

STATES OF JERSEY

Corporate Services Scrutiny Panel Comprehensive Spending Review With The Minister for Social Security

FRIDAY, 25th JUNE 2010

Panel:

Senator S.C. Ferguson (Chairman)
Deputy T.A. Vallois of St. Saviour
Connétable D.J. Murphy of Grouville

Witnesses:

Deputy I.J. Gorst of St. Clement (The Minister for Social Security)
Mr. R. Bell (Chief Officer, Social Security)
Ms. S. Duhamel (Policy Director, Social Security)

In Attendance:

Mr. M. Robbins (Scrutiny Officer)
Mr. M. Oliver (Economic Adviser)

[09:32]

Senator S.C. Ferguson (Chairman):

All right. Good morning, gentlemen ... lady and gentlemen, I apologise. Welcome to this hearing of the Corporate Services Scrutiny Panel on the Comprehensive Spending Review. I wonder if you could just give your name and rank for the purposes of the transcript.

Deputy I.J. Gorst of St. Clement:

Yes, good morning, Sarah. I am Ian Gorst; I am the Minister for Social Security.

Chief Officer, Social Security:

Richard Bell, Chief Officer, Social Security.

Policy Director:

Sue Duhamel, Policy Director, Social Security.

Connétable D.J. Murphy of Grouville:

Dan Murphy, Connétable of Grouville.

Mr. M. Oliver, Economic Adviser:

Michael Oliver, Economic Adviser to the Panel.

Deputy T.A. Vallois of St. Saviour:
Tracey Vallois, Deputy of St. Saviour.

Senator S.C. Ferguson:
Sarah Ferguson, Chairman.

Scrutiny Officer:
Mick Robbins; Scrutiny Officer.

Senator S.C. Ferguson:
All right. Your department is not one of our usual targets, so I wonder if you could just give us a quick run-down on the funds you are responsible for and their function.

The Minister for Social Security:
All right. Yes, I think you have probably targeted us in the past, but anyway we will leave that, economic stimulus, I think we have been seen before. Yes, we are slightly different from other departments in that we do not just have tax-funded elements to our budgets, we also, as you are aware, collect contributions from working individuals, and that is split into 2; part of that contribution is for what we call the social security fund, and the other part is for the health insurance fund. So, we have our tax-funded benefits, we have to remember that although it is a big number, part of it is spent on benefits to individuals; the other part of that large budget is the tax-funded contribution towards the pension. So, although it comes into our tax-funded spend, it then goes straight into the social security pot as it were. So the social security pot is used for paying pensions; it is used for S.T.I.A. (Short Term Incapacity Allowance) and L.T.I.A (Long Term Incapacity Allowance), which are people who have made contributions who find themselves in a period of illness, be that short term or long term, and they have made their contributions and therefore they are eligible to those benefits from the fund. The health insurance fund, which is the other part of the contribution, goes towards in effect helping to pay for doctor's visits, so the doctor charges you an amount and we top that amount up via the health insurance fund, and it also goes towards topping up or helping to meet the cost when you have to go to a pharmacist as well.

Senator S.C. Ferguson:
What is the size of these funds now?

The Minister for Social Security:
The health insurance fund, and I do not think I have the figures in front of me but I might have, the health insurance fund is standing around £75 million to £76 million. The social security reserve fund was I think about £700 million, so we are in that order of managing both of those 2 funds. Obviously they are invested so they do fluctuate with market conditions.

Senator S.C. Ferguson:
All right, and they are controlled by your department?

The Minister for Social Security:

It depends what you mean by the word “control”. Yes, they are controlled by my department, but the investment decisions for the investment actions are the responsibility of the Treasury and Resources Department. There is a sub-committee, or a committee that the Minister for Treasury and Resources chairs; we go along to that and he is required to consult with us when making those investment decisions. I think there was recently ... I think it was probably Tuesday that the investment strategies for all the funds in the States were lodged and that is the strategy that is followed, but in effect the Minister for Treasury and Resources consults with us, he has the expertise for investment in his department, and therefore he takes on that function. Taking that forward is part of going into the S.I.F. (Specialised Investment Fund) to get economies of scale across those funds.

The Connétable of Grouville:

Could I just ask a question here? The eventual management decision in regard to the movement of these funds, or the investment of these funds, is taken by whom; by you or by the managers?

The Minister for Social Security:

By Treasury, on advice. So, obviously there is an investment consultant there, Hewitts, and they give general advice, and then there are some individual managers. What we are doing with the S.I.F. is enabling a greater number of individual managers to be in place to manage those funds. As we stand now, what you could call the funds under social security, the health insurance fund, the majority of it is with Royal London Asset Management, and the social security fund is currently with Legal & General, in effect tracker-type insurance policies, so it is slightly different, but before I became Minister, having had not necessarily positive experience with individual managers, the decision was taken that through the perhaps turbulent time it would be better to go with a tracker, and that is where it has been. There is quite a bit of the strategic reserve fund as well with a tracker. What Hewitts are advising now is, as we are coming out, we need to start looking at other areas whereby we can ...

The Connétable of Grouville:

What I am trying to establish is, at the end of the day, do they come to you and say: “Is it all right to do this?” or do they say to you: “This is what we are doing with the fund”? In other words, who carries the can at the end of the day if it all goes wrong?

The Minister for Social Security:

With regard to investments?

The Connétable of Grouville:

Yes.

The Minister for Social Security:

So, the investments go down, or the investments go up, we have to remember that all these investments are taken under advice from investment experts,

but at the end of the day the decision around the investment is taken by the Minister for Treasury and Resources, but the words are in the documents: "In consultation with the Minister for Social Security."

