

EXECUTIVE COUNCIL

PUBLIC

Title:	Review of the effectiveness of the current FIG system of means-tested benefits and allowances, and a proposal for consolidating means-tested benefits into a single income support payment.
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Portfolio Holder:	MLA Roger Spink & MLA Roger Edwards
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Publication:	Yes
Previous papers:	None
List of Documents:	Appendix 1: Summary of means-tested benefits currently administered Appendix 2: Policy basis of existing means-tested benefits

1. Recommendations

Honourable Members are recommended to approve:

- (a) the policy principles of the proposed single income support system;
- (b) consolidating the existing means-tested benefit payments into a single income support payment;
- (c) the proposed minimum household income thresholds, which are based on a minimum wage income plus current benefit entitlements under the existing financial support system;
- (d) the specific eligibility criteria for the proposed single income support scheme;
- (e) establishing a single point of entry for financial support by transferring the assessment and determination of eligibility for the proposed single income support to the Social Services Department;
- (f) the dispensation allowing for pensioners to continue to receive an income support equal to the value of the Winter Fuel Allowance, at a level they are entitled to under the current system;

- (g) individuals in receipt of Levels B and C Attendance Allowance continue to receive an income support equivalent to the value of the Winter Fuel Allowance, at a level they are entitled to under the current system;

- (h) further work to be carried out on refining the minimum household income thresholds, using the results of the new Household Expenditure Survey;
- (i) the development of detailed policy to support the proposed system and how it will interact with existing services, to be submitted to Executive Council for approval;
- (j) the development of administrative procedures for the transition to and operation of the proposed new system;
- (k) once the detailed policy work is complete; the preparation of detailed legislative drafting instructions for the Attorney General's office to develop the necessary legislation.

2. Additional Budgetary Implications

- 2.1. The cost of providing financial support via means-tested benefits in 2017/18 amounted to £231,200; this is used here as the baseline for calculating the cost of the proposed changes.
- 2.2. Should it be approved, the proposed Single Income Support system, along with the two dispensations described in 1 (f) and (g) above, would replace the current suite of means-tested benefits. The establishment of a new permanent post, provisionally expected at Grade E on local terms, within the Social Services Department would be required.
- 2.3. The cost of the proposed SIS, plus the recommended dispensations, would represent an increase of £39,000, approximately 17 per cent, on the cost of the current set of means-tested benefits. This is the minimum additional cost expected.
- 2.4. At present, it is only possible to estimate the number of low-income households which may be eligible for income support, but that are not currently engaging with support services. However, based on the information available and assuming 100 per cent take-up of financial support; it is estimated that an additional £152,700 would need to be budgeted for.

Element	Current budget 2018/19	Proposed budget 2020/21	Difference	Recurring ¹
Grade E post	See note 2	£26,827	£26,827 ²	£27,900
Single Income Supplement (SIS)	£253,900 ³	£237,200	-£16,700	£284,600
Plus one of:				
Pensioner Dispensation	N/A	£31,400	N/A	£37,700
Attendance Allowance Dispensation	N/A	£4,000	N/A	£4,800
Both dispensations (recommended)	N/A	£33,000	N/A	£39,600
Cost of SIS plus both dispensations	£253,900 ³	£270,200	£16,300	£324,200
Total cost of new post & SIS plus both dispensations:	£253,900 ³	£297,000	£43,100	£352,100
Potential cost of uptake by low-income households not currently receiving financial support	N/A	£152,700	£152,700	£183,200
Total projected cost (New post plus SIS plus both dispensations plus potential additional households)	£253,900 ³	£449,700	£195,800	£535,300

1. Grade E post increases annually in accordance with appropriate progression. 20% increase applied to all other figures.
2. The current cost of administering means-tested benefits is difficult to quantify as the work is conducted by several staff, in addition to other duties, across several departments.
3. Total budget for means-tested benefits in 2018/19.

3. Executive Summary

- 3.1 Honourable Members requested that a review of FIG's system of benefits and allowances payment be carried out in order to assess the effectiveness of the support provided, and to determine if vulnerable members of society are receiving the financial support they need.
- 3.2 This paper presents the findings of that review, in addition to an assessment of the current system of benefits administration. One of the key findings that emerged is that none of the existing means-tested income support programmes is on a statutory footing. There is also a lack of coherence in the eligibility criteria applied across the range of benefits, and existing policy is not applied correctly in a number of instances. These issues leave FIG vulnerable to claims of unconstitutional discrimination, or at the very least inconsistent application of policy.
- 3.3 In order to address the complexities and limitations of the existing system; it is proposed that the current means-tested benefits are consolidated into a single income supplement, and that this is administered by a single FIG Department; based within Social Services.
- 3.4 An overview of the proposed new system is presented, including the fundamental policy principles and eligibility criteria for financial support. Should Members approve the recommendations listed in section 1, work on developing the mechanisms for establishing the new system will continue. Detailed administrative and regulatory guidelines will be presented to Executive Council for approval, before draft legislation is laid before the Legislative Assembly.
- 3.5 An indicative timeline for the implementation is outlined in 5.53; the implementation of the proposed changes is expected to occur on the 1st July 2020.
- 3.6 The Policy Unit consulted with the FIG Departments which hold responsibility for the six means-tested benefits disbursed by Government, and collated the financial and other data held in relation to those payments. Census data were used to build a picture of the different household types in receipt of government financial support; this information was supplemented with income data drawn from the Taxation Database and the data for the six means-tested benefits. The main tests carried out on the data were the comparison of:
- i. Household income, excluding current benefits, against a minimum wage (or pension) income;
 - ii. Household income, including means-tested benefits currently received, against a minimum wage (or pension) income;
 - iii. Household income, including means-tested benefits currently received, against a proposed minimum household income threshold.
- 3.7 It was found that FIG's efforts to improve the standard of living of low income households, to at least minimum wage levels, are largely effective. However, it is clear that administration of the current system is disjointed and complicated from both a system and user perspective. In addition, there is the risk that the administrative demands placed on applicants for one or more benefits is burdensome and off-putting to the point where they opt not to access support. Census data on low income households, cross-referenced to benefits databases, appears to

suggest that not all eligible households are in receipt of the income support to which they are entitled, which could leave some unable to pay for basic necessities.

- 3.8 This is clearly at odds with the stated policies of FIG (Appendix 2) to support, and assist financially, vulnerable individuals and households. To address this issue, the primary recommendation of this paper is that the existing six means-tested benefits are consolidated into a single income support payment. The policy principles for doing so, and the basis for setting the different household income thresholds, are outlined in detail.
- 3.9 Central to the proposal for a new single income support payment system, is that a single point of entry into the scheme is created, and that this is managed by the Social Services Department. This will create a fairer, more accessible and more transparent system which will reduce the burden on both applicants and FIG's administrative resources. Details of the proposed system and how it will be administered are provided; including the eligibility criteria for entry into the scheme.
- 3.10 The level of financial support under the proposed system is based on what each household type would be entitled to under the existing system of means-tested benefits and allowances, given minimum wage (or basic pension) household incomes, and the resulting amounts are summed to produce the proposed household income thresholds. The purpose of the single income supplement is to raise actual household income up to that calculated level, and the extent of the financial support depends on actual household income; the employment status of adults in the household; housing tenure; and the number of children in the household.
- 3.11 While the calculated household income thresholds reflect the combined current benefit entitlements for each household type, it is recognised that the level of financial support under the existing benefits system may not be adequate in certain circumstances. As a result, the calculated minimum household income thresholds, and the resulting income supplement payment, may not be sufficient financial support for certain household types.
- 3.12 Should the policy recommendations within this paper be agreed, it is recommended that further work be carried out to refine the minimum household income thresholds and that the work is informed by the results of the new Household Expenditure Survey.
- 3.13 Nonetheless, the impact of introducing the proposed system, using the calculated household income thresholds as they stand, was assessed and it was found that the majority of households would receive the same or greater financial support under the new system. A small number of households would receive less or no financial support. However, this was linked to a stricter application of the existing maximum income criteria.
- 3.14 In order to ensure pensioner householders continue to receive the level of financial support that they currently do; a dispensation under the new single income support system is proposed. This dispensation allows for eligible pensioners to continue to receive an income support equal to the value of the Winter Fuel Allowance they are currently entitled to. A similar dispensation is proposed for eligible recipients of the Attendance Allowance.

