



Health and Social Security Scrutiny Panel

THURSDAY, 3rd SEPTEMBER 2015

Panel:

Deputy R.J. Renouf of St. Ouen (Chairman)

Deputy G.P. Southern of St. Helier (Vice-Chairman)

Deputy T.A. McDonald of St. Saviour

Witnesses:

The Minister for Social Security

Policy & Strategy Director

Operations Director

Operations Director

[13:00]

Deputy R.J. Renouf of St. Ouen (Chairman):

This is a public hearing. It is a meeting of the Health and Social Security Scrutiny Panel and one of our quarterly meetings with the Minister for Social Security. We are going to do some formal introductions for the sake of the record, so I am Deputy Richard Renouf of St. Ouen, and I am the Chairman of the panel.

The Deputy of St. Ouen:

Right, thank you very much. Minister.

The Minister for Social Security:

Yes, thank you, Mr. Chairman. I just wanted to take this opportunity to make apologies for our Chief Officer, Ian Burns, who is out of the Island, and secondly to say that as this is essentially about the M.T.F.P. (Medium Term Financial Plan), which by its very nature is full of numbers,

people numbers and figures, would you excuse me if I defer to colleagues or refer to papers in order to give you an accurate answer if there are any questions requiring such?

The Deputy of St. Ouen:

Yes, of course, and you must particularly refer to papers. Yes, we understand. We grapple with the figures as well and so we are going to look to you for explanations. But we would like to take you through the various changes you propose in the Medium Term Financial Plan and which are set out in the reports you have attached to the various propositions you are bringing to the States. It is essentially the same report in each of the propositions, so I think broadly we would like to take the items in that report as they arise, as you set them out in your report. I note early on in your report and then in the background section at paragraph 1.1 you have a graph, a rather dramatic graph entitled: "Impact of the proposed changes to tax-funded benefits" which suggests that at the present time tax-funded benefits are costing about £82,000, £83,000.

Operations Director:

£1 million.

The Deputy of St. Ouen:

£1 million, of course. Yes, I am sorry. But that without the changes you propose, in 2019 they would rise to something like £94 million. Now, can you explain, Minister, how that calculation of £94 million has been arrived at?

The Minister for Social Security:

We have looked at the - as you can see - dotted line in the middle here as the 2015 level. I think the graph is fairly self-explanatory, from the point of view of the audio, and the proposed changes would be if the charges were to increase between the level of holding them at 2015 levels.

Deputy G.P. Southern:

Can somebody please tell us what assumptions have gone into the rise to £94 million from around £82 million, which is quite dramatic?

Policy & Strategy Director:

Yes. Okay, so this is the base budget which the M.T.F.P. was based on. In order to have consistency across different States departments, a central set of assumptions are produced by the Treasury and Resources Department, which I think are in the M.T.F.P. document somewhere - I cannot tell you exactly where they are - but they give you the average earnings index for each year, projected, and the pricings index and the number of employed people, unemployed people. Those are the 4 drivers that really kind of determine the number of benefits. In order to work out

what the base budget was, that higher line going up, if you take the current budget, so you take actual spend in 2015 - or whatever the best figures were when they were doing the work for the M.T.F.P. - they would have been 14, the whole year figures are 14, and then you inflate that by the increases you see due to the cost of prices, the cost of earnings and the level of unemployment. Those are financial calculations that are done kind of behind the scenes, but as I said, they are consistent across different States departments, so Health would have them for, I think, health expenditure and other kinds of expenditure. I am afraid it is just the passage of time that gives you that rise, and take into account if you were to increase benefits each year to be in line with prices, you would reflect the levels at the point they are expected and that is the graph that you would get. As the Minister has pointed out, our intention is to try to hold our expenditure to the 2015 line.

Deputy G.P. Southern:

Okay, so the inflation rate for 2016 onwards is around 3 per cent, over 3 per cent. That is the projection that has gone in there, 3 per cent per annum?

Policy & Strategy Director:

I do not know exactly where it is in the report, but you have got ...

Deputy G.P. Southern:

2016 is - if I can find the right line - R.P.I. (Retail Price Index) 2016 is 3.1 per cent, as it is in 2017. 2018 rises to 3.3 per cent and repeated for 2019, so it is a 3 per cent plus rise, basically, that is causing that increase.

Policy & Strategy Director:

Yes.

Deputy G.P. Southern:

Okay. Can we examine the fact that you have frozen that? The R.P.I. is going up by 3.1 per cent in 2016 and 2017. You propose to freeze Income Support, which is the benefit that reaches the poorest in our society.

The Minister for Social Security:

Until 2016, end of 2016.

The Deputy of St. Ouen:

Well, 2017, is it not?

The Minister for Social Security:

It is 2 years.

The Deputy of St. Ouen:

It is 2 years beginning next year.

Deputy G.P. Southern:

2016 and 2017.

Policy & Strategy Director:

This October 2015 and October 2016 are the 2 freezes, so that takes you through until 2017.

The Minister for Social Security:

2017.

Deputy G.P. Southern:

Sure, sure. Let us have a look at the impact of that on a pensioner on a basic States pension. Yes, 3 per cent, if they are claiming Income Support, that is an adult component of £92 and a householder's component of £50-odd, £51, around about £140. Freezing at a 3 per cent rate of increase is effectively - the other 2 years - 6 per cent of £140, which is about £8 a week. You are proposing, as a result of your freeze, that you make a single pensioner on a States pension, thereabouts, who is claiming Income Support around £8 a week worse off. Is that an interpretation we can place on that freeze?

The Minister for Social Security:

You mentioned this R.P.I. It is not 3 per cent until 2018.

Deputy G.P. Southern:

It is 3.1 per cent in 2016.

Policy & Strategy Director:

That is the difficulty of forecasting future benefit costs because, as we said, Treasury do the calculations based on the assumptions that are made with the best evidence that is possible at the time. R.P.I. at the minute is under 1 per cent. The impact, if you did a freeze and it was at 1 per cent, would be much, much smaller, so it will depend entirely on what happens in the economy as to what the impact of the freeze would be. The one thing you can always say with predictions is they will not be exactly as per predicted, they will be a bit more, a bit less.

The Deputy of St. Ouen:

But in assessing the impact of your changes, you must also have regard to the same assumptions that you were using when you were calculating what might be the expenditure without changes, surely, so if the standard assumption is inflation of over 3 per cent ...

Policy & Strategy Director:

You are absolutely right. That is exactly the point, is that when it is going up, if it was to go up by 3 per cent, then it would not go up by 3 per cent, it would be fixed, yes, and that takes you from the top line to the bottom line. That is what the 3 per cent does, but the point is we do not know the top line would go up at that level. It might not go up at that level; it might go up above or below that level. Those things are to be determined the bigger economy.

Deputy G.P. Southern:

In terms of the 2 years, 2016 and 2017, with your changes that pensioner, I am saying, will be around £8 a week worse off than he otherwise would have been had you maintained index-linking of Income Support. Is that the case or not the case?

Policy & Strategy Director:

No, it would be £8 if it was a bit more than 3 per cent; it would be £4 if it was 1.5 per cent. It will depend. The difference between what they would have got and what they get will depend entirely on what the inflation is each year.

Deputy G.P. Southern:

I will try again, and please place another figure on it to my £8. In 2017, that single pensioner who is claiming Income Support will be £8 a week worse off than he otherwise would be without this change, this freeze that you are imposing on Income Support. Is that or is that not true or would you rather another figure?

Policy & Strategy Director:

Okay. It is true in the sense that that shows you the gap between the top line and the bottom line. That is absolutely true, yes. The point I am making is that we do not know where the top line will lie, in reality. It could be above or below that line that has been drawn on there. You have to make assumptions in order to make plans. The States has decided, quite correctly, to have 3 to 4-year budgeting cycles. That is a really good idea, but it does mean you do have to make assumptions about future economic performance, which you do not know. As we have seen in the first M.T.F.P., the assumptions have been quite away from reality.

Deputy G.P. Southern:

They have got that disastrously wrong. However, you are just making some new projections now. They have been redone and rehashed and rediscussed, not quite endlessly, because we have got the document here. Are you saying that inflation is, in your projections, likely to be 3.1 per cent and therefore the pensioner will be £8 a week worse off or do you have another figure that is more likely?

Policy & Strategy Director:

No, there is no other figure because we are drawing the difference between the top line and the bottom line. That difference is the number you count. I am not sure if it is £8, but it is the number you would calculate based on 3 per cent. Like I say, my point about it is that we do not know where that line is going to be. Inflation at the minute is way below 3 per cent and therefore, unless it goes up very quickly, it is likely that the actual impact on inflation will be less than what that line shows you. But you are absolutely right, when we do the £10 million savings, we are including in that a theoretical £8 a week saving.

Deputy G.P. Southern:

It is not theoretical to the pensioner by 2017.

Policy & Strategy Director:

No, it is. I am sorry, but it is theoretical, because if inflation does not go up by 3 per cent, they will not be £8 worse off.

