing Transformation Programme Review’ p.61.

	Recommendations	To	Accept/ Reject	Comments	Timescale
				<p>Transformation Programme. The 90% rents policy was examined in detail as part of the HTP and was considered necessary to placing the social housing sector on a sustainable financial footing.</p> <p>It is too soon after the introduction of the 90% rent policy to review it in its entirety now, and the 2016 – 2020 Andium Business Plan, or public finances, should not be called into doubt by doing so now. However, as with any policy change, continuous monitoring is necessary (and is taking place) and a full review in due course would be appropriate, as the number of people on 90% increases, to create sufficient evidence on which to undertake a review.</p> <p>Furthermore, as part of the Housing Strategy, there will be opportunities to review policy related to the 90% policy, including issues such as downsizing, and ensuring that people live in accommodation that is appropriate for their needs, and the effect of the rental policy on these types of issue.</p>	

2. The measurement of income

Income distribution and ‘buying power’

The remit of the Review makes extensive reference to the Income Distribution Survey and the measurement of relative low income in Jersey. The income distribution survey published in 2015 by the Statistics Unit provides an income distribution across all Jersey households.

In order to make comparisons, a process called equivalisation is used to standardise the size of the households included in the survey. From this, an average (median) household income can be calculated, based on a household of 2 adults. This average income includes all income sources including wages, pensions, and unearned income. The cost of income and property based taxes is then deducted to give the headline figure. The survey allows for incomes to be measured before and after housing costs are taken into account. These are standard techniques used in many countries, including the UK.

- Before housing costs are removed, the median household income in Jersey is £680 per week. This figure is 50% above the same figure for the UK, which is £453 per week.
- Average housing costs are affected by mortgage interest rates, the cost of rented accommodation and the proportion of households that own their homes outright, are paying a mortgage, or are paying rent.
- After housing costs are taken into account, median household income is £560 per week. The median income is 45% above the same figure for the UK, which is £386 per week.

This confirms that average incomes are higher in Jersey than the UK, but it is also true that costs are often higher. An analysis undertaken by the Statistics Unit (Jersey-UK Relative Consumer Price Levels for Goods and Services)³ in 2013 looked at all areas of household expenditure and compared costs across the two jurisdictions.

Overall, prices in Jersey were 20% higher. Although these surveys relate to different years, it is clear that the higher costs identified in Jersey are more than compensated for by the higher level of average household income. In summary, the median income in Jersey has more ‘buying power’ than the median income in the UK.

Relative low income

The measurement of relative low income sits within this framework of overall income distributions. The measure used by the Statistics Unit is the internationally recognised standard of 60% of the household median income⁴.

³<http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Js%20yUKConsumerPriceLevels2013%2020130306%20SU.pdf>

⁴ It should be noted that conceptually RLI relates to potential susceptibility not only to relative economic hardship (“poverty”) but also to social exclusion within a given jurisdiction. It is also important to consider the depth (intensity) of RLI, which is an important complementary measure, relating to the shape of the distribution below the RLI threshold. The depth of RLI can be very different between jurisdictions (with different tax-benefit systems) and lead to important additional interpretations of the relative positions.

To recap the numbers provided by the survey, the relative low income thresholds for a couple with no children are –

Weekly income	Jersey	UK
BHC	£410	£272
AHC	£340	£232

Having applied a 20% uplift to UK prices to reflect Jersey costs, this table confirms that the buying power of a household at the RLI threshold in Jersey is significantly higher than the UK equivalent⁵.

Weekly income at Relative low income threshold	UK	UK uplifted to Jersey prices	Jersey
BHC	£272	£326	£410

The number of households lying above and below the relative low income threshold provides useful information about the overall income distribution within a jurisdiction. However, on its own, it does not provide information on the level of actual poverty within a country. Whereas it is useful to track these statistics and they can be used in some areas to support the development of various areas of government policy, they should not be used on their own to determine benefit policy.

3. Supporting low income families

The level at which Income Support-type benefits are provided ranges considerably from jurisdiction to jurisdiction and there is no agreed international standard policy as to how these levels should be set.

In 2008, the Income Support scheme was based on the funds available from transferring existing benefit budgets, where these were being replaced by the new coordinated system. Since then, additional budget has been allocated to Income Support in response to the recession and in line with other States policies (in particular the adoption of the Housing Transformation Programme). At the same time, benefit budgets have not been exempt from restrictions in government spending and a number of changes have been made to Income Support to support the comprehensive spending review and the 2 Medium-Term Financial Plans.

Income Support is designed to cover the basic needs of a household and as such it includes components for each adult and child, housing costs, and additional costs associated with long-term incapacity, child care and informal carers. Income Support is also designed to encourage households to become more financially independent by allowing a proportion of income to be retained by the household on top of the basic Income Support components.

⁵ This is known as Purchasing Power Parity (PPP). The PPP is a simple measure of relative cost of living (COL) and is averaged across all private households. The relative COL between jurisdictions for particular types of household (e.g. pensioners, low income) may, in principle, be quite different to the overall average implied by the PPP.

Citizens Advice Jersey (CAJ) were asked to comment on the current Income Support system by the Scrutiny Panel during the course of this review.

The following quote confirms the view of Citizens Advice Jersey that Income Support does fulfil its core purpose of providing a safety net to low income families. The Panel asked the question “Do you think the benefit system is adequate to support those on a low income?”

The response from CAJ was as follows –

“We consider that the benefits system provides an adequate safety net for those that are low skilled and on a low income. We appreciate that there needs to be incentives for people who are in receipt of in-work benefits to pursue employment opportunities and the balance needs to be struck between providing a realistic level of benefits income against the long term sustainability of the benefits scheme and the cost to the tax payer.

We are also aware of the very good work the Back To Work team at the Social Security Department are doing in assisting such clients and helping them back into the work place, some into voluntary positions and some into paid employment”

Relative low income and Income Support

The Scrutiny report and the accompanying adviser’s report provides detailed analysis of relative low income levels in comparison to Income Support households. The reports use the phrases “escaping relative low income” and “escaping Income Support”. Both aspirations are achieved by helping the household to become more financially independent. This is a key aim of the Social Security Department. However, it should be noted that the Panel’s recommendations to increase component levels will make it harder for families to “escape” Income Support, as they would need a higher overall income before they move out of Income Support completely.