The Connétable of Grouville:

So it is a joint decision?

The Minister for Social Security:

It is not exactly a joint decision, no, because the Minister for Treasury and Resources is responsible for taking the decision, but as part of his decision-making process he is obliged to consult with me.

Senator S.C. Ferguson:

All right.

The Connétable of Grouville:

No, it is not right, but anyway I do not have to put up with that I suppose.

Senator S.C. Ferguson:

It has been a bone of contention for some time I think as to who takes the responsibility.

The Connétable of Grouville:

I am not saying it is right or wrong.

The Minister for Social Security:

No, but that is how it is done.

The Connétable of Grouville:

But I just want to know who would be the person, if the whole thing folded up, responsible. So, it is the Minister for Treasury and Resources who is responsible.

The Minister for Social Security:

He makes the decision, yes.

The Connétable of Grouville:

Yes, on your behalf.

Senator S.C. Ferguson:

How many staff have you in your department?

The Minister for Social Security:

I have a full time equivalent of 149.8.

Senator S.C. Ferguson:

Do you have a management structure chart?

The Minister for Social Security:

Yes, I do, and I have copies that I thought I could hand out to you at the end. I have a couple of documents that I thought you might find useful to take away.

Senator S.C. Ferguson:

Thank you. Can you explain how you have undertaken your savings?

The Minister for Social Security:

What we have done, or what I have tried to endeavour to do, is to look to minimise the effects upon the most vulnerable, so I have looked at those benefits or those services that were providing ... which first of all are not means-tested, or are just above, in effect, eligibility for income support, and I believe that means that I have protected the most vulnerable, but there is an element that anything, or any cut that I am expected to take in my department, is by its very nature going to perhaps affect the more vulnerable members of society rather than the most vulnerable. I have tried to protect the most vulnerable, but by ... other than of course when you get to the ... if it is not means-tested we have no way of knowing if it is going to everybody in a group, so there might be vulnerable individuals in that group, but there will be other members of society, who are not necessarily vulnerable in any way, shape or form.

Senator S.C. Ferguson:

How is your saving of £2 million calculated ... I am sorry, yes, how much of your budget is operational and how much is benefits?

The Minister for Social Security:

Do you have the figures there? We have them somewhere, and I was trying to think off the top of my ...

Chief Officer, Social Security:

We have them in the pack. Of the budget of £172 million, £67 million, is supplementation. The figure for ...

The Minister for Social Security:

Yes, so it is about 6, which I was going to say it was 7, but, yes, 6 is the admin.

Senator S.C. Ferguson:

So your saving of £2 million, which is 2 per cent of your budget ...

The Minister for Social Security:

How can the £2 million be 2 per cent if what you are ...

Senator S.C. Ferguson:

No, the 2, they do not quite gel together.

The Minister for Social Security:

What you are asking, is it not, and I am pleased you have asked that, I thought I might have been asked this earlier in the day, before we came here.

If we take my overall budget of £172 million; as I said at the start, £67 million, a large amount of that is supplementation. Now, the issue of dealing with supplementation is being dealt with under F.S.R. (Fundamental Spending Review), and you will see that one of the proposals under F.S.R. is raising the ceiling on social security, and so for the purposes of C.S.R. (Comprehensive Spending Review) we have taken that out because it is being dealt with by F.S.R. Having said that, this year I have already made a decision to cut the supplementation bill, it is a budgeted figure, so we have to take that with that caveat, to cut £1.6 million from supplementation by equalising the treatment of over-18s and under-18s when it comes to supplementing those under the lower threshold, so that will be a saving of £1.6 million, which you could say is 2.3 per cent of that supplementation figure anyway, but strictly we are taking it out to deal with it under F.S.R., but I am making that saving anyway. Transition is £5.6 million. We are doing the first step down in October; that is money that is not recurring in my budget, it is coming out anyway, so it does not make any sense to cut it, because it is being cut automatically in October and it will be cut again next year in July and then in October. So, that takes me down to £99.7 million, of which the proposed savings of £1.9 million is 2.00003 per cent, so that is where we get to the 2 per cent of my budget for C.S.R., if that makes sense.

[09:45]

Senator S.C. Ferguson:

Yes, because presumably I.T.I.S. (Income Tax Instalment System) has hit ... have you looked at the effects of I.T.I.S. on supplementation, because with I.T.I.S. the number of people paying tax went up by 32 per cent but the amount of tax collected only went up by 11 per cent.

Chief Officer, Social Security:

I think we have had this discussion previously.

Senator S.C. Ferguson:

We have, but you have not quite sorted it yet.

Chief Officer, Social Security:

My answer to it was that in fact social security has always been collected in the way that I.T.I.S. was collected, so we would not have expected I.T.I.S. to have had an impact because I.T.I.S. introduced for income tax the way we were already collecting the social security, so we did not collect it in December, we collect it throughout the year on a pay as you earn basis essentially, not by ...

Senator S.C. Ferguson:

All right, thank you.

Deputy T.A. Vallois:

Can I just ask, on the transitional amount, the £5.6 million, does that include monies that were awarded to you via the economic stimulus?

The Minister for Social Security:

Basically, what the economic stimulus did was extend the period of that money, so we had money ... that level would by now have been reduced because we would have reduced it last October, so that has in effect kept it there to extend it, so yes.

Policy Director, Social Security:

The £5.6 million is our original budget, which does not include the economic stimulus additional amount.

The Minister for Social Security:

That is right, but it extends; it takes that £5.6 million and rather than it stopping at last year it allows it to carry on.