4. Background

- 4.1 In the 2018-22 Islands Plan, Honourable Members made the commitment that welfare policies would be reviewed to ensure that all vulnerable people have access to the support they need. In light of this, Honourable Members requested that the Policy Unit conduct a review of FIG's system of welfare benefits and allowances, to determine if sufficient levels of income support are provided by Government to financially vulnerable individuals.
- 4.2 The Policy Unit consulted with staff from the relevant departments involved in order to:
- i. Establish how benefit claims are administered and disbursed;
 - ii. Determine how many individuals, and by extension households, are in receipt of benefits;
 - iii. Collate all of the information held by the various departments in relation to each individual payment.
- 4.3 FIG currently provides six means-tested allowances and benefits (Appendix 1), which are administered by multiple departments across Government; namely Social Services, the Training Centre, and several departments within Treasury; with assistance from other departments on the provision of administrative data. A range of other allowances, grants and benefits are also administered by FIG, including the Attendance Allowance, Family Allowance, and Fostering Allowance. However, as these payments are for defined purposes and are non-means tested benefits; they are not considered to be welfare payments and are not included in this analysis. For information, a summary of these non-welfare allowances is provided in Appendix 3. In total, £253,861 was allocated for the six means-tested welfare payments in 2017/18; representing 0.4% of FIGs net operating budget.

Review of low-income households and the effectiveness of financial support

- 4.4 To allow for the effectiveness of benefits payments to be assessed, a single database was constructed using census data supplemented by income data drawn from the Taxation Database, in addition to the benefits payment information provided by departments. While the census is the richest available source of socio-demographic data, there are acknowledged limitations to using self-reported data. Under-reporting is common across all surveys, but particularly in relation to the reporting of income figures. This is compounded by the misinterpretation of questions or by individuals neglecting to include incomes from all sources, which often occurs and is likely not intentional. When actual income data from the Tax database is linked to the census information, a much more accurate picture of the financial circumstances of households can be created. The constructed, single database allowed for:
- i. data on individual payments to be collated at a household level;
 - ii. the accurate assessment of household income against calculated minimum income thresholds based on household composition, and;
 - iii. the measurement of the impact of benefits and allowances on household incomes.
- 4.5 The review established that 115 households (representing 137 adults and 23 children, and approximately 10 per cent of all households) are currently in receipt of means-tested benefits

(Table 1). Pensioners were the most frequent household type and accounted for the largest total spend. However, both single and coupled pensioners receive some of the lowest value benefits on average, whereas adults with children are the household types receiving the highest.

- 4.6 The census data used to inform this paper indicates that 9 individuals within the households receiving benefits are unemployed or choosing to not work for various reasons; 7 of whom are in single adult households and the remaining 2 are lone parents with one or two children. Data confidentiality restrictions meant the financial information for those receiving unemployment benefits could not be linked to individuals and included in the analysis. However, if those who indicated in the census that they were unemployed have remained so, the addition of Employment/Enablement Programme payments to their incomes would substantially increase their household income levels.

Table 1. Value of current benefits received by household type

Household type	Number of households	Total value of benefits, £		
		Mean payment	Median payment	Total cost
Single adults	13	3,991	3,666	51,885
Partnered adults no children	2	1,978	1,978	3,956
Partnered adults with 1 child	2	3,108	3,108	6,216
Partnered adults with 2 Children	1	5,082	5,082	5,082
Partnered adults with 3 Children	1	7,038	7,038	7,038
Lone parents with 1 child	4	6,270	4,998	25,080
Lone Parents with 2 children	3	6,714	5,328	20,142
Lone Parents with 3 children	2	5,046	5,046	10,092
Lone pensioners	71	1,231	506	87,396
Coupled pensioners	16	898	506	14,362
Total	115	2,011	506	231,248

Note: Household composition information is drawn from the 2016 census. Information on benefit payments relate to 2017/18.

- 4.7 The following table summarises the number of households claiming each of the means-tested benefits and the average value of those payments per month.

Table 2. Number of households claiming means-tested benefits and summary payment values

Allowance Type	Number of households	Payment range per month	Average payment (median)	Total value of payments per month
Welfare Allowance	8	£87 to £700	£428 (£464)	£3,421
Working & Childcare Credit	3	£74 to £132	£111 (£128)	£334
Rent & Service Charge Rebate	39	£33 to £587	£309 (£291)	£12,037
Winter Fuel Allowance	90	£52 to £127	£116 (£127)	£10,437

Note: the Winter Fuel Allowance is paid out only during the four months of June to September each year. The figures here reflect payments over those four months.

Setting household income thresholds: policy basis

- 4.8 Honourable Members stated in the 2018-22 Islands Plan that they are committed to ensuring that all Falkland Islanders can earn a living wage; which can be interpreted as the minimum income people need in order to obtain a socially acceptable standard of living. The Policy Unit has previously undertaken work on calculating a living wage for a range of household types. However, the income levels are currently being updated using the results of the new Household Expenditure Survey and expert focus groups; therefore, the minimum wage is used here as the basis for assessment.
- 4.9 This is in line with the principles underlying the current welfare system, which are to provide income support to low income and vulnerable individuals; to encourage working-age individuals into the workforce; and to ensure that parents are not at risk of poverty or excluded from the labour force by virtue of having children. In practice, this means the provision of financial support by government to individuals and households earning minimum wage incomes.
- 4.10 It is not the intent of any welfare system to incentivise individuals to remain outside the labour force and reliant upon government support. Therefore the proposed income thresholds are calculated using minimum wage incomes supplemented by the sum of the benefits such a household is currently entitled to under the existing system, taking into account individual eligibility considerations, employment status, housing tenure, and total household income.
- 4.11 As at 1 January 2019, the minimum wage rate was set by Government at 91% of the current living wage. The proposed minimum income thresholds will effectively raise minimum wage incomes to within reach of current living wage levels, without removing the incentive to join or remain in the work force.
- 4.12 With this in mind and to determine if financial support under the current welfare system is effective, the following issues are investigated using the dataset of households currently in receipt of benefits and allowances:
- Comparison 1: household income, excluding current benefits but including Family Allowance payments, is compared to a minimum wage- or pension-based income where appropriate;
 - Comparison 2: household income including means-tested benefits and Family Allowance payments currently received, is compared to a minimum wage- or pension-based income;
 - Comparison 3: household income including means-tested benefits and Family Allowance payments currently received, is compared to a minimum wage- or pension-based income which is supplemented by the value of eligible benefits under the proposed system.

Assessing household income levels: comparison with minimum wage incomes

- 4.13 Table 3 (page 9, below) shows the calculated income levels for each household type. The levels are based on income from employment if each adult in the household were on the minimum wage, or a basic pension, supplemented by the total value of benefits each household would receive, were they to access the financial supports available to them under the current system.
- 4.14 When Comparison 1 above is made, Table 4 (page 9, below) shows that 30 households had incomes below the relevant minimum income level; the majority of which are pensioner households (n=16). Single adults comprise the next largest group. However, 5 of the one-person households with incomes under the minimum income threshold are recorded as being unemployed or opting not to work for various reasons. As described earlier in this paper, data confidentiality restrictions meant the financial information for those receiving unemployment benefits could not be linked to individuals. However, if those who indicated in the census that they were unemployed have remained so, the addition of Employment/Enablement Programme payments to their incomes would raise each individual out of the 'under the minimum income category'.
- 4.15 When the value of benefits and allowances currently received by households is included in Comparison 2, the number of households falling below the minimum income level drops to 16 households; indicating that FIG's efforts to improve the standard of living of low income households, to at least minimum wage levels, are largely effective.

