STATES OF JERSEY

MEETING THE COST OF WELFARE IN 2004– 2005

Lodged au Greffe on 24th June 2003
by the Connétable of St. Helier

STATES GREFFE

PROPOSITION

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

to agree that the cost of native welfare, including administration, for the Parishes' 2004 to 2005 financial year should be met by the States and to request the Finance and Economics Committee to take the necessary steps to remit the appropriate sums to the Parishes at quarterly intervals in the course of that financial year, namely 1st June 2004 to 31st May 2005 in the case of the Parish of St. Martin and 1st May 2004 to 30th April 2005 in respect of the other 11 Parishes.

CONNETABLE OF ST. HELIER

Note: The Finance and Economics Committee's comments are to follow.

REPORT

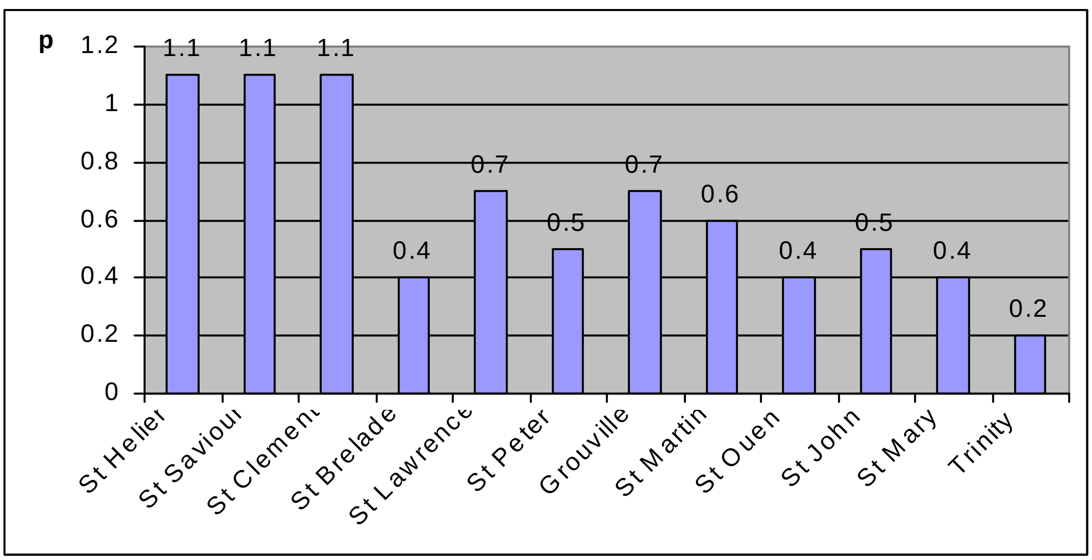
The arguments for transferring the cost of native welfare from the ratepayers of each individual Parish to the taxpayers of the Island are set out in the Phase 2 Report of the States/Parishes working group. The States currently fund ‘non-native’ welfare costs (£4 million in 2002) while the Parishes fund‘native’ welfare (£7 million in 2002) These costs are set to escalate by up to 24% in the current year, particularly in respect of residential care costs, but also as increasing numbers of unemployed persons are claiming welfare.

This proposal has met with little opposition during the course of the consultation over the group’s proposals. Indeed, the key question posed in the course of the Group’s extensive consultation period has been, ‘Should the States pay for all welfare?’ to which the answer has been a resounding, ‘Yes!’

Some opposition has arisen, however, over the requirement for the cost transfer of main roads and other infrastructure: in 5 out of the 12 Parish meetings it was argued that the States should take on the cost of native welfare (non-native welfare costs are already met by the States) without alternative costs being transferred to the Parishes. This point of view was also expressed in the Group’s meetings with States Members, and in meetings held with invited members of the municipalities of 4 Parishes.

