

STATES OF JERSEY



COLD WEATHER PAYMENTS: AMENDMENT TO INCOME SUPPORT

Lodged au Greffe on 19th January 2011
by Senator F. du H. Le Gresley

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Minister for Social Security to bring forward for approval by the States an Amendment to the Income Support (Special Payments) (Cold Weather Payments) (Jersey) Regulations 2008 in order that pensioners, aged 65 years and over, who meet the qualifying criteria for the GST Food Costs Bonus, but who are not in receipt of income support benefit, are also entitled to receive cold weather payments;
- (b) to request the Chief Minister to make provision in the 2012 Annual Business Plan for an increase in the funding of income support benefit sufficient to cover the proposed widening of the cold weather payments scheme as outlined in paragraph (a), to be funded by reducing the budget for the Economic Development Department.

SENATOR F. DU H. LE GRESLEY

REPORT

PART 1

I am sure Members will have been shocked to read in the media before Christmas that a pensioner in his 80s was found by paramedics collapsed in front of the open oven door of his gas cooker as he tried to keep himself warm because he could not afford to heat the rest of his home. Whilst this may just be an isolated incident, there is evidence to suggest that more pensioner households in Jersey are struggling with the ever-increasing cost of winter fuel bills.

The Statistics Unit have confirmed that the overall increases in gas and electricity prices in Jersey from March 2003 to March 2009 were 44% and 79% respectively. According to the Comparison of Consumer Prices – June 2010, published by the Statistics Unit, over the 5 years to June 2010, domestic energy prices, including heating oil, rose by almost two-thirds (62%) in Jersey and in the UK by 65%.

A household is said to be in fuel poverty if it needs to spend more than 10% of its income, **before housing costs**, on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area and 18 degrees for other occupied rooms). The **fuel poverty ratio** is therefore defined as: Fuel poverty ratio = fuel costs (usage x price) divided by income. In addition to space heating, the fuel costs component also includes modelled spending on energy for water-heating, lights, appliances and cooking, but excludes expenditure on motor fuel.

The Statistics Unit does not currently keep fuel poverty statistics, but some relevant data can be extracted from the 2009/2010 Household Expenditure and Income Survey. Preliminary findings are that – 22% of pensioners who live alone, 12% of couples (one pensioner), and 10% of couples (both pensioners) spend more than 10% of their income, **before housing costs**, on fuel. The 2009/2010 Household Expenditure and Income Survey also reveals that 31% of pensioner households, which are not in receipt of income support and do not pay income tax, are in fuel poverty.

Currently, only pensioner households in receipt of income support benefit qualify for cold weather payments. The Social Security Department has advised me that the total of cold weather payments paid to a single eligible household in the winter of 2009/2010 was £225.29. In the Regulations, a month is a “cold weather month” if the aggregate of the amount by which the average daily temperature of each day in that month falls below the 15.5 degrees Celsius exceeds 90. The special payments are designed to defray the expenses of heating a dwelling for any month from and including October to April.

The most effective way to help more low income pensioner households escape fuel poverty is to widen the qualifying criteria for cold weather payments. Therefore, I am proposing that the Income Support (Special Payments) (Cold Weather Payments) (Jersey) Regulations 2008 are amended to include single pensioner or married couple pensioner households who meet the qualifying conditions for the food costs bonus as set out in Article 3 of the Food Costs Bonus (Jersey) Regulations 2008 (see **Appendix**). Essentially this will include pensioners who have not paid any income tax for the 2 years preceding an application for cold weather payments.

Income tax exemption limits for 2011 are £14,270 for a single pensioner, aged 63+ and £23,480 for a married couple, aged 63+. All single pensioners and almost all

pensioner couples with **before housing costs** income below the respective income tax thresholds are, according to the 2009/2010 Household Expenditure and Income Survey, in the lowest, equivalised, annual, income quintile (up to £15,939) for which the fuel poverty proportion is 31%.

The Social Security Department has advised me that there are approximately 1,400 claims for the GST Food Costs Bonus each year by people aged 65 and above, consequently the budget for income support (special payments) will need to be increased by approximately £315,000 (£225 x 1,400) if we wish to widen the cold weather payments scheme to include the above claimants.