Income Support families moving towards financial independence

The Scrutiny review includes a detailed analysis of theoretical Income Support households working at minimum wage. However, only about 10% of workers receiving Income Support are paid at the minimum wage. A survey undertaken in 2015 of the hourly rates of workers receiving Income Support identified an average hourly rate of £9.84 per hour. In May 2015, the Chief Minister published this information as part of a review of the introduction of a living wage in Jersey⁶.

As noted above, helping families into work improves financial independence as well as reducing the cost to the taxpayer of Income Support. The 2015 Social Security Department annual report provides evidence of significant progress in this area. The number of working age households with no earned income and receiving Income Support has fallen from 60% of all working age Income Support households in 2011 to 49% in 2015. It is particularly pleasing that this improvement is mirrored in the number of children living in households with no parent in work. This has fallen from 39% to 28%.

⁶ <http://www.gov.je/government/pages/statesreports.aspx?reportid=1325>

Extract from Social Security Department: Minister's Report 2015

Over the previous five years from 2011 to 2015, the percentage of working age households with no adults with earned income has decreased steadily from 60% to 49%. In addition, the percentage of children in workless households has decreased at a similar rate, as shown in Table 34.

Year	% of Working Age Households with No Earned Income	% of All Children in Working Age Households with No Earned Income
2011	60%	39%
2012	58%	35%
2013	55%	35%
2014	52%	32%
2015	49%	28%

Table 34: *Percentage of children in households with no earned income as at 31 December, 2011 to 2015.*

The annual report also identifies the improvement in the number of households that are totally reliant on Income Support – i.e. they have no other source of income at all. This has fallen from 18% in 2011 to 13% in 2015.

The previous five years have seen a significant decrease in the percentage of Income Support households that are wholly reliant the weekly benefit as their source of income. Table 32 shows that this trend can be seen across all household types.

Year	65+	Adult/s without children	Adults with child/ren	Single adult with child/ren	Total
2011	1%	34%	6%	20%	18%
2012	1%	34%	6%	17%	19%
2013	1%	32%	6%	17%	17%
2014	1%	29%	4%	17%	15%
2015	1%	25%	2%	14%	13%

Table 32: *Percentage of Income Support households wholly reliant on Income Support by year and household type as at 31 December, 2011 to 2015.*

4. Working with others

The core social role of government is to allocate money gathered from taxpayers to support public services, according to the rules and overall priorities agreed through the democratic process. This will by necessity involve allocating resources according to broad priorities, and so there will always be areas that sit outside the direct remit of government. Jersey is very lucky to have a history of government that is complemented by a strong tradition of voluntary service and charitable giving. The Island's charitable bodies will identify their own priorities for assisting vulnerable groups and have much more freedom than government departments.

This strong voluntary tradition is reflected in the number of local groups involved in supporting vulnerable families at present. The report identifies food banks in particular. Although evidence shows that many countries have recently seen increases in this specific type of voluntary activity, voluntary agencies that provide food and other essentials have a long history in the Island. These are organisations that have always worked closely with Income Support, and they continue to do so.

Following the publicity in respect of food banks operating in Jersey during 2015, the Minister for Housing and the Social Security Department arranged a series of information sessions for food bank providers and other related organisations. These involved training on the benefits administered by Social Security, as well as information on related areas such as environmental health, safeguarding and the Housing Gateway. They enabled food bank volunteers to make direct contact with relevant States officers, in order that accurate advice could be given to clients and appropriate referrals made. Assistance was given to food banks to help them record the reasons for the public using their services. The feedback from these events has been very positive, and contact has continued between officers and representatives of the voluntary sector.

	Recommendations	To	Accept/ Reject	Comments	Timescale
1	The Chief Minister should report to the States on the outcome of his investigation into the increasing use of Food Banks within 6 months.	CM	Accept	This recommendation is already complete. The report into use of food banks will be lodged as a Report, and made available to the public within the next couple of weeks.	Early November 2016

Parishes are identified in the report as having control over a number of charitable funds. Government departments continue to work closely with the Parishes in many areas, particularly in supporting vulnerable households.

A number of other charities have contributed to the Scrutiny review, identifying issues on behalf of their specific client groups. The review does not however fully reflect the close working relationship that exists between States departments and these charities. For example, the Social Security Department has instituted a rolling programme of training and information events for staff from the voluntary sector, and any charity

that will benefit from closer contact has a direct line to a named staff member. Contact to discuss the type of issues raised in the review is frequent and longstanding.

In particular, Citizens Advice Jersey plays a key role in the voluntary sector in Jersey. Unlike other bodies, this organisation provides services to the whole community and does not seek to champion the needs of any particular group. This is essential in terms of providing objective information about the States-administered benefits system, and in helping those members of the public who fall through the gaps, or who require signposting to other agencies.

There are 3 recommendations in this area, 2 of which relate to States departments. Ministers generally support these recommendations, although as noted above, the remit of many voluntary organisations is not directly aligned to tackling relative low income, but rather to provide specialist support to individuals in particular areas.

Ministers are always keen for officers to work more directly with Parishes. Officers will be contacting Parish staff to offer dialogue about support for low-income parishioners, and to offer the same kind of training support that has been made available to food bank providers and Andium tenants.

	Recommendations	To	Accept/ Reject	Comments	Timescale
2	The Chief Minister, through the Social Policy Group, should ensure that a co-ordinated and consistent approach is taken by the States towards charitable organisations supporting people living on a low income and should review their levels of funding to ensure that the States are properly meeting the Strategic aim of tackling relative low income.	CM	Accept	The Chief Minister is committed to working with charities in a transparent and consistent manner. To this end, work is shortly to commence on developing the secondary legislation that is required to see enactment of the Jersey's Charities Law. Once this has been done, work will commence on the development of a Compact, setting out the relationship between government and the voluntary and community sector. It is envisaged that Compact will set standards with regard to reviews of funding levels. In addition, the Association of Jersey Charities will be using a proportion of Channel Island's lottery	End 2017 – AJC development support programme scoped. End 2017 – SoJ Charities Policy officer in place.

