



Statutory Document No. 74/93

The Social Security Act 1982

**THE SOCIAL SECURITY LEGISLATION (APPLICATION) (NO. 2) ORDER 1993**

*Approved by Tynwald*

16 March 1993

*Coming into operation*

12th April 1993

In exercise of the powers conferred on the Department of Health and Social Security by section 1 of the Social Security Act 1982(a) and of all other enabling powers, the following Order is hereby made:-

*Citation and commencement*

1. This Order may be cited as the Social Security Legislation (Application) (No. 2) Order 1993 and shall, subject to section 1(6) of the Social Security Act 1982, come into force on 12th April 1993.

*Amendment of G C 127/92*

2. (1) The Social Security Legislation (Application) Order 1992(b) shall be amended in accordance with paragraph (2).
- (2) For the Schedule (exceptions, adaptations and modifications subject to which the applied legislation shall have effect in the Island) there shall be substituted the following Schedule-

Article 3(1)

Schedule 1

Exceptions, adaptations and modifications subject to which the Social Security Benefits Up-rating (No. 2) Order 1991 (S I 1991 No. 2910) shall have effect in the Island.

Article

Subject Matter

Exceptions, adaptations & modifications

1

Citation and commencement

For paragraph (2) substitute -

"(2) Subject to paragraph (3) below this Order shall come into force on 12th April 1993."

2

Interpretation

Omit the words from "the Community Charge Benefits Regulations" onwards.

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(a) c.9; (b) G C 127/92.

Printed by Authority.

Price: £1.00

<u>Article</u>	<u>Subject Matter</u>	<u>Exceptions, adaptations &amp; modifications</u>
3	Alterations in rates or amounts of certain benefits under the 1975 Act	In sub-paragraph (4) for "4.1 per cent" substitute "3.6 per cent";
4	Increase in rates or amounts of certain benefits under the Pensions Act	<p>a) In paragraph (2) -</p> <p>(i) in sub-paragraph (a) for "£51.95" substitute "£53.80";</p> <p>(ii) in sub-paragraph (b) for "£54.15" substitute "£56.10";</p> <p>b) In paragraph (3) -</p> <p>(i) for "1991/92" substitute "1992/93";</p> <p>(ii) for "4.1 per cent" substitute "3.6 per cent";</p> <p>c) In paragraph (4)(a) for "4.1 per cent" substitute "3.6 per cent" and in paragraph (4)(b) for "1.1 per cent" substitute "0.6 per cent".</p>
5	Dates on which sums specified for rates or amounts of benefit under the 1975 Act or the Pensions Act are increased by this Order	<p>a) In paragraph (2) -</p> <p>(i) for "9th April 1992" substitute "15th April 1993";</p> <p>(ii) for "6th April 1992" substitute "12th April 1993";</p> <p>b) In paragraphs (3) and (4) for "6th April 1992" substitute "12th April 1993";</p> <p>c) In paragraph (5) for "8th April 1992" substitute "14th April 1993";</p> <p>d) In paragraph (6) -</p> <p>(i) for "6th April 1992" substitute "12th April 1993";</p> <p>(ii) for "9th April 1992" substitute "15th April 1993";</p> <p>e) In paragraph (7) for "9th April 1992" substitute "15th April 1993"; and</p> <p>f) In paragraph (8) for "8th April 1992" substitute "14th April 1993".</p>
6	Increase in rates of certain benefits under the Industrial Injuries and Diseases (Old Cases) Act 1975	Omit.

<u>Article</u>	<u>Subject Matter</u>	<u>Exceptions, adaptations &amp; modifications</u>
7	Increases in rate of graduated retirement benefit and increments thereof	For paragraph (1) substitute - <p>"(1) In the National Insurance (Isle of Man) Act 1971 (an Act of Tynwald) the sum of 6.81 pence referred to in section 35(1) (graduated retirement benefit) shall be increased by 3.6 per cent, and from and including 12th April 1993 the reference in that provision to that sum shall accordingly have effect as a reference to 7.35 pence."</p>
8	Sum specified for child benefit	a) In paragraph (a) for the sum "£9.65" substitute "£18.35"; <p>b) In paragraph (b) for the sum "£7.80" substitute "£11.60";</p> <p>c) After paragraph (b) insert the following paragraph -</p> <p style="padding-left: 40px;">"(bb) in sub-paragraph (c) of paragraph (1) the sum specified is £10.85; and";</p> <p>d) In paragraph (c) for the sum "£5.85" substitute "£9.95".</p>
9	Statutory Sick Pay	Omit.
10	Statutory Maternity Pay	Omit.
11	Earnings Limits	For the sums "£110, £14 and £110" substitute "£120, £16 and £120".

<u>Article</u>	<u>Subject Matter</u>	<u>Exceptions, adaptations &amp; modifications</u>
Schedule 1	Schedule 4 to the 1975 Act as amended by this Order	For Schedule 1 there shall be substituted -

**SCHEDULE 1**

**SCHEDULE 4 TO THE 1975 ACT AS AMENDED BY THIS ORDER**

**SCHEDULE 4**

**RATES OF BENEFITS, GRANTS AND INCREASES FOR DEPENDANTS**

**PART I**

**CONTRIBUTORY PERIODICAL BENEFITS SECTIONS 14 - 31**

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Description of benefits	Weekly rate
1. Unemployment or sickness benefit (section 14).	(a) unemployment benefit...£44.65 (b) sickness benefit.....£42.70
3. Invalidity allowance (section 16).	(a) higher rate.....£11.95 (b) middle rate.....£7.50 (c) lower rate.....£3.75
(the appropriate rate being determined in accordance with section 16(2)(a)).	
4. Maternity allowance (section 22).	£43.75
9. Category B retirement pension where section 29(7)(a)(i) applies(b).	£33.70
10. Child's special allowance (section 31).	£10.95
<b>PART 1A(c)</b>	
<b>WIDOW'S PAYMENT</b>	
Widow's Payment (section 24).	£1000.00

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(a) Section 16(2) was amended by para. 10 of Schedule 1 to the Social Security Act 1979 (c. 18).

(b) Paragraph 9 was substituted by the Social Security Pensions Act 1975 (c. 60), section 65(1) and (2), Schedule 4, paragraph 62.

(c) Part IA was inserted in Schedule 4 as from 11 April 1988 by section 36(2) of the Social Security Act 1986 (c. 50).

PART III

NON-CONTRIBUTORY PERIODICAL BENEFITS SECTIONS 34 - 40

Description of benefits	Weekly rate
1. Attendance allowance (section 35).	(a) higher rate.....£44.90 (b) lower rate.....£30.00
(the appropriate rate being determined in accordance with section 35(3)(a)).	
2. Severe disablement allowance (section 36).	£33.70
2A. Age related addition (section 36A(b)).	(a) higher rate.....£11.95 (b) middle rate.....£7.50 (c) lower rate.....£3.75
(the appropriate rate being determined in accordance with section 36A(1)).	
3. Invalid care allowance (section 37).	£33.70
4. Guardian's allowance (section 38).	£10.95
5. Category C retirement pension (section 39)	(a) lower rate.....£20.15 (b) higher rate.....£33.70
(the appropriate rate being determined in accordance with section 39(2)).	
5A. Category D retirement pension (section 39(c)).	The higher rate for Category C retirement pensions under paragraph 5 above.
6. Age addition (to a pension of any category, and otherwise under section 40).	£2.00

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- (a) Section 35(3) was amended by section 2(4) of the Social Security Act 1979.
  - (b) Paragraph 2A was inserted by the Social Security Act 1990 (c. 27), section 2(2).
  - (c) Paragraph 5A was inserted by section 12(2) of the Social Security Act 1985 (c.53).