Deputy G.P. Southern:

Right. So what figure would you have us put there as more likely?

Policy & Strategy Director:

But that ...

The Minister for Social Security:

You cannot.

Policy & Strategy Director:

... is not a number you can say.

Deputy G.P. Southern:

Because we have seen inflation at 1.8 per cent.

Policy & Strategy Director:

Yes.

Deputy G.P. Southern:

So that estimate was pretty spot on or is that post-reality? That is the due figure for ...

Policy & Strategy Director:

Well, the R.P.I. now is below what has been projected.

Deputy G.P. Southern:

It is 1.8 per cent, is it not, or is it 1.5 per cent?

Policy & Strategy Director:

I think it is 1.8 per cent, yes.

Deputy G.P. Southern:

Yes, I thought it was 1.8 per cent.

Policy & Strategy Director:

That is the earnings index is 1.8 per cent. Sorry, that is the earnings index is 1.8 per cent.

Deputy G.P. Southern:

Sorry, R.P.I. in 2015. Sorry, 1.6 per cent, I read the wrong line. 1.6 per cent on your estimates.

The Minister for Social Security:

With all of this, in the whole of the Medium Term Financial Plan, the actual pensions are not being touched at all, the pensions will go up as they normally do.

Deputy G.P. Southern:

No, but their spending power is being reduced by, in this case, something like 6 per cent. They cannot buy as much in 2017, if those figures are correct, because inflation will have gone up, their pensions will not have gone up, so their pension will get less.

The Minister for Social Security:

This is only for 2 years. It is not for the whole 4 years, so it can be reviewed after 2 years. It may not even come to that, but as you well know, with any predictions, you cannot do a 4-year plan and assume that the global situation is going to stay the same.

Deputy G.P. Southern:

It may be a different figure.

The Minister for Social Security:

It may be a different figure.

Deputy G.P. Southern:

It may be only £5 they are worse off, but nonetheless, they will be worse off because their spending power will have been reduced by your measure. That is correct, is it not?

The Minister for Social Security:

Everybody's spending power is going to be reduced. It is not just pensioners, it is everybody.

Deputy G.P. Southern:

Only if they are subject to a wage freeze or a benefits freeze, which is what you are doing.

The Minister for Social Security:

There are wage freezes as well.

Deputy G.P. Southern:

Again, everybody is worse off, especially and including pensioners?

The Minister for Social Security:

Including, not especially. That is what we have done with the whole remit of our Social Security remit of the Medium Term Financial Plan, is to look at it totally across the board and so make sure that it is spread, so that it is not just hitting individual groups, it is across the board. It is happening everywhere, it is not just Jersey, and it certainly is not just pensioners.

Deputy G.P. Southern:

But are you accepting that figure of £8 a week worse off in spending now?

Policy & Strategy Director:

Can I clarify? At the present time, the most recent R.P.I. for pensioners - and there is a specific index published in Jersey for pensioners, which is unusual, which is very good to be able to do that - it is 0.4 per cent.

[13:15]

The price rises that pensioners are seeing in the kinds of things that pensioners buy is very, very low at the minute. I cannot possibly tell you what it is going to be like next year or the year after, but at the minute it is very, very low.

Deputy G.P. Southern:

But that is not the figures on which your entire report is based.

Policy & Strategy Director:

No, no. That is what I am saying, it is a theoretical difference, and that is the point. The top line is theoretical, the bottom line is where we want to be, but the actual ...

Deputy G.P. Southern:

Are you suggesting that the predicted figure of 3.1 per cent will not be met next year or the year after?

Policy & Strategy Director:

The chances are it will not be met, because if you look back to most historical assumptions, they are never quite right, they are looking at the general trend. I am just saying that it is hard to say that it is going to be £8 or £6 or £4. We do not know yet, but we do know that the theoretical gap is the number you said, yes.

Deputy G.P. Southern:

You do not know whether it is £8 or £6 or £4. Can we settle on £5?

The Minister for Social Security:

No, no. It is not possible ...

Deputy G.P. Southern:

Can we work from £8 a week, because that is what is in your documentation, that is the estimate that you have?

The Deputy of St. Ouen:

Can I take it a little bit further, perhaps, and say the £10 million savings you hope to make from benefit changes is based on those assumptions, so if ...

The Minister for Social Security:

We have to make assumptions.

The Deputy of St. Ouen:

You have to make assumptions, and Deputy Southern is using that assumption to say if the assumptions are correct, there will be a loss of £8 a week ...

Deputy G.P. Southern:

Spending.

The Deputy of St. Ouen:

... of spending power, but if, as you are suggesting, the R.P.I. might not increase to that level of 3 per cent and more, then in fact the assumptions will not be met by the end of the period and you will not have achieved the £10 million savings that you hope to achieve by this plan. Your savings will be somewhat less.

The Minister for Social Security:

No, not necessarily, because into all the savings we have to have built, because they are assumptions ... and we will come on to later lone parents. I mean, the circumstances of people change daily, so figures that were produced in June will not be the same as figures that were produced in October, for instance, in Back to Work, which Sophie can talk about later as well. It is impossible to make an absolutely across the line figure which is not an assumption, and so flexibility, some, has been built into each one of the things that we have looked at. Some will go up, some will go down. If at the end of the M.T.F.P. period then it has not been as bad economically, globally probably, which obviously has a direct effect on us, as we have surmised, then there will be money left to possibly increase things as opposed to the decreases, so put things back to where they might have been. Equally, we have to suffer a loss if, as you say, it does not go up to 3 per cent. You have to build flexibility into any plans, because there is ...

Deputy G.P. Southern:

I do not think we are going to get agreement on this, but can I take you on to your second measure that you are proposing in your M.T.F.P. proposals, the change from a fixed disregard pension income to a percentage disregard for income? Can I take that same single pensioner whose income is the States pension, which is around £200 a week currently? £200 a week with a fixed disregard of £55, if you move that to a 23 per cent disregard, 23 per cent of £200 - we can all do this sum - is £46, so they move from a disregard of £55 fixed at the moment to a disregard of 23 per cent, which is £46. That, I would make it, is £9 a week worse off in terms of their spending power, so new entrants to the pension scheme who are on the basic States pension and claiming Income Support will be £9 a week worse off than the person who became 65 2 years ago or a year ago and is receiving the £55 a week disregard, and that continues. So new entrants to the States

pension scheme will be effectively £9 a week worse off if that is their sole income. Is that the case?

The Minister for Social Security:

We have some pretty pictures to hand out, which I think describes this quite well.

Deputy G.P. Southern:

Before we address those pretty pictures, which I think are in the report anyway we have seen, can you answer my question, will new entrants dependent on the single States pension for their income be £9 a week worse off than their colleagues in the pension scheme from last year?

The Minister for Social Security:

Right, so the ones that are already on the £55 a week remain so. The introduction of the overall 23 per cent disregard - were it to be agreed, of course - will come into people coming into the pension scheme, and the idea is that whatever is more to the pensioner, be it £55 or 23 per cent, is the one that will prevail. This is to make it, again, fairer across the board, as we have done with everything. You have one pensioner who has paid in for 45 years, i.e. their full pension life, maybe have taken out a private pension as well, who have prepared for their retirement. Now, they will get the same pension as somebody who has paid in for 23 years and has not taken out a private pension scheme, which we do not see as particularly fair. The idea of this is to equalise it out, and as with any transition in any state in life, you are going to get a time when it is equalising out, so this explains it, I think.

The Deputy of St. Ouen:

There will be many people in employment, in a sort of low level of employment, who have not had an employer's scheme providing a pension for them and who have not been earning sufficient throughout their working life to contribute themselves to an own scheme that they have gone out to find and set up. They are reliant, they are looking forward to receiving the States pension and they are relying on that, and they are going to be in a worse position, are they not?

The Minister for Social Security:

This where supplementation comes in, is to top up the lower incomes to make their pensions viable, so the States are already doing that from tax-funded benefits, and the hope is that is if you encourage people to cater for their old age more, of course, as there will hopefully still always be a States pension, depending on the contributions of the Social Security Fund, but the idea is to encourage people to look after themselves more in their old age. So there will still be a States pension.

The Deputy of St. Ouen:

That is all very good to encourage that, yes, by all means encourage that, but there will still be a large number of people, perhaps now in their 60s, coming to the end of their working life and who have not been in the position that they have had employers contributing to a private pension and they have not been in a position to write up their own pension plan and they are reliant on the States pension. Now, that is often supplemented by Income Support, because the States pension on its own is not sufficient, but the Income Support is then going to be cut because of the changes in the disregard rules, is it not? As Deputy Southern has said, whereas now £55 is disregarded, if they only can rely on the States pension income, that only £46 of that is going to be disregarded in future in their Income Support claim, is that not ...