Senator S.C. Ferguson:

So, presumably your 2 per cent at the moment is just a holding mechanism while you look at the 3 per cent and the 5 per cent, or have you looked at the 10 per cent as a whole?

The Minister for Social Security:

Well, I would not say it was a holding mechanism, I would say that we were asked, or Council and Ministers agreed that they would go away and look initially at 2 per cent, and then look at the 3 per cent and the 5 per cent for the following years, so it was important that we prioritised the 2 per cent so that we could get that ready for this budget. Of course the 3 per cent and the 5 per cent is off budgets for 2012 and 2013, so we have prioritised the 2 per cent. I am as confident as I can be that they will be accepted by the States and approved in September; I think they are reasonable cuts, I hope the States will be able to see the approach that I have taken and therefore they will be delivered, which has been my priority. Now, of course we are looking at where we can deliver the 3 per cent and the 5 per cent. We have a Scrutiny Review looking at income support. I am starting my own review looking at income support. The remainder of the budget is also coming under intense review as well. So that is the work that we are starting and will be in place now.

Senator S.C. Ferguson:

I thought the sort of directions of the C.S.R. was to start with the 10 per cent and work back. You are saying you started with the 2 per cent and you are working up?

The Minister for Social Security:

Indeed.

Senator S.C. Ferguson:

Any reason?

The Minister for Social Security:

Because I think with savings it is important to come forward with savings that can be delivered and I think for my department, and probably for other

departments, one would have hoped that it is easier to deliver and achieve the 2 per cent, because we have to remember that it is not just about making proposals, it is about delivering them, and it is relatively easy to make a proposal and say: "We will cut this or we will cut that," but what I have had in mind when I am making my proposals is also deliverability, and therefore I think personally it was important to consider that carefully, come forward with proposals that were deliverable. As I said, I believe they are deliverable, and now I will move on, and am moving on, to the 3 per cent and 5 per cent, and again I will try and use that same vigour to bring those forward.

Senator S.C. Ferguson:

Yes. What work are you doing to look at the way you are delivering your services and whether they can be done better?

The Minister for Social Security:

We are doing that, and that is part of our 3 per cent and 5 per cent work, but we have to remember that the vast majority of my spend is benefit distribution, so, as we said, and when I said that 6 per cent was on administration, that was not just people administering budgets, around half of that was on the specific service delivery, so some of it was health and safety, but it is staff, it is admin, so you have to ... although we are doing that piece of work, and we will be looking at that, the savings that we can garner from £3 million or £6 million is not going to deliver 3 per cent and 5 per cent of my budget. So, even if we deliver our benefits differently, it is not going to affect, to any great extent, the overall level of my budget because it is the distribution of benefits.

Senator S.C. Ferguson:

Yes, I was just asking because I gather some jurisdictions are giving cards to people which are top-up cards, in which their benefit drops into their card each month and they can then go and spend it.

The Minister for Social Security:

We are reviewing all those things, but I suppose what I was trying to say was, although it is important that we do it, it is probably not going to create the level of saving at the 3 per cent and the 5 per cent that we are looking for.

The Connétable of Grouville:

Can I just ask, if your £6 million administration budget, which as you say so rightly is for the distribution of the benefits, which are the rest of the budget, in order to achieve 10 per cent you are certainly not going to achieve it through your distribution, as it were, are you?

The Minister for Social Security:

No.

The Connétable of Grouville:

So, does that mean that you are eventually going to have to cut benefits?

The Minister for Social Security:

Well I think I need to be absolutely clear with you that if I am going to come forward with proposals for 3 per cent and 5 per cent it is going to take some very difficult political decision-making by the States. I am committed to coming forward with proposals for 3 per cent and 5 per cent, I am committed to using the same vigour that we have done on the 2 per cent, and trying to not affect the most vulnerable as well as I can, but they will lead to some difficult political decisions and the States will have to decide what sort of service and what level of service, what level of benefits, they believe is appropriate. Can I just go back to the £6 million? I do not want to be misleading, but you could say that 3 per cent is actual admin, what I included there in the other £3 million was £2 million for employment services, health and safety not quite half a million, and J.A.C.S. (Jersey Advisory and Conciliation Service) not quite half a million. So, although they are administrative type functions, they are sort of standalone, so they are not administration of benefits per se, so admin functions within the department, but not administering benefits.

The Connétable of Grouville:

Do you think that some of those health and safety rules that perhaps could be adjusted and made less expensive if they stopped interfering with things like Parish fetes and things like that?

The Minister for Social Security:

I will defend the Health and Safety Inspectorate robustly because I think we have, in Jersey, health and safety legislation in the workplace, which is appropriate. I believe that my officers administer or ensure that law is complied with appropriately. I think what we have to be careful about is that occasionally sometimes individuals hide under health and safety legislation and try and say: "We cannot do this because of health and safety. We cannot do the other because of health and safety." When in fact, if they took a risk-based pragmatic approach and were prepared to put in place appropriate provisions to ensure that people were enjoying whatever they were enjoying safely, there would be no problem, and what we are seeing, or what we are going to see from the new government in the U.K. (United Kingdom), is them moving back towards something that will not look dissimilar to what we have already in Jersey. So, we have to be careful not to read all the bad press we read in the U.K. about health and safety going mad and not being allowed to play conkers and all that sort of thing. Our legislation does not cover that. You might find that individuals try and hide behind it, but that is not what our legislation or our inspectorate is about, so I have to defend them because I think they are doing a very good job and at the end of the day they are ensuring that people are safer in the workplace.