Assessing household income levels: comparison with minimum wage incomes supplemented by benefit entitlements

- 4.16 The shaded columns in Table 3 show the total value of existing means-tested benefit payments each household type is entitled to, based on households earning minimum wage or pension incomes. The level of this supplemented income is dependent upon employment status and housing tenure; the supplemented annual income level for each household type is detailed in the columns to the right of the table.
- 4.17 When household income from all sources, including current benefit payments, is compared to the calculated supplemented income levels (Comparison 3); 51 of the 115 households in receipt of benefits have incomes lower than the relevant, future proposed supplemented level. The shortfall between income plus current benefits and the supplemented minimum incomes range from £400 to £8,400 annually (£30 to £700 per month); with single pensioners forming the majority of those households (Table 5, page 10 below).

Table 3. Proposed minimum household incomes based on minimum wage income levels supplemented by the existing means-tested benefit entitlements, for various household types

Household type	Income from employment (incl. Family Allowance) and/or pensions (annual, £)	Benefit entitlements under current system, based on a minimum wage income or pension (annual, £)						Proposed minimum household income levels: based on minimum wage income or pension plus current benefit entitlements (annual, £)			
		Welfare Allowance	Working Credit	Childcare Credit	Rent Rebate	Service Charge Rebate	Winter Fuel Allowance	Working, renting	Not working, renting	Working, not renting	Not working, not renting
Single adults	13,007	--	420	--	--	--	--	13,427	13,007	13,427	13,007
Partnered adults no children	26,013	--	--	--	--	--	--	26,013	26,013	26,013	26,013
Partnered adults with 1 child	26,013	--	--	--	--	--	--	26,013	26,013	26,013	26,013
Partnered adults with 2 Children	26,013	--	--	--	--	--	--	26,013	26,013	26,013	26,013
Partnered adults with 3 Children	26,013	--	--	--	399	426	--	26,838	26,838	26,013	26,013
Lone parents +1	13,007	--	420	675	3,263	426	--	17,790	16,695	14,102	13,007
Lone Parents +2	13,007	--	420	1,239	3,681	426	--	18,773	17,114	14,666	13,007
Lone Parents +3	13,007	460	420	1,239	4,214	426	--	19,766	18,107	15,125	13,466
Lone pensioners	8,031	112	--	--	3,149	426	506	12,224	12,224	8,649	8,649
Coupled pensioners	16,062	--	--	--	3,229	426	506	20,223	20,223	16,568	16,568

Note 1: Annual income from employment based on (a) 1,950 hours at £6.67; minimum wage at 1st Jan 2019. (b) basic pension value.

Note 2: Payments received under the Employment Programme and Enablement Programme are to be accounted for as 'employment' income here.

Table 4. Number of households with incomes below the relevant minimum income thresholds in Table 4, before and after benefits are received (n,% receiving benefits)

Household type	No. households below minimum wage threshold: before benefits	No. households below minimum wage thresholds: after benefits	No. households below calculated income support levels: after benefits
Single adults	9 (8.0%)	8 (7.1%)	8 (7.1%)
Partnered adults with no children	1 (0.9%)	1 (0.9%)	2 (1.8%)
Partnered adults with 1 child	0	0	0
Partnered adults with 2 Children	0	0	0
Partnered adults with 3 Children	0	0	0
Lone parents with 1 child	2 (1.8%)	0	1 (0.9%)
Lone Parents with 2 children	1 (0.9%)	0	2 (1.8%)
Lone Parents with 3 children	1 (0.9%)	0	1 (0.9%)
Lone pensioners	14 (12.5%)	5 (4.5%)	33 (29.5%)
Coupled pensioners	2 (1.8%)	2 (1.8%)	4 (3.6%)
Total	30 (26.8%)	16 (14.3%)	51 (47.3)

Table 5. Number of households with incomes including current benefits received which are lower than the calculated income support levels (Comparison 3).

Household type	Number of households	Level of shortfall (£ per annum)		
		Mean	Median	Sum
Single adult	8	4,100	4,800	32,600
Partnered adults with no children	2	8,400	8,400	16,800
Lone parent with 1 child	1	2,700	2,700	2,700
Lone parent with 2 children	2	500	500	1,000
Lone parent with 3 children	1	2,200	2,200	2,200
Lone pensioner	33	1,300	400	42,700
Coupled pensioners	4	2,600	2,000	10,500
Total	51	2,100	900	108,500

4.18 While it appears that these 51 households currently in receipt of benefits fall short of the proposed supplemented income levels, variations in household composition and incomes may explain some of this gap e.g. census household composition data is based on self-reported data from 2016 whereas the data on benefit payments relate to 2017/18 financial year and are based on actual incomes during that year. In addition, the rent rebate aspect of benefit entitlements is based on the average cost per household type and the value of individual claims may vary.

4.19 Marginal shortfalls can also be attributed to unaccessed benefits. For example, a pensioner household may be entitled to income support under the existing Welfare Allowance; but the value of that payment might be £10 or less per month. Even if the household was inclined to access this benefit, it is unlikely they would do so for such a low amount given the burden of preparing and submitting an application.

4.20 In addition, 6 householders are recorded in the census data as being unemployed; 4 single adult households, 1 partnered adults without children household, and 1 lone parent with two children household.

Low income households not engaging with support services

4.21 A significant concern raised by Honourable Members is that low-income households which may be entitled to one or more benefits are not engaging with the welfare system and are not receiving the financial support they need.

4.22 To assess the prevalence of this problem, census data were used to identify for detailed scrutiny any additional households, not currently in receipt of financial support, with incomes below the minimum level. While the self-reported census data identified 105 additional low-income households, once actual income records were linked from the Taxation Database it was found that this fell to 31 households below the income threshold for their household type. Of these 31 households, 19 were based in Stanley.

Table 6. Number of low income households not currently engaging with support services: calculated household income shortfall compared to proposed income support levels

Household type	Number of households	Level of shortfall, £ per annum		
		Mean	Median	Sum
Single adults	6	4,100	2,300	24,900
Partnered adults no children	4	5,400	2,500	21,600
Partnered adults with 1 child	1	7,200	7,200	7,200
Partnered adults with 2 Children	4	5,400	5,700	21,400
Partnered adults with 3 Children	1	6,600	6,600	6,600
Lone parents with 1 child	4	4,100	3,900	16,200
Lone Parents with 3 children	1	14,300	14,300	14,300
Lone pensioners	10	4,100	4,300	40,500
Overall	31	5,000	4,400	152,700

Note: Four additional households had no income data available.

- 4.23 It is important to bear in mind that the calculations in Table 6 are based on the household configuration, employment and housing information provided in the census and that actual circumstances may have changed considerably since then. The proposed cost of providing financial support to any additional low-income households is based on non-current data and assumes 100 per cent take-up of the proposed income support.
- 4.24 Thus, the findings show that of the 1,189 households in the Islands, approximately 90% (n=1,074) are able to support themselves and maintain an acceptable standard of living. 10% of households (n=115) require either ongoing support from FIG or assistance from time to time. However, this could rise to as many as 146 households (13%) if the identified low-income households not currently engaging with support services are in fact in need of income support. Overall, 11% of households (n=126) already engage with support services and are in receipt of either means-tested or non-means tested income supplements.
- 4.25 Pensioner households are the largest group already engaging with support services, and are also the group most at risk of financial vulnerability.

Issues with the current system of benefits and allowances

- 4.26 While it is clear that each department successfully manages the processing and payment of the individual benefits it has responsibility for, the administration of the current system is disjointed and complicated from both a system and user perspective.
- 4.27 Although there is some coordination between staff across departments, there is no clear, client-led pathway for an individual to engage with the welfare system - one which provides financial support when there is need and has structures in place to help the person become self-sufficient again, depending on individual circumstances.