## PART IV

## INCREASES FOR DEPENDANTS SECTIONS 41 - 49

Benefit to which increase applies (1)	Increase for qualifying child (2)	Increase for adult dependant (3)
	£	£
1. Unemployment or sickness benefit -		
(a) unemployment benefit, where the beneficiary is under pensionable age.....	-	27.55
(b) unemployment benefit, where the beneficiary is over pensionable age.....	10.95	33.70
(c) sickness benefit, where the beneficiary is under pensionable age.....	-	26.40
(d) sickness benefit, where the beneficiary is over pensionable age.....	10.95	32.30
2. Invalidity pension.....	10.95	33.70
3. Maternity allowance.....	-	26.40
4. Widowed mother's allowance.....	10.95	-
5. Category A or B retirement pension..	10.95	33.70
6. Category C retirement pension.....	10.95	20.15
7. Child's special allowance.....	10.95	-
8. Severe disablement allowance.....	10.95	20.15
9. Invalid care allowance.....	10.95	20.15

PART V

RATE OR AMOUNT OF INDUSTRIAL INJURIES BENEFIT

Description of benefits	Rate or amount																																							
2. Maximum disablement gratuity under section 57(5).	£6,080																																							
3. Disablement pension under 57(6) (weekly rates)	<p>For the several degrees of disablement set out in column (1) of the following Table, the respective amounts in that Table using -</p> <p>(a) column (2) for any period during which the beneficiary is over the age of 18 or is entitled to an increase of benefit in respect of a child or adult dependant;</p> <p>(b) column (3) for any period during which the beneficiary is not over the age of 18 and not so entitled;</p> <p>TABLE</p> <table border="1"> <thead> <tr> <th>Degree of disablement</th> <th colspan="2">Amount</th> </tr> <tr> <th></th> <th>(2)</th> <th>(3)</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>Per cent.</td> <td>£</td> <td>£</td> </tr> <tr> <td>100</td> <td>91.60</td> <td>56.10</td> </tr> <tr> <td>90</td> <td>82.44</td> <td>50.49</td> </tr> <tr> <td>80</td> <td>73.28</td> <td>44.88</td> </tr> <tr> <td>70</td> <td>64.12</td> <td>39.27</td> </tr> <tr> <td>60</td> <td>54.96</td> <td>33.66</td> </tr> <tr> <td>50</td> <td>45.80</td> <td>28.05</td> </tr> <tr> <td>40</td> <td>36.64</td> <td>22.44</td> </tr> <tr> <td>30</td> <td>27.48</td> <td>16.83</td> </tr> <tr> <td>20</td> <td>18.32</td> <td>11.22</td> </tr> </tbody> </table>	Degree of disablement	Amount			(2)	(3)	(1)			Per cent.	£	£	100	91.60	56.10	90	82.44	50.49	80	73.28	44.88	70	64.12	39.27	60	54.96	33.66	50	45.80	28.05	40	36.64	22.44	30	27.48	16.83	20	18.32	11.22
Degree of disablement	Amount																																							
	(2)	(3)																																						
(1)																																								
Per cent.	£	£																																						
100	91.60	56.10																																						
90	82.44	50.49																																						
80	73.28	44.88																																						
70	64.12	39.27																																						
60	54.96	33.66																																						
50	45.80	28.05																																						
40	36.64	22.44																																						
30	27.48	16.83																																						
20	18.32	11.22																																						
4. Unemployability supplement under section 58 (increase of weekly rate of disablement pension).	£56.10																																							

## PART V

## RATE OR AMOUNT OF INDUSTRIAL INJURIES BENEFIT(CONT.)

Description of benefits	Rate or amount
5. Increase under section 59 of weekly rate of unemployability supplement (early onset of incapacity for work).	<p>(a) if on the qualifying date the beneficiary was under the age of 35, or if that date fell before 5th July 1948.....£11.95</p> <p>(aa) if head (a) above does not apply and on the qualifying date the beneficiary was under the age of 40 and he had not attained pensionable age before 6 April 1979.....£11.95</p> <p>(b) if heads (a) and (aa) above do not apply and on the qualifying date the beneficiary was aged under 45.....£7.50</p> <p>(bb) if heads (a), (aa) and (b) above do not apply and on the qualifying date the beneficiary was under the age of 50 and had not attained pensionable age before 6th April 1979..£7.50</p> <p>(c) in any other case.....£3.75</p>
7. Maximum increase under section 61 of weekly rate of disablement pension where constant attendance needed	<p>(a) except in cases of exceptionally severe disablement.....£36.70</p> <p>(b) in any case.....£73.40</p>
8. Increase under section 63 of weekly rate of disablement pension (exceptionally severe disablement)	£36.70
10. Increase under section 64 of weekly rate of disablement pension (dependent children)	£10.95

## PART V

## RATE OR AMOUNT OF INDUSTRIAL INJURIES BENEFIT (CONT.)

Description of benefits	Rate or amount
12. Increase under section 66(2) of weekly rate of disablement pension (adult dependant)	£33.70
13. Widow's pension under section 68 (weekly rates) -	
(a) initial rate.....	£57.65
(b) higher performance rate.....	£56.10
(c) lower permanent rate.....	30 per cent of the higher sums specified in section 6(1)(a) of the Pensions Act
14. Widower's pension under section 69 (weekly rate)	£56.10
15. Weekly rate of allowance under section 70 in respect of children	In respect of each qualifying child.....£10.95
16. Maximum under section 91(1) of aggregate of weekly benefit payable for successive accidents	(a) for any period during which the beneficiary is over the age of 18 or is entitled to an increase of benefit in respect of a child or adult dependant.....£91.60  (b) for any period during which the beneficiary is not over the age of 18 and not so entitled.....£56.10

Made this 11th day of February 1993

B MAY M.H.K.

Minister for Health and Social Security

EXPLANATORY NOTE

(This note is not part of the Order)

1. Section 1 of the Social Security Act 1982 enables the Department by Order to apply to the Island, as part of the law of the Island, subject to such exceptions, adaptations and modifications as may be specified in the Order, any legislation to which the Act applies.
2. Inter alia, the Act applies to the Social Security Act 1986 (of Parliament) and any statutory instruments made or having effect as if made under that Act.
3. This Order amends with effect from 12th April 1993 the previous application to the Island of an Order (G C 127/92) which altered the rates and amounts of certain benefits and other sums. The amendments are summarised in the following paragraphs -
4. Amendment of G C 127/92 - the Social Security Legislation (Application) Order 1992

Article 2 of the present Order amends the application to the Island (by G C 127/92) of the Social Security Benefits Up-rating (No. 2) Order 1991 (S I 1991/2910). The principal effects of the amendments are set out in the following table which shows:-

in column 1, the main benefits and other sums  
subject to alteration;  
in column 2, the existing rates; and  
in column 3, the revised rates.

TABLE

Column 1	Column 2	Column 3
Description of benefit etc.	Existing Rate (weekly unless otherwise stated)	Revised Rate
	£	£

A. Benefits payable from the National Insurance Fund

Retirement Pension (RP)

- on own insurance (category A or B)	54.15	56.10
- on spouse's insurance (category B (lower))	32.55	33.70

Invalidity Benefit (IVB)

- invalidity pension	54.15	56.10
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TABLE

Column 1	Column 2	Column 3
Description of benefit	Existing Rate (weekly unless otherwise stated)	Revised Rate
	£	£
- invalidity allowance }		
- higher rate	11.55	11.95
- middle rate	7.20	7.50
- lower rate	3.60	3.75
<b>Widows Benefit (WB)</b>		
- widow's payment (lump sum)	1,000.00	1,000 (no change)
- widowed mother's allowance	54.15	56.10
- widow's pension (standard rate)	54.15	56.10
<b>Unemployment Benefit (UB)</b>		
- over pension age	54.15	56.10
- under pension age	43.10	44.65
<b>Sickness Benefit (SB)</b>		
- over pension age	51.95	53.80
- under pension age	41.20	42.70
<b>Maternity Allowance (MA)</b>	42.25	43.75
<b>Industrial Disablement Pension</b>		
- 100%	88.40	91.60
- 20%	17.68	18.32
<b>Dependency Additions</b>		
i) Adults - with RP, IVB, and, if beneficiary over pension age, UB	32.55	33.70
- with SB if beneficiary over pension age	31.20	32.30
- with UB	26.60	27.55
- with SB, MA	25.50	26.40
ii) Children with RP, WB, IVB, and, if beneficiary over pension age, with SB and UB	10.85	10.95

