

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

7. The Minister for Social Security will make a statement regarding proposals for the long term care scheme

The Bailiff:

There are no matters under J. and then we come to K: Statements on a Matter of Official Responsibility, and the Minister for Social Security will make a statement regarding proposals for the long-term care scheme. Minister?

7.1 Senator F. du H. Le Gresley (The Minister for Social Security):

In May last year, I issued a Ministerial Statement on the timetable for the introduction of the long-term care benefits. Today, I am very pleased to announce, that substantial progress has been made on the development of the new benefits over the last 12 months and I can confirm that I will be lodging a proposition next month for debate in September setting out the full details of the scheme. Subject to the approval of States Members, I will be introducing the new benefit from 1st July 2014 with contributions being collected from 1st January 2014. As Members are aware, the Island faces a substantial increase in both the number and proportion of older residents over the next 30 years. Care costs are predicted to more than double by 2044. The younger generation, just starting out on their working lives, will bear a significant burden in terms of supporting not only the long term care costs, but also the health costs and the pensions of the baby boomer generation as they reach the age of 80 and beyond. The original long term care proposals outlined in 2011 would have led to a contribution rate of approximately 4.6 per cent by 2044 and I do not believe that that is acceptable for the current generation to knowingly impose such a heavy burden on our children and grandchildren. Over the last 12 months, detailed research has been undertaken to identify a benefit scheme that will provide significant assistance to homeowners and those facing very high care costs, while at the same time setting the long-term contribution rate at an acceptable level.

[12:15]

I believe that my current proposals achieve this balance and share the responsibility for care costs fairly between individuals who are receiving care and the general population who will provide the funding for the long-term care fund. A ring-fenced, long term care fund will collect contributions from across the community and provide benefits to support the costs of those of us who may need long term care. As suggested in my previous statement, long term care contributions will be leveraged on both earned and unearned income and the Jersey Taxes Office, acting as the agent of Social Security, will use existing methods to collect the contributions. In future, anyone who pays income tax will also make a contribution to the ring-fenced, long term care fund. My proposals will limit the maximum amount that anyone will have to pay for their long term care to £50,000, putting an end to the current uncertainty and concern generated for homeowners and their families when faced with unknown and potentially very significant care costs. Once the cap of £50,000 is reached, the on-going care costs will be met from the new ring-fenced fund. People receiving care in a care home will make a separate co-payment of £300 per week towards their accommodation and living costs throughout their time in care. The proposed scheme will also protect homeowners. The value of the family home, up to the average value of a 2-bedroom house, which is currently £391,000, will be excluded from any assessment as well as at least £25,000 of other savings. Individuals with larger properties will be able to register a charge against their property in respect of the £50,000 care cap. A similar exemption will apply to the savings of people who do not own their own home. By sharing the cost of care in this way, the contribution rate in 2044 is reduced by nearly 40 per cent from the original estimate of 4.6 per cent, down to 2.8 per cent. In the short term, rather than the 1.5 per cent contribution rate previously suggested, I will be proposing an initial long-term care rate of one per cent. However, as existing income tax allowances thresholds and

marginal rates will be used in the calculation, the effective rate for most long-term care contributors will be well below the headline rate of one per cent. It is my intention that this one per cent rate will remain fixed for at least 5 years. Sharing the cost of care in this way has several major advantages. The scheme can be introduced next year in 2014 knowing that the long-term care costs are affordable. Individuals and their families will no longer need to worry about how they would meet potential care costs of hundreds of thousands of pounds. People will be able to plan for their future care costs by setting aside this fixed amount and all standard care fees in excess of £50,000 will be met by the long-term care fund. Lower income claimants will continue to receive support to cover the cost of both their care fees and their living costs on a means tested basis. The new benefit will be available to individuals receiving care in their own home and the details of the scheme are being designed to encourage care at home as far as possible. Over the next year, while these arrangements are being put into place, the existing income support residential care scheme will continue and anyone worried about the cost of care fees should approach the department for advice. Thank you. **[Approbation]**

The Bailiff:

Very well. Opportunities to ask questions? Deputy of St. Ouen?