Policy & Strategy Director:

That is correct, but the first point to make is that the £55 or the £46 is on top of all the Income Support components, it is extra income they are allowed to keep, whereas in terms of other parts of Income Support which you allocate money towards, living expenses, rent, household expenses and so on, the disregards are then on top of that, so all your basic needs are met and then you have got this money on top. One of the kind of guiding principles of the Social Security Department is to think towards the longer term and one of the difficulties that we face with the Income Support at the minute is this amount of money, which is a fixed sum of money that all pensioners get kind of almost regardless, it is not linked to anything the pensioners themselves have done and it is not linked to any particular expenditure the pensioner has.

The Deputy of St. Ouen:

It is. It is their Social Security contributions from the wages over the years, is it not?

Policy & Strategy Director:

No, that is what the Minister was saying, is that low-earning workers throughout their lives have received the benefit of a full pension contribution because the amount they put in towards their Social Security contribution is supplemented by the States putting some extra money in towards it, so when they get to pension age they can claim a full pension, which is just shy of £200 a week now, so a very generous pension compared to many other jurisdictions. They have got that as a right, that is what they have worked towards, their legal pension, and then again a low-income person perhaps will need Income Support to make up their total living expenses. The Income Support would cover their rent, and rent is again one thing that we have definitely kept away from all the changes so that we are fully supporting the cost of rent, and if rents increase that the cost of rents will be ...

Deputy G.P. Southern:

We know rents are meant to increase by R.P.I. plus 0.75 per cent ...

Policy & Strategy Director:

Yes, and we are not asking people to take any ...

Deputy G.P. Southern:

... to 90 per cent of private rental.

Policy & Strategy Director:

We are not asking Income Support tenants to take any part of that additional cost. That cost will be fully met through the Income Support components rising each year. The pensioner who is the lower wage earner who has had their contributions supplemented throughout their working life is able to receive a full pension of £200 a week. They get extra Income Support on top to fully cover their own costs and then they have their adult component, their household component, any medical components they are entitled to and extra money for their disregard against their pension income. Yes, you are absolutely right if you say: "Is a new pensioner coming in worse off than they would have been under the old system?" Yes. We are ...

The Deputy of St. Ouen:

Yes.

Deputy G.P. Southern:

The result of your actions is to make that new entrant from 1st January - let us say for the argument - 2016 £9 a week worse off than his colleague or friend, neighbour even, who came into the scheme in December 2015?

Policy & Strategy Director:

Yes, but there are 2 things to say there.

Deputy G.P. Southern:

Right, okay. That is very clear. Again, their spending power will be reduced, now we are talking, let us say, £8 a week from the previous calculation and £9 a week now, £17 a week worse off than a predecessor who came into the scheme a year ago?

Policy & Strategy Director:

Yes, but the individual person we are talking about has not been reduced by that, because they have never had that extra £9. It is very important to differentiate between the new person coming

into the scheme who needs Income Support, who may be already on Income Support, getting a 23 per cent disregard now is now still getting a 23 per cent disregard. Talking about the long-term thing, we want to encourage people to make provision for their own old age. It is really important. The States cannot continue to meet the cost of an increasing proportion of old people. There will need to be more provision, more self-reliance. That is a very important strand of the work that we want to do. The Minister will be looking at the Social Security Fund next year in a big review and we also want to look at the way in which we encourage and incentivise people to make more provision for their own old age. Therefore it is important that the Income Support system reflects that effort that somebody puts into their own plan.

The Deputy of St. Ouen:

Yes, but this encouragement is in effect dropping the level of benefits for the most vulnerable people, the poorest people in society, because there is a drop here, and this contrasts to me with our previous discussions that the adult component was going to stay the same.

The Minister for Social Security:

Which it is.

The Deputy of St. Ouen:

Okay, you can make an argument that it stays the same for the next 2 years, but in this we are seeing a pensioner who is reliant solely on the States pension suffering a drop in what a pensioner now might receive. That does not seem fair. How is that fair, Minister, and how is that a targeted benefit, because it is these people that need to be supported, surely, who only have the States pension?

The Minister for Social Security:

But as Sue has just said, if they are reliant on Income Support and a pensioner, then everything else is paid for as well. It is aiming to be very fair across the board.

Deputy G.P. Southern:

Is Income Support designed to produce a minimum standard of living? Is that what it does or does it do something else? What was the criteria by which the Minister decided that there would be an additional disregard for pension income in the past and why is it no longer valid now? Can you tell us why that is?

The Minister for Social Security:

There is a disregard for pensioner income.

Deputy G.P. Southern:

Yes, but you are reducing it.

Policy & Strategy Director:

It is a very good question: what is the basis for the Income Support components?

[13:30]

There are some things that are obvious like rental, which is designed by rent, childcare, which we take comparisons with the market, the cost of childcare. There are other things that are much more nebulous, like an adult component. How much does an adult need to live on a week? When Income Support started, you will remember, in 2008, the Treasury Department was given the amalgamation of all the old budgets from all the other schemes, so the money from the Parish Welfare scheme, the money from the Housing Rent Rebate scheme, Family Allowance money, various other bits of money like that, so we had a net transfer. There was no extra money put into the scheme at the time, just got the same amount of money. Therefore, in reality, the Income Support components reflected, to start with, the components that were in the previous system, so the adult component was based, at the end of the day, pretty much on what Parish Welfare used to pay for an adult, Family Allowance helped set out the children's one and so on. Therefore, there is no exact science behind this, and again, I think this certainly will apply throughout all benefit systems, is that governments do not ... it is incredibly difficult to do the kind of calculations around what do you need for a family to live on, because all families are different. The Living Wage campaign is a good example of an area where people have tried to do that calculation, but then when you look into the situation in a bit more detail, it becomes so complicated in terms of how they use those ...

Deputy G.P. Southern:

Can you stick to pensions?

The Deputy of St. Ouen:

What is the reason for the 55 ...

Policy & Strategy Director:

Yes. You asked what the ...

Deputy G.P. Southern:

How come we have got to where we were?

Policy & Strategy Director:

Okay, so under the Parish Welfare system, there was a monetary disregard for pensioners and that was transferred. That is why the pension disregard was set up in Income Support as a money amount compared to a percentage amount, so the new things that came were percentages, which is a much better way of doing it. We are in a position ...

The Deputy of St. Ouen:

Why? Why do you think it is a better way of doing it?

Policy & Strategy Director:

Because of how very straightforward it is. It is one of the Minister's key aims that she chose when we looked at the benefits. At the end of the day, we have to be saving money. We have been asked to make a £10 million ... the Council of Ministers ...

Deputy G.P. Southern:

No, you have chosen ministerially to offer savings of £10 million from the benefit system, which applies to the worst-off in our society. You do not have to make £10 million cuts there. There are other mechanisms by which you can make cuts and protect the worst-off in our society. That is the ministerial decision, to volunteer £10 million worth of cuts. Everybody will pay some cuts, including the worst-off in our society. We will protect them less generously.

The Minister for Social Security:

I think we will have to rephrase that, Deputy. There was no choice or volunteering about it. Each department has been given a target. Ours was £10 million, and because staffing is only about 5 per cent of our budget, we have no option but to use changing the benefits. You have been asking for years that the Income Support should be reviewed and that is what we have done, reviewed each component.

Deputy G.P. Southern:

Reviewed in the sense of does it accurately deliver benefits to the appropriate people. Now you are saying people on a basic States pension are not necessarily top of our list. That is what you are saying to all pensioners on this Island.

The Minister for Social Security:

No, we are not, because as I said earlier, we have looked at it across the board, every single component has been looked at, and sort of what we determine a sniff test applied, that if you looked at it now, bearing in mind what Sue just said, this was all brought in in 2008 and you do not just suddenly bring in that sort of legislation, of course. It was looked at in 2006 and 2007 when,

as somebody said, we had money coming out of our ears. Everything was assessed then, and it has to be said, generously. Now, in the current economic climate, we are reviewing it, and if we were to introduce it now, then those are the ones that have been looked at. Every single component has been looked at, and where it has been possible to change it or freeze it or revalue, re-evaluate it, we have done that.

The Deputy of St. Ouen:

Minister, yes, I can understand the point you are making, but what concerns me about this pension disregard is that those who are the poorest are suffering the greater, because if they are solely in receipt of a States pension, that disregard means that they are going to suffer a loss compared with somebody now applying for Income Support before these M.T.F.P. changes come in, whereas if somebody has been in the fortunate position that over their working life they have been in large firms and their employer has contributed to an occupational pension for them, they will have a greater pension income, and if you apply the 23 per cent therefore the disregard for them will be greater. We are now introducing sort of different categories, differences between pensioners, that those who have a greater pension income because of private pensions will have a greater disregard applied to their pension income in the Income Support claim. Those who rely only on the States pension will suffer because they will be allowed just £46 disregard. We will have those who are the very poorest suffering, not receiving as much as they might now, and those with private pensions being allowed to keep more of their pension.

Deputy G.P. Southern:

This is targeting benefits in reverse.

The Deputy of St. Ouen:

This is targeting the wrong way, surely.

Deputy G.P. Southern:

The wrong way, surely.

The Minister for Social Security:

If we look at what you term as the very poorest, i.e. those on minimum wage, possibly, who would not have made ...