	Recommendations	To	Accept/ Reject	Comments	Timescale
				proceeds to provide development support to local charities, including in relation to supporting those charities to improve their impact reporting – this is essential to ensuring those charities can communicate the impact of their work, and that States departments can better interpret the impact of their work.	
3	The Connétables and Rectors should look afresh at the resources they have to help parishioners and, to the extent necessary, coordinate their approaches to distribution of these funds.	N/A			
4	The Minister for Social Security should collaborate with the Connétables and Rectors in efforts to ensure these funds are used for maximum benefit.	SS	Accept	The Minister acknowledges the important work undertaken within parishes and throughout the island by a host of charities and voluntary organisations. The Department will continue to work closely with Citizens Advice Jersey and will task her officers with liaising directly with parishes in order to investigate the use of their parochial discretionary funds	ongoing

5. Current projects - Social Security Department

The review identifies a number of areas where work is already underway. All these actions relate to the Social Security Department and they fall into 3 separate areas: changes to Income Support policy, the review of the Social Security scheme and operational changes to Income Support.

Income Support policy

The review makes proposals to increase work incentives and provide extra support for primary care costs within the Income Support system. Action is underway or planned in both these areas.

- **Adjust incentives**

Proposition [P.103/2015](#) (*Draft Income Support (Miscellaneous Provisions No. 2) (Jersey) Regulations 201-*) was approved by the States in October 2015. Under a section entitled “Building in flexibility” It explained that –

The Department’s savings proposals build in sufficient flexibility to cover any uncertainties and the possibility that demand for benefits might be higher than anticipated over the next few years.

The use of phased changes gives the Minister the flexibility to adjust the Income Support components and disregards to keep firmly within the agreed budget. Equally, it allows for the possibility of increases to Income Support during this MTFP, if economic conditions and States finances allow.
(*Emphasis added*)

This paragraph, written in August 2015, refers to future uncertainties. For example, at this point it is unknown whether the referendum for the UK to leave the European Union (popularly known as “Brexit”) will lead to significant changes to the economy. Against this considerable uncertainty the Social Security 2015 Annual Report charts an encouraging year-on-year improvement with the number of households claiming Income Support in 2015 (6,194) dropping to the lowest level for 5 years, and the number of working age households without any wage earners also decreasing steadily over this 5 year period.

Extract from Social Security Department: Minister’s Report 2015 (p.58)

Over the previous five years from 2011 to 2015, the percentage of working age households with no adults with earned income has decreased steadily from 60% to 49%. In addition, the percentage of children in workless households has decreased at a similar rate, as shown in Table 34.

<i>Year</i>	<i>% of Working Age Households with No Earned Income</i>	<i>% of All Children in Working Age Households with No Earned Income</i>
2011	60%	39%
2012	58%	35%
2013	55%	35%
2014	52%	32%
2015	49%	28%

Table 34: Percentage of children in households with no earned income as at 31 December, 2011 to 2015.

In line with P.103/2015, the Department is already committed to investigate increases in work incentives in 2017.

	Recommendations	To	Accept/Reject	Comments	Target date of action / completion
8	<p>To improve work incentives and reduce the ‘benefit trap’ the Minister for Social Security should –</p> <p>(a) examine whether additional payments – such as those for childcare or care related needs – could be removed from the Income Support calculation. An alternative mechanism of provision may be, for example, to pay for childcare for those with incomes below a fixed threshold;</p> <p>(b) examine the benefits of applying a higher level of disregard for earnings income and consider whether a separate disregard for second earners would better incentivise work;</p> <p>(c) Introduce an annual earnings allowance which does not affect Income Support entitlement, as in the UK.</p>	SS	Accept – Already in progress	<p>As noted above, the cash limit available for 2017 for Income Support does allow for some improvements in component levels and all work incentives.</p> <p>Previous Ministers have increased the work incentives from the original 6% to the current level of 23%.</p> <p>This level will be considered again during 2017 and the suggestions provided by the Panel will be included in those deliberations.</p> <p>However in respect of the specific proposals it should be noted that these could create significant additional cost within the Income Support system which is not currently budgeted for.</p> <p>It should also be noted that providing childcare payments for all</p>	2017

	Recommendations	To	Accept/ Reject	Comments	Target date of action / completion
				households with incomes below a fixed threshold would reintroduce some of the unfairness of the previous benefit system whereby one household received a full benefit but a similar household with a slightly higher income received no help at all.	

The recommendation of the Panel will be considered as part of the Social Security Department's investigation during 2017 into the best way to increase work incentives for households claiming Income Support.

- **Support health costs**

The Social Security Department – Strategic Aims and Business Plan 2016⁷ sets out the projects that the Department is undertaking in 2016. One of these is to “Investigate options to support GP costs for those in low income groups.” The Department is currently working with the Health and Social Services Department and has employed an external consultant to investigate payment structures within primary care. This will include an examination of support for low income groups.

	Recommendations	To	Accept/ Reject	Comments	Completion date
13	The Minister for Social Security's review of mechanisms to assist people on low income with health care costs should include consideration of uprating the medical provision in Income Support which has declined in value since 2008.	SS	Accept – already in progress	The review will include the value at which support should be provided. This will be considered alongside the eligibility for support and the means by which support is provided. The review will be completed during 2017. The review will consider the costs of unfettered access to GP services, but it will also consider alternatives which still	2017
14	The Minister for Social Security should report to the States by July 2017 on proposals to ensure that the original aims of the	SS	Partially accept – already in		

⁷<http://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Social%20Security%20Department%20strategic%20aims%20and%20business%20plan%2020160224%20LB.pdf>

	Recommendations	To	Accept/ Reject	Comments	Completion date
	Income Support system, that no-one should fear going to the doctor due to incurring unaffordable medical expenses, are effectively reinstated.		progress	provide appropriate access to primary care as required.	

- **Social Security Fund review**

The Panel acknowledges that the Minister for Social Security is undertaking a major review of the Social Security scheme. The Minister is happy to confirm that the introduction of auto-enrol workplace pensions, and the eligibility conditions for Home Carer's Allowance, will be included within this review.

It is noted that extending the Home Carer's Allowance to a much wider group of carers would have a financial impact on the Fund and this would need to be considered carefully before any decision is taken to increase Social Security contributions to support these additional costs.