TABLE

Column 1	Column 2	Column 3
Description of benefit	Existing Rate (weekly unless otherwise stated)	Revised Rate
	£	£
<b>B. <u>Benefits payable from General Revenue</u></b>		
<b>Child Benefit</b>		
- pre school children	10.45	10.85
- school children up to 16	11.20	11.60
- school children over 16	17.70	18.35
One Parent Benefit	9.60	9.95
Invalid Care Allowance (ICA)	32.55	33.70
Severe Disablement Allowance (SDA)	32.55	33.70
<b>Attendance Allowance</b>		
- higher rate	43.35	44.90
- lower rate	28.95	30.00
<b>Disability Living Allowance(DLA)</b>		
<b>Care Component</b>		
- higher rate	43.35	44.90
- middle rate	28.95	30.00
- lower rate	11.55	11.95
<b>Mobility Component</b>		
- higher rate	30.30	31.40
- lower rate	11.55	11.95
Old Person's Pension (OPP)	32.55	33.70
Age Addition - UK (to RP or OPP for person over 80)	0.25	no change
- IOM	2.00	no change
<b>Dependancy Additions</b>		
i) Adults - with ICA, SDA, OPP	19.45	20.15
ii) Children - with ICA, SDA	10.85	10.95

6. The additional costs in 1993/94 of the increased rates of benefits are estimated follows -

National Insurance Fund

Retirement Pension	1,458,000
Invalidity Benefits	137,000
Widows Benefits	50,000
Unemployment Benefit	56,000
Sickness Benefit	31,000
Maternity Allowance	7,000
Industrial Disablement Benefits	9,000
Enhanced Unemployment Benefit	6,000
Retirement Pension Premium	83,000
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	1,837,000

General Revenue

Child Benefit	324,000
One Parent Benefit	24,000
Invalid Care Allowance	9,000
Severe Disablement Allowance	16,000
Attendance Allowance	43,000
Old Persons Pension	8,000
Disability Living Allowance	58,000
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	482,000

Total Additional Cost 1993/94 2,319,000

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

IN TYNWALD - MARCH 1993

Memorandum to: All Members of Tynwald

Date: 1 March 1993

1. SOCIAL SECURITY BENEFITS UP-RATING 1993

2. OTHER CHANGES TO SOCIAL SECURITY BENEFITS

3. CHANGES TO NATIONAL INSURANCE CONTRIBUTION LIABILITIES

1. The Minister for Health and Social Security will, inter alia, be seeking approval at the March sitting of Tynwald to the following measures which a) provide for this year's up-rating of benefits, b) other changes within the Social Security programmes and c) changes to National Insurance contribution liabilities -

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The Social Security Legislation (Application) (No. 2) Order 1993,	2
The Social Security Legislation (Application) (No. 3) Order 1993,	3
The Social Security Legislation (Application) (No. 4) Order 1993,	6
The Pensioner's Lump Sum Payments Order 1993,	8
The Supplementary Benefit (Conditions of Entitlement, Requirements and Resources) (Amendment) Regulations 1993,	9
The Family Income Supplements (Computation) Regulations 1993,	22
The Retirement Pension (Premium) Scheme 1993,	24
The T.V. Licence (Refunds) Scheme 1990 (Amendment) Scheme 1993,	25
The Pension Supplement Scheme 1992 (Amendment) Scheme 1993.	26

2. The Explanatory Note to each of the measures summarises their effects. The purpose of this memorandum is to provide a further briefing on the proposals.

3. THE SOCIAL SECURITY LEGISLATION (APPLICATION) (NO. 2) ORDER 1993

- 3.1 This Order relates to the annual general up-rating of benefits which are part of the Reciprocal Agreement with the United Kingdom and to the up-rating of Child Benefit and One Parent Benefit.

Members may recall that at the January 1993 sitting of Tynwald approval was given to the Department commencing to make the essential preparations for the changes which result from this Order. In seeking that approval the Department circulated a briefing paper to Members in early January setting out the benefit changes which would be provided for by the Order. For ease of reference a copy of that paper is attached as Appendix 1 to this memorandum. Also attached, as Appendix 2, is a copy of a press release issued on 12 January 1993 summarising the main elements of the 1993 up-rating proposals.

- 3.2 It is emphasised that this Order relates only to the reciprocal benefits. The main non-reciprocal benefits (in particular Supplementary Benefit and Family Income Supplement) are dealt with separately.

4.5. Class 1- Employee's (or primary) contribution

The lower earnings limit - that is the level of earnings which an employee must have before becoming liable to pay contributions - is being raised from £54 to £56 per week.

The upper earnings limit - that is the level at which any further earnings do not attract an employee's contribution liability - is being raised from £405 to £420 per week.

Once again the percentage rates of contributions are not altered. Under the structure which came into force on 5th October 1989 employees whose earnings reach the lower earnings limit will continue to pay an initial contribution of 2% of that limit (i.e. £1.12) and standard rate contributions of 9% on that portion which exceeds the lower but not the upper earnings limit.

- Employer's (or secondary) contribution

The lower earnings limit is relevant to the employer's liability - i.e. the employer is not liable for a contribution unless the employee has earnings at or above the limit.

The upper earnings limit is not relevant to the employer's liability. The employer is liable for contributions on all earnings of his employee once the lower earnings limit is reached. The Order makes no change in this respect.

4.6. Class 2

- the Flat-rate contribution is to be increased by 20p to £5.55 a week

- the exemption threshold is to be increased by £110 to £3,140 per annum.

If a self-employed earner's annual profits are less than the threshold he may apply for exemption from liability for the flat-rate contribution

4.7. Class 3 - the flat-rate contribution is to be increased by 20p to £5.45 per week.

4.8. Class 4 - the range of profits which will attract Class 4 liability is increased from £6,120 - £21,060 to £6,340 - £21,840. The percentage of profits within the range payable as Class 4 contributions remains at 6.3%.

4.9 Assuming that the contribution changes are approved, the total contribution income for 1993/94 is estimated as follows:-

Class 1	35,600,000
Class 2	882,000
Class 3	99,000
Class 4	1,002,000
*Premiums	115,000
	<hr/>
	£37,698,000
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\* In general, "Premiums" are payable in respect of employees who have been contracted out of the State Earnings Related Pension Scheme (SERPS) by virtue of their membership of an occupational pension scheme, but who have subsequently re-joined SERPS. The Premium is not unlike a transfer value which ensures that full pension rights will be available from SERPS.

5. THE SOCIAL SECURITY LEGISLATION (APPLICATION) (NO. 4) ORDER 1993

- 5.1 This Order is concerned with increasing the prescribed weekly amounts of Disability Working Allowance (D.W.A.).
- 5.2 D.W.A., which was introduced in the United Kingdom and the Isle of Man from April 1992, is intended to assist disabled persons to take up or return to work.
- 5.3 Disabled persons are able to relinquish an incapacity benefit such as Invalidity Benefit or Severe Disablement Allowance to take up work. The working arrangement must be for 16 hours per week or more, so there is an opportunity for part time work.
- 5.4 In the Isle of Man D.W.A. operates in the same manner as Family Income Supplement (F.I.S.) but with higher rates of benefit and an appropriate rate for single people.
- 5.5 An award of F.I.S. is calculated in a fairly simple manner, "Prescribed Amounts" are fixed by legislation. The level of "Prescribed Amount" varies according to family size. Income is deducted from the prescribed amount and the award of F.I.S. is 70% of the shortfall.
- 5.6 The "Prescribed Amounts" for D.W.A. are as follows (with the existing figures being shown in brackets) -

Single person (without children)	£104.50	(100.80)
Married couple	£160.80	(155.10)
One child family	£167.10	(161.10)
Increases for each additional child	£ 18.90	( 18.20)

(The rates for married couples relate to married couples without children. The rates for families relate to all families whether they are single parent families or two parent families).

6. THE PENSIONER'S LUMP SUM PAYMENTS ORDER 1993

6.1 This Order relates to the Christmas Bonus. Legislation provides that the Christmas Bonus shall be £10.00 unless Tynwald approves an Order for a different rate.

6.2 It is now the practice for any proposed increases in the Christmas Bonus to form part of the Social Security annual up-rating package.

6.3 The purpose of this Order is to provide for the Christmas Bonus to be paid at the following rates for Christmas 1993:-

£50.00 - persons in receipt of Supplementary Benefit, Family Income Supplement or Disability Working Allowance.

£35.00 - other qualified persons.

While these are the same rates as the 1991 and 1992 Christmas Bonus, it should be noted that during the past 5 years the overall increase in the Bonus has been at least twice the overall increase in the rate of inflation. (Although the amount of the Christmas Bonus has never been related to inflation).

In addition the scope of the Bonus was extended in both 1991 and 1992.