Senator S.C. Ferguson:

Yes. I am sorry if we push on, but we do have quite a lot of ground to cover. What are the demographics that are influencing the amount of benefits you pay out at the moment?

The Minister for Social Security:

By demographics I was not exactly sure what you meant, whether you mean the changing demographics and how that is influencing us, so we have a benefit called Invalid Care Allowance, which is where an individual can receive the same rate as the pension, although it is tax-funded money, caring for a relative who has quite severe care needs. So, if we have an increasing ageing population, we might expect, or we probably would expect, that the requirement for that benefit might increase over time. Another of our benefits is the TV Licence Scheme for over-75s. We know that over-80s are going to double by 2026, so we will expect that benefit to increase. The Residential Care Benefit, we know that there in all likelihood is going to be a need for that to increase, and that is why we are proposing the new long-term scheme; that is the greater amount; currently we are paying out £16 million residential care, health are paying out £14 million, individuals £25 million. So, if we are bringing all that and putting something like £45 million into a fund, that will help alleviate that pressure going forward, but of course it will mean that individuals are contributing more, because in effect there is no free money; rather than the individual paying when they need the care they will be paying throughout their lives instead. I am not sure if that is what you were meaning there. Supplementation, again that is not necessarily a result from changing demographics, but it more results from a changing economic landscape. We will, later this year, be coming forward with proposals to extend the pensionable age, and again we will have to look at what effect that will have on supplementation. If you have people working an extra 2 years that are working for a greater portion of their life, we will need to look at how that would affect supplementation as well. So, it will affect our benefits; the bigger one, as I say, residential care, we are trying to address through the new system of care.

[10:00]

Senator S.C. Ferguson:

In view of the fact that the Panel has received a submission from a mother who states that her teenage child is receiving £90 a week and, along with a whole raft of friends, has no intention of getting a job for the duration of the summer, what is being done to prevent this fraud happening?

The Minister for Social Security:

A key principle for those individuals to receive income support is that they should be actively seeking work. If they are saying that they have no intention to look for work, and by that one would expect that they are therefore not ...

Senator S.C. Ferguson:

They are not saying it to you, but they are saying it ...

The Minister for Social Security:

Yes, but, if they have no intention, we are still requiring them to come into the department to complete their jobseekers' contract with us, which will require them to send off their C.V. (Curriculum Vitae), apply for jobs, go to interviews, so all that they will be expected to do. If they do not meet those criteria then we have in place currently the ability to stop or reduce their benefit levels.

However, you might have noted from the proposition that I lodged for the annual up-rating of income support, I am proposing to come forward and strengthen that stick element even more. So, we do not want to be, and we should not be, in a position where people are saying they are not going to look for work and they are not going to fulfil their part of the jobseekers' contract in looking for work. If the mother is talking about an individual that is just coming out of school, now for example just finishing their exams, we will not be paying benefit to that individual because they should be enrolling on a course at Highlands if they are 16, they should be going on to the Advance to Work Scheme, and if those individuals come into the department that is what the staff will be doing; they will be saying: "No, there is something for you to do here, you can go on this course, you can go on the Advance to Work Scheme," and that is the direction in which we will be pointing them, as we did last summer as well.

Senator S.C. Ferguson:

Yes, because, I mean, one hears anecdotal stories of people who, for instance, say that they want to be an embalmer's assistant, or something like that, for which there is very little demand, and therefore very little chance of getting a job. How do you manage to stop that occurring?

The Minister for Social Security:

If the individual already had experience as an embalmer's assistant, then we would give them some time in which they could seek a job to which they were appropriately qualified. After a period of time, and that would be a good example, there are probably very few jobs in that; it is not an area I know anything about, they are going to pretty quickly know whether there are any jobs out there in their particular expertise. If there are not, then we are going to say to them: "All right, we know that is your area of expertise, there are not any jobs there in that area, so you are going to have to start to think about some sort of retraining. You are going to have to start looking for other jobs, skills of which you might have had in your previous job, but can be transferable to other employment situations."

Senator S.C. Ferguson:

Yes, but if organised fraud is not generally suspected to be a problem in Jersey, what sort of fraud do you find you have?

The Minister for Social Security:

I suppose if I start talking about the common types of fraud then people are going to start doing other sorts of fraud. We use "fraud" as an overall title for people who are perhaps inappropriately receiving a benefit to which they are not, at the point in time that we look, entitled to. So, it might be that people are going out and they are earning extra money and not telling us about it, and that would affect their benefit level. It might be that people who, when they first applied for their benefit, were single, but now are cohabiting or living together in a relationship and are not telling us about that. Off the top of my head, I think they are probably the 2 major ones, but ...

Mr. M. Oliver:

Could I ask, what would it cost us in fraud with those 2 examples, and any others that spring to mind?

The Minister for Social Security:

I do not have those figures with me; I do not know if Sue has them off the top of her head? No. We could certainly go away and try and look at those numbers for you. It would be an extrapolation of numbers that we are finding and then you would have to extrapolate it throughout the whole population of the benefit.

Senator S.C. Ferguson:

Yes. How many people do you have working on fraud? Sorry, inappropriate payments.

The Minister for Social Security:

I know that we are in the process of recruiting 3 more.

Chief Officer, Social Security:

That will give us a fraud specifically team of 5, on top of which on the order of 6 are compliance advisers or compliance inspectors in respect of social security contributions. Fraud, or compliance, for want of a better word, is not a one-way street in our department, because there are 2 ends of it, there is income that needs to come into the department that may come in slower than it should, and at the other end is benefit fraud. The strengthening of the fraud team we relate to benefit fraud as opposed to the experience we have had for quite a long time on income.

