

STATES OF JERSEY

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STRATEGIC PLAN 2006 TO 2011 (P.40/2006): SIXTH AMENDMENT

Lodged au Greffe on 1st June 2006
by Senator B.E. Shenton

STATES GREFFE

STRATEGIC PLAN 2006 TO 2011 (P.40/2006): SIXTH AMENDMENT

After the word “Appendix” insert the words –

“, except that, in Commitment Two, Outcome 2.2, after Action 2.2.4 insert the following action –

- 2.2.5 Introduce in early 2007 a winter fuel payment, based on the UK system, for all pensioners resident in Jersey (SOC SEC).”

SENATOR B.E. SHENTON

REPORT

As at the last quarter (March 2006) Jersey had 21,943 Jersey old age pensioners, of which a third live abroad. The last Census (2001) had 14,507 people over working age (men 65 women 60). The census for 2006 was postponed until 2011 by the Council of Ministers and, as a result, we will not have more recent population data to work from later in the year.

The provision of pensions and benefits for the elderly entails a balance being struck between saving for the future and immediate consumption; between compulsion and individual choice; between public and private sectors; and between present and future generations.

How those balances are struck cannot be determined scientifically. It is matter of political judgment. Get it right, and the results may not be evident for decades. Get the balance wrong, and the consequence will be a significant increase in pensioner poverty and social inequality, that may be punished much sooner – at the ballot box.

In the face of this the States have used widespread means-testing to target extra money at those on low incomes. However, means-testing can be ineffective at getting help to those who need it most because of the low take-up level, and demeaning for older people who have to parade their poverty in order to receive a few extra pounds.

Those hardest hit tend to be the over 75s, the vast majority of whom are women who spent years bringing up families, caring or working in badly paid or part-time jobs. These efforts have been historically undervalued and many do not now have an occupational pension or enough contributions to qualify for a full state pension.

A recent study on the effect of electricity and gas price hikes on older people's inflation has shown that it will be at least double that for the average householder. Soaring gas and electricity prices will hit the elderly hardest, a new study by Alliance Trusts has found, potentially intensifying the difference between how inflation affects the elderly and the average householder.

http://www.alliancetrusts.com/at/pdfs/er_inflation_age.pdf

The 'Inflation, Age and Domestic Energy' study shows that electricity and gas price rises over this winter will push the overall inflation rate of the elderly up by at least twice the rate that average inflation will rise. The study found that rising domestic energy prices are affecting all households, but the effect for inflation faced by the elderly will be at least double the effect felt by the average householder.

Official U.K figures show that in the year to October the cost of electricity, gas and other fuels jumped 14.2% overall, compared to a year earlier. Inflation for the elderly is already rising faster than the average and this will only intensify that trend. Inflation in over-75s households is presently rising at a rate that is 35% higher than for all households. We have all read about the huge price rise in Jersey electricity costs that are in the pipeline.

The reason why domestic energy price increases will affect the elderly more is that they spend a higher proportion of their income on this than the average householder. The study showed that a 10% rise in gas, electricity and other fuel prices will raise the headline rate of inflation by just under 0.3%, based on the weights given to domestic energy prices by the Consumer Price Index, the official measure of inflation. However, another model suggests the increase in inflation facing a typical household headed by someone aged over 75 would be over 0.6%, more than double the increase in headline inflation.

Alliance Trust's Chief Executive, Alan Harden, said, "Our new study focusing on how rising domestic energy prices hit the elderly harder than others shows that we have to be aware of the different financial pressures that face people in retirement. The effect of inflation should be part of the pensions debate, particularly at a time when the upcoming Turner Report will underline the serious choices facing the country if we are insufficiently prepared for the future."

Alliance Trust's Head of Economics, Shona Dobbie, said, "The real effect of rising energy prices on the elderly are masked by the fact that official inflation figures are an average across the whole population. Older people spend a higher proportion of their income on electricity and gas and this means when these prices go up sharply, as they will over this winter, the elderly are affected more."

The UK government has recognised that fuel costs have a relatively high impact on the elderly and in December 2004 it increased the annual payment made to help the over-60s with winter fuel costs to £200 per household, from £150 previously. This rises to £300 for households with someone aged 80 or more.

The UK Government will again be making Winter Fuel Payments to most people aged 60 or over for winter 2006/07. Jersey is a wealthy Island and needs to distribute its resources better. During my election campaign I highlighted the need for a winter fuel safety net as price rises were inevitable. Whilst the income support system will provide some comfort this safety net will invariably be holed. Why penalize prudent pensioners that have saved? Why penalize someone that has reached maturity with a overriding sense of pride that prevents them from receiving assistance? We must hold on to the qualities that we hold dear – our heritage, our community, our social responsibility, and our competitive advantages. As a Government we are very good at looking after our civil servants – let's start looking after everyone else.

Financial and manpower implications

There are, obviously, financial implications for this amendment. However, the Strategic Plan is a 'vision' document not based on precise accounting. As such, funding can be provided through subtle changes to the business plan, and it is my perception that the black hole will not be as large as suggested. This can be covered in more detail at the appropriate time. There should be no additional manpower implications.

UK Winter Fuel Payment factsheet

If you're aged 60 or over you may get a Winter Fuel Payment to help pay for keeping warm in winter. The tax-free annual benefit is normally paid from November – most payments are made by Christmas.

Who is eligible?

You may get a Winter Fuel Payment (WFP) if the following apply:
 you're aged 60 or over during 18 to 24 September 2006
 you normally live in the United Kingdom

How much do you get?

This varies according to personal circumstances shown in the table:

Circumstances	Aged 60 to 79 on or before 24 September 2006	Aged 80 or over on or before 24 September 2006
You live alone or are the only person in the household who qualifies	£200	£300
You get Pension Credit or income-based Jobseeker's Allowance	£200	£300
You live with another qualifying individual	£100	£200 if you're the only person in the household who's aged 80 or over £150 if you and at least one other person are aged 80 or over
If your partner or civil partner gets Pension Credit or income-based Jobseeker's Allowance for you both	You don't qualify for Winter Fuel Payment	You don't qualify for Winter Fuel Payment
You live in a care home and don't get Pension Credit or income-based Jobseeker's Allowance	£100	£150
You live in a care home and get Pension credit or income-based Jobseeker's Allowance	You don't qualify for Winter Fuel Payment	You don't qualify for Winter fuel payment

How it's paid

If you're getting State Pension or another benefit by Direct Payment, Winter Fuel Payment will be made with one of these payments.

If you're not getting a State Pension or another benefit Winter Fuel Payment will be paid into your bank, building society, National Savings or other account that accepts Direct Payment or by cheque to your home address.

Timing of payments

If you claim on or before 22 September 2006 you should get your payment during November or December.

If you apply after this date, you may not get payment until after Christmas.

The Winter Fuel Payment won't affect your other benefits and you won't have to pay Income Tax on it.

How to apply

If you're aged 60 or over by 24 September 2006 and getting a State Pension or other benefit (not including Housing Benefit, Council Tax benefit or Child Benefit) there's no need to apply – Winter Fuel Payment should be paid to you automatically.