6.4 The total cost of Christmas Bonus payments for 1993 is estimated to be about £783,000.

7. THE SUPPLEMENTARY BENEFIT (CONDITIONS OF ENTITLEMENT, REQUIREMENTS AND RESOURCES) (AMENDMENT) REGULATIONS 1993

7.1 The amount of weekly Supplementary Benefit to which a person may be entitled is the amount by which his or her "resources" fall short of his or her "requirements". These regulations up-rate or modify various sums relevant for the purposes of calculating a person's "requirements" and "resources".

7.2 REQUIREMENTS

There are 3 different categories of requirements. These are

- Normal requirements intended to cover all items of normal expenditure on day-to-day living (other than principal items of housing expenditure - rent, mortgage interest, rates).
- Housing requirements determined by reference to a claimant's allowable housing costs.
- Additional requirements intended to make special provision in circumstances not covered by normal requirements.

There are always normal requirements and there are usually housing requirements and additional requirements depending upon the circumstances of a case.

(a) NORMAL REQUIREMENTS

There are two scales of rates prescribed for normal requirements:-

The long-term scale rates (LTSR) apply to pensioners from the outset of a claim and which apply to other claimants (except those required to register as unemployed) after they have been receiving (or treated as receiving) Supplementary Benefit at the ordinary scale rate for 12 months.

The ordinary scale rates (OSR) apply to persons below pensionable age for the first 12 months of a claim after which the long-term rates apply. Persons who are required to register as unemployed and be available for work as a condition for receiving Supplementary Benefit only qualify for normal requirements at the ordinary rate so long as that condition requires to be met.

For each scale there are also additions for child dependants.

- (b) These regulations provide for the scale rates of normal requirements and the additions for child dependants to be subject to a general up-rating of 3.7%, being the increase in the I.O.M. Retail Price Index (excluding the housing element) in the 12 months to September 1992.
- (c) Col.A in the following table shows the existing weekly rates of normal requirements and child additions, Col.B shows the weekly rates now proposed from 12 April 1993 and Col.C shows the amount of increase in each rate (NB Child Benefit is not taken into account as a resource for Supplementary Benefit purposes and thus the increases in that benefit are wholly beneficial to Supplementary Benefit claimants with children).

<u>Normal Requirements</u>	Col.A (Existing)	Col.B (Proposed)	Col.C (Increase)
	£	£	£
<u>Long-term scale rates</u>			
Couple	100.65	104.35	3.70
Single householder	65.40	67.80	2.40
Non-householder			
- 18 or over (or having a dependant)	49.75	51.60	1.85
- 16 or 17 (having no dependant)	37.80	39.20	1.40
<u>Ordinary scale rates</u>			
Couple	77.80	80.70	2.90
Single householder	50.55	52.40	1.85
Non-householder			
- 18 or over (or having a dependant)	38.45	39.85	1.40
- 16 or 17 (having no dependant)	29.60	30.70	1.10
<u>Child Dependants</u> (ordinary or long-term rates)			
Aged			
- not less than 18	28.45	29.50	1.05
- 16 or 17	19.55	20.25	0.70
- 11 - 15	14.60	15.15	0.55
- Under 11	6.45	6.70	0.25

(d) The above rates of normal requirements apply for persons in normal housing circumstances (e.g. living in their own homes or living in someone else's household). Special rules apply for persons living in Board and Lodging accommodation or in Residential or Nursing Home accommodation. In Board and Lodging cases normal requirements comprise:-

- the actual charge for the accommodation (but subject to an overriding maximum determined by an adjudication officer having regard to the general level of such charges prevailing in the area), plus
- allowances for any meals not included in the charge, plus
- an allowance for the personal expenses of the claimant.

The meals allowances prescribed by these regulations are £1.40 for breakfast and £2.00 for lunch or dinner being 5p more than the existing rates. The personal expenses allowances are being increased by 3.7% to £15.75 for a claimant subject to the OSR and £17.60 for an LTSR case.

The principal regulations provide that the modified rates of normal requirements for cases in Residential and Nursing Home accommodation are for determination by the Department and are not therefore specifically provided for in these regulations. In such cases it is the practice of the Department to allow normal requirements at the rate of the charge for the accommodation subject to certain maxima. From the 12 April 1993 it is the intention of the Department to increase the maxima for private residential accommodation in line with the general up-rating:-

- £165.95 per week for residential homes cases (from £160), and
- £287.25 per week for nursing homes cases (from £277).

Residential and Nursing Home cases also attract requirements for personal expenses which, from 12 April 1993, are to be:-

- £13.55 per week for a person in a D.H.S.S. or voluntary/charitable residential home (from £13.10)
- £15.25 per week for a person in a commercial Residential or Nursing Home (from £14.70).

It should be noted that Attendance Allowance may be disregarded in the case of persons in private Residential Homes or Nursing Homes. The effect of this is that persons who qualify for low rate Attendance Allowance will benefit by increased financial support of £30.00 more than the maximum level of Supplementary Benefit, and those who qualify for the high rate Allowance will benefit by an additional £44.90.

The care component of Disability Living Allowance (D.L.A.) is also disregarded. Persons who qualify will benefit by increased financial support of £11.95, £30.00 or £44.90 above the maximum level of Supplementary Benefit, according to whether they qualify for low, middle or high rate of D.L.A. D.L.A. consists of care components and mobility components and replaced Attendance Allowance and Mobility Allowance for persons who develop care or mobility needs before age 65, but once awarded D.L.A. will continue for life (subject to medical conditions). The mobility components are also disregarded for Supplementary Benefit purposes.

(e) HOUSING REQUIREMENTS

So far as housing requirements are concerned, claimants occupying local authority properties have their requirements assessed at the actual charge for rent and rates imposed by the relevant authority. Local authority householders claiming Supplementary Benefit are, therefore, fully protected against increases in their rent and rates.

For claimants in private sector housing the amount allowed as housing requirements is the actual rent/mortgage interest and rates subject to certain maxima. These maxima are not prescribed by regulations but are for determination by adjudication officers acting in accordance with directives given by the Department.

The present directives provide that, subject to certain conditions, the maximum weekly allowance for housing requirements for:-

- families with children
- pensioners
- long-term sick or disabled claimants

in private sector housing is £47.30. From 12 April this is to be increased to £49.05. For any other private sector case the following revised maxima will apply (present maxima are indicated in brackets).

Number of people in claim	Maximum Housing Allowance	
	£	£
1	£26.00	(23.10)
2	£29.25	(26.60)
3	£34.20	(31.80)
4	£38.60	(36.75)

(f) Certain other prescribed sums relevant for the calculation of housing requirements are up-rated by these regulations:-

- Owner/Occupier's allowance for maintenance and insurance costs - this is being increased from £5.25 to £5.50 per week
- the weekly amount to be deducted from the total of housing requirements where there is a non-dependant member of the household is to be increased to £24.25 (£23.10) where the non-dependant has earnings in excess of £97.00 (£92.40). The rate of deduction is reduced where earnings are below that threshold but to not less than £6.90 (£6.55)
- the notional amount of weekly housing requirements in a non-householder case (e.g. son living at home with parents) is to be increased to £6.90 (£6.55).

- the weekly amounts to be deducted from housing requirements where rent includes an all-inclusive charge for heating etc., are to be increased as follows:-

£9.60 (£9.25) for heating  
£0.80 (£0.75) for lighting  
£1.20 (£1.15) for cooking  
£1.20 (£1.15) for hot water.

(g) ADDITIONAL REQUIREMENTS

So far as additional requirements (AR) are concerned these fall into three categories:-

- flat-rate additions are awarded to blind people and people who have reached age 75
- other additions are given where the need is for extra heating
- additions are also available for a number of other kinds of special needs.

Subject to what is said below the rates or amounts relevant for additional requirements are to be increased by 3.7%.

- Age addition at 75 - the weekly rate of AR payable if a claimant or his partner is aged 75 or over is to be increased to £8.95 (from £8.65), an increase of 3.6% in line with the Retirement Pension (Premium) Scheme. If both partners of a couple are aged 75 or over two such ARs are payable.

- Heating additions - the various ARs provided for heating additions are to be increased by 3.7%. However, the Winter Heating Supplement which will be payable in addition to normal heating ARs for the period from January to March 1994 is to be increased by 6.6%. The rate of the Winter Heating Supplement will be increased to £4.85 per week (from £4.55).
  
- Special needs - the AR in respect of mobility needs is to be increased in line with the higher rate mobility component of Disability Living Allowance. The new rate of the A.R. is therefore £31.40 per week (from £30.30).