The Deputy of St. Ouen:

The very poorest pensioners.

The Minister for Social Security:

... sufficient contributions over their working life, they have been supplemented all the way through by the taxpayer so that they are equal when they receive their pensions to somebody who has had no supplementation from the taxpayer at all.

Deputy G.P. Southern:

Indeed, and that is a separate system, is it not? I mean, we have set up a Social Security system ...

The Minister for Social Security:

You can say is that fair that somebody who has worked hard ...

Deputy G.P. Southern:

... which contains 3 elements, employers' contribution, employees' contribution and taxpayers' contribution, via supplementation. That is a completely different argument, over which the low-paid worker can have no influence as to what system the Government sets up. I would argue that a low-paid worker can have very little influence over his employers either starting an occupational fund or not having an occupational fund. If we are too generous now in the sense which you seem to be arguing, what measures do you have in the pipeline in order to encourage every employer on this Island to set up an occupational pension scheme so that your system can reward them as appropriate, as you see? What encouragement, what carrots are you offering to society or to pensioners to encourage them to save, rather than this, which appears to me to be a big stick?

The Minister for Social Security:

This will all be in the review, which we mentioned earlier, that we are starting at the end of this year, when the whole contribution system will be looked at, employed and self-employed and the varying contributions in that. It is outlined in the M.T.F.P. and I think it is 10 bullet points in there, which we will not just confine ourselves to, obviously, but that will be over a year's worth of reports which we will come up with. There are so many levers that one can use to make it fair and come up with a package of how to change the contribution system to sustain the Social Security Fund to address what you have just said, to address employers' and employees' contributions, so that is the next piece of work that we are going to do.

Deputy G.P. Southern:

So there will be some carrots, will there, in the system as going forward?

The Minister for Social Security:

We have not started the work yet, looked around the edges, but when ...

Deputy G.P. Southern:

Right. We have to take the M.T.F.P. on trust?

The Minister for Social Security:

There will always be a sort of carrot and stick, as there is with everything.

Deputy G.P. Southern:

But you have introduced the stick first, basically.

The Minister for Social Security:

No, this is a totally different thing. We were charged by the States to make savings before we increased charges, so this is the savings part of it. The charges will be looked at in the next M.T.F.P. or M.T.F.P. 2 or whatever you want to call it.

The Deputy of St. Ouen:

I think we will just move on to the next change in order to try and cover everything. The single parent component is being removed. What was the reason for introducing a single parent component in the first place?

The Minister for Social Security:

That goes back to Parish Welfare.

Deputy G.P. Southern:

Was it not the case that the numbers in the income distribution surveys revealed that there was a significant amount of child poverty around the time, prior to 2008, and it was decided to address that, because that was concentrated in single parent family households and that the £40 a week extra going to single parents was to address that child poverty issue? I think that was the case, was it not?

Policy & Strategy Director:

I do not think it was as targeted as that at the time, quite honestly. I think there was a very strong desire at the time to make sure that the transition from the Parish Welfare system to Income Support was as smooth as possible, and therefore several aspects of the Parish Welfare system were transferred into the Income Support. If you recall, a lone parent with one child was given the married rate and then they got the parent allowance on top, so you have to kind of remember how much everything costs, but the impact of that was that lone parents did get an extra allowance through the Parish Welfare system in that way. Now, Income Support is different, and whereas it made sense to make that smooth transition from Parish Welfare into Income Support, now with the

benefit of experience and understanding how Income Support works as a whole, because it is now a single system and it does work in a different way to the individual systems had all worked beforehand, it is right, as the Minister said, to review the way that things work and to try and remove some of the inconsistencies perhaps that were established for good reason at the time, but are hard to justify going forward.

Deputy G.P. Southern:

Does the Minister accept that there is a risk that child poverty after this single parent element has been withdrawn that child poverty will go up?

The Minister for Social Security:

No, I do not accept that.

Deputy G.P. Southern:

Do you have any research on which to base that?

The Minister for Social Security:

What we have done is compare a lone parent situation with one child, say, for example, with a couple with one child, each on an Income Support situation. Both will have 2-bedroom accommodation, which will be paid for if they are on Income Support; both will have the same household component of £51 a week, which is for household bills; both will have the child component, the £64 a week, and both will have the adult component. We did not understand why there would be any necessity with all that being paid for ... I think, yes, the difference, a single parent would be on £470 a week paid for and a couple on £522 a week. We do not feel that has any way got anything to do with an implication of child poverty.

Deputy G.P. Southern:

Is your feeling in any way based upon research you have done to suggest that child poverty will not be increased by the measures you propose?

The Minister for Social Security:

Every single change we have made has been done on the most enormous amount of research and calculations. We do not pull things out of the air.

Deputy G.P. Southern:

Can you show this committee this research, please, at any stage?

The Minister for Social Security:

It is done largely on calculations on the computer, is it not?

Deputy G.P. Southern:

If I may, to what extent has such considerations as relative low income thresholds been used in examining your proposals?

The Minister for Social Security:

As I have just said, every single aspect of this has been examined in comparison to make sure that we were not deliberately undermining a single parent in comparison with a couple.

Deputy G.P. Southern:

Will the Minister bring that research to the House - or to this panel in particular - before we debate the M.T.F.P. on 6th October?

Policy & Strategy Director:

Jersey, at the end of the day, is a very small jurisdiction and the level of understanding of poverty, which is a very difficult thing to get your head around, is difficult because of the amount of survey work you can do that you can justify paying for. The Statistics Unit are now doing a 5-year cycle of household income and spending surveys. One was done in 2009/10, which showed that bringing in Income Support had improved the position of lone parents compared to the previous survey, and the current survey is currently being finalised now. Fieldwork, it is quite a complicated thing to do, you have to go around people's houses and you have to look at all their income and all their expenditure over a period of time, so it is very labour-intensive, it takes quite a lot of time and effort to achieve. As of now, we afford to do this work every 5 years.

[13:45]

The results will be published towards the end of this year. Those will be results based on work that was undertaken between May last year and May this year, so they will not reflect these changes, you have to understand that. They will set you things like international relative poverty lines, where you look at the median household income, then you take a proportion of that and you say: "I will set our relative poverty level at that figure." Governments like figures, so it is a number. A person who has got an income below that level may or may not feel poor; a person with income above that level may be in financial difficulties.

Deputy G.P. Southern:

Can I bring you to the point of focus, please? Can you bring evidence for this particular change that you are making to lone parents' income to the House, or to us in the first place, and to the House before the 6th October debate of this M.T.F.P., because this is an element of the M.T.F.P. and we would like to understand that you had researched this issue and that what you are doing was not likely to increase child poverty. Is that yes or no? Can you bring me the research or bring us the research?

Policy & Strategy Director:

There is no ... we have not done any fieldwork because, as I said, it is a very expensive thing to do. As I say, the Statistics Unit are doing it now, and because of the time it was, it will not reflect these changes.

Deputy G.P. Southern:

When your Minister says: "We have done the research" are you saying we have not done the research?

The Minister for Social Security:

Yes, we have done the numbers, but that is ...

Policy & Strategy Director:

We have done a very detailed analysis of Income Support claimants now, but there is a point ...

Deputy G.P. Southern:

In relation to either relative low income lines or to child poverty as a whole, to the risk of child poverty as a whole, have you done that exercise?

The Minister for Social Security:

I find the definition of child poverty impossible to define. We do not have child poverty.

Deputy G.P. Southern:

Sorry, I used the wrong ...

The Deputy of St. Ouen:

I suppose one could have taken the international standards that Mrs. Duhamel has just referred to and said: "Are we at risk of bringing lone parent families below those international standards by removing this component?" Has that been done?

The Minister for Social Security:

I am not quite sure whether it would be any more likely to have an impact on the child than a couple, why a single parent would be any different from a couple.

Deputy G.P. Southern:

You have evidence to back that opinion up?

The Minister for Social Security:

As I said, we have done the figures, but it is across the board, it is one balanced against the other. As you well know, with something as big as this, it is a package, you cannot just pick out ... and the figures are all done by computer. I am not quite sure what evidence you would want.

Deputy G.P. Southern:

Given an hour or so, I could give you what evidence we want, but ...

The Minister for Social Security:

If you give specific questions, then we could ...

Deputy G.P. Southern:

Let us move on.

The Deputy of St. Ouen:

Aside from research, are there ...

Deputy G.P. Southern:

"Have you done research?" is pretty specific.

The Deputy of St. Ouen:

Are there bodies you consult with before putting these proposals together or are there standing bodies that you regularly refer to? Did you go out to any particular groupings dealing with single parent households to ask what their view might be were such a change to be introduced?

The Minister for Social Security:

We have got a standard sort of list of stakeholders, if you like, that are pertinent to ... be it business or religious groups. We have a lot of interaction with J.A.C.S. (Jersey Advisory Conciliatory Service), of course, childcare trusts. What else? Well, a huge range of people were consulted.

The Deputy of St. Ouen:

But in putting these proposals together, were any consulted?