- 4.28 At present, applicants are required to contact each separate department to access further information on financial supports and must submit a separate application, with all of the supporting documentation, for each individual payment. This is likely to be burdensome and off-putting for the individual, and having to engage with multiple staff in public buildings potentially increases the stigma attached to accessing financial support.
- 4.29 Each department, and often individual staff within each department, compiles and holds information on the persons accessing FIG allowances. This results in a proliferation of data files held in isolation which frequently contain information common across all benefit records. In addition, the information held is disaggregated and in a non-standardised format which does not facilitate review or analysis at a system level; increasing the risk of errors being made and leaving the system vulnerable to fraud.
- 4.30 The criteria used to determine a person's eligibility for one or more allowances vary considerably in terms of the individual's immigration and residency status as well as their household's financial circumstances. While some of the benefits and income thresholds have been reviewed and up-rated in recent years, in addition to inflation-linked increases as part of the annual budget cycle; there is a lack of coherence in the eligibility criteria applied across the range of benefits.
- 4.31 In addition, none of the existing means-tested benefits have a statutory footing, which leaves FIG vulnerable to claims of unconstitutional discrimination, or at the very least inconsistent application of policy. When access to welfare benefits is restricted in terms of a person's immigration status, there is the risk that the financial supports provided by FIG are not in line with protections afforded to the resident population by section 16 (2-3) of the Constitution, which provides that:

(2) ...no person shall be treated in a discriminatory manner by any person acting by virtue of any written law or in the performance of the functions of any public office or any public authority.

(3) In this section, the expression "discriminatory" means affording different treatment to different persons on any grounds such as sex, sexual orientation, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status.

- 4.32 However, there is provision within the Constitution in section 16, subsection (6); which recognises that some discriminatory provisions may be consistent with these protections in law, provided that there is a reasonable justification provided:

S16.(6) Nothing contained in or done under the authority of any law shall be held to be inconsistent with or in contravention of this section to the extent that it has an objective

and reasonable justification and there is a reasonable proportion between the provision of law in question or, as the case may be, the thing done under it and the aim which that provision or the thing done under it seeks to realise.

4.33 Furthermore, the policy direction from ExCo 52/11 (Criteria for Social Welfare Benefits) and 246/12 (Financial Assistance) is not currently being applied correctly in two instances:

1. ExCo 52/11 (Criteria for Social Welfare Benefits) established that, contingent on fulfilling other specific criteria, welfare benefits should be available to all residents irrespective of their immigration status and in compliance with the Constitution. However, the current Welfare Allowance Policy restricts eligibility to FI Status and PRP holders. It is not clear how this discrepancy arose, but the overarching policy intent was misinterpreted in the years following Executive Council's decision.
2. ExCo 246/12 established that the Winter Fuel Allowance be extended to those adults in receipt of Level B and C Attendance Allowance and in line with the income thresholds applicable to pensioner households. While this decision was put into practice, it appears that the income support has not been restricted to just those individuals receiving Levels B and C Attendance Allowance, and that the income thresholds have not been consistently applied.

4.34 Therefore, it is necessary to rectify current practice with regard to how some of the existing benefits are administered.

5 Options and Reasons for Recommending Relevant Option

5.1 Options are:

5.2 Option 1: Do nothing.

- The current system of benefits and allowances continues as before.
- The administration of claims and payments remains disjointed with duplication of administrative records across departments.
- Inequalities in access to the different supports remain.
- Means-tested benefits continue to be administered without having a statutory basis
- FIG is vulnerable to legal challenge that the immigration status-based eligibility criteria are not constitutional.
- Access to financial support is not client-focused or oriented towards encouraging individuals to become self-sufficient.
- Some low income families and individuals may remain unaware of the benefits they are entitled to.
- Option 1 is not recommended

- 5.3 Option 2: Implement a new single Income Support System which will address the complexities and inconsistencies of the existing benefits system, and which provides a framework for people to become self-reliant where appropriate.

Overview of the proposed Single Income Supplement (SIS) system

- 5.4 The proposed Single Income Support (SIS) will replace the six current means-tested benefits; the Welfare Allowance, Working Credit, Childcare Credit, Winter Fuel Allowance, Rent Rebate, and Service Charge Rebate.
- 5.5 The Enablement Programme and Employment Programmes will not be included in the SIS and will continue to be assessed and administered by the Training Centre. These are specific programmes with defined objectives to secure the rehabilitation of participants into permanent paid employment, or to access opportunities for work and social engagement, depending on individual capabilities. Income support for low-paid workers is currently provided through the Welfare Allowance and the Working and Childcare Credits. It is these income supports that are being considered for consolidation with the other means-tested benefits into a single income support payment. It is proposed that any payments an individual receives under the Employment and Enablement Programmes are taken into account in household income calculations when determining SIS levels.
- 5.6 The overriding principles of the new system are:
- That the needs of low-income households are addressed
 - That there is a single point of entry for financial support, which is accessible, simple, timely, and easy to understand
 - That access is sustainable, equitable and consistent
 - That the support provided promotes self-reliance and entry into, or advancement within, the workforce
- 5.7 Whereas current benefit eligibility is determined and processed across several departments, it is proposed that eligibility for the SIS will be assessed by a nominated individual or individuals within Social Services; where staff already engage with vulnerable individuals and are best placed to assess and determine individual and household need.
- 5.8 This single point of entry will create a fairer, more accessible and more transparent system which reduces the burden on both applicants and administrative resources. A centrally managed system will also help to prevent duplication or overpayment of benefits and will allow for the monitoring of social supports provided by FIG.
- 5.9 In line with a case management approach, the circumstances of each household receiving a SIS will be reviewed periodically by Social Services. The frequency of the review will depend on the household type; those who are unemployed will be needs-assessed more frequently than those in employment; and those in pensioner households. This will allow for timely referrals to other departments for additional supports e.g. unemployment benefits, attending training courses or accessing funding for training.

- 5.10 Once households are assessed by Social Services and the level of income support determined, a request for payment will be sent to Treasury for processing. Payment requests will be checked by Treasury staff for completeness and accuracy before they are processed. This will provide additional oversight while also allowing for payments to be assessed against debt management procedures. While the proposed system will require an administrative function within Treasury, it is anticipated it will use significantly less resources than is needed for the current system.
- 5.11 In order to monitor the impact of financial supports on the household income of recipients, it is recommended that all persons receiving the SIS are required to submit an Individual Tax Return each year. This would capture the financial information of individuals earning less than the initial tax threshold.
- 5.12 The new single payment will consist of a series of components reflecting the specific circumstances of the applicant and their household, namely; employment status of adults in the household; housing tenure; and number of children in the household. The sum of all of the components would be the maximum SIS payment for the household.
- 5.13 Household income will take into account all wages, salaries, commissions and bonuses paid from all employments, self-employed or other; interest, dividends or other investment incomes; rental income and income received from lodgers; domestic and foreign pension incomes; Family Allowance payments; and child support payments, where relevant.
- 5.14 It is recommended that in line with minimum wage calculations, the definition of income is also extended to include benefits in kind an individual receives from an employer e.g. board and accommodation. It is proposed that benefits in kind be defined as in the Taxes Ordinance 1997; this definition will be refined during the preparation of detailed implementation guidelines and legislative drafting instructions.
- 5.15 In the event that a household is a tenant of FIG, the value of their rent will be deducted from their SIS payment and credited to the FIG rents database.
- 5.16 It is also recommended that a discretionary fund be established to provide for exceptional circumstances whereby an individual or household, through no fault of their own, has financial needs in excess of calculated income support levels. An example of such a situation is when an individual or family is over-housed and the required rent payments are greater than are provided for under the allowed SIS.
- 5.17 It is inevitable that anomalies will arise during the initial period of operation. It is proposed that any such issues are dealt with at the discretion of the Head of Social Services, and that any significant changes are reviewed alongside a review of the income thresholds each year, as part of the Budget Policy paper.