Senator S.C. Ferguson:

Yes, because given that we are spending something in the order of £93 million a year on benefits, you know, it would be unusual to think that there was not a certain amount of creative applications.

The Connétable of Grouville:

Could I just ask if the compliance officers, is their role to overlook and oversee your staff, or is it their role to overlook and oversee that the benefits being claimed for by the recipient ...

Chief Officer, Social Security:

The teams that I have just described are external facing, but in addition to that there is an internal-facing team.

The Connétable of Grouville:

In compliance?

Chief Officer, Social Security:

Not in that compliance team, but there is a separate team that ... there is a team of compliance, for want of a better word, we look on that as quality assurance, that will check internally.

The Connétable of Grouville:

So, let me get this straight, the fraud team, or the inappropriate payment team, look to the benefit claimer and the compliance team are checking that you are doing your job properly, is that correct?

Chief Officer, Social Security:

Yes, except I do not want you to jump to the wrong conclusion ...

The Connétable of Grouville:

They do not go out and quiz the claimant, do they, the compliance team?

Chief Officer, Social Security:

When I said compliance in the previous answer, that compliance and that fraud team are external looking, they are the ones that are looking at the people who either should be paying contributions or are currently claiming benefit. In addition to that we have a quality assurance team, which is the team that looks internally.

The Connétable of Grouville:

All right, so the external team are 5 and the internal team are 6?

Chief Officer, Social Security:

No, the external team ... I am estimating the 6 on the compliance, so that is the combination of the order of 10 external. Internal we have full-time equivalent 3, but they deal with governance issues broader than just making sure benefits are right; they deal with data protection and other such matters as well.

The Connétable of Grouville:

I understand that, yes.

The Minister for Social Security:

You will see, when you see the chart, there are 2 separate risk and quality assurance, so that is the internal and the compliance external.

Senator S.C. Ferguson:

Going on then, what impact do the rents charged by housing have on your funds and what influence would holding housing rents have on the cycle of benefit reliance?

The Minister for Social Security:

Again, as you will know, one of my cuts here is to freeze the housing component of income support for this year. Around half of income support recipients are in States accommodation, just under half, and about a third in the private sector. There has been, among politicians, a lot of discussion about whether the old rent rebate, and now the rental component in income support going into the private sector, is driving up rents or not. We will have a year of freeze and officers have been talking and working with housing and they will continue to do that to try and understand if that is taking place. In the year that we have a freezing of that component that should give us some useful data to see what has happened in the market as a result of that freeze;

have we seen private sector rents remain static? Will we see them continue to grow? Will we see them pull back a bit? and that will start hopefully to give us some firmer evidence on being able to work with this particular issue. It is a difficult issue of course because these individuals are still required to pay rent in the private sector; there is that possibility that private landlords will put their rent up, despite the fact that I am freezing the rental component. Of course the other side is that every time we increase the rental component the general view is that private landlords just increase their rent by the same amount anyway. We know that obviously, in this instance, housing have said that they will not increase their rent, therefore we are holding down the rental component. So, it should start to give us some evidence on which to move forward, first of all to see if there is an issue, and then, once we know what is happening in the market during the course of this year, then we will be able to put that into a piece of work that we started doing with housing.

Senator S.C. Ferguson:

Does your I.T. (Information Technology) system allow a change such as rents to be factored into the forecasting process?

The Minister for Social Security:

Yes, because we can change any rent, we do that ... before I lodged my proposition the other week, we looked at all sorts of different components and how, if we raised this what would happen; if we reduced this how would that affect the overall spend as well.

Deputy T.A. Vallois:

How much is the housing component at present? How much does it cost?

The Minister for Social Security:

We always have difficulty in saying exactly what it costs because of the way that we calculate income support. As you know, we look at all the components that a household would be entitled to; we look at the income that is being received into that household, we look at the district also they would be entitled to. If there is a difference between income and what they are entitled to then we pay that difference in effect, which then leaves us with the question of how much of that difference do we allocate to, and say that is part of a rental component, and how much is not, and there are probably lots and lots of ways that we could cut that cake up or we could make that calculation. We are doing some work on that. I can say to you that it is probably around the same level as it used to be: £22 million, £23 million, but it is a little bit too early for us to give with any certainty until we have satisfied ... until I have been satisfied with the methodology that we would use to be able to give those figures firmly, exactly what that level is, but it is a piece of work that we are going. We have discussed with Scrutiny on income support and said we need to work together on what sort of ... we have lots of information now, but it is making it useful and allowing us to make useful comparisons to what went before.

[10:15]

Senator S.C. Ferguson:

What commitment to the C.S.R. are bodies such as the Jersey Council for Health and Safety and J.A.C.S. required to make?

The Minister for Social Security:

Well, they are aware that we are being asked to make the ultimately 10 per cent saving, and they have been told that is what we are doing in the department and we have asked them to be part of that process and you will see that part of the savings that we have put forward in the 2 per cent are saving on those grants, and we will continue to work with them to look at how they as well can make 3 per cent and 5 per cent in 2012 and 2013.

Senator S.C. Ferguson:

Yes, for instance, is the childcare support scheme a statutory requirement for the department?

The Minister for Social Security:

No, it is not.

Senator S.C. Ferguson:

So, it is not part of your core business. All right.