7.1.1 The Deputy of St. Ouen:

If contributions are to be levied on earned and unearned income, will the Minister confirm that the effect will be to the Island's headline income tax rate of 20 per cent to increase to 21 per cent?

Senator F. du H. Le Gresley:

I do not necessarily share the view of the Deputy of St. Ouen. As I explained, the tax allowances, thresholds and marginal rate will all be taken into consideration and currently only about 10 per cent of the population pay the 20 per cent rate. Many people will be paying far less than one per cent on their gross earnings and therefore I do not necessarily agree with the Deputy's conclusion.

7.1.2 The Deputy of St. Ouen:

Please, just a supplementary. The Minister, by his own admission, has identified that 20 per cent of our population currently pay 20 per cent. The reality is that this introduction charge will increase that rate. Would you agree or not agree that that will be the effect?

Senator F. du H. Le Gresley:

Again, I want to reiterate that we are working with the tax office to collect the insurance contribution on our behalf. It is not a new tax, it is a Social Security contribution, which is being put in a ring-fenced fund to provide the care of people in our community whose care costs exceed £50,000.

7.1.3 Deputy G.C.L. Baudains:

I wonder if the Minister could clarify for me: I presume that the £50,000 referred to is a cumulative amount over the length of time that a person will need care or is it a per annum amount?

Senator F. du H. Le Gresley:

Yes, it is a cumulative figure. The person receiving care either in their own home or in a care home will be assessed by officers from the Social Services in the normal way that we presently use for income support residential care and we will be keeping an account of their standard care costs, excluding the £300 weekly allowance and therefore, these costs will accumulate and once that person's care costs exceed £50,000 then all future care costs will be paid from the fund.

7.1.4 The Connétable of St. John:

I note in the fifth and sixth paragraph, it reads: “The ring-fenced long term care fund will collect contributions from across the community ...”, *et cetera*, and it goes on to say that it will be administered by the Tax Office. Given that we have seen the ring-fenced fund currently supposed to be collecting our pensions and the like and our health contributions being breached on at least 3 occasions now by the Treasury... and the Minister for Treasury and Resources can shake his head, when on the first occasion we were told ...

The Bailiff:

Can you just come to the question?

The Connétable of St. John:

Yes, I am coming to it, Sir. Allow me to put it ...

The Bailiff:

There are other Members who wish to ask questions too.

The Connétable of St. John:

I appreciate that, Sir, but we were told it was a one-off situation that the fund would be breached once. It has happened 3 times. Can the Minister guarantee, can he guarantee, that this funding will not be able to be manipulated in any way whatsoever by the Minister for Treasury and Resources? Thank you.

Senator F. du H. Le Gresley:

As long as I remain Minister for Social Security, I can give that absolute undertaking to the Constable.

7.1.5 The Deputy of St. Peter:

For those who are already in care, from what date will the £50,000 cap that is spent on care be taken into account?

Senator F. du H. Le Gresley:

For those people currently in care, the bill will start to accrue from 1st January 2013, which means that people who are currently receiving nursing care at the highest level will be immediately eligible to receive benefit from 1st July. Those in residential care at the lower end of the care costs will be coming into receiving care after December 2014.

7.1.6 Deputy G.P. Southern:

The Minister says this is not to be regarded as a new tax, but new Social Security payments. But he appears to be treating it exactly like tax in his proposals. Surely it would be better, if he wants to reduce the long term costs, to front-load and rather than going down to one per cent from 1.5 per cent, what effect is front-loading on this if a higher contribution rate were applied now and what effect would it have if all contributed at the same rate rather than this taxation-like issue that he is proposing?

Senator F. du H. Le Gresley:

I looked back on the Hansard as to when I made my statement last year and I have already had 2 of the same questions from 2 of the same people. Deputy Southern, again, has asked the same question and I would stress that my proposals are far more progressive than using the Social Security system, whereby everybody would have an extra deduction from their salary as an earner. Whereas the tax system means that only the higher earners who pay tax will be contributing and I am sure that that would fit in with the Deputy's political aspirations. However, as far as front-loading, we are front-loading by asking current people, who are in care or going into care, to pay £50,000 in the first instance. I would call that front-loading.