Deputy G.P. Southern:

Did you consult over your proposals in the M.T.F.P.?

The Minister for Social Security:

Not specifically on the lone parent one, but over the whole package, yes.

Deputy G.P. Southern:

You consulted over the whole package?

The Minister for Social Security:

We have done with different aspects of it, yes.

Deputy G.P. Southern:

Can you show to us the responses you had from your consultees?

The Minister for Social Security:

Well, we have not sent out a survey. We have spoken to individual people, so there is not a sort of list of survey responses, because as Sue said earlier, there is a Jersey survey which is done every 5 years. There is no point in ... and we do not have the time anyway to duplicate that.

Deputy G.P. Southern:

So in terms of consultation - you have drifted off again - who have you consulted with and have you got any record of meetings to say you talked to them at meetings or did you in fact consult and with whom? Can you give us the list of people you consulted with?

Policy & Strategy Director:

I think the term "consultation" is probably slightly the wrong term to use in this kind of work. At the end of the day, as the Minister has said, we were required to find a substantial level of savings. If you were to consult in the proper sense of the word with people and say: "What would you like us to cut?" they would say: "Well, nothing."

The Minister for Social Security:

Nothing.

Policy & Strategy Director:

A consultation exercise does not really work in this kind of work you need to do.

Deputy G.P. Southern:

So you have not consulted?

Policy & Strategy Director:

What we have done is we have taken a very ... the department holds a lot of expertise. Steve's team works with Income Support claimants day in, day out, and staff have helped to develop these proposals that have been put forward. We have done, as the Minister said, an enormous amount of analysis of our own data as to the ...

Deputy G.P. Southern:

This is an internal process that has taken place. Have you taken your proposal to the Social Security Advisory Council, for example, which is the body you have of ordinary people with whom you might consult? Have you taken it to them? I do not have a great deal of respect for them, but nevertheless ...

The Minister for Social Security:

No, we have not ...

Deputy G.P. Southern:

No, you have not, okay.

The Minister for Social Security:

... because we give them, with their agreement, one set piece of work to do, which does not involve this specific work that they are doing at the moment. They are doing one specific ... like it might have been looking at long-term care, for instance. They did not do that, but it could have been just one specific thing to do. They would not look at overall proposals which are from the department.

The Deputy of St. Ouen:

Did they ever look at Income Support when it was introduced?

The Minister for Social Security:

I do not even think they were in existence in 2008.

The Deputy of St. Ouen:

They were not in existence?

Policy & Strategy Director:

Yes, certainly.

Deputy G.P. Southern:

Yes, they were. They have been in existence for quite some time.

Policy & Strategy Director:

They have looked at some aspects. They were set up under the Social Security law and their primary remit is to examine Social Security law, so their interaction with other benefits has been less.

Deputy G.P. Southern:

If I can summarise then, there has not been a great degree of consultation, it has not happened. In fact, there has not been any consultation outside the department?

Policy & Strategy Director:

We work very closely with the Citizen's Advice Bureau and the Jersey Childcare Trust - Steve sits on the board of the Jersey Childcare Trust - and those are the 2 kind of key organisations that you would tend to work with anyway. I am not sure how many other organisations there are.

Deputy G.P. Southern:

Have you consulted with those 2 organisations on this particular measure?

Policy & Strategy Director:

Malcolm Ferrey has been fully involved with these changes, yes, and Fiona Vacher is, again, very aware of what we have been doing, yes.

Deputy G.P. Southern:

Yes, I have seen in the paper that he is largely in favour of what you are proposing and thinks that poor people are now starting to get less.

The Deputy of St. Ouen:

Well, that may be a view, but while there is a need to make savings, I would hope also, Minister, that there is consideration given to the impact that these changes would make and whether in fact we are just creating problems down the line and creating difficulties for families who might find

themselves in a greater degree of poverty, prejudicing that child in terms of its education and its wellbeing and its health issues, all that should be brought into the equation and not just the matter of savings.

The Minister for Social Security:

I think with every sort of either freezing or change to a benefit we have made, we have tried to compensate it. With the single parent one, for instance, first it could have been completely removed like that. It was not, it was reduced. What we are proposing is to reduce it by £10 a year over the 4 years, so it is not just removing it overnight, and any new entrant to the scheme will not get it, but then they have never had it, so they are not missing anything. In order to compensate for that, the maintenance disregard is going up from 10 per cent to 23 per cent, which is quite a jump, to encourage people. There is 1,300 lone parents at the moment. That changes, as I was saying, with everything else sort of overnight, not the fact that they are a single parent, but the fact that they might get a job, the child might start school, all that sort of thing, and so that is to encourage single parents to pursue maintenance, which is quite right and proper, to take responsibility for your children. Only half of them are doing that at the moment, so by increasing that disregard, if you like, of the maintenance, it will encourage hopefully people to pursue that. It is all designed as best as we can to encourage independence, financial independence, and to encourage people to get a job.

Deputy G.P. Southern:

Is it not the case that in many cases, chasing maintenance, which has been a long-term problem, is very difficult ...

The Minister for Social Security:

Of course it is. I understand that.

Deputy G.P. Southern:

... and that women who are chasing maintenance from their ex-partners often have to go to court and have that sort of expense?

The Minister for Social Security:

They would not. Their expense would be covered by Legal Aid.

Deputy G.P. Southern:

I do not believe it is. Chasing maintenance is not covered by Legal Aid.

The Deputy of St. Ouen:

No, I do not think it is, because that is deemed a debt recovery.

Deputy G.P. Southern:

Can I go on further? It has come to my notice that in recent times what the department has been doing is saying: "We insist you chase your ex-partner for maintenance and until you do that and we know you are doing it, we will sanction your child benefit." Is that not the case, the department is doing that, creating extreme hardship, I would argue? It is not happening at all?

The Minister for Social Security:

I have never heard of it.

Policy & Strategy Director:

Obviously it is important that people are given every encouragement to seek maintenance and the proportion of lone parents receiving maintenance in Income Support is going up slowly year by year. I think it is a success story, in the way we are working with parents is improving.

Deputy G.P. Southern:

But members of your department have not made any sanctions as a result of people not chasing maintenance?

The Minister for Social Security:

Certainly not that I am aware of.

Operations Director:

A sanction would only apply for Actively Seeking Work purposes.

The Minister for Social Security:

A job, yes.

Operations Director:

That is the sanction process.

Deputy G.P. Southern:

Okay. I hear what you are saying, it is only about Actively Seeking Work. Okay, fine. I shall go back to my sources and check things out. Further, can I suggest that the single thing you could do to save money legitimately within the system in terms of maintenance is that if the department was to take on the issue and responsibility of chasing maintenance, it is a relatively straightforward

thing once you have identified where this person is. For example, to go to the extent of getting an arrest of wages to make sure maintenance was being paid and thereby reducing your overheads, because that maintenance coming into the household would count as income with or without its 23 per cent disregard. Has the department given any consideration to taking on that particular role and making sure that it happens, that maintenance gets paid because the department does it and it can track down people better than can single parents, Minister?

The Minister for Social Security:

I do not necessarily think we are in a position to arrest wages.

Deputy G.P. Southern:

Whatever. I am sure you could find those powers, but never mind. Have you given consideration to taking on that responsibility, since you are saying that maintenance is one way that single parents can be better off and the bill could be reduced, because the maintenance is coming in?

The Minister for Social Security:

It is to encourage people to pursue maintenance, which as I say, only half of them at the moment are doing that, because with possibly an extra £40 a week they do not need to, because maintenance can be as low as £10 a week. The average, if I am correct, I think is about £100 or £80.

Operations Director:

I think the average is about £45.

The Minister for Social Security:

£40. The highest then would be about £100, yes, so ...

The Deputy of St. Ouen:

But this would achieve savings, would it not, if more absent parents were contributing to the care of their child?

The Minister for Social Security:

Absolutely.

The Deputy of St. Ouen:

Is there something ...

The Minister for Social Security:

It is also to encourage that responsibility. It is not just about money.

The Deputy of St. Ouen:

Yes. So rather than leave it in the hands of the carer parent, is there something to be said for setting up some sort of procedure within the department to track these and collect?

The Minister for Social Security:

I think it would almost morally irresponsible. I think it is the duty of the parents to be responsible for their children, and if it is a single parent. As we have just said, with the amount of money involved, the administration involved, we would have to take on a fleet of extra staff to do that.

The Deputy of St. Ouen:

It is the administration, is it?

Deputy G.P. Southern:

I think you are exaggerating.

The Minister for Social Security:

Well, it is not just administration.

The Deputy of St. Ouen:

Has there been a cost benefit analysis made?

[14:00]

Deputy G.P. Southern:

Have you considered it?

The Minister for Social Security:

No, no.

Deputy G.P. Southern:

No?

The Deputy of St. Ouen:

No?

Deputy G.P. Southern:

Have you done any research on it as to what the cost might be? I do not think you have.

The Minister for Social Security:

What, of the department's ...

Deputy G.P. Southern:

Of taking on the responsibility of chasing maintenance.