The Minister for Social Security:

No, it was agreed by a previous Minister when income support was being introduced for those individuals who might have recently arrived but with Jersey-born children, who could be struggling with childcare costs. We in effect used the same methodology to calculate whether we should pay for it as we would with childcare costs under income support. It has not been taken up perhaps in the way that was initially envisaged, and therefore the saving I am proposing here is ... one of those savings you could say was a realignment of budget, but you are right, there is no statutory obligation.

Senator S.C. Ferguson:

Going on to that, and accepting that people who have bought into the pension scheme are eligible for pensions, there is anecdotal evidence that people claiming benefits for dependent relatives who are not in the Island, and others who are in receipt of benefits when they have returned to living abroad ... how much social security money is going abroad, apart from pensions?

The Minister for Social Security:

This is where we have to be careful remembering which bit of our money we are talking about. So, we are not talking about income support, we are talking about money that is coming out of the social security pot, to which anybody that is entitled to a payment has been required to make their contributions throughout their working life, and therefore if you are ...

Senator S.C. Ferguson:

You are not paying income support abroad, are you?

The Minister for Social Security:

No, that is right, that is what I am saying, we are not doing that, so we have to remember which pot we are talking about. We are putting now income support to one side, we are not talking about that; we are talking about social security, and that is a pot that, when you have made your contributions into, the contribution creates the entitlement, wherever you might be around the world. So, if you have made your contribution, you have your entitlement, even if you go and live in Australia or you go and live in England, and that is only appropriate because it is in effect that type of insurance-based scheme. So, having said all that, and bearing that in mind, these people who are entitled to these payments, in 2009 it was around £25 million that we were paying to overseas claimants, just over 10,000 old-age pensions in effect.

Senator S.C. Ferguson:

Sorry, the £25 million represents ...?

Chief Officer, Social Security:

Mostly pensions.

Senator S.C. Ferguson:

Mostly pensions; because again you hear anecdotal information about people who have gone back to wherever they have come from on disability, continue to claim their disability pensions or their child benefit, but the disability particularly, and are in fact working.

The Minister for Social Security:

The disability, or invalidity, is an old benefit, which I am ...

Chief Officer, Social Security:

The invalidity benefit is ...

Senator S.C. Ferguson:

There is one where you can work and one where you cannot work; it is the one where you cannot work.

Chief Officer, Social Security:

Invalidity benefit is where you cannot work. That total is roughly £1.1 million in 2009, and then another million on long-term incapacity allowance, which you can work while in receipt of, so that roughly adds up there to just over £2 million. Now, just because people are abroad does not mean to say that we do not go through the usual processes of seeking ongoing medical confirmation of their conditions, and we do so largely through overseas organisations.

Senator S.C. Ferguson:

All right, thank you. Because I notice that, in places like Australia, if you are on a U.K. pension you do not get any of the various increases, it is fixed at the time you go. You have not considered this?

The Minister for Social Security:

We have to remember, again it is where it gets a little bit complicated, because C.S.R. is looking at tax spend, so the tax bottom line, this is social security, so we can make all the changes. For example I could make all the changes I like to the social security fund, as I said, supplementation is falling under F.S.R. anyway because it can have a direct effect on the tax-funded spend; these other changes would affect the social security fund now. We are about to start, or will shortly be starting, a review of social security anyway, so some of these changes are what we will be looking at there throughout that review, but that is not going to affect the taxpayer spend, which is what C.S.R. is focusing on.

Senator S.C. Ferguson:

Yes. Do you have any idea of what sort of savings you would make if the retirement age is to be increased?

The Minister for Social Security:

Yes, I have printed you a copy again of the extra paper that we asked the Government Actuary to do last year. You probably had one, but if you are anything like me it is at the bottom of the pile. In effect, although I do not have the total amounts, what it does is change the break-even percentage; by 2026, if you move to 68, your break-even point is saving about 0.5 per cent, by 2036 you are talking about 1.5 per cent break even point, which is ... it takes a long time for us to see the benefit, but that is quite a big benefit, and also of course the other thing that it does is it extends the time that the reserve fund would be extinguished as well and it extends that by about 4 years, so, as unpopular as it might be, later this year I will be bringing forward a White Paper proposing increases to pension age. Yes, but you will see, we asked them to do a number of scenarios, looking at the Guernsey model, looking at what was then, what the U.K. were proposing. Of course we hear this week that they are thinking of changing that, and the actuary has looked at that and had a look to see what the effect on break-evens and extinguishing of fund would be, so you can take that with you as well.

Senator S.C. Ferguson:

Yes, because obviously some difficult political decisions are going to have to be made, assuming that impact assessments will be carried out; what appetite do you have to take decisions necessary to make the changes?

The Minister for Social Security:

I hope that I was clear earlier in our discussion that I see it very much as my job to come forward with proposals, which have been appropriately thought through, try to eliminate as much as possible hardship to the most vulnerable members of our community, and I am absolutely committed to bringing forward those proposals. It will be for the States to decide whether they are acceptable or not, whether they want to agree to them or not, or whether they think there are other things perhaps that I could be doing, or other proposals that I could have brought forward, which I have not done. But I am committed to bringing those proposals forward and, as I say, I will try and apply that same vigour that we have applied in the past. Some might say that perhaps I should not, or my department should not, have the cuts, you should not pro

rata the cuts in effect across every department, saying every department has to make 10 per cent. I could make an argument for that, but I do think it is the responsibility of each Minister to come forward in the best way that they can with proposals and it is for the States, and that is the appropriate decision-making body, to decide whether they are acceptable or not.

Senator S.C. Ferguson:

You were, I understand, given a selection of actions to take, and other sorts of cuts to bring in, are you able to tell us what other cuts you considered?

