

### **2.3 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the growth of the Social Security budget:**

Will the Minister detail for Members the growth of the Social Security budget which has led to a total budget exceeding that of the Health and Social Services Department, as he stated in the debate on the Strategic Plan, and indicate the extent to which the various sectors of the budget are affected?

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

The prime reason why Social Security's budget is expected to exceed Health and Social Services is because of income support. There are 3 reasons why the income support benefits have increased, (1) housing benefits are now funded through income support, having been transferred from Housing at a cost of £24 million; (2) transitional relief has been provided to those who would have lost benefits at the introduction of the new income support at a cost totalling £9 million, which is effectively - another way around of putting that - new money into the new benefit system; and (3) the States now have on 3 occasions decided to enhance income support payments to insulate those on lower incomes at a cost of £12 million, including £5.8 million for the Le Fondré G.S.T. (Goods and Services Tax) propositions, £4 million for the 2008 budget changes, and the original insulation of £1.75 million.

#### **2.3.1 Deputy G.P. Southern:**

Will the Minister then detail for Members what the size of the predicted budgets are in Social Security and in Health and Social Services?

#### **Senator P.F.C. Ozouf:**

Members will have received - and I hope examined in detail - the 2008 States accounts, which have a full service analysis of both of those departments. The total budget for Social Security's information in the public domain for 2008, the final approved budget spend was £146,371,000; Health and Social Services, £148,583,000. These figures, as far as Social Security, are expected to be higher, obviously, this year for various different reasons, but of course that will be disclosed in the Business Plan when it is lodged.

#### **2.3.2 Deputy G.P. Southern:**

Does the Minister have an estimate for the 2009 figures, or 2010 in fact?

#### **Senator P.F.C. Ozouf:**

I think it would be most inappropriate for the Minister for Treasury and Resources to put into the public domain at this stage plans for cash limits for next year when they are still under discussion.

#### **2.3.3 Deputy G.P. Southern:**

Will the Minister inform Members what the expected growth currently is in the supplementation required from the taxpayer?

#### **Senator P.F.C. Ozouf:**

The growth in supplementation for 2008, the budget for supplementation rose from £58.6 million in 2007 to £61.8 million, an increase of 5.5 per cent. Of course, the Deputy will be aware that supplementation accounts for a significant proportion of the overall Social Security budget. The Council of Ministers has committed to reviewing

it, but I must remind the Deputy before he thinks that there is some sort of problem here, that supplementation is used ... the money is taken from income tax revenues to supplement lower income people for their Social Security contributions; a benefit for lower-income families.

#### **2.3.4 Deputy J.A. Martin of St. Helier:**

The Minister said that new monies were in the income support budget for £9 million for transitional relief. Is the Minister convinced that this £9 million is effective in this new - targeted - benefit system and how long is this money going to be injected into a system that really needs a revamp?

#### **Senator P.F.C. Ozouf:**

This is quite a difficult thing to explain, but the new income support measures effectively completely recast our entire benefit and former welfare system. All recipients - as the Deputy will know - that received benefit under the previous systems - disability, transport allowance, all the other benefits that were in place - because of the transitional arrangements, kept all of those benefits and they were expected to be withdrawn over a period of 2 or 3 years. In order to ensure that income support started and paid the benefits, the new benefits, to single-parent families and other low-income families in the Island from day one, the new money was put in there. So when I describe the fact that there is new money, there has been a real investment of new money into the new benefit system, while the transitional period of the old benefit system is withdrawn.

#### **2.3.5 Deputy J.A. Martin:**

Just supplementary - so I totally do understand and the Senator knows that - my point being it has now been so long that people who were in the old system, fair enough, are keeping transitional money. There are many single parents, elderly, who he has just referred to, and people needing a housing benefit, who have entered the system since it began and they are sometimes up to £100 worse off a week than someone in exactly the same position. Is he using this transitional £9 million in the correct place?

#### **Senator P.F.C. Ozouf:**

The transitional payments, which have been approved, of course, by this House on a number of occasions ... and of course the Deputy is quite right that there are some recipients of previous benefits that would not be entitled to benefits under the new system. I think that the Deputy - and I would be interested in her view - would agree that some of the benefits that were in place previously were not fit for purpose and were not targeted to those real low-income families and to those people with particular circumstances that needed that benefit. The Assembly decided that, however, those benefits would be withdrawn over a period of years and I am looking at the moment at the case whether or not the transitional payment should continue. But she is absolutely right to say that there are some families that do get the old benefits that were under the old system and I would venture to suggest that those are people on relatively higher incomes, particularly in the housing benefit system.

