

Date: 30 March 2009

SH-3-2-4-6

To: Minister of Finance



## **AIDE MEMOIRE: INDEXATION OF MAIN BENEFITS**

On 27 March 2009 we provided you with options and next steps for indexing financial assistance [T2009/717 refers]. In recommendation (c) you indicated that you wanted the indexation of UB, SB, IB, DPB, Widows Benefit and War Disablement Pension included in primary legislation, but put a question mark against several other benefits. As per a request from your Office, this aide memoire provides some explanation of these other benefits.

There is currently no legal definition of what is considered as a main benefit. In providing the advice in this aide memoire we have assumed that the term main benefit is restricted to primary income support for adults or young people considered to be independent of adult support. We have consulted with MSD in preparing this advice.

### *Independent Youth Benefit (IYB)*

Independent Youth Benefit is for 16 and 17 year olds who: are in secondary education, or employment-related training, or are looking for work, or are sick, injured, disabled or pregnant, *and* have lost the support of their parents. It is intended as a primary source of income support for someone considered to be independent of other adult support.

### *Unsupported Child Benefit and Orphans Benefit*

Orphans Benefit and Unsupported Child Benefit provide income support to the caregiver of a child whose parents can't support them. These benefits are not income-tested and are not intended to be the primary source of income support for a family.

### *Student Allowance*

Student Allowance is a weekly payment to help students with their living costs while they study full-time. The convention has been to increase Student Allowance rates in line with increases in main benefits. While we think this convention should continue – or at least be considered as part of a broader review of student support – eligibility is based on different criteria (eg parental income test) and is not generally considered to be part of the main benefit system. It would also be appropriate to avoid automatically indexing increases to student support if you were planning to review overall policy in this area.

### *Student Loans living cost allowance*

This covers the amount of money that students can borrow for living costs while they are studying. The amount usually increases in line with increases to main benefits. While we think this convention should continue, this is not usually considered a main benefit.

## **Recommendations**

We recommend putting in legislation automatic increases to IYB, because this is intended as a primary source of income support for someone considered to be independent of other adult support. Other financial support should – in the absence of any explicit decision otherwise – continue to increase according to convention only.

Note that any benefits you decide not to include in legislation could be interpreted as a signal that Ministers plan to no longer increase these benefits (even if this is not the case). This potential misconception would need to be covered in a communications plan.

Please indicate which of the following (additional) benefits you would like to be indexed in primary legislation:

Independent Youth Benefit	<b>Yes/No</b>
Unsupported Child Benefit	<b>Yes/No</b>
Orphans Benefit	<b>Yes/No</b>
Student Allowance	<b>Yes/No</b>
Student Loans living cost allowance	<b>Yes/No</b>
Any others (please indicate)	<b>Yes/No</b>

*[deleted – privacy]*

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