The Minister for Social Security:

Yes. Sarah, I have proposed some refinement to the eligibility criteria for Christmas bonus. There were --

Senator S.C. Ferguson:

No, we were asking ...

The Minister for Social Security:

I was going to go on and answer, so officers did bring forward even more refinement to the Christmas bonus eligibility criteria; that was perhaps introducing an income bar, reducing its value, so that was the other proposals on the Christmas bonus. The other options that we looked at was, as you will know, when you saw our first savings proposal, you saw that there was a proposal there to put I.C.A. (Invalid Care Allowance) into the fund and take it out of the taxpayer section, so that was a proposal. There was a proposal to, rather than look at how we perhaps could use credits to a contribution record rather than paying for them, which is what we currently do, to somebody receiving I.C.A., so we could just do a bookkeeping entry rather than paying the money into the fund for them. We looked at reducing the up-rate, so the money that I get every year to up-rate income support, there was a possibility that we did not use all that. We also looked at the possibility of freezing the up-rate in its entirety.

Senator S.C. Ferguson:

So, what do you reckon that the 2 per cent savings have on people accessing benefits?

The Minister for Social Security:

I think I just in a way reiterate what I said earlier; I have tried to ensure that the most vulnerable are protected. I do believe that is what I have done with these proposals. We have looked at those benefits, which are not means-tested, like the Christmas bonus, the G.S.T. (Goods and Services Tax) bonuses for those individuals who are out already of the income support eligibility criteria anyway, and I believe that I have done what I can to minimise any impact upon those excessive means-tested benefits.

Senator S.C. Ferguson:

Have you done any work on the sort of general progress of States policy in relation to benefits for Jersey in the future? You know, is spending £93 million

on income support sustainable for now and with the resident population of 91,000? I am sorry; I am giving you about 3 questions at once.

[10:30]

The Minister for Social Security:

That is because it is 10.30 am, I think, is it not?

Senator S.C. Ferguson:

Yes. Given that 18 per cent of all people eligible to pay tax pay 60 per cent of the tax revenue for individuals, which amounts to 12,000 people or thereabouts paying the full 20 per cent over the marginal relief band, and if you are earning £40,000 to £44,000 a year, your tax bill is probably in the region of £7,500 to £8,000, so each of those individuals is paying £4,500 into your benefits, is this all sustainable?

The Minister for Social Security:

Well, we are where we are looking at savings, because we are facing a deficit, and it is appropriate that we plan ahead and that we consider where cuts could be made, and should be made, and we also consider the balance between whether we want to keep the services that we are currently delivering, and therefore whether we want to increase taxes to enable the delivery of those services. We have to remember that some of the £93 million is spent on residential care, so that will come out and go into a separate fund, but there is no doubt that, when we are addressing what is the appropriate balance between spend and tax, we are going to have some very, very difficult decisions to make. I am reviewing income support, we have to remember that we always knew that the first phase of income support was bringing together the 14 benefits all under one house, one brief, so that we could use it as a tool to say: "We think this section of society needs more help. We think this area of benefit, these people receiving benefit perhaps we have been a little bit too generous here, we can look at that component." But what we really want to do is encourage people back into work. All these potential changes will affect our ultimate benefit spend. So, the way I have tried to look at applying the up-rate for this year is put a considerable amount of money into disregards for working and into disregards for saving, so that we are using income support as a tool to say: "Yes, as a society we want as many people to be working as possible because we know that it is good for them," and in the longer term that will bring down our benefit spend. We also want people to save, therefore we are giving a greater disregard for savings, and we are saying: "You can save this money, we want you to save for your future." So it is not just as straightforward as saying: "Is £93 million sustainable?" it becomes a question about what is it that we are doing with that £93 million? Are we applying it in the way that we think is best? It is helping people's situation? Is it helping them to get into work? Is it helping them to live? What effect is it having on their lives? We have an income distribution survey, which is due with us very shortly, and that will enable us to start looking at the effect of income support on relative poverty. Has it changed at all? Has it made that relative poverty even more shallow than it was already, or not? We will be able to use the tools that we now have and

the levers that we now have in income support in a much more joined-up and coherent approach than we could when we had lots of benefits all over the place and you did not have those tools in place.

Senator S.C. Ferguson:

Obviously, as the economy grows, a rising tide raises all ships, so that, yes, the differential between poverty ... poverty as it is described in Jersey is very different to poverty elsewhere in the world, but the burden surely is falling on 12,000 people. You know, 60 per cent of the personal tax revenue comes from 12,000 people, so that increasing tax to pay for your services, is that really equally fair?

The Minister for Social Security:

Well, I suppose I can say a few things. There is no doubt that when proposals for 10 per cent across the States are brought forward there will be some very difficult political decisions for us as policy makers to make, and we will have to make those decisions. But, equally, I have to say we are all part of this community. Some of us are fortunate to have reasonably paid jobs, and I believe we have a responsibility to pay our taxes and we recognise that those taxes are going to help those less fortunate than ourselves, and that is the appropriate way for us to order our society. But we all, taxpayer and non-taxpayer, should be involved in the decisions about what is appropriate, what proportion of our earnings should we pay in tax. We should not just allow that to be a decision of the taxpayers, because then that will play to perhaps our worst instincts and we would all say: "We want to pay less tax." We have a social responsibility to say: "Yes, we are fortunate. Yes, it is right for us to pay tax. Yes, we need to understand where that tax money is going, whether it is being applied to best benefit or not, and are our services at an appropriate level?" It might be that, when we come out of our reviews of income support, we say we think more money should go into income support and we should all look at how it is being applied and say: "All right, we are going to play our part a little bit more." It might be of course the reverse; that we say: "No, well it is slightly too generous here, and we could afford to reduce it in this area because it is not helping those individuals to become self-reliant; it is not helping them to become productive members of our society, which is what we are trying to achieve." We are not just wanting to keep people where they are, we are wanting to enable them to move on. So, I do understand what you are trying to say about ... it is a big amount ...