The Minister for Social Security:

The whole idea is to encourage the parents to be responsible for their children, not to turn it into a nanny state where Social Security do it for them.

Deputy G.P. Southern:

So I am a single parent and a married ...

The Deputy of St. Ouen:

Well, can we park it there, because ...

Deputy G.P. Southern:

No, let me make a point, right?

The Deputy of St. Ouen:

Make your point.

Deputy G.P. Southern:

The relationship has broken up because my partner was violent; the relationship broke up because my partner is a druggie; the relationship has broken up on the really hard and difficult situations and I am requested to go and seek out this person, whom I want no contact with whatsoever, and risk him having contact with his child, my child, which I do not want to happen, because I am being morally responsible and chasing perhaps £40 a week in terms of maintenance. That is the sort of issues that you want single parents to take on. You are not prepared to do it and you have not considered doing in their behalf. Is that the case?

The Minister for Social Security:

I did not say we were not prepared to do it, just that it is not part of the ... as you can see from the Medium Term Financial Plan and sex discrimination law, we have quite a lot to deal with recently.

The Deputy of St. Ouen:

Yes, okay. That might be an issue for future hearings, maybe we can explore that. But I want to move on because we have got some other changes to look at, and one is the Christmas bonus and removal of the Christmas bonus. This is a hypothetical question, but in your report at section 1.6 it gives the estimates of savings that you hope to achieve and the table says by closing the Christmas bonus after it has been paid in 2015, you will achieve a saving of £1.3 million in 2016, but then the savings grow in subsequent years, so that savings are £1.6 million in 2019 and I am wondering why there is that growth, albeit it is £1.3 million, when there is a one-off change.

The Minister for Social Security:

We are talking about savings here, and everybody is very aware of the demographics, ageing demographics, and by 2020 the number of people over 65 is due to increase by 35 per cent, so if we were not to remove it, you would ...

Deputy G.P. Southern:

A bit higher.

The Deputy of St. Ouen:

Sorry about that. Sorry, Minister, if we were not to remove it, you mean as it would have cost us £1.6 million in 2019, is that the ...

The Minister for Social Security:

Taking into account the additional number of people.

The Deputy of St. Ouen:

Right, okay, so there is ...

Deputy G.P. Southern:

That is growth in the numbers of elderly. That is demographics.

Policy & Strategy Director:

If we go back the first graph, it is the 2 things added up together. You have got the fact that the Christmas bonus would be more money each year because of inflation and you have also got the added cost of the number of extra people, so when you look at this number here, the 2019 budget, it includes more pensioners and more cost, yes. Therefore the saving you make by not having it any more is bigger in each year as it goes forward, and substantially bigger going forward in the future, because obviously the number of pensioners will grow much faster than the general economy and you have got that.

The Deputy of St. Ouen:

Yes, okay. In your report you say that you had considered means testing this benefit, but you rejected that because of the bureaucracy involved, but you do have benefits that are means tested. The T.V. (television) licence benefit is a small benefit that is means tested. Why did you reject means testing the Christmas bonus, which so many people rely upon?

The Minister for Social Security:

You say "so many" but it is paid to 17,500 pensioners at the moment and only 2,000 of those are on Income Support, so there is 15,500 pensioners who, okay, may be just above the Income Support level, but equally may be extraordinarily wealthy or even in the middle, who do not need us and do not even know that they are getting it. This is back to the fair and targeted issue. We want to remove it altogether and then with some of the monies saved from it to put it into a fair and targeted situation, which is the health of the over-65s. There is a 65-plus health scheme.

The Deputy of St. Ouen:

Yes, which is laudable, and certainly that is good that is being done by the savings, but as you say, there are 2,000 people on Income Support who received this bonus. Why could you not say that those 2,000 people would continue to receive it because they are Income Support claimants?

The Minister for Social Security:

We could, and we looked at that and we looked at means testing and we looked at every way. You say that a lot of the benefits are means tested, fine, but this is £84 once a year, and to do means testing for that small - relatively, in our budget - amount of payment per annum so that people would have to come into the department with endless bits of paperwork, bank accounts in order to means test it.

The Deputy of St. Ouen:

No, I suggest that if they were in receipt of Income Support during the December, the relevant December, they would ...

The Minister for Social Security:

But if you were means testing, you would have to do it across the board. It would not necessarily just be Income Support.

The Deputy of St. Ouen:

Why would you not say that Income Support recipients would receive a Christmas bonus?

Deputy G.P. Southern:

That is a simple way of targeting, is it not?

The Minister for Social Security:

It is, but what we wanted to do, and we have looked at this, believe me, with everything through a microscope, but what we decided was the best approach was to remove the law, because it could be amended any which way but loose. I mean, somebody could say: "We will have half" or: "We will have the same as the U.K. (United Kingdom), we will have £10." There are all sorts of permutations that could happen to it and so we thought that the best way to do it to remove the law, which does not apply to the Christmas bonus, as you know, it is only in effect from next year, and then readdress the situation. If it is that there is huge suffering in Income Support households because they do not have it, then we will readdress it.

Deputy G.P. Southern:

We are not talking about huge suffering. We are talking a respect, a value given to our pensioners that says: "Not only will we give you a generous pension, but we will give you a Christmas bonus of around £80 each year" and that seems to be remarkably absent from these proposals. Why did you not focus, if targeting is your aim, let us say on a known group of people that you have good records of, you know who is claiming Income Support? You could, for example, say: "Sorry, folks. It is not for everybody, but here is a simple way of targeting. If you are on Income Support, you get a Christmas bonus"?

The Minister for Social Security:

It is not Income Support just, it is the 65-plus, and we felt that this money was better targeted into the health of the 65-plus, the dental, optical and orthopaedic side of things, than it was with just one gift, donation, whatever you call it, per year. We felt that to be able to sort of eat, see and talk was just more important.

Deputy G.P. Southern:

Okay, so the better thing to do with your cuts, you are suggesting, is to divert some small fraction of that money into the elderly benefit or 65-plus health scheme?

The Minister for Social Security:

The 65-plus health scheme.

Deputy G.P. Southern:

In which you have to pay out the bills before you claim them back ...

The Minister for Social Security:

Yes.

Deputy G.P. Southern:

... and that is the single most difficult thing for many people to do.

The Minister for Social Security:

Absolutely, I could not agree more, and with part of this readdressing the whole of the 65-plus health scheme, we want to firstly increase the money put into it, which will happen if this is all agreed, and also review the scheme, because as you quite rightly say, that is not the right way to go about it, because people cannot afford necessarily to front up capital of £1,000 and then wait to claim it back, so yes, that is absolutely going to be addressed.

Deputy G.P. Southern:

That is going to be addressed ...

The Minister for Social Security:

Yes.

Deputy G.P. Southern:

... so you are consulting on that particular issue?

The Minister for Social Security:

Yes, we will. I mean, there is no point if this does not go through, but if it does, yes.

Deputy G.P. Southern:

Did you consult with pensioner representatives on the overall package that you have got in the M.T.F.P.?

The Minister for Social Security:

No.

Deputy G.P. Southern:

No?

Policy & Strategy Director:

No, we did not, but ...

Deputy G.P. Southern:

Okay, thanks. Can I ...

The Minister for Social Security:

Sorry, can Sue just ...

Policy & Strategy Director:

Can I just make a point about targeting? If we are talking about targeting money to people, it is also important to think about we have been trying to target money to the right kind of expense, so the Christmas bonus and the T.V. licence, at the end of the day you understand Christmas comes the same time every year, your T.V. licence benefit is payable every year, you know exactly how much it is going to be and you can budget towards it. We are trying to make sure that when we are supporting low-income groups that we are not doing it in a way which is harder for them for budget for and therefore we have put our emphasis on 2 specific things. One is the Cold Weather Bonus, the cold weather payments that already exist in Income Support. If it is a colder winter, you automatically get more money through that scheme. It is very important that we protect that scheme to make sure ...

Deputy G.P. Southern:

That is a healthy scheme, a good scheme.

Policy & Strategy Director:

Secondly, the 65-plus health scheme we have been talking about again helps people. Now, we fully appreciate the administration, we will sort that out, but the concept of it, that it helps you with the cost of glasses, dentures, dental treatment, chiropody, these are very important things that are very important to the independence of pensioners. We feel that if you have got limited funds available, it is better to put money into first of all expenses you cannot necessarily know they are going to happen in advance. You break your glasses, you need a new set of dentures or something like that, I do not know. But you are absolutely right about the administration and the fact that we have put ...

Deputy G.P. Southern:

Are the proposals to deal with the administration contained in the M.T.F.P.? They are not, are they?

The Minister for Social Security:

No.

Deputy G.P. Southern:

It is for future consultation, you have not consulted on this. Why simply, instead of making these cuts, did you not transfer some money from the Health Insurance Fund, which is meant to cater for things like dental, chiropody et cetera? It is a simple matter to take £200,000. You are going to take £15 million to cover various expenses elsewhere in the health service.

The Minister for Social Security:

No, it is not elsewhere. It is primary care.