#### **2.3.6 Deputy M. Tadier of St. Brelade:**

The Minister mentioned that one of the reasons for the increase in the budget of Social Security was to do with the rent rebate being transferred to income support. Does the Minister concede that it would be in the long-term best interest to increase the social housing portfolio of the States, rather than hand over public - that is

taxpayers' - money to private landlords, many of who may not even live in Jersey and do not contribute tax to the Island?

**Senator P.F.C. Ozouf:**

A little bit outside of the Treasury world, but a very good question, if I may say. I am absolutely at one with Deputy Tadier and others to say that the well-intentioned policy of putting money into private sector rent rebate ultimately did not benefit people in housing. It ultimately gets capitalised in the value of housing and effectively boosts housing prices. The benefit goes entirely into the pocket of landlords. That is why we have reformed income support. That is why we have made a complete change in doing away with the well-intentioned policies of private sector rent rebate and reform is underway. It is going to be difficult though to withdraw that benefit from people as there is going to be an adjustment for those people who are going to go to their landlords and say: "This is what I can pay for that accommodation" rather than the landlord effectively getting a circuitous route of getting subsidy from the States. That must be withdrawn, but it is difficult to withdraw such benefits.

**2.3.7 Deputy M. Tadier:**

Hence the first part of my question about investing in social housing and increasing the portfolio. Could the Minister comment?

**Senator P.F.C. Ozouf:**

I am very happy to comment. I agree absolutely with the importance of having a strong, large, social housing, not-for-profit; some in the States and some in housing associations. That is why I am in the process, with my Assistant Minister, of discussing with Constables of exactly how we can further improve the social housing stock, particularly for the senior citizens and other people; further improvements for housing associations which are underway. I completely agree that the public investment in social housing and other ways of getting people into affordable housing must be one of the key priorities of this Assembly.

**2.3.8 Senator P.F. Routier:**

Does the Minister agree with me that the increased value of spend on income support and social security generally demonstrates the commitment of the States in supporting people on low incomes?

**Senator P.F.C. Ozouf:**

Absolutely. That is the point that I was trying to make. While there is, of course, cause among Members to increase social contribution and increase income support payments, I am wanting in this answer to get a very clear message across, and in the States accounts today, that we are rightly investing millions of pounds - new pounds - into improving income support systems and he is absolutely right.

**2.3.9 Deputy T.A. Vallois of St. Saviour:**

In view of the Minister's ethos of saving, would he not agree that an appropriate benefit fraud system should be in place before throwing more money at the system?

**Senator P.F.C. Ozouf:**

I completely agree that we need to do more in terms of also unifying States departments in the battle against those people who do get benefits inappropriately and

we are going to do everything we can to departments. There are discussions I do not want to reveal today, but there are some discussions at the Council of Ministers' level of how we can put in place better arrangements to ensure that every pound of taxpayer's money is going to the right recipients and that those people who defraud the system are identified and their benefit is withdrawn.

**2.3.10 Deputy G.P. Southern:**

Since the Minister strayed on to the ground, does the Minister not accept that the biggest problem with any benefit system is not the degree of fraud entailed in that system, but the fact that in many cases people do not claim? Will he take equally steps to ensure that publicity and advice is readily available to make sure that all people who are in need of and eligible for benefits do claim? Because at the moment it is woefully inadequate.

**Senator P.F.C. Ozouf:**

Two questions. First of all, of course everybody is not defrauding the system, but also, equally, with a budget of some £146 million, of £76 million worth of benefits, other benefits within the Social Security system, other benefits given by other departments, there is going to be, unfortunately, a cohort - a group of people - who will try and trick the system. We need procedures in place to identify those. In his comment in relation to getting recipients - potential recipients - the right information to claim their benefits, I would have thought that he would have welcomed warmly the bringing together of income support in one place to ensure a much more easy entitlement system, an automatic entitlement system, a one-stop-shop for benefits, but which is being brought in as a result of income support; a much better arrangement to identify those that can get benefits and to direct it towards them. There is no effort of the Council of Ministers to not target benefits to those that should have them.