Members will recall that Deputy Green's Amendment to the 2011 Budget (P.157/2010 Amd.(3)) was intended to remove GST on domestic energy. According to AgeUK, an average household fuel bill in 2009 in England was £1,239, inclusive of VAT at 5%. In Jersey this figure is likely to be closer to £1,400, inclusive of 3% GST, because overall energy prices increased in the 12 month period to June 2010 by 10%, whereas in the UK they fell by 2%. Cold weather payments of £225 would cover the GST element of domestic fuel for pensioner households that qualify under this proposal, leaving approximately £150 to help pay the winter bills. In a more severe winter, the total amounts of cold weather payments would of course be higher than £225.

PART 2

I anticipate strong resistance from the Minister for Treasury and Resources to this Proposition unless I can show how the widening of qualification for the cold weather payments scheme can be funded. I am therefore proposing that the budget for 2012 for the Economic Development Department is reduced by an appropriate figure to be decided by the relevant Ministers.

I would suggest that savings of approximately £315,000 could be made in the Economic Development Department by outsourcing most of the work of the Business Advisory Service to the Jersey Business Venture (£134,000); ceasing the Jersey Enterprise Awards (£75,000); and reducing the funding of the Rural Initiative Scheme (£100,000) so that the maximum contribution from government for each category of grant is 30%, not 50%. There may be other options, such as reducing the funding of Jersey Finance Limited, but this is a matter best left to the Ministers and their Officers to decide.

Financial and manpower implications

There will be costs in drafting the relevant Amendment to legislation and costs in administering the additional cold weather payments. The estimated budget of £315,000 can be recovered from a reduction in the budget for the Economic Development Department.

There will be Law Draftsman's Office drafting time and some additional workload for the staff at the Social Security Department, but I do not foresee the need for any increase in establishment.

Food Costs Bonus (Jersey) Regulations 2008

3 Qualifying conditions

- (1) A household qualifies for a bonus in a year if it meets all of the conditions in paragraphs (2) to (4) in relation to that year.
- (2) The first condition is that no person has received on behalf of the household any payment which –
 - (a) relates to any of the 7 days preceding the day on which the application is made for the bonus;
 - (b) is made under the 2007 Law; and
 - (c) is not an exempt payment under paragraph (5).
- (3) The second condition is that, subject to paragraph (3A) –
 - (a) where an application for a bonus is made on behalf of the household before 1st October in the year to which it relates, no member of the household was served with a notice of assessment under Article 25 of the Income Tax (Jersey) Law 1961 showing a liability to income tax for the year of assessment falling 2 years before the year to which the application relates;
 - (b) where an application for a bonus is made on behalf of the household on or after 1st October in the year to which it relates, no member of the household was served with a notice of assessment under Article 25 of the Income Tax (Jersey) Law 1961 showing a liability to income tax for the year of assessment preceding the year to which the application relates.
- (3A) Subject to paragraph (3B), where a household has qualified for a bonus in a year by meeting the second condition in the case described in paragraph (3)(b), the household cannot qualify for a bonus in the following year by meeting the second condition in the case described in paragraph (3)(a) and, accordingly, any application made on behalf of the household for the following year, if made before 1st October, shall be deemed to have been made on or after that date.
- (3B) Paragraph (3A) shall not prevent an application for a bonus in 2009 being determined by reference to the members of the household's liability to income tax for the year of assessment 2007.
- (4) The third condition is that at least one member of the household –
 - (a) is an adult on the date on which the application for the bonus is made; and
 - (b) subject to paragraphs (6) to (8), has been ordinarily resident in Jersey for a continuous period of 5 years immediately preceding the date on which the application for the bonus is made.
- (5) A payment is exempt if it is made on behalf of a household that does not fall within Article 7 of the Income Support (Transitional Provisions) (Jersey) Order 2008, and –
 - (a) it is, or it includes, a protected payment under that Order; or

- (b) it is a special payment under the 2007 Law.
- (6) A person resident outside Jersey is nevertheless to be treated as being ordinarily resident in Jersey for any part of the period specified in paragraph (4)(b) in which that person's principal residence is in Jersey.
- (7) A person detained by virtue of a sentence of imprisonment, youth detention or similar punishment (whether in Jersey or elsewhere) is not to be treated as ordinarily resident in Jersey for the period during which the person is so detained.
- (8) However, the period during which a person was ordinarily resident in Jersey immediately prior to such detention is to be treated as if it immediately preceded the person's release from that detention.