7.1.7 The Connétable of St. Mary:

I hope that my concerns that were initially raised will be dealt with when I get the detail of the actual proposition, but as this really - from my point of view - came to a head because of the inequalities with regard to homeowners that were acknowledged under the current system. I have still got concerns about the level of the cap. Does the Minister not think that the only really fair way to deal with this, especially when we have a lot of elderly people living in houses that are on paper worth a lot, but in practice are not, is to disregard the family home entirely?

Senator F. du H. Le Gresley:

We used Oxera to produce a model in order to arrive at our recommendations for this new benefit and those were validated by Professor Forder. We are satisfied that we have a proposition which I will be bringing forward later in this term which all the parts fit and if we were to tinker with the asset disregard, we would end up with a higher rate, which as I said before, is unfair on the current generation to pay extra costs for those currently needing care over the next 30 years. We have come up with the best compromise and I would remind Members that when the White Paper was originally circulated, one of the options was that all assets up to £500,000 would be regarded. My proposition is £416,000, all assets, including within that a 2-bedroom house. It is a compromise, but it is the only compromise we can reach.

7.1.8 Senator A. Breckon:

Can the Minister confirm that it will be proposed to have a Jersey residential requirement before anyone can receive any money from the fund?

Senator F. du H. Le Gresley:

Yes. The original report that accompanied the draft law suggested that there should be a 10-year continuous residence as an adult, and that will be one of the conditions that will be imposed by regulation, subject to States Members' approval. For somebody who has been out of the Island and does not have their 10 years continuous leading up to their registering a claim for the benefit, they would have to be back in the Island for at least one year, so in those cases it would be 11 years.

7.1.9 Deputy J.H. Young:

Would the Minister not agree that by announcing today an extra 1 per cent levy, open-ended with no ceiling, on all taxpayers, he is effectively announcing a rise in our basic rate of tax which will not stay at 1 per cent, which according to this could reach 4.6 per cent, so 24.6 per cent? Does he not feel that such a measure discourages personal saving and thrift and a move towards dependency in our societies?

Senator F. du H. Le Gresley:

There will be an upper earnings limit of £152,232, which is the upper earnings limit for paying Social Security contributions. Anybody earning above that, they would not be liable to pay extra money into the long-term care fund. As to whether we are changing the tax or the system for Jersey, this has been a long time coming. There have been many, many calls for a scheme that will protect people's assets and help people avoid catastrophic long-term care costs. The U.K. have been struggling with this for years and at least we have a proposal. The timing is unfortunate, but we cannot delay this decision, we have to get on with it, and I ask for Members to support me.

7.1.10 Deputy R.G. Le Hérissier:

When Scrutiny studied the Guernsey system, there was a system whereby it was not called commissioning, but the managers went around and got much better deals from blocks of residential homes and did not pay those awful costs we know about in Jersey. How does the Minister propose to deal with that?

[12:30]

Senator F. du H. Le Gresley:

All care costs will have to be approved by the departments. We currently have a tariff for the 4 levels of care, both in residential and nursing homes, and we will also be arriving at a figure for care in your own home. Any attempt to incur costs above those figures will have to be paid for by the person in care, in other words, if they choose to have a room with a view or whatever, but we will be working with the care providers, in particular the homes, to arrive at a scale of fees that we believe are acceptable and which we will work with.

The Bailiff:

Very well. I am afraid that brings questions to the Minister to an end. Before we move on to the next statement, can I just inform Members that 2 matters have been presented for their reading. One is R.63- Pension Increase Debt: options for early repayment - presented by the Minister for Treasury and Resources, and R.64 - Land Transactions under Standing Order 168(3): Southwood 30-31 Belmont Road, St. Helier – Lease - also presented by the Minister for Treasury and Resources.

Senator L.J. Farnham:

I wonder if I could register the fact I am slightly disappointed that the report on the pension repayment has been lodged. I was discussing the issue with the Treasurer, as I lodged the original proposition and I understand there was a dialogue ongoing, so I just wanted to register that.