Proposed eligibility criteria

5.18 The proposed eligibility criteria for the Single Income Supplement are:

- Household income is below the relevant threshold
- Household savings are not greater than £16,336
- Applicants are aged 16 years and over
- Applicants are ordinarily resident in the Islands and have been for 3 years prior to application
- There is an absolute requirement to work or be seeking work, unless the individual is a carer; retired; or unavailable for work due to illness or impairment

Table 7. Comparison of eligibility criteria: single income supplement vs existing benefits

	Single Income Supplement	Existing benefits
Household income	Below relevant threshold	Range from £2,080 to £17,306
Household savings	Not greater than £16,336	Range from £5,625 to £16,336
Minimum age	Aged 16 years and over	16 or 18 years
Residency requirement	Ordinarily resident in the Islands for minimum of 3 years	Resident for tax purposes (2 benefits)
Immigration status	Not relevant	Not relevant (4 benefits) Status/PRP only (2 benefits)

5.19 It is proposed that financial support will be available to individuals aged 16 years and over, whose household income is not sufficient to maintain an acceptable minimum standard of living. However, Members may take the view that the scheme should be restricted to those aged 18 years and over.

5.20 It is acknowledged that specific protections and provisions are in place under the Children Ordinance 2014 in relation to child protection and support from the Crown for children and their families who are in need; financially and otherwise. In that context, a child is anyone under the age of 18 years. It is not the intent of this proposed scheme to supersede existing legislation; in all instances, the duty of the Crown in safeguarding and promoting a child's welfare, and the enforcement of orders regarding parental responsibility, take precedence over any provisions or regulations under this proposed Single Income Supplement Scheme.

5.21 As in other jurisdictions, the residency requirement is a control measure to ensure that financial support is provided to individuals who have demonstrated a commitment to the Islands, and that the availability of financial support does not result in a disincentive to

work. The requirement for a 3 year qualification period is in line with existing FIG policies: under immigration policy, individuals become eligible for permanent residency after 3 years; the current FIG Housing Policy imposes a two year waiting period before Status and PRP Holders are eligible for inclusion on the FIG housing list; and Status Holders are required to have been resident in the Islands for the 12 months leading up to their registration on the Electoral Roll. While it is proposed that 3 years is an appropriate qualifying period for eligibility, it is acknowledged that there is provision within current policies for qualifying periods to be waived in exceptional cases of particular hardship. It is recommended that specific criteria are developed to allow for exceptional cases to be considered for eligibility.

- 5.22 The income supplement will be available for people both in and out of employment, however there will be an absolute requirement to work or seek work unless the individual is a carer, retired, or unavailable for work due to illness or physical impairment. Detailed definitions and procedures for how these circumstances are determined will be established during the development of the administrative guidelines and the system regulations.
- 5.23 In line with the fundamental principles of the welfare system to support those in employment who are low income earners or vulnerable individuals at risk of poverty, it is recommended that the SIS is extended to all individuals who are considered resident for tax purposes in the Islands, provided that they also fulfil the eligibility requirements set out in 5.18. This is also consistent with constitutional protections and with previous policy decisions by Executive Council.
- 5.24 The extension of income support to all individuals irrespective of immigration status is not anticipated to increase demand on the system to any great extent. Within the households currently in receipt of benefits, 4 of the 167 individuals have temporary immigration status. The review of low income households not currently engaged with support services identified that of the 60 individuals in the 31 households; 6 persons are classed as temporary residents. This indicates that those in need of welfare assistance are primarily permanent residents, and that temporary residents are already proxy receivers of welfare support in households where the primary benefit recipient is a permanent resident.
- 5.25 Under the proposed system, temporary residence permit holders would be eligible for income support provided they fulfil all of the eligibility criteria, including the requirement to be in employment and to have met the 3 year qualifying period. Income support also is available to temporary residents under the existing system of benefits and allowances, via the Working and Childcare Credit. However, it is unlikely for an individual subject to immigration control to be in a position where they would be entirely dependent upon financial support from FIG as there is provision in the Immigration Ordinance, 1999 for temporary permits to be revoked if the holder is without adequate accommodation or funds to maintain themselves and any dependants.

Determining the value of the single income support

5.26 As described in section 4.13; a minimum wage income or incomes, depending on the household type, is the basis for calculating the level of income support to be provided. That minimum household income is used to determine the value of entitlements available under the existing benefits system, and the resulting amounts are summed to produce the proposed SIS. The extent of that support depends on actual household income; the employment status of adults in the household; housing tenure; and the number of children in the household.

Table 8. Minimum household income support levels by household type.

Household type	Minimum household income thresholds (annual, £)			
	Renting and:		Not renting and:	
	Working	Not working	Working	Not working
Single adults	13,427	13,007	13,427	13,007
Partnered adults no children	26,013	26,013	26,013	26,013
Partnered adults with 1 child	26,013	26,013	26,013	26,013
Partnered adults with 2 children	26,013	26,013	26,013	26,013
Partnered adults with 3 children	26,838	26,838	26,013	26,013
Lone parents +1 child	17,790	16,695	14,102	13,007
Lone parents +2 children	18,773	17,114	14,666	13,007
Lone parents +3 children	19,766	18,107	15,125	13,466
Lone pensioners	12,224	12,224	8,649	8,649
Coupled pensioners	20,223	20,223	16,568	16,568

For example:

1. A single adult living alone in rented accommodation works a minimum wage job part-time, and has an annual income of £10,327. Under the SIS, they would be entitled to an income supplement of £3,100 per year to bring them up to the minimum income threshold of £13,427.
2. A pensioner couple own their own home and have a combined annual pension income of £15,281. They would be entitled to a SIS payment of £1,287 per year.
3. A lone parent with three children lives in rented accommodation, works part-time, and has an annual income of £7,800. They would be eligible for a SIS payment of £11,966 per year to bring their household income up to the threshold of £19,766.

5.27 While the household income thresholds reflect the combined current benefit entitlements for each household type, it is recognised that the level of financial support under the existing benefits system may not be adequate in certain circumstances. As a result, the calculated minimum household income thresholds, and the resulting SIS payment, may not be sufficient financial support for certain household types.

- 5.28 This is particularly the case for partnered adult households with one or more children. Table 8 shows that the income thresholds for this household type remain static at £26,013 irrespective of the number of children or other household circumstances; except in the case of a working and renting family with three children, where it increases marginally to £26,838.
- 5.29 It is reasonable to expect that the financial requirements of a household vary depending on the number of children within it – much as the thresholds for lone parents with children are shown to do.
- 5.30 Should the policy recommendations within this paper be agreed, it is recommended that further work be carried out to refine the minimum household income thresholds and that the work is informed by the results of the new Household Expenditure Survey.

Impact of implementing proposed SIS on household incomes of existing benefits recipients

- 5.31 The impact of replacing the existing means-tested benefits with the calculated minimum incomes under the single income supplement system was assessed in detail using the database of current benefits recipients. Table 9 summarises the impact of the SIS on household income, relative to income under the existing benefits system, by household type.
- 5.32 Again, it is important to bear in mind that the circumstances of households are likely to have changed since the census and that this will have an impact on the calculation of the SIS and income levels. Nonetheless, these data are compiled from the best information available and provide valuable insight into the effects of the proposed changes.

Table 9. Impact of SIS on household income compared to existing benefits, by household type

Household type	Number of households			Total
	SIS value > existing benefits	SIS value < existing benefits	Not eligible for SIS	
Single adults	8	1	2	11
Partnered adults with no children	1	-	1	2
Partnered adults with 1 child	-	-	2	2
Partnered adults with 2 Children	-	-	1	1
Partnered adults with 3 Children	-	-	1	1
Lone parents with 1 child	1	2	1	4
Lone Parents with 2 children	2	-	1	3
Lone Parents with 3 children	1	-	1	2
Lone pensioners	33	6	32	71
Coupled pensioners	6	1	8	15
Total	52	10	50	112

Note: actual income not known for 3 households; single adults x 2, coupled pensioners x 1.