The A.R. is not payable if the high rate mobility component of D.L.A. is in payment. However, if the lower rate of the mobility component is in payment a modified A.R. will be payable. The rate will represent the difference between the lower rate mobility component of D.L.A. and the normal rate of the A.R. (which will be the same as the high rate mobility component of D.L.A.).

- The AR for carers, is to be increased to £11.95 per week (from £11.55). The rate of this A.R. is fixed at the same rate as the carers premium in the United Kingdom Income Support Scheme. It is payable to a person who is in receipt of, or treated as being in receipt of, Invalid Care Allowance.

- 7.3 In addition to the up-rating proposals these regulations allow the payment of the Winter Heating Supplement to continue for an extra week to coincide with the general up-rating of benefits from 12 April 1993.

The regulations also introduce new provisions into

- the Supplementary Benefit (Resources) Regulations 1981, and
- the Supplementary Benefit (Conditions of Entitlement) Regulations 1981.

- 7.4 The Winter Heating Supplement provides an extra allowance to all Supplementary Benefit claimants who already qualify for an Additional Requirement for heating. The Winter Heating Supplement is payable automatically and regardless of weather conditions for 14 weeks during the coldest months of the year - January, February and March.

- 7.5 The relevant up-rating regulations approved last year provide for the 1993 supplement to finish on 4 April 1993. The finish of the Supplement normally coincides with the commencement of the annual benefit up-rating. In 1993, however, the benefit up-rating is effective from 12 April and so, in order to prevent any difficulties for those in receipt of it, these Regulations provide for the payment of the Winter Heating Supplement to continue for one extra week to 11 April 1993.

7.6 The Resources Regulations provide that in establishing a persons weekly income certain amounts can be disregarded. These amendments to the Resources Regulations are concerned with other weekly income which can be disregarded. Firstly, the regulations provide for a disregard of £15 (currently £5) from the weekly earnings of anyone who qualifies for an Additional Requirement for carers. Secondly, they provide that a proportion of the new Pension Supplement is to be disregarded. The supplement is being introduced from April 1993, and during the first year (1993/94) it is to be disregarded in full. In the next year (1994/95) 80% of the Supplement is to be disregarded, 60% in 1995/96, 40% in 1996/97, 20% in 1997/98; from 1998/99 the proportion of the supplement to be disregarded is reduced to NIL.

7.7 The changes to the Conditions of Entitlement Regulations are concerned with the circumstances under which Supplementary Benefit can continue to be paid whilst a person is temporarily absent from the Isle of Man.

Except in prescribed circumstances Supplementary Benefit is paid to a person only whilst that person is in the Isle of Man. The prescribed circumstances are

- where a claimant is required to leave the Island for medical treatment, benefit may continue to be paid for the duration of the treatment,
- for supplementary pensioners and certain supplementary allowance cases (blind and handicapped for example) benefit can continue to be paid for the first 4 weeks of absence from the Island,
- for supplementary allowance cases who are regarded as "sick" cases, benefit can be paid for the first 4 weeks, but only if the person has been incapable of work for the previous 6 months.

It is now proposed that where a person is receiving Supplementary Benefit because of an incapacity for work, but that incapacity has been for less than 6 months, he should, nevertheless, be permitted to continue to receive Supplementary Benefit for the first 4 weeks of absence from the Island, if that absence is on account of medical advice.

#### 7.8 Cost

Supplementary Benefit is met from General Revenue. The proposals in these regulations are expected to increase expenditure on the benefit to about £13.2m in 1993/94 on an anticipated average caseload of:-

- Pensioners	2,500
- Unemployed	1,030
- Single Parent Families	500
- Sick & Disabled	520
- Others	50
	4,600

The proposals themselves (including proposals not subject to the regulations) are expected to cost £535,000.

7.9 The effect of the proposals referred to in this paper coupled with other major developments in recent years in the Supplementary Benefit programme may be demonstrated by the following examples of the benefit position from April 1993 in comparison with April 1987. The April 1993 position is also compared with the position in the U.K. from that date (via the U.K.'s Income Support and Housing Benefit arrangements):-

Example 1

Single Pensioner living in a local authority property with no income other than basic Retirement Pension and Supplementary Benefit:-

	April 1993 Rates £	I.O.M. April 1987 Rates £	U.K. April 1993 Rates £
Pensioner aged 70	*71.80	47.20	61.30
Pensioner aged 75	*80.75	47.20	63.30
Pensioner aged 80	*83.65	49.20	67.55

plus, in each case, housing costs.

Example 2

Pensioner couple living in a local authority property with no income other than basic Retirement Pensions and Supplementary Benefit:-

	April 1993 Rates £	I.O.M. April 1987 Rates £	U.K. April 1993 Rates £
Both aged 70	*108.35	73.90	95.25
Both aged 75	*126.25	73.90	98.00
Both aged 80	*132.20	77.90	102.70

plus, in each case, housing costs.

\* These rates will be increased by up to £5 per week (single pensioner) and up to £8 per week, but possibly up to £10 per week in some cases (couples) for pensioners who qualify for the new Pension Supplement. The amount of Supplement will be completely disregarded in Supplementary Benefit assessments during 1993/94. The rates will also be increased by £4.85 per week, "Winter Heating Supplement" to assist with extra fuel costs during the months of January, February and March 1994.

The reason for taking examples of local authority householder cases is that they comprise the significant majority (about 60%) of all pensioner householder cases receiving Supplementary Benefit. The examples assume that neither the claimant nor, in the case of a couple, the partner, is in poor health. If they were, the relevant amounts from April 1993 could be increased by between £2.70 and £47.65 depending upon the age of the pensioner or couple and the degree of ill-health.

8. THE FAMILY INCOME SUPPLEMENTS (COMPUTATION) REGULATIONS 1993

8.1 Family Income Supplement (F.I.S.) is a benefit available to families where an adult in the family is working at least 24 hours a week (in a single parent case) or 30 hours a week (in the case of a couple) but their reckonable income falls short of a specified limit. F.I.S. is payable at 70% of the shortfall.

8.2 The key to F.I.S. is thus the specified limit. The limit varies according to the size of the family. These regulations up-rate those limits by 3.7% from 12 April 1993.

8.3 The new limits are (the existing figures being shown in brackets) -

For a married couple with no children	£142.40	(137.30)
For a family with		
- one child	£148.60	(143.30)
- two children	£167.50	(161.50)
- three children	£186.40	(179.70)
increasing by for each additional child	£ 18.90	( 18.20)

8.4 "Family" means either a couple (married or unmarried) or a single parent with, in any case, at least one child dependant.

8.5 In assessing reckonable income, Child Benefit and One Parent Benefit is disregarded. Earnings are brought into account after deducting National Insurance contributions paid by the earner.

8.6 Thus for example a family with two children with gross earnings of £130.00 a week and no other income apart from Child Benefit will have a F.I.S. assessment from April 1993 as follows (it assumes payment of N.I. contributions at the not contracted-out rate):-

	£
Specified limit	167.50
Earnings (after N.I.)	122.00
Shortfall (167.50 - 122.00)	45.50
F.I.S. = 70% x £45.50	<u>31.85</u>

Assuming the children were at school (but under 16) the family income would thus be:-

	£
Earnings (after N.I.)	122.00
F.I.S.	31.85
Child Benefit	23.20
	<u>177.05</u>
plus, if a single parent	9.95
	<u><u>187.00</u></u>

8.7 At the end of December 1992 the F.I.S. caseload stood at 314 at an annualised cost of £693,400. It is anticipated that these Regulations will add £25,000 to the annual cost of F.I.S.

9. THE RETIREMENT PENSION (PREMIUM) SCHEME 1993

9.1 Hon. Members will recall that the Retirement Pension (Premium) Scheme 1990 made provision for premium payments of up to £7.50 per week for certain pensioners aged 75 or over. Subsequently Tynwald has approved certain amendments to that Scheme.

9.2 This Scheme consolidates those amendments, and introduces the following new amendments

- it provides for the further up-rating of the maximum amount of the premium to £8.95 per week from 12 April 1993. The maximum amount of the premium was up-rated to £8.65 from April 1992 and this further up-rating, reflecting normal up-rating practice, represents an increase of 3.6%, in line with the increase in Retirement Pensions.
- it provides that in future years the amount of a premium shall be increased automatically in line with the general increase in Retirement Pensions.