Senator S.C. Ferguson:

I am saying there is a balance; is the balance in the right place?

The Minister for Social Security:

I do not necessarily think it is right for me to say today the balance is in the right place, I think, once I have done my review of income support, I will be in a better position to tell you where we need to go with that going forward, but once we have also seen the 10 per cent cuts we would all be in a better position to say whether the balance is in the right place, because we will be able to say: "Here is what 10 per cent cuts look like. This is what the

opposite, raising taxes, looks like. Where do we think that balance should be?”

The Connétable of Grouville:

I just have one question, just a simple housekeeping one really, you have a social fund here where you are saving £54,000 next year hopefully. I note that it has been an underspend for the last 5 years of £45,000. What happened to the money; did it go back to the Treasury?

The Minister for Social Security:

Well, basically all underspends, so you do not just do underspends in one little line, you do your whole underspend, basically you get your money, these are your lines, and then at the end of the year any underspend is transferred back to the Treasury. There is a small amount, a very small percentage, that I think you can expect to keep, but the rest of it is then ... the decision about the ...

The Connétable of Grouville:

So, this would have been transferred?

The Minister for Social Security:

I cannot remember exactly what the amount of our underspend was last year.

Chief Officer, Social Security:

It is so long ago I cannot remember, but we did have an underspend, so the net effect of that underspend would have gone back, yes.

The Connétable of Grouville:

What does the social fund do?

The Minister for Social Security:

It helps with housing adaptations.

Senator S.C. Ferguson:

Michael?

The Minister for Social Security:

Michael looks like he is losing the will to live.

Mr. M. Oliver:

For various reasons.

Senator S.C. Ferguson:

Tracey?

Deputy T.A. Vallois:

Could I just clear something up in my head, I am just a little confused. £172 million you said was the budget, and that comes from taxpayer money; 6 per cent of it gets paid in contributions from people, gets paid into ...

The Minister for Social Security:

The social security, which is totally separate from that £172 million.

Deputy T.A. Vallois:

All right, and how much do you get from contributions then?

The Minister for Social Security:

Quite a lot, £151 million.

Deputy T.A. Vallois:

£151 million.

The Minister for Social Security:

But that is just in the social security fund; that is not the health insurance fund.

Chief Officer, Social Security:

So add £29 million to that.

The Minister for Social Security:

Yes, add £29 million for the health insurance fund.

Deputy T.A. Vallois:

So, in addition to the £151 million, you get £67 million from supplementation, right?

The Minister for Social Security:

Yes, and on top of that ...

Senator S.C. Ferguson:

The supplementation is an allocation from income tax?

The Minister for Social Security:

That is correct.

Senator S.C. Ferguson:

Which goes back to my point; it is generated by I.T.I.S.

The Minister for Social Security:

It is, in a very straightforward way what it is saying is that individuals that cannot contribute enough for their future pensions: "We as taxpayers are giving you the money now to enable you to have the same level of pension as everybody else when you retire," very simplistically, obviously if you have not made the contribution periods then you will not get the full pension. So, you have the contributions, you have supplementation, and then on top of that you have net investment income, which in 2009 was £107 million, so it is a big number, which most people do not think about when they think about social security, they just think about £172 million.

Senator S.C. Ferguson:

So, all right, basically we will be doing the review to look at everything, and in view of the ... do you have any reviews looking at the growth of social security benefits paid out over say the last 10 years?

Chief Officer, Social Security:

If we are looking at social security as opposed to the tax-funded ...

Senator S.C. Ferguson:

No, just we have £93 million currently, have you done any sort of comparisons as to how much it has grown?

Chief Officer, Social Security:

It can be put together, if we go back 10 years ago we have to add up all these individual parishes, all the education grants, all the funding allowance, and add it back up that ... I am sure that information is there. Income support has only been there for 2 years, so only under one roof for 2 years.

Senator S.C. Ferguson:

So the £10 million a year in business rate, £10 million a year from the Parishes I think, is it not ... the Island-wide rate rather, to go into social security?

The Connétable of Grouville:

No, absolutely not. When we negotiated the deal with Frank Walker we thought that might happen, so we made it perfectly clear that any Island-wide rate gathered by the Parishes would go into the main funds for the States of Jersey; it was not to be in any way equated with or put alongside any social security money.

Senator S.C. Ferguson:

What would it have to be if it had been social security?

The Connétable of Grouville:

That was the reason.

Senator S.C. Ferguson:

Quite, but if it was £10 million, I do not know, 4 or 5 years ago, what would it have to be today?

The Connétable of Grouville:

It has increased by the cost of living every year, 3.2 per cent.

Policy Director, Social Security:

That was the point, so parishes did not have to bear the burden of increased residential care, it was about residential care costs, so the Parishes took on a thing, which they knew they could commit to, and the States agreed to kind of bear the additional costs of residential care, and that is now why we are changing the residential care system so that it means the cost is distributed among the whole population over all their working lives so that cost exposure as well.

[10:45]

Senator S.C. Ferguson:

All right. Thank you very much. I am sorry we have kept you longer than we should have done. It was so interesting, thank you very much indeed.