Deputy G.P. Southern:

Primary care, whatever. You are taking £15 million out. Why not allocate £200,000 of that to this particular good cause?

The Minister for Social Security:

We have not taken the money out yet, it is just a proposition to help introduce the health charge.

Deputy G.P. Southern:

Everything is just a proposition.

Policy & Strategy Director:

There is a difference between the £15 million and the £200,000, so we are talking about annual expenditure. The M.T.F.P. is about annual expenditure every year and we are saying that we would like to keep £200,000 a year to add into the Westfield scheme, the 65-plus scheme. The transfers out of the Health Insurance Fund are one-off amounts of money and we would only make them if the future of health funding is also part of that package. So this is something that we do not know how it is going to come out yet, but the proposal in the M.T.F.P. is that subject to agreement on the future of the health money as a whole that transfers might be made in order to facilitate the transfer to the new scheme. Those are one-off amounts of money, so we are not really comparing like with like when we talk about Westfield, which we want to have that money there going forward every year. The Health Insurance Fund itself is, as you will know, running at an annual deficit, so we do not have a spare £200,000 to pay every year. We do have some reserves.

Deputy G.P. Southern:

But you have £15 million to take out of it as you wish.

Policy & Strategy Director:

No, we have £15 million to facilitate the transfer to a new way of funding healthcare within Jersey. That is a different thing, it is a one-off thing, and it is part of the Health Department wish to be able to make improvements in healthcare in every year of this M.T.F.P., not waiting until the health charges have been sorted out and new legislation introduced and all that kind of stuff. So in order to facilitate that, to keep that momentum going, because they had money allocated in the last one, which they have been doing for talking therapies and rapid responses being brought forward ...

The Deputy of St. Ouen:

Who decided on the £5 million, because previous payments out have been £6 million, so that is more than double?

The Minister for Social Security:

No, it was a series of £6 million.

The Deputy of St. Ouen:

A series of £6 million, so now there is a £15 million ...

The Minister for Social Security:

But they are one-offs, as Sue said.

The Deputy of St. Ouen:

One-offs, but maximum £6 million in each year. Now it is proposed £15 million in 2017 and £15 million in 2018.

Policy & Strategy Director:

The £6 million is part of the previous M.T.F.P. and it was directly to support identified primary care costs that were being met directly by the Health Department. They ran various clinics and things which have typically been in primary care and for historical reasons have been done by the Health Department. The £15 million again is different from that. It will not all be primary care, it will be right across the board, but it is a transfer ...

Deputy G.P. Southern:

It is not just primary care, so it is a change in the emphasis of what that spend is going to be?

Policy & Strategy Director:

It is a way of making the transfer to the new ... it is allowing the new health charge to be brought in smoothly.

Deputy G.P. Southern:

So a fund which was ringfenced is less ringfenced, to put it at its mildest, now? Is that the case, it is not just primary health that it is going to?

Policy & Strategy Director:

The Health Insurance Fund needs a major ... the way in which healthcare is going to be funded, it is going to be different in future and there will be a big review of the Health Insurance Fund. That it is in the M.T.F.P.

Deputy G.P. Southern:

Okay. It is not your remit, because it is health, but have you got any clues as to what the health charge might look like or what progress ...

[14:15]

The Minister for Social Security:

I am not even sure Health have.

Deputy G.P. Southern:

... has been made on the transfer to overall changes to primary healthcare? Any clues as to what is happening?

The Minister for Social Security:

No. We are waiting for the primary healthcare review, which as you are well aware, is overdue, but I think it is imminent, because that will ...

Deputy G.P. Southern:

Because it seems to me there is a lot being put to one side, in the pending tray, because we are waiting on this overall scheme as to what is going to happen to the health ...

The Deputy of St. Ouen:

Primary.

Deputy G.P. Southern:

To primary care, including, for example, you produced a report on dental health services, which says, as far as I can make out: "Just wait a minute. It has got to be seen in the overall context of changes to primary healthcare, so we will do nothing." In the meantime, the Dental Fitness

Scheme is completely atrophied and redundant almost. You are likely to see what few dentists participate are going to withdraw next year, because there is no funding in it. Is that not the case?

The Minister for Social Security:

I cannot apologise or excuse the fact that the primary care review is over a year late. It just is. Until we get that review, it is very difficult to tie all the other strings into the centre.

The Deputy of St. Ouen:

Your report mentions in just one sentence the proposed £30 million to be transferred from the Health Insurance Fund and that is perhaps one of the largest expenditures, if not the largest expenditure, to be made by your department. Has there been any referral back to the Government Actuary on the effects of transferring £30 million out of the Health Insurance Fund?

The Minister for Social Security:

I am hoping, on a personal note, that the health charge - and you asked earlier what we know about it; I do not - but it is due to be brought in in 2018 and I think the general hope is that it will be worked on a lot quicker and brought in in 2017, in which case the second transfer, which still has to be agreed by the States, it is not set in stone ...

The Deputy of St. Ouen:

Yes, yes.

The Minister for Social Security:

... it has got to be agreed by the States next year, might not be needed. Again, this is just a contingency, if you like, to smooth the path of introducing the health charge, but without knowing what the health charge is going to be or when it is going to be introduced, it is difficult to take.

Deputy G.P. Southern:

There has been a discussion of what that health charge will look like with you in terms of your involvement ...

The Minister for Social Security:

No, no.

Deputy G.P. Southern:

... in that it may be done in a much similar situation to Social Security contributions or it may be formulated in some completely different way, it may be you use a post-charge, but you have got inkling?

The Minister for Social Security:

It could be any of those things.

Deputy G.P. Southern:

No consultation, no talking going on?

Policy & Strategy Director:

As the M.T.F.P. points out, there has been some internal work done on it, that there are a range of options that have been considered. There is no work being done specifically at the minute in the focus of the M.T.F.P., but I think in October that will be looked at again.

Deputy G.P. Southern:

Okay.

Deputy T.A. McDonald:

I have listened to it all very, very carefully, but could I ask one question that a lot of people are asking? How likely is it you will have to propose reintroducing prescription charges?

The Minister for Social Security:

This has been asked before and I know a lot of people ask. A lot of people have the idea that the reintroduction ... there is lots of levels of prescription charge. Inasmuch as it is undoubtedly true that people value something that they pay for, therefore it is a reasonable idea to do that. Also the perception is that it would be putting quite a considerable amount of money into the coffers, depending on what you charge, but if you looked at, say, £3 a charge it would not, because the administration costs are huge and also it would depend very much as to where you targeted it, so where you have got chronic illnesses or one-off illnesses. So yes, the work is going to be done as part of our review. We always said it was going to be looked into starting at the end of this year.

Deputy T.A. McDonald:

Because it is perceived by the public obviously as a talking point, as were the T.V. licences, as were obviously the Christmas bonus and certainly prescription charges slot into that same public perception that it seems to be the worst-off who are not being targeted, but are certainly suffering the worst or the most.

The Minister for Social Security:

Yes, we spend a huge amount per year, I think it is £18 million, on sort of prescription drugs and we obviously pay the chemists, the pharmacists, a dispensing fee, so yes, it is very definitely worth

looking at. As you quite rightly say, the public perception is that we should be doing that, so we are, or will as soon as M.T.F.P. is over.

Deputy T.A. McDonald:

Well, exactly. Thank you.

Deputy G.P. Southern:

Can I just take us on to this document, Chairman, which is: "Framework for Scrutiny Panels M.T.F.P.", a series of questions we asked you, and referring to staffing in particular - a particular bugbear of mine - we asked a couple of questions on you saying there is no loss of any staff posts within the Social Security Department. Voluntary release schemes are underway, but no conclusion, though I presume it has been concluded for the moment. Were there any voluntary release candidates who got accepted from the Social Security Department?

The Minister for Social Security:

There were 5.

Deputy G.P. Southern:

What sort of grades were they?

The Minister for Social Security:

Across the board.

Deputy G.P. Southern:

Okay.

The Minister for Social Security:

Which has been, I think, the same across the whole of the States departments, surprisingly, but that is what it is. I think the figures are about to be produced, but ...

Deputy G.P. Southern:

They will not be replaced, they will met by efficiency savings?

The Minister for Social Security:

Yes.

Deputy G.P. Southern:

Okay. Can I turn to ...

Operations Director:

Sorry, Minister, it is 9.

The Minister for Social Security:

Oh, it is 9?

Deputy G.P. Southern:

Okay, 9.

The Minister for Social Security:

That is 4 more since I was last told.

Deputy G.P. Southern:

Same order of magnitude though.

Policy & Strategy Director:

Sorry, another point of detail, there is more than one kind of release scheme. There is voluntary redundancy, where the department loses a post, there is voluntary severance, where the person leaves and gets a package, which is the same as money, but the department does not lose the post. I do not know what our split is, but there may be some of both in our ...

Deputy G.P. Southern:

Could you get back to us on that?

Policy & Strategy Director:

Yes, sure.