Households eligible for SIS but at a level higher than current benefits received

- 5.33 Table 9 shows that 52 households would receive a higher level of income support under the SIS system and that the majority of these (n=39) are pensioner households. However, 29 of the 52 households would receive an increase of 10% or less per annum. The remaining 23 households would receive an income supplement ranging from 11% to 51% higher than they currently receive under the existing system. It is likely that gaps in the data and changes in circumstances account for much of this discrepancy – six lone adult households are recorded as not being in employment; if unemployment benefits were added to their household income, the level of the SIS payment they are eligible for would fall significantly.
- 5.34 It is important to note that if it is decided to increase income thresholds for those in receipt of Attendance Allowance and for pensioners in particular, the value of SIS payments will increase across the board – including for those who would already benefit under the proposed system without the Winter Fuel Allowance (WFA) dispensation.

Households eligible for SIS but at a level lower than current benefits received

- 5.35 It was calculated that ten households would receive less under the SIS payment system than they currently do in benefits and allowances; seven of which received a shortfall of 10% or less, with the difference linked to their level of income. The remaining three households had a shortfall ranging from 15% to 50%, however; it is likely that differences in their recorded and actual household circumstances have affected the calculated SIS level.
- 5.36 Eligibility for the Winter Fuel Allowance is an issue here – pensioner households in receipt of the WFA in addition to basic pension incomes would receive proportionately less under the SIS system. A proposed remedy to this is discussed in more detail in 5.40 to 5.48.

Households not eligible for SIS

- 5.37 Fifty households currently in receipt of benefits would not be eligible for financial support under the proposed SIS system. Pensioners make up the largest group within these households (n=40). The SIS income thresholds for lone pensioners are £8,649 (not renting) and £12,224 (renting), and for coupled pensioners the thresholds are £16,568 (not renting) and £20,223 (renting). Based on the information available, all of the pensioner households identified as being ineligible for the SIS have household incomes above the applicable thresholds.
- 5.38 All 40 pensioner households currently receive the WFA, valued at between £208 and £506 per winter season. While it is acknowledged that there are limitations with the data used in this analysis, it appears that 14 pensioner households have incomes in excess of the eligibility criteria for the existing scheme, and an additional 4 households are receiving the top WFA rate instead of the applicable rate linked to their income.

5.39 Some of this discrepancy (n=7) can be explained by eligibility for the WFA under the Attendance Allowance scheme. As highlighted in 4.32, in addition to pensioners, the WFA income support is meant to be available to individuals in receipt of Levels B (medium) and C (high) Attendance Allowance. However, some recipients of Level A Attendance Allowance have also been receiving WFA, without otherwise being eligible as a pensioner household. This raises an issue for discussion and for a policy decision to be made on whether this subset of Attendance Allowance recipients should remain eligible for this income support.

Eligibility for the Winter Fuel Allowance: pensioners

5.40 As described in 4.13, the proposed SIS system is based on the current set of benefit payments. In this instance, the basic pension is used as the income threshold, supplemented by the various premiums used in calculating value of existing benefits, in order to produce the maximum SIS payment for each household type.

5.41 If a pensioner or coupled pensioner household has a pension higher than the basic value (set at £8,031 per individual), they would ‘lose’ this aspect of their income support based on the maximum income guidelines, and would receive less financial support than they do under the present system.

5.42 For example: Single pensioners not renting their home

	Pension income	Proposed minimum income level	SIS payment	Current benefits: WFA	Outcome
Pensioner A	£7,250	£8,649	£1,399	£506	SIS payment higher than current benefit entitlement
Pensioner B	£8,031	£8,649	£618	£506	SIS payment higher than current benefit entitlement
Pensioner C	£8,700	£8,649	Nil	£506	Not eligible for SIS payment, receives less than current benefits

5.43 While it is reasonable to set the basic pension as the basis for calculating the proposed minimum income level, the WFA currently allows for incomes of up to £16,800 before a reduction in the payment is made.

5.44 To resolve this discrepancy, a policy decision should be made whether to increase the proposed minimum income level for pensioners to match the current WFA criteria, in effect doubling it for single pensioners from £8,031 to £16,800; or whether to remove the WFA element from the SIS calculation and instead create a dispensation for pensioners with incomes up to £16,800 to receive the full value of the WFA payment. It is recommended that the second approach is taken, so as not to create a much higher income threshold for pensioners than is available to other low income earners.

5.45 If it is agreed to establish this dispensation, half of the pensioner households currently ineligible for the SIS would retain the financial support they currently receive (n=20). The remaining households may still be ineligible, or receive less than they currently do, as their household income appears to be in excess of the existing maximum threshold.

5.46 For example: Single pensioners not renting their home

	Pension income	Proposed minimum income level	SIS payment	Dispensation payment	Total	Outcome
Pensioner A	£7,250	£8,143	£893	£506	£1,399	SIS payment higher than current entitlement
Pensioner B	£8,031	£8,143	£112	£506	£618	SIS payment higher than current entitlement
Pensioner C	£8,700	£8,143	Nil	£506	£506	SIS payment matches current entitlement
Pensioner D	£16,000	£8,143	Nil	£506	£506	SIS payment matches current entitlement

Eligibility for the Winter Fuel Allowance: recipients of Attendance Allowance

5.47 At present, 16 households receive a WFA due to their eligibility linked to an Attendance Allowance payment, 12 of which have incomes in excess of the maximum income allowed for payment of the WFA under regular circumstances.

5.48 The existing policy for linking the two payments, established in ExCo 246/12, is to provide additional income support to individuals with high level dependency as a result of physical or mental ill-health. If this policy is maintained, a second dispensation will need to be created for individuals receiving the eligible rates of Attendance Allowance, including pensioner households where this is relevant.

5.49 The remaining 10 households ineligible for the SIS have incomes in excess of the applicable thresholds; namely £13,427 for single adults; £26,013 for partnered adults with up to two children; £26,838 for partnered adults with three children; and between £17,790 and £19,766 for lone parents with one to three children. Three of these households also receive the WFA linked to the Attendance Allowance.

Summary of issues for policy consideration

5.50 Policy decision 1: Method for setting minimum income thresholds.

- Based on a minimum wage income plus current benefit entitlements under the existing financial support system
- Threshold levels dependent upon employment status; housing tenure; number of children in household.

5.51 Policy decision 2: Eligibility criteria for the Single Income Supplement.

- Household income is below the relevant threshold
- Household savings not greater than £16,336
- Applicants aged 16 years and over
- Ordinarily resident in the Islands and to have been for 3 years prior to application
- Absolute requirement to work or be seeking work, unless the individual is a carer; retired; or unavailable for work due to illness or impairment

5.52 Policy decision 3: Current eligibility for the Winter Fuel Allowance and dispensations under the SIS scheme.

- Establish a dispensation allowing pensioner households with incomes up to £16,800 to receive an income supplement equal to the full value of the current WFA, and pensioner households with incomes up to £17,305 to receive a tapered amount.
- Determine if recipients of Levels B and C of the Attendance Allowance continue to be eligible for an income supplement to the value of the WFA; and if agreed,
- Establishing a dispensation allowing those recipients with incomes up to £16,800 to receive an income supplement equal to the full value of the current WFA, and recipients with incomes up to £17,305 to receive a tapered amount.

Timeline for the implementation of the proposed single income supplement system

5.53 This is an indicative timeline only and progress is dependent upon competing Government priorities and departmental workloads.