9.3 About 6,600 pensioners are in receipt of premiums under the Scheme which is expected to cost about £2.4m in 1993/94.

10. THE T.V. LICENCE (REFUNDS) SCHEME 1990 (AMENDMENT) SCHEME 1993

10.1 The main objective of the Amendment Scheme is to provide for the Post Office to issue free T.V. licences to pensioners in lieu of refunds under the Scheme.

This arrangement will make things much easier for most of the pensioners concerned. Rather than having to obtain a T.V. Licence from the Post Office and then having to claim a refund of the licence fee from the Department, one visit to the Post Office will clear both transactions.

10.2 Some pensioners will still have to claim refunds from the Department, however (where the Supplementary Benefit is not paid by order book, for example). The opportunity is being taken to provide for the time limit for claiming refunds to be extended from 2 months to a maximum of 6 months where it is shown that there is good cause for a delay in claiming.

11. THE PENSION SUPPLEMENT SCHEME 1992 (AMENDMENT) SCHEME 1993

- 11.1 This amendment scheme provides for a further amendment to the Pension Supplement Scheme which was approved by Tynwald in October 1992. One of the conditions of entitlement to a supplement under the scheme is that a person must be "entitled to a payment of a qualifying benefit from the Department". The qualifying benefits are the basic elements of Retirement Pension, Invalidity Pension, Widowed Mother's Allowance or Widows Pension.
- 11.2 The purpose of the Supplement is to provide a means of adding an annual up-rating percentage which is greater than the normal up-rating under the terms of the Reciprocal Agreement with the United Kingdom. If the Reciprocal Agreement was not in place, qualifying benefits would simply receive an appropriate additional increase and there would be no need for a separate Supplement. The fact that a maximum Supplement of £5.00 is being made available initially is, in effect, a back-dating of this additional up-rating arrangement.
- 11.3 To all intents and purposes, therefore, the Supplement is a part of the qualifying benefit and, of course, the Scheme provides that, inter alia, a person must be entitled to a payment of a qualifying benefit in order to receive the Supplement.
- 11.4 There are, however, circumstances where a person has satisfied the conditions of entitlement to a qualifying benefit but the benefit is not actually payable. In particular these circumstances arise because of the operation of the Social Security Overlapping Benefits Regulations.

11.5 It is a long standing principle of Social Security that where two benefits serve the purpose of providing a replacement for earnings, only the higher of the two is payable. A particular example of this is a person who qualifies for a basic element of Retirement Pension and is also entitled to an unemployability supplement paid as an element of a War Pension. The unemployability supplement is generally higher than the basic Retirement Pension so the Retirement Pension is not payable. In such a case no Pension Supplement would be payable because no qualifying benefit is in payment. Other qualifying benefits are also affected. Invalidity Pension is also affected by an unemployability supplement paid with a War Pension. Widows Benefits are affected by the payment of War Widows Pensions.

11.6 The Overlapping Benefits Regulations affect a range of benefits but in terms of the qualifying benefits for the Pension Supplement the main consideration is the matter of war pensioners. The Department wishes to stress that the Overlapping Benefits Regulations which are part of the Reciprocal Agreement with the United Kingdom represent a fundamental principle in the Social Security System and it is not intended that that principle should be altered in any way.

11.7 It is felt, however, that while the Pension Supplement Scheme reflects the fundamental principles, it would be wrong to deny war pensioners access to the Pension Supplement, which is a pure local initiative, on the basis of such technical considerations. It is proposed, therefore, that for the purpose of the Pension Supplement Scheme and for no other purpose, Supplements under the Scheme should be treated as falling outside of the principles of the Overlapping Benefit Regulations.

11.8 This Amendment Scheme provides that a person may be treated as being "entitled to a payment" of a qualifying benefit if he is entitled to a qualifying benefit but it is not actually payable because of the operation of the Overlapping Benefit Regulations. This will allow war pensioners and others in this situation to qualify for a Pension Supplement, assuming of course they satisfy the other conditions of entitlement.

12. SOCIAL SECURITY BUDGET 1993/94

12.1 Gross Expenditure (excluding administration) on Social Security benefits in 1993/94 (including the effects of the foregoing up-rating proposals) is now estimated at

- From the N.I. Fund	56,789,000
- From General Revenue	28,054,000
	<hr/>
	<u>£84,843,000</u>

Administration costs relating to benefit expenditure are estimated at £3,041,000 (or 3.6% of benefit costs) giving a gross budget of £87,884,000.

12.2 The following identifies the main elements in this budget -

Benefits of right (not income-related)

	£	% of total
Retirement Pensions (incl. Retirement Pension Premium, Old Persons Pension, Age Addition and Retirement Pension Supplement)	47,646,000	56.2
Child Benefit (incl. One Parent Benefit)	9,760,000	11.5
Sickness, Invalidity & Disablement Benefits and Maternity Allowance	8,934,000	10.5
Widows Benefits	1,515,000	1.8
Unemployment Benefits	1,959,000	2.3
Universal Funeral Payments	156,000	0.2
Christmas Bonus (part income-related)	783,000	0.9
	<hr/>	
	70,753,000	83.4
<u>Income-related Benefits</u>		
Supplementary Benefits (incl. T.V. Licence Refunds Scheme, F.I.S. and Social Fund Maternity payments)	14,090,000	16.6
	<hr/>	
Total - All Benefits	£84,843,000	100.0

12.3 Gross expenditure (incl. administration) will be funded by

	£	%
		of total
- National Insurance contributions	37,698,000	42.8
- Investment Income	8,700,000	10.1
- Transfer from reserves on N.I. Fund	*12,334,000	14.0
- Other income from N.I. Fund	179,000	0.2
- General Revenue	28,973,000	32.9
	<hr/> £87,884,000	<hr/> 100.0

\* This includes an anticipated payment of about £10m which the Manx National Insurance Fund will receive from the U.K. National Insurance Fund in respect of migrant pensioners.

APPENDIX 1

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Memorandum to: All Members of Tynwald  
Date: January 1993

SUBJECT: SOCIAL SECURITY BENEFITS UP-RATING - APRIL 1993

1. INTRODUCTION

1.1 This memorandum is issued in connection with the following resolution which will be moved by the Minister for Health and Social Security at the January sitting of Tynwald:-

"That Tynwald approves of the Department of Health and Social Security -

(a) making an Order under Section 1 of the Social Security Act 1982 applying to the Island, subject to such exceptions, adaptations and modifications as may be specified in the Order, the provisions of an Order to be made under section 63 of the Social Security Act 1986 (an Act of Parliament) adjusting rates of benefit and certain other sums specified in the Social Security Act 1975 and prescribing sums payable under the Child Benefit Act 1975; but so that such an Order as may be made by the Department shall not have effect before 12th April 1993 and shall in any event be subject to section 1(6) of the said Act of 1982 (approval of Tynwald); and

(b) commencing now to make the essential preparations for the changes which will result from the making of an Order by the Department pursuant to paragraph (a) of this resolution."

1.2 Except for the benefits listed below, all benefits are subject to reciprocal arrangements with the United Kingdom:-

Supplementary Benefit  
Family Income Supplement  
Disability Working Allowance  
Child Benefit and One Parent Benefit (as regards rates of benefit)  
Funeral Payments and Maternity Payments  
Retirement Pension Premium  
Christmas Bonus  
Enhanced Unemployment Benefit

1.3 The resolution shown in paragraph 1 above is concerned with all benefits except Supplementary Benefit, Family Income Supplement and Disability Working Allowance (all income-related benefits) for which separate proposals will be submitted at a later date.

1.4 On 12 November 1992 the Secretary of State for Social Security announced to Parliament details of the increases in pensions and other state benefits which are to apply in the United Kingdom from the week commencing 12 April 1993. The announcement to Parliament was three weeks later than the corresponding announcement last year. Because of this delay it was not possible to adopt the normal local practice of submitting the resolution in paragraph 1.1 above to the December sitting of Tynwald.

1.5 The present and proposed rates of the main reciprocal benefits are shown in Appendix 1 to this memorandum. The rates are common to the United Kingdom and the Island unless otherwise stated. The proposed rates from 12 April 1993 are the rates which the Department intends should apply in the Island from the same date.

1.6 In the main, the revised rates represent an increase of about 3.6% being the increase in the United Kingdom Retail Price Index between September 1991 (the reference point for the previous up-rating) and September 1992. The corresponding increase in the Isle of Man R.P.I. was 3.7%.