	Recommendations	To	Accept/ Reject	Comments	Timescale
12 (partial)	The Minister for Social Security should ... investigate the introduction of legislation requiring all employers to enrol their employees in an occupational pension as a better way of achieving her aim of encouraging occupational pensions.	SS	Accept – Already in progress	This idea is included within the major review launched at the beginning of October.	Review will run from 2016 to 2019
17	The Panel recommends that the Minister for Social Security's review of contributory benefits should examine extending the range of the current Home Carer's Allowance	SS	Partially Accept	The Minister will consider the rules for Home Carer's Allowance as part of the review of contributory benefits. It should be noted that the recommendation suggests extending HCA to people who qualify for lower levels of	

	Recommendations	To	Accept/ Reject	Comments	Timescale
	and include caring for those on PC2 as well as PC3.			personal care. This would significantly increase the cost of this benefit, and no evidence is put forward to suggest that this is needed.	

- **Operational review**

The Panel acknowledged that their report was finalised without a discussion with the Minister for Social Security in respect of operational matters. On page 62 of the Review they note –

*This section contains accounts of some experiences of people living on a low income in dealing with applications to the Social Security Department. **The Scrutiny Panel has not yet had the opportunity to discuss all the issues raised in this section** with the Minister for Social Security but will take them up in a forthcoming Quarterly Hearing. The issues here provide significant authentic feedback to the department from their clients and the Panel considers it appropriate to include this section in our report **despite the fact that the Minister for Social Security has not yet had an opportunity to respond.***

(Emphasis added)

It is disappointing that the Panel were not able to discuss these issues with the Minister prior to publication. Over the last 12–18 months, there have been significant improvements in the administration of Income Support and in the treatment of claimants’ applications, amongst a number of other areas. It is a shame that it was not possible for these improvements to be formally recorded in the Panel’s findings.

The Social Security Department has invested heavily in improving the customer experience and the ability to deal with customer contact on a “right first time” basis. The full list of improvements made is extensive, but changes include an increase in staff capacity in customer facing areas, the introduction of online forms for certain benefits and changes, and the allocation of key officer contacts for third party partner organisations.

The result has been a considerable reduction in the time taken to process benefit applications and changes to existing benefits over the last year. For example, new claims to Income Support can now often be made and processed within 4 working days. Applications for a Special Payment are processed on the same day, changes to benefit are often made within one working day. This has made a real and welcome change to the customer experience. In particular, under and over payments of benefit have reduced.

The Panel suggests that moving to a general payment in arrears would reduce overpayments. However, this could also create significant difficulties for vulnerable claimants at the start of a claim or following a change in circumstance. Such a change would also require major administrative and IT changes, necessitating a considerable financial investment.

Customers are not just members of the public, but also voluntary organisations that often perform an advocacy role. As noted above the Department works very closely with many voluntary organisations and support services, including those who gave evidence to the Panel. These relationships are healthy, and productive on both a policy and operational level. Where appropriate, appointments can be arranged at the request of a voluntary organisation, and a training programme on Social Security benefits is ongoing, with the opportunity for all organisations to participate.

The Minister accepts that it is sensible to investigate what support could be made available to help parents pursue maintenance. This investigation will be carried out in conjunction with the results of the Access to Justice Review, currently being undertaken by the Chief Minister's Department.

	Recommendations	To	Accept/ Reject	Comments	Timescale
10	The Social Security Department should consider creating a role for an officer working on behalf of one-parent families to pursue absent parents for maintenance.	SS	Reject	The Minister will request officers to investigate how families can be better helped to secure maintenance. However, the Minister does not consider that creating a role and hiring an officer would be cost effective.	
15	The Minister for Social Security should examine ways to reduce the number of over and under-payments in Income Support. Consideration should be given to payments in arrears rather than in advance.	SS	Reject	Operational improvements have already addressed these issues	
18	The Minister for Social Security should establish an appointment system for key workers supporting Income Support claimants.	SS	Reject	Operational improvements have already addressed these issues	

6. Balancing priorities

The Panel includes 5 major recommendations, all of which seek to reverse decisions that have been taken by the States Assembly in the last year.

As noted above, the package of benefit changes supports the States decision to provide for £10 million of investment in the key priority areas of health and education. In calling for these savings to be reversed, the Panel does not suggest how this funding

should be replaced, nor does it offer any prioritisation within the recommendations. These recommendations do not support low income families towards financial independence. As such, these recommendations cannot be accepted.

	Recommendations	To	Accept/ Reject	Comments
6	The Minister for Social Security should suspend the freezing of benefits in 2017 in order to alleviate the pressures on low income households.	SS	Reject	<p>The States have already agreed these changes, and the Minister is confident that a strong case was made in order to secure States approval. No amendments to reverse these changes were submitted as part of the debate on the Medium Term Financial Plan Addendum.</p> <p>The changes have improved the structure of the Income Support system and it would be a retrograde step to reverse them.</p>
9	The Minister for Social Security should take the necessary steps to reinstate the one-parent component of Income Support as a matter of urgency.	SS	Reject	
11	The Minister for Social Security should re-examine the impact of her decision to change the Income Support disregard for new pensioners and devise a scheme which does not discriminate against the poorest section of pensioners in the Island.	SS	Reject	
12 part	The Minister for Social Security should suspend the changes she has made to pension disregards and ...	SS	Reject	
16	The removal of the LTIA disregard should be suspended pending the outcome of the Minister for Social Security's review of the contributory system.	SS	Reject	

The intent of Recommendation 6 is not clear – the Medium Term Financial Plan proposals do not require benefits to be frozen in 2017. In addition, as mentioned above, work is scheduled for 2017 that will identify any appropriate increases for Income Support components and/or disregards. These would most likely be brought into force in October 2017, which is the typical date on which Income Support components are increased.

Recommendation 5 is also rejected.

The Income Support system is available to every low income household who meets the residency conditions. It is designed to provide a single support mechanism to cover

all areas of financial need. The scheme covers living costs, housing costs and additional costs in respect of carers, childcare costs and disability and long-term illness.

There have been many changes to Income Support to reflect changing economic and social conditions over the last 8 years.

Work is already planned for 2017 to consider the extension of existing work incentives (subject to any change in economic conditions) and to review support for primary care costs.

The States have just agreed Departmental cash limits for the next 3 years and any extension of Income Support would require new funding; this would not be available until 2020 at the earliest. The main group that sits outside the Income Support system is made up of recent migrants who have lived in Jersey for less than 5 years. The Scrutiny review does not provide any evidence regarding this group.

The review does mention mortgage costs, and it is correct that no support is given towards mortgage costs, which are covered in some other jurisdictions. Extending Income Support into this area would require additional funding which is not available during this MTFP. The Minister does not intend to prioritise research in this area above other active projects, more closely aligned to vulnerable groups.