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sept 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	
Policy principles agreed by Executive Council	█																
Detailed policy developed		5 months															
Administrative procedures developed		5 months															
Detailed policy agreed by ExCo						█											
Legislative drafting instructions prepared				3 mths													
Draft legislation and regulations developed						6 months											
Draft legislation and regulations agreed by ExCo												█					
Draft legislation and regulations published in the Gazette													█				
Bill laid before Legislative Assembly															█		
Ordinance published in the Gazette																█	
Administrative preparations						10 months											
Guidance developed							3 mths										
Public awareness campaign developed										2 mths							
Roll-out public awareness campaign													4 months				
Implementation																█	

6 Resource Implications.

6.1 Financial Implications

6.1.1 In total, £253,861 was allocated for the six means-tested welfare payments in 2017/18.

6.1.2 If Members prefer Option 1: Do nothing, there are no financial implications.

6.1.3 If Members prefer Option 2: Implement a Single Income Support System, the financial implications will depend upon the policy decisions to be made, number of individuals and households eligible based on their current incomes, and uptake amongst eligible individuals. Table 8 summarises the maximum projected costs given the different elements of the proposed system.

6.1.4 Should the proposed single income support system be approved, the establishment of a new permanent post, provisionally expected at Grade E on local terms, within the Social Services Department would be required.

Estimated cost: £26,827

Increase in cost compared to existing provision: The current cost of administering means-tested benefits is difficult to quantify as the work is conducted by several staff, in addition to other duties, across several departments.

Table 8. Breakdown of projected cost of the proposed single income support, by household type

Household type	Benefits received under current system	Proposed SIS Value	Proposed SIS value plus:		
			Attendance Allowance dispensation	Pensioner dispensation	Both dispensations
Single adult	51,900	64,300	65,300	64,300	65,300
Partnered adults with no children	4,000	8,700	8,700	8,700	8,700
Partnered adults with 1 child	6,200	-	-	-	-
Partnered adults with 2 children	5,100	-	-	-	-
Partnered adults with 3 children	7,000	-	-	-	-
Lone parent with 1 child	25,100	23,200	23,200	23,200	23,200
Lone parent with 2 children	20,100	20,700	21,200	20,700	21,200
Lone parent with 3 children	10,100	7,300	7,300	7,300	7,300
Lone pensioner	87,400	99,200	101,200	127,700	127,700
Coupled pensioners	14,400	13,900	14,300	16,800	16,800
Total	231,200	237,200	241,200	268,600	270,200
% increase on current cost	--	3%	4%	16%	17%

6.1.4 Single Income Support System using minimum income thresholds

The intent of the single income support system is to replace the existing set of means-tested benefits with a single support payment. Therefore the total cost of the proposed SIS reflects the total current spend on means-tested payments, plus the effect of a slight increase in benefit entitlement for some recipients.

Estimated cost: £237,200

Increase in cost compared to existing provision: £6,000

6.1.5 Single Income Support System using minimum income thresholds plus dispensation for Attendance Allowance recipients

If Members opt to allow recipients of Levels B and C Attendance Allowance to continue to receive an additional income support to the value of the Winter Fuel Allowance, the cost of the SIS will increase.

Estimated cost (SIS plus AA dispensation): £241,200

Increase in cost compared to existing provision: £10,000

6.1.6 Single Income Support System using minimum income thresholds plus dispensation for pensioners

If Members opt to allow pensioners to continue to receive an additional income support to the value of the Winter Fuel Allowance at levels they are entitled to under the existing system, the cost of the SIS will increase.

Estimated cost (SIS plus pensioner dispensation): £268,600

Increase in cost compared to existing provision: £37,400

6.1.7 Single Income Support System using minimum income thresholds plus both dispensations for pensioners and for Levels B and C recipients of Attendance Allowance

If Members opt to allow both pensioners and Attendance Allowance recipients to continue to receive an additional income support to the value of the Winter Fuel Allowance at levels they are entitled to under the existing system, the cost of the SIS will increase.

Estimated cost (SIS plus both dispensations): £270,200

Increase in cost compared to existing provision: £39,000

6.1.8 Inclusion of low-income households not currently in receipt of benefits

At present, it is possible to only estimate the number of additional low-income households who may be eligible for income support; the breakdown of the potential costs using currently available data is provided in Table 8. However, based on the information available, and if all identified households availed of the income support with both dispensations applied:

Estimated cost (SIS plus both dispensations incl. additional households): £422,900

Increase in cost compared to existing provision: £191,700

6.2 Human Resource Implications

6.2.1 The Social Services Department will administer the scheme and will act as the single point of entry for assessment and recommendation for financial support.

6.2.2 Following consultation with the Social Services team, it is recommended that funding for a Grade E post on local terms within the Social Services Establishment be approved during the 2020/21 budget process.

6.2.3 While the consolidation of the existing means-tested payments will reduce the administrative burden on staff within Treasury; it is not anticipated that it will significantly free-up current resources for other work streams. SIS payments will still be subject to verification checks and will be batch processed alongside other payment requests.

6.3 Other Resource Implications

6.3.1 The additional staff member with Social Services will require a work station to be set up and the standard IT and administrative resources to be put in place.

6.3.2 If the decision is made to develop a custom-built database to manage the scheme e.g. using MS Access, there may be additional costs associated with getting a third party to deliver this.

7 **Legal Implications**

7.1 As described in section 4 of this paper, it will be necessary for the proposed Single Income Supplement scheme to be put into law by means of an Ordinance, to ensure that the policy objectives of the scheme are not contrary to Constitutional protections.

7.2 Once work on developing the detailed policy and administrative procedures for transitioning to and the operation of the proposed new system is completed, legislative drafting instructions will be prepared and submitted to the Government Legal Service.

7.3 It will also be necessary to replace in existing legislation all references to the means-tested benefits being replaced by the Single Income Supplement.

8 **Environmental & Sustainability Implications**

8.1 None.

9 **Significant Risks**

9.1 The key risks associated with not implementing the proposed Single Income Supplement Scheme are that:

- The existing set of means-tested benefits administered by FIG will continue to operate without a legal basis
- FIG is vulnerable to legal challenge that certain of the benefits and allowances under the existing system are discriminatory by way of their eligibility criteria;
- vulnerable members of society do not access the financial and social supports they are entitled to;
- administration of claims and payments remains disjointed, with duplication of administrative records across departments increasing the risk of over-and under payment of benefits;
- inequalities in access to the different supports remain;
- access to financial support is not client-focused or oriented towards encouraging individuals to become self-sufficient.

10 Consultation

10.1 Consultation and discussions were held with the Financial Secretary and Director of Health & Social Services, and with staff responsible for the administration of the existing benefits and allowances; prior to and throughout the drafting of this paper.

11 Communication

11.1 Once the proposed SIS is approved and put into law, a communications strategy informing the public of the changes to the means-tested financial supports will be launched.

Appendix 1. Summary of means-tested benefits administered by FIG

Benefit type	Administered by	Minimum age	Immigration & residency rules	Means testing	Value of benefit
Welfare Allowance	Social Services	18, 16 exceptional	Status/PRP Holder	≤£5,625 household savings, an earnings disregard of £40 p/w	Up to £154 p/w for non-working person with 1 child, increasing for subsequent children
Working Credit	Treasury	16	Resident for tax purposes	≤£16,336 household savings, ≤£15,000 household income	Up to £1,789 per year (£34.40 p/w)
Childcare Credit	Treasury	16	Resident for tax purposes	≤£16,336 household savings, ≤£15,000 household income	Up to £1,789 per year for 1 child, £2,776 for 2+ children. (£34 - £53 p/w)
Winter Fuel Allowance	Treasury	65, or any age if on Attendance Allowance B/C	None	<£16,800 household income for full rate, £16,801 to £17,925 for tapered rate	Up to £506 over 4 months
Rent Rebate	Treasury	18	None, but <i>de facto</i> Status or PRP (FIG & YMCA tenants only)	≤£15,682 household savings (excluding sheltered housing tenants)	Up to 100% of rent
Service Charge Rebate	Treasury	18	None, but <i>de facto</i> Status or PRP (FIG & YMCA tenants only)	≤£15,682 household savings (excluding sheltered housing tenants)	Up to 100% of service charge