1.7 The corresponding increases last year were 4.1% for the United Kingdom and 6.9% for the Isle of Man. Although benefits such as Retirement Pension are increased in line with movements in the U.K. R.P.I., under the terms of the Reciprocal Agreement, the increases are really a matter of "swings and roundabouts" when measured against the I.O.M. R.P.I. By way of example, the following table shows the annual increase in the September R.P.I. in the U.K. (on which up-ratings from the following April have been based or will be based) for the last few years, together with comparative figures for the I.O.M. R.P.I. There is not a great deal of overall difference:-

	<u>U.K. R.P.I.</u>	<u>I.O.M. R.P.I.</u>
To: September 1988	5.9%	4.4%
September 1989	7.6%	7.5%
September 1990	10.9%	9.0%
September 1991	4.1%	6.9%
September 1992	3.6%	3.7%
Overall increase (compound)	36.3%	35.6%

1.8 The Reciprocal Agreement with the United Kingdom is an unusual agreement in that it includes provisions for financial adjustments between the countries, not only for benefits paid by one country on behalf of the other but also for contributions collected by one country on behalf of the other. Normal Reciprocal Agreements work on the "knock for knock" or "swings and roundabouts principle" with no financial adjustments. The financial adjustments between the Island and the U.K. are possible only because the rates of the appropriate benefits (and the conditions of entitlement) are kept in line with the U.K. Contribution rates are also kept in line. Any moves to change the position of benefits and contributions would have a major impact on the question of financial adjustments, making the arrangements virtually impossible to operate. The financial arrangements tend to work to the advantage of the Island.

1.9 The whole issue of the Reciprocal Agreement with the United Kingdom was one of the matters which was included in the terms of reference for the Independent Review of the Island's Social Security System. Hon. Members will be aware that one of the recommendations arising out of the Review was that the Reciprocal Agreement confers significant advantages on the Isle of Man and its people and that it should be retained.

## 2. UP-RATING PROPOSALS

2.1 The Department's proposal for the up-rating of the reciprocal benefits is that the relevant benefits should be increased in line with the U.K. rates of benefit.

2.2 The proposals for the up-rating of the non-reciprocal benefits (excluding income-related benefits) are as follows:-

### 2.2.1 Child Benefit and One Parent Benefit

It is proposed to increase the base rates of these benefits by 3.7% (the increase in the I.O.M. R.P.I.). This is consistent with one of the recommendations of the Social Security Review and brings the up-rating method for these benefits in line with Supplementary Benefit, Family Income Supplement and Disability Working Allowance.

It should be noted that the base rates of Child Benefit exclude the 75p bus fare element which is added to the rates of Child Benefit payable in respect of school children.

Current U.K. policy is to up-rate child benefits, but Hon. Members will recall that the U.K. rate of Child Benefit was "frozen" from 1987 to 1991. During that period I.O.M. Child Benefit was not only up-rated but it was subject to a number of enhancements. Isle of Man One Parent Benefit has also been enhanced. The Isle of Man rates of both Child Benefit and One Parent Benefit already show a considerable advantage over U.K. rates and this advantage will be maintained from April 1993.

#### 2.2.2 Universal Funeral Payments

The rates of universal lump-sum Funeral Payments are currently set at £150 and £250. The higher rate is payable where the death occurs outside the Island and the burial or cremation is in the Island.

The rates of benefit were increased substantially from April 1991 following a review. It is proposed that there should be no increase in this benefit from April 1993. It should be noted that there is no equivalent of this benefit in the United Kingdom.

#### 2.2.3 Income-related Funeral Payments

The Social Fund arrangements for income-related Funeral Payments allow the Department to make payments, in addition to universal payments, to meet the cost of a "simple funeral" for persons in receipt of Supplementary Benefit, Family Income Supplement and Disability Working Allowance. It is not applicable to apply an increase to this benefit since the payments are based on costs.

#### 2.2.4 Income-related Maternity Payments

The Social Fund arrangements provide for lump-sum payments to assist persons in receipt of Supplementary Benefit, Family Income Supplement and Disability Working Allowance, with maternity expenses. This arrangement is quite separate from contributory Maternity Allowance. The level of Maternity Payment was increased substantially in 1991 to £130. It is proposed that there should be no increase in this benefit from April 1993. There is to be no change in the U.K. equivalent of this benefit. The U.K. rate will remain at £100.

#### 2.2.5 Retirement Pension Premium

The Retirement Pension Premium was introduced from 1 October 1990 to provide a payment of up to £7.50 per week for pensioners aged 75 or over. There is no equivalent in the U.K. The current maximum rate is £8.65 per week and it is proposed to apply a 3.6% increase (in line with Retirement Pension) to this benefit from April 1993 to take the maximum rate to £8.95 per week.

#### 2.2.6 Lump-sum Payments (Christmas Bonus)

Legislation provides that the Christmas Bonus shall be £10 unless Tynwald approves an Order for a different rate. The Isle of Man has paid a Bonus in excess of £10 since 1983.

The rates of Bonus for 1991 were fixed initially by an Order approved at the March sitting of Tynwald as £45.00 (persons in receipt of Supplementary Benefit) and £27.50 (other qualified persons). As a result of the 1991 Isle of Man Budget proposals, the above rates are increased to £50.00 and £35.00 respectively. In addition, persons in receipt of Family Income Supplement were, for the first time, brought within the scope of the Christmas Bonus arrangements, qualifying for the enhanced rate of £50.00. A further change resulting from the 1991 Budget allowed double bonuses to be paid in more couple cases than was possible in previous years.

The two new benefits for disabled persons (Disability Living Allowance and Disability Working Allowance) which were introduced in April 1992 have been added to the list of qualifying benefits for the Christmas Bonus for 1992, with Disability Working Allowance attracting the enhanced rate of Bonus.

The 1992 rates of Bonus were approved at the March 1992 sitting of Tynwald as £50.00 (enhanced rate) and £35.00 (standard rate), the same rates as for 1991.

Although increases in the Christmas Bonus are not related to inflation, the Bonus has been increased well above inflation in recent years. The enhanced rate has been increased by 150% since 1987 and the standard rate has been increased by 75%.

In view of the various increases and enhancements which have been made to the Bonus arrangements in recent years it is proposed that the rates should remain at £50.00 and £35.00 for Christmas 1993.

### 2.2.7 Enhanced Unemployment Benefit

The Enhanced Unemployment Benefit Scheme provides that the rate of benefit shall be equal to the standard rate of Unemployment Benefit. Enhanced Unemployment Benefit is therefore up-rated, virtually automatically, in line with Unemployment Benefit.

### 3. COSTS

3.1 The annual cost of the increases in the benefits is estimated provisionally at £2,319,000 of which £1,837,000 will be a charge on the National Insurance Fund and £482,000 a charge on General Revenue. With these increases, and after making initial provision to cover proposals for increases in the income-related benefits, and for other benefit costs, total benefit expenditure for 1993/94 is estimated provisionally at about £84,843,000 (excluding administration). About £56,789,000 will be met by the National Insurance Fund, the remainder from General Revenue. The following table indicates the annual cost of the increases by reference to individual benefits:-

	<u>INCREASE</u> £
<u>NATIONAL INSURANCE FUND</u>	
Unemployment Benefit	56,000
Sickness Benefit	31,000
Invalidity Benefit	137,000
Maternity Allowance	7,000
Widows Benefit	50,000
Retirement Pension	1,458,000
Disablement Benefit (Industrial Injuries)	9,000
Enhanced Unemployment Benefit	6,000
Retirement Pension Premium	83,000
	<hr/> 1,837,000

	<u>INCREASE</u>
	£
<u>GENERAL REVENUE</u>	
Child Benefit	324,000
One Parent Benefit	24,000
Severe Disablement Allowance	16,000
Attendance Allowance	43,000
Invalid Care Allowance	9,000
Disability Living Allowance	58,000
Old Person's Pension	8,000
	<hr/>
	482,000
	<hr/> <hr/>

It should be noted that the proposed increases are subject to the necessary approvals from Treasury and Tynwald.

3.2 Formal Approval to the benefit increases referred to above will be sought at (probably) the March sitting of Tynwald by way of a) an Order applying to the Island, but suitably modified, the terms of a Social Security Benefits (Up-rating) Order to be made by the Secretary of State for Social Security, and b) amending regulations providing for the increases in the non reciprocal benefits.