	Recommendations	To	Accept/ Reject	Comments
5	The Social Security Department should conduct a comprehensive review of the Income Support system to ensure that it is reaching the people who are in need and bring a report to the States by July 2017.	SS	Reject	Income Support is already a comprehensive tax funded benefit system which is potentially available to any household that meets the residency test. (It is not based on payment of Social Security contributions). All aspects of Income Support were considered as part of the Department's internal review undertaken as part of the MTFP process.

7. Longer term

The final recommendation relates to the next Council of Ministers. It is not appropriate at this time to prioritise one particular area of growth above any other.

	Recommendations	To	Accept/ Reject	Comments
19	The Council of Ministers should exempt Social Security from any further savings cuts in the next MTFP and identify new funding streams to uprate appropriately current Income Support components.	CM/ CoM	Reject	It is the decision of each Council to determine what proposals should be presented to the States Assembly with regard to the MTFP. This Council is unable to commit the next Council to any particular course of action.

Comments from Minister for Social Security on key findings

Key Finding 1: The voluntary sector in Jersey is playing an increasingly important role in providing essential assistance to people living on a low income.

The Minister welcomes and appreciates the input of the voluntary sector, and has consistently ensured that the voluntary sector has access to her officers, both those with responsibility for broader policy development and those responsible for the maintenance of everyday benefit claims. The Department has carried out a programme of training and information events for staff from the voluntary sector, and many organisations have direct contact with named staff members.

Officers from the Social Security Department are in regular contact with Citizens Advice Jersey, SNAP, the Shelter Trust, with food banks and with Community Savings. Officers attend Brighter Futures and run training events for many smaller organisations not mentioned in the Scrutiny Review. There is always the opportunity to raise specific problems or general opinions about the way Social Security does its business. The Minister views these organisations as key partners in helping low-income households.

It is also important to note that the voluntary sector operates under different criteria to the low-income benefit system, and is free to set its own conditions for assisting people. For example, Income Support was established with a strict residency condition, whereas charities are free to assist households who may not meet this condition to access benefits. Benefit systems have conditions, so if somebody cannot access benefits (either due to not meeting conditions, or by their own actions) it is up to charities if they wish to supplement somebody's income.

It is difficult to judge whether the voluntary sector is playing an increasing role in providing essential assistance to people living on a low income. There is a long tradition of voluntary service and charitable giving in Jersey and organisations will expand and contract for many different reasons. The Scrutiny Review did not set out to undertake a comprehensive review of all voluntary sector activity, so it is not

possible to draw any particular conclusion from the increased activity of a small number of organisations.

Key finding 2: The growing use of Food Banks in Jersey is a consequence of the increasing pressures on people living in Relative Low Income and the widening income inequality gap in Jersey which has been highlighted in the Jersey Household Income Distribution Survey 2014/15.

Subject to the general comments raised above, the Review does not present concrete evidence that this is the case. Research carried out by the Chief Minister's Department indicates that food bank usage in Jersey is below that in the UK, and that there are a number of reasons for their use. Some of these will be households who have restricted their own access to benefit by failing to meet the job seeking conditions of Income Support.

Key Finding 3: The Minister for Social Security's assertion that the growth in use of Food Banks is mostly due to people who have recently arrived in the Island and who are not qualified for Income Support is at odds with the experience of the charitable organisations, as reported above to the Panel.

Key Finding 4: The Minister for Social Security presented no evidence to the Panel to substantiate the claim that people were regularly abusing charities by making unnecessary multiple applications for food parcels and again this appears to be contrary to the experience of the charitable organisations.

Following publicity in the local media, Social Security officers and officers from the Chief Minister's Department have worked very closely with food bank providers to help them understand more about their clients. This has shown that the majority of people asking for assistance are single men in their 40s and 50s. Some of these are not residentially qualified, and some are requesting assistance because they have lost entitlement to Income Support through failing to look for work.

The government is keen to investigate what kind of additional support could be provided to this demographic, in order to encourage them to engage with BTW services and potentially find employment. There is concern that some households may be using food banks to supplement benefit income when this has been spent inappropriately. The Social Security Department has a strong relationship with other agencies through the safeguarding process, and customers in need of more specialist support will be referred appropriately.

The research carried out by CMD indicates that some individuals have made repeat claims from multiple food banks, which supports the experience of officers when liaising directly with the food banks to discuss individual claims (with client permission). There are limitations in the ways in which food banks can record visitors, so they may not record when multiple members of a household have made a claim, or if people choose not to supply personal information to the food bank. Whilst food banks in Jersey maintain their independence and make their own arrangements for providing help it will always be difficult to understand the scale of any possible over use by individuals.

Ministers are committed to monitoring food bank usage throughout the year, and will revisit a detailed analysis in the first quarter of 2017.

Key Finding 5: A number of the organisations working with people living on a low income rely on States grants to meet a substantial part of their operating costs and they are vulnerable in these times of cost cutting.

Key Finding 6: Given the increasing demands on services provided by these organisations, great care should be taken when reviewing grant aid to organisations to determine that a reduction in grants will not affect services and thereby ultimately result in increased costs to the taxpayer.

All publicly funded services are under pressure at present. The States works closely with organisations to help manage situations where grants are reduced. For example, this could include developing new services or making existing offerings more efficient.

Key Finding 7: The existence of funds held by the Parishes for the purpose of assisting people with a low income is not well known; the use and distribution of these funds varies between the Parishes.

The Minister agrees with this finding, and welcomes the information on Parish funds that has been made available as part of the Review. We work with Parishes on key projects but there is clearly scope to do further work to ensure that the existence of funds is more widely understood.

However, the Minister would like to record that Citizens' Advice are well-placed to advise clients of the existence of a wide range of charitable and parochial funds to meet specific needs.

Key Finding 8: The Income Support system does not reach a significant proportion of those who fall below the Relative Low Income threshold.

The Income Support system is designed to support any low income family that has lived in Jersey for more than 5 years. As such, it includes support for each adult and child within the household, housing costs and additional costs associated with long-term health conditions, child care and caring responsibilities. In this way Income Support covers the basic needs of the household. The relative low income threshold is calculated against the income distribution of the island as a whole and is not related to the needs of an individual household. As such, there will be households with incomes above the relative low income threshold who receive Income Support and likewise households with incomes below the relative low income threshold who do not qualify for Income Support.