Clearly the native welfare burden falls unequally on the ratepayers of those Parishes where the States’ strategic policies have chosen to concentrate social housing, housing for the elderly and residential care homes. Few would claim that it is fair that the ratepayers of 3 Parishes should be contributing 1.1p of rate to native welfare, or 75% of the native welfare bill, while the ratepayers of Trinity, for example, pay just 0.2p, as the following table shows –

2002 Welfare rates per quarter



It is not equitable that the cost of providing financial support to a proportion of the Island’s population should be funded by ratepayers. The original principle underlying welfare was that the rich inhabitants of a Parish should help to support those suffering financial hardship. This was a primitive form of means-tested support when only wealthy landowners paid Parish Rates. However, now all owners and occupiers of property are liable to Rates. Whilst some of these individuals may be ‘wealthy’ or ‘rich’ the vast majority will not be.’ (p.12)

The Report goes on to state that, ‘The States has a wider taxation base than the Parishes from which to meet significant cost increases. Income tax is paid according to wealth, and a transfer of funding all welfare from tax revenues would be more equitable, since it would require those earning the most to contribute towards the welfare costs. The States should tackle the rising cost of welfare, and residential care in particular, via targeted strategic policies.

The Parishes have no control over residential care payments, which now account for 50% of the ‘native’ welfare costs incurred by them. The Parishes are not responsible for the policy of care for the elderly or the placement of individuals in care homes. Put simply, if a resident of a Parish is admitted to a care home and they are a ‘native’, then the Parish must meet the cost of the fees paid to the home (net of any pension the elderly person receives). The cost of residential care for just one individual could be as much as £20,000 per year. It is almost impossible for Parishes to budget accurately for the cost of residential care. The admission of one or two additional Parishioners into care homes could make a significant dent in the budget of the smaller Parishes.’ (p.12 and 13)

The recommendation of the group is stated clearly –

The Steering Group considers it is inappropriate for the cost of ‘native’ welfare to continue to be met by the Parishes. The rising costs, particularly those associated with care of and support for the elderly, need to be addressed as part of a comprehensive, targeted States strategy. It is therefore recommended that ‘native’ welfare costs (estimated to be around £7 million in 2002-3) should be transferred to the States.

The Report goes on to identify a ‘quid pro quo’ in the section ‘Balancing the books’, that is to say, the infrastructure costs which it is recommended should be billed equally to the ratepayers of the Island. While the ratepayers of the Parishes currently carrying 75% of native welfare costs stand to benefit under such a proposal, and all ratepayers should be better off given the volatility of welfare expenditure, it requires a number of mechanisms for this to be practicable, including a new commercial rate, a domestic Island-wide services fund controlled by a Conseil des Connétables, and so on.

Such mechanisms cannot be introduced in a hurry. I share the enthusiasm of my colleagues on the Steering Group to see a package of proposals implemented but there can be no doubt that such radical changes in our system of local and central government will take a great deal of further work before they can be realised.

However, there is a hurry to bring fairness into the arena of funding native welfare. In September 2000 an alternative proposal (P.164/2000) was brought forward by the Comité des Connétables to equalise the welfare burden across the Parishes with every Parish contributing in proportion to their total quarters. At the time it was stated that in 1999 ‘the Comité was considering what action could be taken to reduce the welfare burden on some Parishes and hoped to bring recommendations for change to the States later in 2000.’ Legitimate delay had already been introduced into the process through the work of the Grimes/Blampied investigation into the cost of native welfare in 1998/9. But having reached the end of a further exhaustive examination of the issues, we are actually no closer to removing the welfare burden, and, therefore, the ratepayers of St. Helier, St. Clement and St. Saviour are expected to continue to fund three-quarters of the Island’s native welfare costs.

I believe that the proper course of action is for the States to fund native welfare costs in their entirety at least for the next financial year. What happens to the welfare burden in future years will depend on the outcome of the debate about what costs if any should be passed back to the Parishes to take place in due course.

There are no manpower implications in this proposition; the financial implications are in the region of £7 million in the 12-month period from 1st May 2004, depending on the number of native persons qualifying for assistance at that time.