#### 4. ADMINISTRATIVE CONSIDERATIONS

4.1 The purpose of the present resolution is to provide the necessary authority for proceeding now with the calling in and up-rating of order books. This is a major administrative exercise which the Department needs to commence before the end of January to ensure that, by the up-rating date, all order books in the hands of beneficiaries carry the new rates of benefit. There are also cost and administrative advantages in ensuring that order books now being issued or re-issued contain the new rates from 12 April 1993.

APPENDIX 1

UNITED KINGDOM MAIN PENSION AND BENEFIT RATES FROM 12 APRIL 1993

<u>CONTRIBUTORY BENEFITS (payable from N.I. Fund)</u>	<u>PRESENT</u>	<u>FROM 12.04.93</u>
	£	£
<u>(rates are weekly unless otherwise stated)</u>		
RETIREMENT PENSION (RP)		
Basic RP - on own insurance	54.15	56.10
- on spouse's insurance	32.55	33.70
U.K. Age Addition to R.P.	0.25	0.25
I.O.M. Age Addition to R.P.	2.00	2.00
I.O.M. Retirement Pension Premium (I.O.M. only)	8.65	8.95
INVALIDITY BENEFIT (IVB)		
Invalidity Pension	54.15	56.10
Invalidity Allowance		
higher rate	11.55	11.95
middle rate	7.20	7.50
lower rate	3.60	3.75
WIDOW'S BENEFIT (WB)		
Widow's Payment (lump sum)	1,000.00	1,000.00
Widowed Mother's Allowance	54.15	56.10
Widow's Pension (standard rate)	54.15	56.10
UNEMPLOYMENT BENEFIT (UB)		
over pension age	54.15	56.10
under pension age	43.10	44.65
Enhanced Unemployment Benefit (I.O.M. only)	43.10	44.65
SICKNESS BENEFIT (SB)		
over pension age	51.95	53.80
under pension age	41.20	42.70
MATERNITY ALLOWANCE (MA)	42.25	43.75
INDUSTRIAL INJURIES DISABLEMENT PENSION		
100%	88.40	91.60
20%	17.68	18.32
CHILD'S SPECIAL ALLOWANCE/GUARDIANS ALLOWANCE	10.85	10.95
DEPENDENCY ADDITIONS		
Spouse (or person looking after children)		
with R.P. or I.V.B.	32.55	33.70
with S.B. or M.A.	25.50	26.40
with U.B.	26.60	27.55
Children - with R.P., W.B., I.V.B., and, if beneficiary over pension age, with S.B. and U.B.	10.85	10.95

NON-CONTRIBUTORY BENEFITS  
(payable from General Revenue)

PRESENT                      FROM 12.04.93  
(rates are weekly unless otherwise stated)  
£                                      £

UK CHILD BENEFIT

eldest child	9.65	10.00
each subsequent child	7.80	8.10

IOM CHILD BENEFIT

pre school child	10.45	10.85
school child up to 16	11.20	11.60
school child over 16	17.70	18.35

U.K. ONE PARENT BENEFIT	5.85	6.05
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I.O.M. ONE PARENT BENEFIT	9.60	9.95
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INVALID CARE ALLOWANCE (ICA)	32.55	33.70
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SEVERE DISABLEMENT ALLOWANCE (SDA)

Basic rate	32.55	33.70
Age related additions:-		
higher rate	11.55	11.95
middle rate	7.20	7.50
lower rate	3.60	3.75

ATTENDANCE ALLOWANCE (AA)

higher rate	43.35	44.90
lower rate	28.95	30.00

DISABILITY LIVING ALLOWANCE (DLA)

Care Component		
higher rate	43.35	44.90
middle rate	28.95	30.00
lower rate	11.55	11.95

Mobility component		
higher rate	30.30	31.40
lower rate	11.55	11.95

OLD PERSON'S PENSION (O.P.P.)

Basic rate	32.55	33.70
U.K. Age Addition to O.P.P.	0.25	0.25
I.O.M. Age Addition to O.P.P.	2.00	2.00

CHRISTMAS BONUS

U.K. - lump sum	10.00	10.00
I.O.M. - lump sum		
standard rate	35.00	35.00
enhanced rate	50.00	50.00

FUNERAL PAYMENTS - lump sum (I.O.M. only)

standard rate	150.00	150.00
enhanced rate	250.00	250.00

PRESENT                      FROM 12.04.93  
 (rates are weekly unless otherwise stated)  
 £                                      £

**DEPENDENCY ADDITIONS**

Spouse (or person looking after children)- with O.P.P., I.C.A., S.D.A.,	19.45	20.15
Children - with I.C.A., S.D.A.,	10.85	10.95

**EARNINGS RULES**

Invalid Care Allowance	40.00	50.00
Unemployment Benefit (daily rate)	2.00	2.00
Unemployment Benefit (maximum weekly rate)	54.00	56.00
Unemployment Benefit - occupational pension abatement	35.00	35.00
Industrial Injuries - unemployability supplement - permitted annual earnings level	2106.00	2184.00
Sickness and Invalidity Benefits Therapeutic Earnings Limit	40.50	42.00

**ADULT DEPENDENCY INCREASES**

with S.B. or M.A.	25.50	26.40
with U.B.	26.60	27.55
with R.P., I.V.B., or S.D.A. living with claimant	43.10	44.65
still qualifies for the tapered earnings rule	45.09	45.09
with R.P., I.V.B. not living with claimant	32.55	33.70
with S.D.A. not living with claimant	19.45	20.15
with I.C.A.	19.45	20.15

**CHILD DEPENDENCY INCREASES**

Level at which child additions payable with long-term benefits are affected by earnings of claimant's spouse or partner		
first child	115.00	120.00
each subsequent child	15.00	16.00

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12 January 1993

PENSIONS AND OTHER BENEFIT INCREASES NEXT APRIL TO COST AN EXTRA £2.9 MILLION

The Minister for Health and Social Security, Bernie May M.H.K., is to ask Tynwald this month for authority to press ahead with arrangements for increasing, from next April, the rates of pensions and other Social Security benefits. The proposed increases will add about £2.9 million to the cost of the Social Security programmes.

"Subject to the necessary approvals from the Treasury and Tynwald" said the Minister, "we are proposing to increase all the main non income-related weekly benefits such as Retirement and Widows Pensions, Invalidity, Sickness, Unemployment and Disablement Benefits. In general the increase will be of the order of 3.6%. The basic rates of Retirement Pension for a couple will go up by £3.10 to £89.80 per week. For a single pensioner the basic rate goes up by £1.95 to £56.10 per week. But" said the Minister, "the majority of pensioners retiring now receive not only the basic state pension but also an additional, earnings-related, pension either under the state scheme or by way of a guaranteed minimum pension through an occupational scheme. The rates of these additional pensions will also be increased by 3.6%."

"The increases in pensions are the same as the increases which will apply in the U.K." added the Minister, "but in the Isle of Man, pensioners who qualify for the new local Pension Supplement which is being introduced from next April will receive a further addition to their pensions. In most cases this will mean an additional £8 for a couple and £5 for a single pensioner. The overall increase in pension will, therefore, amount to about 12.8% for those pensioners".

"We also intend to continue our present policy of maintaining the value of Child Benefit" said the Minister. "This means that the lowest rate of Child Benefit - payable for pre-school children - will be increased by 40p to £10.85 per week. The middle rate - payable for school children below school leaving age - attracts the same increase, taking it to £11.60 per week. The higher rate - payable for school children continuing in education after age 16 - will be increased by 65p to £18.35 per week. These rates are substantially higher than the rates of U.K. Child Benefit" he said, "where the maximum rate from next April will be £10.00".

"The additional amount of £9.60 available in the Isle of Man for the first child in lone parent families, known as One Parent Benefit, is to be increased to £9.95. The equivalent benefit in the United Kingdom will be increased from £5.85 to £6.05" explained the Minister. "This means for example, that in the Isle of Man, a lone parent family consisting of one school child under age 16 will receive a total of £21.55 per week from Child Benefit and One Parent Benefit, being £5.50 per week more than in the United Kingdom."

The Minister confirmed that the rates of Supplementary Benefits and Family Income Supplement will also be increased from next April, but the details are still being worked out. "After making initial provision to cover the cost of increases in these particular benefits together with the £2.9 million now announced," said the Minister, "we expect expenditure on Social Security benefits (excluding the cost of administration) in the 12 months from next April to be about £84.8 million or about 10.5% more than the probable cost for the current year. More than half of this expenditure will be directed towards pensioners".