Key Finding 9: The Income Support system is failing to achieve the aims set out in P.86/2005 (Principles of Income Support) of reducing poverty in the Island.

The Minister rejects this finding.

Income Support provides a valuable safety net for qualified low-income households. It supports a good basic standard of living, funds a decent standard of accommodation and provides help for people who want to improve the financial independence of their household. It meets the needs of people with long-term illnesses, carers, pensioners and working families.

In full, the introduction to [P.86/2005](#) states –

“Benefit reform is never easy. There is the desire to keep the system simple, but where the system is the last resort, there is also a pull to add complexity in order to meet every eventuality. No-one wants to create a culture of benefit dependency, yet there is a need to achieve a level of financial support high enough to provide a basic standard of living without it being so high as to undermine the incentive to work and save. In Jersey this has to be achieved within the Island’s existing and future means. The ultimate aim is that of reducing poverty in the Island.”

The Minister would wholeheartedly endorse this statement, which clearly indicates the complexities that were inherent in creating a comprehensive low-income benefit system. The proposition acknowledges that the benefit system must contain an element of financial responsibility on the part of households, and that the delivery of low-income benefits can only operate within the Island’s means. This is as true today as it was in 2005.

It is impossible to say what position Jersey would be in had the decision not been taken to establish Income Support. It is necessary to consider whether the former range of benefits would have been capable of expanding to meet the needs of large numbers of people who experienced unemployment as a result of the economic downturn. It needs to be asked whether the Parish welfare system could have continued to function with an increased customer base, whether the improvements brought about through the Housing Transformation Project would have been possible without the role of Income Support. These questions are not considered by the Review. Undoubtedly there are a great many households who have been helped by Income Support who would not have been able to receive help under the old system.

Key Finding 10: High rental costs have had a significant negative impact on the disposable income of people living below the Relative Low Income threshold. The States do not currently have an effective policy to deal with the high costs of rental housing in Jersey.

Support for rental costs is available through the housing component of Income Support.

The Minister for Social Security lodged [P.1/2014](#), meeting the obligations placed on the Department by the earlier approval of P.33/2013: “The Reform of Social Housing”. That policy paper outlined the Housing Transformation Programme (HTP), and included agreement that rents for social housing would make a return to near (90%) market levels. P.1/2014 enabled changes to the legislation of Income Support so that social housing rents would be paid in full wherever reasonable. This meant that Income Support households living in appropriate social housing would have their rent met in full and will consequently retain the same amount of disposable income even where their rents are increased. It should be noted that in many cases the social housing rent is increased because the property has been refurbished, meaning that the household may actually have a greater amount of disposable income because their property is more fuel-efficient and heating costs are reduced.

The Regulations included in P.1/2014 also introduced a set of maximum rates designed specifically for private-sector rental properties. These replacement rates for the previous “fair rent level” were calculated by the then Housing Department using

market rental data across individual Housing Department properties. An average market rent of all of the units of a specific property type was calculated, to give a figure that represents the average rent for each comparable property type in the open market.

The funding package available within the current MTFP allows for an annual increase in line with the States' rent policy of RPI plus 0.75%. The private sector rental amounts were last increased as part of [P.59/2016](#), coming into force on the 1st of October 2016.

It should be noted that the allocation of families into social housing has improved between 2009 and 2014. The Housing Gateway now provides a single, consistent assessment and allocation process across all social housing providers, which means that social housing is now consistently allocated to those households who most need it.

Key Finding 11: Few Income Support claimants, who work on minimum wage or close to minimum wage contracts, are ever likely to have sufficient earnings from work to escape from Relative Low Income.

In May 2015, a report published by the Chief Minister confirmed that only 10% of workers claiming Income Support were being paid at the minimum wage and that the average hourly wage of a worker claiming Income Support was £9.84. As such the examples of minimum wage earnings used on pages 39 and 40 of the report (and 94 to 97 of the Advisor's Report) only apply to a small minority of Income Support households.

Supporting a household to financial independence does not involve encouraging them to work more and more hours at minimum wage, and so an example of a household who works 111 hours a week is not realistic (*see page 39 of report*). Rather, the Minister aims to encourage ways to improve a household's earning capacity through more realistic outcomes such as internal promotion or assistance with training.

Analysis provided by the Panel's Advisor (p.91) confirms that the Before Housing Costs (BHC) average household income of all household types is above the relative low income threshold. This confirms that current policies to encourage moves towards financial independence are proving successful. The equivalised income calculated by the advisor ranges from £442 per week for working age adults with no children up to £580 per week for single adults with children. This compares with a relative income threshold of £410 per week. The advisor writes:

For each of the demographic groups, on average, IS households have BHC equivalised income above the BHC RLI threshold of £410 per week.

Taking housing costs into consideration, all Income Support household types with the exception of working age adults with no children show an average income above the relative low income threshold. For example, the low income threshold after housing costs is £336 per week, and a single adult with children has the highest average equivalised income at £400 a week. This is calculated by the Panel's advisor on p.93 of her report.

Key Finding 12: The level of disregard for earnings and other income in Jersey provides limited incentive to work compared to the UK.

It is not possible to make a simple comparison between the Jersey and UK benefit systems. There are many differences and a detailed review would be needed to make a true comparison.

The Income Support system in Jersey is much simpler than the UK benefit system. It includes both ‘carrots and sticks’ in terms of work conditionality which is in line with international best practice.

Adults aged below 65 are required to be in employment or actively seeking employment in order to qualify for Income Support. Exceptions are made for people who are disabled, or have caring responsibilities.

Individuals who are required to seek work will face financial sanctions if they fail to complete agreed activities. Once in work, a total of 29% of earnings are disregarded. This means that the individual who has a job is always better off than someone without a job. The level of earnings disregard has increased significantly since the beginning of Income Support when it was set at 6%.

Key Finding 13: The Minister for Social Security’s decision to remove the £40 per week one-parent component payment is unsound. It is a U-turn on the previous policy of providing additional support for one-parent families which was well-founded.

Key Finding 14: The decision also goes against the clear evidence of the Jersey Household Income Distribution Survey 2014/15 that the position of one-parent families within the Relative Low Income Threshold has worsened.

The Minister received States approval for her proposal to remove the extra payment made to single parents. All members of the household continue to receive personal components, but the removal of the extra payment to single parents puts them in line with the support available to households that include 2 parents, supporting the principle of improving fairness within the Income Support system.