Deputy G.P. Southern:

Okay. A completely different issue: in the past Social Security was one of the departments in Government who used agency workers under the previous Minister. What reliance does the current structure have on agency workers? Are there still agency workers being employed, and if so, how many?

The Minister for Social Security:

For temporary staff, I think it is 22. It is not ...

Policy & Strategy Director:

We have not brought figures for that with us. We do employ agency staff. Our work ebbs and flows a lot; it is a very effective way of making sure that money is spent correctly.

Deputy G.P. Southern:

You can assure us that those agency staff are not kept for periods of like 6 months or a year?

The Minister for Social Security:

It might be 6 months if it is a particular project that we are doing that we need extra assistance with, but they are not kept on as permanent staff, no.

The Deputy of St. Ouen:

I am interested in that you say that your work ebbs and flows a lot. What are the ebbs and flows?

Policy & Strategy Director:

Well, for example, Sophie is ...

Operations Director:

For example, at the moment we are doing within Back to Work the legislation changes. We are doing a lot of work to support parents that starts today; going forward, in terms of supporting parents who have had a child who starts primary school today. Previously we did not call those people in until their child's 5th birthday, so someone might have started primary school and they might not have turned 5 until next July and there had been a year where we were not asking that parent to look for work. Now we have changed that legislation so it is a lot fairer, and it is around primary school starting age. As a result, we have got a number of jobseekers coming in, so to forewarn that in September our employment number will go up fairly significantly, because we have chosen to bring in a number of people to support that. It is very important for us that we train our staff in Back to Work correctly. We have got a lot of support there for staff, but also there are some where we have already been speaking to these parents and there is a lot who are very motivated to find work, really keen to engage in the wide range of support we have got and we feel will be able to move into work quite quickly. So we might not need that level of employment advisers for a full year because we have changed the legislation in the way it is to make it fairer, that it fits with the start of an academic year when the children go to school or take advantage of the 20 hours nursery care, therefore between September and December there is more work within Back to Work.

Deputy G.P. Southern:

Okay, I understand. Can you give details of the number and periods of employment of agency workers in a year, say, or whatever, just so we can keep an eye what is happening on there?

The Deputy of St. Ouen:

Minister, in the same document you talk about the growth bids for J.A.C.S. outreach service and that was not accepted, I think, so you are hoping that that outreach service would be funded from within your existing budgets, but you also say that changes to the funding of grant-aided bodies will also be considered as a means of achieving savings, so this looks a worrying scenario for J.A.C.S. and other bodies, so what can be expected? When is this consideration going to take place?

The Minister for Social Security:

It has, both with J.A.C.S. and J.E.T. (Jersey Employment Trust), and obviously they would find it difficult that their funding is being frozen, the same as everything else, and they have accepted that.

The Deputy of St. Ouen:

Frozen at 2015 levels?

The Minister for Social Security:

At 2015.

Operations Director:

We are currently in discussions with J.A.C.S. around 2016. No decisions have been made, but those discussions have started.

The Minister for Social Security:

Yes.

Policy & Strategy Director:

So the budget has been frozen for 2015. Both J.A.C.S. and J.E.T. do have ways of raising their own ...

Deputy G.P. Southern:

For 2016 ...

Policy & Strategy Director:

Sorry?

Deputy G.P. Southern:

So it has been frozen for 2015. That has happened.

The Minister for Social Security:

So we need to discuss with them 2016.

Deputy G.P. Southern:

For 2016. I think they were looking at 2016 plans here. The intention is to freeze again and will be in discussion, is that what you are saying?

Operations Director:

No, we are.

Deputy G.P. Southern:

We are?

The Minister for Social Security:

Yes.

Operations Director:

We met with them last week, and they understand we are all in a time of economic pressure. J.E.T.'s business plan, for example, has stated about having less reliance on States funding, because they know the situation and they are a charity who look to raise funds, so we have started those discussions. We work very closely with J.E.T. and the final decision on their budget or their grant for next year, 2016, has not been made yet.

The Minister for Social Security:

They also have their business side as well, so they are not totally reliant on grant funding. They have got equitable enterprises and the wood recycling enterprise as well, which is going from better to excellence, really.

The Deputy of St. Ouen:

Yes, with limited income, I would think. Yes, perhaps our final question, Minister, as it is half past, is the capping of the supplementation into the Social Security Fund, and the Social Security Fund or the reserve is intended as a buffer against future claims that may be made against the fund, but

by capping it, we are diminishing that buffer. Does this not pre-empt the discussion that you want to have imminently about how we fund our pensions and benefits going forward?

The Minister for Social Security:

Yes. There was a lot of discussion around this as well, as you can imagine, from the point of view of, I think, a supplementation holiday was the word mentioned, which I strongly resisted, because had it been a holiday for a year or 2, we may never have had it reinstated. I fought very hard for what is not ideal, but in the scheme of things, over 4 years it will cost the fund £21 million, which in the overall scheme of things is 2 per cent of the Social Security Fund. As we all well know, I think, that with the crisis in China a week ago last Tuesday and the stockmarket crash, anything can be wiped off any fund anywhere to a considerable degree; equally, it can come back again, which it does in the long term.

Deputy G.P. Southern:

But people do not tend to deliberately reduce their reserve fund, if they can help it.

The Minister for Social Security:

No, no, I am just trying to give a picture of the bigger picture, of the bigger scheme of things. This is for 4 years, and within the proposition to do that is that it is quite clearly reinstated in 2020 and it is just for 4 years.

Deputy G.P. Southern:

If we are not in a position to reinstate it come 2019?

The Minister for Social Security:

As we said right at the start of this hearing, we cannot predict what is going to happen in 2019.

[14:30]

Deputy G.P. Southern:

But if that is the case, you will have damaged - albeit in a relatively small way, 2 per cent - the fund as you are embarking on an investigation of how can you make the fund do what you want it do, which is pay pensions and benefits and be sustainable in the years to come.

The Minister for Social Security:

The fund has a 5-year reserve at the moment. That is not a reason to be complacent at all.

Deputy G.P. Southern:

Which is going to be exhausted when?

The Minister for Social Security:

In 5 years.

The Deputy of St. Ouen:

No, no.

The Minister for Social Security:

It will not be exhausted, it breaks even.

Deputy G.P. Southern:

Break-even point.

The Minister for Social Security:

2042 is the sort of prediction. There is a break-even point.

Deputy G.P. Southern:

The break-even point is next year. The break-even point ...

The Minister for Social Security:

We have 5 years ...

Deputy G.P. Southern:

... when we are paying out as much as we are getting in is next year. Thereafter, we are paying out more, so from being an issue that was fairly distant 10 years ago and we did not have to worry about, it is now an issue which needs to be solved.

The Minister for Social Security:

Which is why we are starting the review this year.

The Deputy of St. Ouen:

When is it starting? We are saying the review will be this year, but when is it starting?

The Minister for Social Security:

No, no, starting at the end of this year.

Deputy G.P. Southern:

2016.

The Deputy of St. Ouen:

Do we have a start date? How is this review to be conducted? Yes, is it to be an internal departmental review?

The Minister for Social Security:

It will start off like that, but obviously it is all-encompassing, really. We have to involve many of the other departments as well, but obviously we will start the work.

Policy & Strategy Director:

But this is a very different beast to the changes we have been talking about today. The review of the Social Security Fund is a matter for everybody in Jersey to have a view on and to give their views to, and therefore what we will do is we will start off with some internal research, because we need to give information, so we will get some information about what would be the impact of doing this or doing that and we will work with the actuaries to get those kind of figures so we can give people quite detailed information. We will then present that hopefully in an easy to understand way and ask people ... there are choices to be made the income contributions, changing what benefits people receive, who gets it and how much it is, then the gap, the balance between employers and employees. There are many different things to look at. The Minister will work up a plan for the review, but realistically we will not be starting that work until the M.T.F.P. has been finished off in the October and it will probably take us the rest of this year to do that internal kind of scoping as to kind of what we expect and how to do it. I would imagine we would be publishing a timetable right towards the end of the year as to what is going to happen in 2016. Although we hit break-even next year, break-even is a kind of slightly theoretical thing, because you are still receiving investment income from the reserve, so you do not start to kind of lose money straight away, you just stop making money as fast as you withdraw it.

Deputy G.P. Southern:

We will look forward to that, yes.

The Deputy of St. Ouen:

Yes, I do not know if there is a meeting afterwards, but you are intending to produce a timetable by the end of the year perhaps for this process. It will be interesting to see that.

Policy & Strategy Director:

After October there will be much more, we will start to work seriously on this, because it is a big piece of work, and like decades coming ...

The Deputy of St. Ouen:

Yes, I can see that, and I hope you will involve as wide a cross-section of society as possible and ...

Policy & Strategy Director:

Absolutely.

The Minister for Social Security:

Keep you informed as to where we have got to.

The Deputy of St. Ouen:

Thank you. Okay, thank you, Minister.

The Minister for Social Security:

Thank you.

The Deputy of St. Ouen:

Thank you all for assisting us today.

[14:33]