Appendix 2. Existing means-tested benefits: Background and policy principles

Benefit/allowance	Working Credit
Date introduced	January 2013
Background	During the 2012/13 budget cycle, Budget Select Committee requested a cross-directorate review on how FIG can better provide for low-income households. The Working Credit scheme was introduced as a result.
Policy principles	To provide income support to those working and earning a low wage with the purpose of encouraging individuals off welfare and into the workplace.
Eligibility	<ul style="list-style-type: none"> - Aged 16 years and over - Resident for tax purposes - Minimum of 25 hours worked per week to qualify (employed or self-employed) - Women on maternity leave exempted the 25 working hours per week, if in receipt of the credit prior to the start of the leave - Individuals on Employment Programme ineligible
Conditions	<ul style="list-style-type: none"> - Household savings threshold originally linked to rent rebate threshold at the time of implementation (£16,336) - Maximum household income set at lower tax threshold (originally £14,000, now £15,000) - Rate linked to minimum wage at time of implementation (£5.05 per hour) but never increased in line with minimum wage increases. - Maximum credit based on income plus payment falling below tax threshold. - Included income: all income from employment, self-employed income before depreciation allowances, accommodation and subsistence as BiK, income of all in household over 16 years (excluding tenants) - Excluded income: SCB interest, Family Allowance, child maintenance payments
Benefit/allowance	Childcare Credit
Date introduced	January 2013
Background	Established alongside the Working Credit, during 2012/13 cross-directorate review.
Policy principles	<ul style="list-style-type: none"> - To provide a contribution towards childcare for low-income households in employment, with children not yet in full time education i.e. under 5 years. - That such households would be financially better-off working and receiving the credit, rather than being out of work and receiving full welfare benefits.
Eligibility	<ul style="list-style-type: none"> - Eligible for the Working Credit - One or more children aged under 5 years residing in the household
Conditions	<ul style="list-style-type: none"> - Same as the Working Credit, in addition to: - Requirement to indicate receipt of credits on Personal Tax Return Form - Tax Office reassess entitlement at year-end; any overpayments deducted from future credits or structured payment plan - Overpayments reviewed at discretion of the Financial Secretary; mis-declarations of income up to £1,000 in line with debt write-off policy.

Appendix 2. Existing means-tested benefits: Background and policy principles

Benefit/allowance	Winter Fuel Allowance
Date introduced	2001
Background	<p>Introduced in 2001 to assist with the heating of pensioner homes during the winter months. Established at the request of a pensioner at a public budget meeting.</p> <p>The original calculation was based on a household using a gallon of kerosene per day to heat a property for three winter months, representing half the cost of heating a home for the winter (at 34p per litre). This was extended to four months in 2006. The allowance was set in accordance with the kerosene price in the April of each year.</p>
Policy principles	<ul style="list-style-type: none"> – It was recognised that fuel made up a high percentage of the cost of living at the time. A means-tested scheme, intended to provide limited assistance to those in need, was introduced for persons of retirement pension age and over (64 years, or 60 years for widowed persons). – Scheme was structured to exclude certain pensioner households, ensuring that assistance was provided only to those with the greatest need.
Eligibility	<ul style="list-style-type: none"> – All households accommodating retirement pensioners (or widowers) throughout the 3 winter months
Conditions	<ul style="list-style-type: none"> – No allowance payable for periods when the pensioner/widower is absent from the household for any reason e.g. overseas or admitted to hospital. – Maximum household income (2001) of £13,000; equivalent at the time to two retirement pensions plus 30%. Later linked to rent rebate income thresholds, progressively increasing to the current £16,336. – Extended to households with incomes above the threshold; reducing by £1 for every £1 over the threshold, up to the maximum of £16,795, from 1 June 2013. – Extended to Levels B & C Attendance Allowance recipients from 1 June 2013; it was considered that Level A recipients (low need) could continue to work. – Included in income: household income from all sources, interest from any savings held – Excluded income: any savings held

Appendix 2. Existing means-tested benefits: Background and policy principles

Benefit/allowance	Rent Rebate
Date introduced	Introduced in 1989. Scheme in present form revised in 2000/2001.
Background	In operation since 1989 and covers all government tenants including pensioners. The scheme is discretionary and may be refused or withdrawn if Government considers the individual is only in need through their own fault.
Policy principles	<ul style="list-style-type: none"> - Established to offset the cost of accommodation for persons of limited means in government housing. - Allowance thresholds set so that pensioners existing entirely on a Government pension receive a 100% rebate - Original policy established that sheltered housing tenants not protected by the rent rebate scheme could have their rent frozen on a personal basis. - ExCo (47/99) agreed that rental costs should not exceed 40% of income - Allowances are made according to an individual's circumstances including age, number of children, relationship status.
Eligibility	<ul style="list-style-type: none"> - Minimum age of 18 years - FIG tenants in Stanley, Lookout Lodge, and the YMCA. Includes those in sheltered housing - Extended to all directly owned FIG housing e.g. Fox Bay from 1 July 2013
Conditions	<ul style="list-style-type: none"> - Original maximum savings threshold of £12,000 originated from the Phelps Report, 1989 when the Rent Rebate Scheme was implemented. Threshold increased to the current level of £15,682. - Deduction in permitted allowances for lodgers and for children aged 16 years and over, not in full-time education. - Heating costs ineligible for rebate - Up to 100% of rent charge rebated - Partial rebate on a sliding scale available when income exceeds the applied allowances; rebate decreases by 65p for every £1 income over the allowance. - Included in income: household income from all sources including Family Allowance, Welfare Allowance, interest on savings, income from lodgers and children over 16 years in employment, child maintenance payments, and benefit in kind provisions. - Excluded from income: capital gains income from sale of home (sheltered housing tenants)
Benefit/allowance	Service Charge Rebate
Conditions	Identical to Rent Rebate with the exception that it is available to all individuals i.e. not restricted to just FIG tenants

Appendix 2. Existing means-tested benefits: Background and policy principles

Benefit/allowance	Welfare Allowance
Date introduced	Formalised in 1993 what had previously been paid on an <i>ad hoc</i> basis to cover individual emergency situations.
Background	<ul style="list-style-type: none"> - Originally introduced to assist only the unemployed. - Revised in 2006 to allow for payments to be made in special circumstances to those “whose expenditure exceeds their income”. - 1993 guidelines introduced criteria to assess the eligibility of individuals experiencing financial difficulty. - Numerous revisions have been made in the intervening years, with further recommendations and guidelines produced. - 2006 Welfare Benefits Working Group redrafted the guidelines for assessing and awarding claims. However the revised policy and procedures were never formally approved. - 2010 Working Group tasked by ExCo to carry out a comprehensive review of the Welfare System. - Allowance was originally restricted to Status and PRP Holders; however, this criterion was removed following advice from the Attorney General.
Policy principles	<ul style="list-style-type: none"> - To restrict eligibility for the allowance according to specific financial conditions, in order to ensure that vulnerable individuals who need assistance most can receive it. - Not to incentivise remaining on welfare assistance in place of joining the workforce
Eligibility	<ul style="list-style-type: none"> - Minimum age of 18 years, or 16 years in exceptional circumstances - Household savings of less than £2,500 (1993); £4,850 (2006); £5,625 (2017) - low income households with standard living costs; - individuals unable to work due to illness or disability (long- or short-term); - people of pension age with income less than the state pension; - single parents with children under the age of statutory full-time education - low income families with children of school-going age - people ineligible for the Employment Programme - carers of individuals eligible for the higher rate of Attendance Allowance i.e. Level C - pregnant women not entitled to maternity pay, whose baby is due within the subsequent 11 weeks
Conditions	<ul style="list-style-type: none"> - Included in income: household income from employment - Excluded from income: Family Allowance, Attendance Allowance - Earnings disregard (introduced in September 2012, equivalent to earnings disregard for the Employment Programme) of £174 per month, permitted for 12 months, provided that the individual is/has: <ul style="list-style-type: none"> • in receipt of WA for a period of 8 weeks; • the employment is expected to last for at least 5 weeks; • gross earnings do not exceed £250 per week, and; • either a dependent child under 5 years or the employment is considered therapeutic earnings for the long-term ill.