As noted above, prior to the change, the equivalised income of single parents, as calculated by the Panel’s advisor was the highest average income (both BHC and AHC) across all household groups. The removal of the extra component brings the support for single parents in line with that for couples with children.

It should also be noted that analysis of Income Support claims shows that 1 in 2 single parent Income Support claims last less than 20 months, with 1 in 3 of all single parent claims lasting less than one year. The Minister has also increased the percentage disregard of maintenance income.

Key Finding 15: Pensioners, along with all other Income Support claimants, have suffered an effective loss of income due to the freezing of Income Support components (adult and household) at 2015 levels until 2017. This comes on top of an effective loss of value in benefits of £17.38 between 2010 and 2016 (adult and household component rates).

The review presents an analysis of component rates between 2010 and 2016. However, the level of an Income Support claim is determined by both component rates and disregard levels and both need to be considered to understand the impact on pensioner households.

For example, the level of pension disregard (i.e. the amount of pension income that a pensioner can keep on top of their Income Support components) has increased from £35.98⁸ in 2010 to the current level of £55.23⁹, an increase of £19.25 per week. If this is included in the calculation provided in the Scrutiny Report, the pensioner has had a small increase in real spending power of £1.87 per week over this period.

Key Finding 16: The Minister for Social Security's decision to alter the Income Support disregard for pensions does the opposite of targeting benefits on those most in need. It has reduced the disposable income of those new pensioners joining the scheme from January 2016 who have no additional income from a second occupational pension, who are the poorest section of pensioners in Jersey.

Whether or not a low income individual sees a reduction in disposable income upon reaching their 65th birthday in 2016 will depend on their situation before reaching pension age. If the individual was not working, or claiming an incapacity benefit it is likely that their income will increase when they become a pensioner as they will start to draw a pension and receive a 23% disregard against this income.

The introduction of age discrimination legislation in September 2016 will ensure that younger pensioners who do not have health issues and who wish to continue in employment will not face barriers to remaining in work and increasing their financial independence.

Based on recent trends, roughly 200 people will start to receive the new pension disregard in 2016. The distribution of incomes for new pensioner claims in 2015 is higher than the equivalent distribution for older claims. This suggests that the income profile of new claims in 2016 will continue to lie above that of existing claims.

Key Finding 17: The high costs of GP visits are deterring many people on low income from seeking appropriate and timely medical treatment. Many are compromising their health for fear of incurring debts with medical practices. This is contrary to the policy of the Health Department to encourage early intervention and treatment by primary care in the community.

Key Finding 18: The current provision for medical expenses in Income Support has failed to deliver on the promises made at the introduction of the scheme in 2008 that Income Support claimants should not be concerned about the costs of going to the doctor because Income Support would pay their fee.

⁸ <https://www.jerseylaw.je/laws/enacted/Pages/RO-091-2010.aspx>

⁹ <https://www.jerseylaw.je/laws/revised/Pages/26.550.20.aspx>

Key Finding 19: Financial pressures have been increased on the most vulnerable by transferring funds into their Household Medical Accounts from other care components instead of providing additional money. The money transferred from care components was designed to supplement essential living and mobility support.

Within Income Support, the basic adult component provides funding for 4 GP visits in a year, the average for most adults. People who need to see the GP more frequently can apply for the Clinical Cost element of the medical component, which funds up to 12 visits in a year. Households who need assistance with budgeting for a greater number of visits can access the Household Medical Account, which allows for a small saving from weekly benefit to be put towards GP costs. As the account can be billed directly by the GP surgery, the household should be able to visit a GP whenever necessary.

As per the 2016 Business Plan, the Social Security Department is already committed to a review of the support available for low-income groups to meet the cost of GP and other primary care costs.

It is accepted that medical costs can be a worry for low income families. However, some of the examples cited in the Scrutiny review do not reflect the support that is already available.

For example –

- one witness suggests that they cannot afford to pay prescription charges, although there have been no charges for GP-prescribed medicines since 2008;
- a second witness identifies a number of serious health conditions for which they need regular medication but reports that they only visit the doctor once a year. The great majority of prescribed drugs require 3 GP visits a year to make sure that the medication remains appropriate.

The Review does not record a recent change in the charging practice of many GP surgeries, whereby many GPs now offer free¹⁰ consultations to children.

Key Finding 20: The Department has saved money on special payments for medical costs by replacing grants with loans where the claimant contributes to the cost of larger amounts. Repayments are likely to be a minimum of £21 per week. This has added financial worries for claimants over the past 5 years.

The Review implies that no assistance is available towards medical costs outside loans that are recovered from weekly benefit. This is inaccurate. The Department continues to pay grants towards essential dental treatment, of up to £500 in a two-year period. Only expenses above this limit are considered as loans. OAPs and people with significant disabilities are exempt from the £500 limit and all their essential dental treatment is provided through grants.

¹⁰ The consultation is free to the parent. The GP continues to receive a medical benefit of 20.28 for the consultation.

Loans have replaced grants in respect of household goods. Loans have always been provided for rental deposits. Repayments are set at a level that the household can afford from its disposable income; the quoted figure of £21 is a suggested starting point, but is always set having considered carefully the ability of the household to make the repayments.

Key Finding 21: Undue reliance is placed on General Practitioners to mitigate the burden of medical costs by discounting their fees in favour of low income families. This support, though laudable, is provided in a haphazard and untargeted way.

The Social Security Department is already committed to a review of the support available for low income groups to meet the cost of GP and other primary care costs. This will incorporate an examination of discounting.

Key Finding 22: Reductions to Income Support payments through under or overpayments and sanctions can combine to leave individuals in a seriously precarious financial position for several weeks.

The Minister is pleased to report considerable, year on year, improvements in the speed with which the Income Support team are able to action changes to benefit entitlement. In many cases these can now be actioned immediately that the change is known. This has the effect of ensuring that households are paid the correct amount of benefit.

The Review does not acknowledge that situations where somebody receives less benefit will in many cases be caused by their own actions. Failing to notify Income Support of a change is one such example, but there will also be cases where hardship is caused by a person failing to do enough to look for work.

The Review suggests (p.56) that sanctions are applied “for minor infractions of the rules” but this is not the case. The system of financial penalties for people who don’t do enough to look for work was strongly endorsed by the States, and includes provision for households to receive a written warning before any financial sanction is considered. Income Support must contain an element of personal responsibility, and it is appropriate that people who don’t do enough to look for work, or leave work without good reason should face a reduction in benefit entitlement.

