

STATES OF JERSEY



DRAFT ANNUAL BUSINESS PLAN 2011 (P.99/2010): SIXTH AMENDMENT

**Lodged au Greffe on 16th August 2010
by Senator F. du H. Le Gresley**

STATES GREFFE

1 PAGE 2, PARAGRAPH (a) –

After the words “withdrawn from the consolidated fund in 2011” insert the words –

“except that the net revenue expenditure of the Social Security Department shall be reduced by £6,632 following the restructuring of the Christmas Bonus (SS-S8) in the way recommended in the report of Senator F. du H. Le Gresley dated 16th August 2010 to provide that the Christmas Bonus is removed only for residents not in receipt of the Jersey Old Age Pension and all non-residents, and that the Christmas Bonus is fixed at £78 for 2011.”

2 PAGE 2, PARAGRAPH (e) –

After the words “within these amounts” insert the words –

“except that for the 2012 Expenditure Allocation, for the figure “£708,000,000” substitute the figure “£707,993,368”, and for the 2013 Expenditure Allocation, for the figure “£712,000,000” substitute the figure “£711,993,368 following the restructuring of the Christmas Bonus (SS-S8) in the way recommended in the report of Senator F. du H. Le Gresley dated 16th August 2010 and that the Christmas Bonus is fixed at £80 for 2012 and £82 for 2013”.

SENATOR F. du H. LE GRESLEY

REPORT

The Minister for Social Security is proposing to save £439,000 by removal of the Christmas Bonus from those receiving the following qualifying benefits: Survivor's Allowance; Survivor's Pension; 100% Long Term Incapacity Allowance; Incapacity Pension; Invalid Care Allowance and Invalidity Benefit.

He is also proposing to remove entitlement from the following 3 groups: people aged between 60 and 64 years old; non-residents and Jersey residents who are not in receipt of Jersey Old Age Pension who currently receive the bonus as a result of age and residency.

This Amendment would ensure that a Christmas Bonus continues to be paid to current recipients with the exception of non-residents and Jersey residents who are not in receipt of Jersey Old Age Pension.

The Social Security Department (the "Department") has advised that in 2009 there were 402 recipients of the Christmas Bonus who lived abroad and 511 Jersey residents who were not entitled to a Jersey Old Age Pension. To remove the Christmas Bonus from these 2 groups would produce a saving of £86,069 in 2011. This has been calculated after splitting the recipients into those who would receive the full Christmas Bonus and those who would receive a reduced amount as they also receive the UK Christmas Bonus of £10.

In order to achieve a saving of at least £439,000 on the 2010 cost of benefit it would be necessary to cap the Christmas Bonus at £78 for the remaining recipients. The calculation is as follows –

2010 before CSR Saving Proposal

To get to the starting point for calculations for 2011 and beyond it is necessary to calculate the cost for 2010. The Department has advised that the cost would be as follows –

Total Christmas Bonus Benefit (excluding administration costs) for 2010	£1,762,115
Total Christmas Bonus Benefit (excluding administration costs) for 2010 with overseas and non-Jersey pensioners removed	£1,676,046
Saving is therefore	£86,069

If 2011 Christmas Bonus is capped at £78

Total Christmas Bonus Benefit (excluding administration costs) for 2011 at £78 and with overseas and non-Jersey pensioners removed	£1,316,483
--	------------

Total saving is £445,632 [£1,762,115 minus £1,316,483]

Note that all savings are in respect of the benefit payments. This excludes the implications of these changes on the Department's allocated administrative costs.

My proposal is that the rate of Christmas bonus is capped at £78 for 2011 and then increased by approximately 2% in 2012 and 2013 by fixing it at a figure of £80 for 2012 and £82 for 2013. The Department has advised that the annual saving on the projected budget for these years would be identical to that for 2011 under my

proposals, namely £6,632 if the number of claimants remains within expected parameters. If our financial position improves by 2014, the rate of bonus can revert to being increased by the percentage figure half-way between the percentage rise in the Jersey Cost of Living Index and the percentage rise in the Jersey Index of Earnings, as set out in Article 3(2) of the Christmas Bonus (Jersey) Law 1991.

I believe that it is important to retain the Christmas Bonus for people on the current qualifying benefits and pensioners between 60 and 64 years of age. Some of these people require full-time carers or live in care homes and receipt of the Christmas Bonus enables them to buy presents and have a few treats at Christmas. Once entitlement to a statutory benefit is removed it is unlikely to be reinstated. Approximately 17,800 people will continue to receive a Christmas Bonus if the Amendment is approved, whereas the Minister's proposal would reduce the number to 14,300.

For comparison purposes I list in the **Appendix** details of the Christmas Bonus arrangements in Guernsey, Isle of Man and the United Kingdom. Members will note that the qualifying benefits in the last 2 jurisdictions are similar to those in our current Christmas Bonus Law.

Financial and manpower implications

The financial implications are a slightly increased saving of £6,632 in 2011, which continues at that level in 2012 and 2013, subject to the number of claimants remaining within expected parameters.

There are no additional manpower implications.

16th August 2010

APPENDIX

Christmas Bonus Arrangements in Guernsey, Isle of Man and United Kingdom

<i>Country</i>	<i>Amount</i>	<i>Date last increased</i>
Guernsey	£0	Removed in 1990
Isle of Man	£82.50	December 2006
United Kingdom	£10	1972

Guernsey

In 1990 the States of Guernsey agreed to a proposal from the States Insurance Authority that the Christmas Bonus of £20, paid to everyone in Guernsey and Alderney over the age of 65, be withdrawn and replaced with an increase of £1 per week in the rate of old age pension.

Isle of Man

To be entitled to the Christmas Bonus of £82.50 a person must be in receipt of one or more of the following qualifying, contributory or income-related benefits for at least one day in the last complete benefit week of November –

- Retirement Pension
- Long-term Incapacity Benefit
- Widowed Parent's Allowance
- Carer's Allowance
- Attendance Allowance
- Disability Living Allowance
- Unemployability Supplement or Allowance
- Income Support
- Family Income Supplement
- Disability Working Allowance
- Income-based Jobseeker's Allowance
- Severe Disablement Allowance (transitionally protected cases)
- Widowed Mother's Allowance (transitionally protected cases)
- Widow's Pension (transitionally protected cases)
- Industrial Death Benefit

United Kingdom

The Christmas Bonus was first introduced in 1972 and has remained at the same rate of £10. Exceptionally an additional £60 was paid in January 2009.

To qualify for a Christmas Bonus you must be a resident in the UK, Channel Islands, Isle of Man, Gibraltar, any EEA country, or Switzerland. You must also be entitled to at least one of the following benefits in the qualifying week (normally the first full week of December) –

- Attendance Allowance
- Carer's Allowance
- Constant Attendance Allowance (paid under Industrial Injuries or War Pensions schemes)
- Contribution-based Employment and Support Allowance (once the main phase of the benefit is entered after the first 13 weeks of claim)
- Disability Living Allowance
- Incapacity Benefit at the long-term rate
- Industrial Death Benefit (for widows or widowers)
- Mobility Supplement
- Pension Credit – the guarantee element
- State Pension (including Graduated Retirement Benefit)
- Severe Disablement Allowance (transitionally protected)
- Unemployability Supplement or Allowance (paid under Industrial Injuries or War Pensions schemes)
- War Disablement Pension if over State Pension age
- War Widow's Pension
- Widowed Mother's Allowance
- Widowed Parent's Allowance
- Widow's Pension