The suggestion that Income Support should pay in arrears would need to be very carefully considered. For example, it would have the effect of forcing every household to wait at least a week for benefit payment, sometimes longer. This delay is built in to the UK’s benefit system, and has led to comments from some parties that it leads to an increased reliance on emergency payments and food bank use.

Key Finding 23: There is insufficient evidence for removing the LTIA disregard for people drawing Income Support. This discriminates between people who are able to support themselves financially and those who cannot.

People in low-income households with a disability or a long-term medical condition receive additional support through the separate impairment component of Income Support. This component offers extra financial assistance to people who have personal care needs, mobility needs and/or costs incurred by the need for additional visits to their doctor.

Prior to the MTFP changes, the treatment of different types of contributory benefit income received by Income Support claimants was inconsistent. For example, short-term incapacity allowance did not attract a disregard, but long-term incapacity allowance did. The MTFP change was designed to bring the treatment of all contributory benefits in line. There is no reason to include a disregard (in effect paying people twice) if they receive a contributory benefit whilst claiming Income Support.

At the time this small disregard in respect of overlapping income was removed, the maximum standard rate of LTIA benefit for a single working age person was £196.42 per week and the 6% disregard, for those who qualified, was worth up to £11.79 per week. However LTIA is paid according to a percentage assessment and only a few people on Income Support were receiving the full 100% award of LTIA, and the average amount lost was closer to £6 per week.

The Review suggests that LTIA is designed to “supplement the income of people with limited powers of earning” – that is in fact a more accurate description of Income Support. LTIA is a contributory benefit that is available regardless of employment status. It should also be noted that whereas the Review suggests that LTIA is automatically awarded, this is not the case and every successful claimant receives a percentage award based on the recommendation of a medical board.

Key Finding 24: Carers who wish to continue in employment find it difficult to find work that will keep them within the income disregard.

As with other contributory benefits, the principal purpose of the Home Carer’s Allowance (HCA) is to support working age individuals who are unable to continue in employment due to their caring responsibilities. HCA is not designed for those people who intend to remain in employment, the provision for claimants to earn a small weekly amount is intended to support the carer so that they can remain in contact with the workplace or experience the social benefits of work.

Key Finding 25: Key workers from organisations assisting people on a low income find the process time-consuming due to the lack of an appointment system at Social Security and have difficulty in identifying a single and consistent point of contact.

An appointment system is available for all key workers where it is necessary for them to accompany a client to Social Security. An organisation with this need is given the contact details for the Duty Senior Advisor in Income Support, who can arrange appointments in private meeting rooms if required. The Senior Advisor can also act as a single point of contact for key workers. This has been the case for some time and came about as a result of feedback presented to officers during training sessions arranged by Income Support for partner organisations.

Officers have a strong working relationship with the organisation quoted (The Shelter Trust) and are confident that the quoted material does not reflect the Department’s relationship with them at this time.

Key Finding 26: In our view the Minister for Social Security has undertaken a narrow review of benefits with the sole purpose of identifying savings in line with the requirements of the Council of Ministers that all departments must contribute to dealing with deficit reduction.

Key Finding 27: In narrowing the focus of her review the Minister for Social Security neglected to research properly the impact of these savings on the most vulnerable members of our society and to take into account the 2014/15 JHID Survey which revealed that the average income of the poorest in our society had worsened over the past 5 years.

Key Finding 28: Without waiting to consult this Survey, the Minister for Social Security chose to proceed with £10 million in savings to tax funded benefits which have increased the pressures on people reliant on these benefits.

Ministers from across all departments worked together to deliver a Medium Term Financial Plan that facilitated investment in priority areas such as Health and Education. These investments will in many cases directly benefit low-income households.

A thorough internal review of all tax funded benefits was undertaken in 2015 to identify areas where savings could be achieved. Resulting from that review, significant improvements in the structure of Income Support have been achieved, resulting in a simpler, fairer system of low Income Support.

As noted above, the results from the JHID survey provide valuable information on weekly income but they are not designed to review the wider context of health, education and housing provision. All these areas have received significant investment over the last 5 years and the role of government is to balance these competing demands within the availability of public finances.

Supporting low income households into employment and towards financial independence is a key aim of the Council of Ministers and the results quoted above from the Social Security Department annual report for 2015 show the significant progress in this area.

Key Finding 29: The Panel questions the Minister for Social Security's assertion that the benefits brought into place in 2008 were 'very generous'. In any event the real value of benefits introduced in 2008 has steadily declined over the past 8 years. This decline has been exacerbated with the freezing of benefit levels until 2017.

As noted above, the level at which benefits are set in different jurisdictions will always depend on a wide range of factors and ultimately be determined in line with the level of public funding available from time to time.

The analysis provided in the scrutiny report does not reflect the experience of Income Support households. Income Support benefits are calculated using both component rates and disregards. The scrutiny report provides an analysis of component rates but does not include the significant increases in disregards that have taken place since 2008.

Taking into account both disregards and components, pensioner households have seen a small increase in the real value of benefits over this time. For working age households, the incentive for employment has increased from 6% to 23%, ensuring that many low income working households are better off than at the start of Income Support.

The reduction in actively seeking work numbers is another significant achievement, during a period of weak economic activity. The number of Income Support households fully dependent on Income Support benefit has declined steadily since 2011 and is now at 13%.

Key Finding 30: The benefits freeze will create further hardship for people living on a low income in contradiction of the Council of Ministers' stated priorities which include 'promoting social inclusion and tackling relative low income in the long term'.

As stated above, the Minister believes that the best way to promote social inclusion is through encouraging financial independence. The investment in education made possible by the MTFP will promote social inclusion by specifically targeting children from poorer families. Similarly, investing in health will promote social inclusion by mitigating the impact of poor health on low-income households. Existing investment in housing and back to work services is also helping vulnerable households achieve better living conditions and more opportunities in the labour market.

Key Finding 31: In view of the increasing pressures on a range of people living on a low income in Jersey who depend on the Income Support system to have an adequate standard of living as outlined in our report, there is a strong argument for the Social Security budget to receive the same protection in the next Medium Term Financial Plan as has been accorded to Health and Education in the current MTFP.

This is a matter to be considered by the next Council of Ministers.