

STATES OF JERSEY



WINTER FUEL PAYMENT

**Lodged au Greffe on 4th July 2007
by the Council of Ministers**

STATES GREFFE

PROPOSITION

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

to refer to their Act dated 27th June 2006 in which they approved, in principle, the States Strategic Plan and agreed, *inter alia*, to introduce in early 2007 a winter fuel payment, based on the U.K. system, for all pensioners resident in Jersey, and to their Act dated 13th September 2006 in which they approved paragraph (a), as amended, of the Annual Business Plan 2007 and agreed, *inter alia*, that agreement should be reached by the Council of Ministers on an appropriate reallocation of expenditure within existing States expenditure limits by February 2007 to fund a new winter fuel payment for pensioners, with the scheme introduced by November 2007; and to agree to vary those decisions as appropriate and agree that –

- (a) a winter fuel payment, to be available to households in receipt of income support that contain a person who is over 65 years of age, or a person under 3 years of age or a person who has a high rate of impairment component under the income support scheme, should be introduced from January 2008 through Regulations made in accordance with the provisions on Special Payments in the Income Support (Jersey) Law 2007;
- (b) the rate of winter fuel payment should be calculated according to the ‘degree day formula’ as set out in Section 2 of the report of the Council of Ministers dated 4th July 2007;
- (c) the winter fuel payment should be funded from the existing budget for cold weather payments in the Parish Welfare system and from savings arising from amendments to the Christmas Bonus system by –
 - (i) introducing into that system the same income bars that apply to the television licence scheme for those aged 75 and over;
 - (ii) limiting payments to those resident in Jersey; and
 - (iii) introducing a common age condition of 65 for both men and women;
- (d) to request the Minister for Social Security to take the necessary legislative and administrative steps to give effect to the proposals.

COUNCIL OF MINISTERS

REPORT

1. Introduction

The States has required the Council of Ministers to bring forward a proposal for a Winter Fuel Payment system to be introduced by February 2007 to be funded from within existing cash limits.

The States in agreeing the Strategic Plan 2006–2011, agreed, after an amendment proposed by Senator B. Shenton to –

“Introduce in early 2007 a winter fuel payment scheme, based on the U.K. system, for all pensioners in Jersey”

That objective was subsequently amended in the Annual Business Plan 2007 with the commitment for an –

“agreement reached by the Council of Ministers on an appropriate reallocation of expenditure within existing States expenditure limits by February 2007 to fund a new Winter Fuel Payment for pensioners, with the scheme introduced by November 2007.”

In order to fulfil the requirement, the Council of Ministers has considered a variety of options at different meetings. Adopting the system operated by the United Kingdom is considered by the Council to be wasteful, ill-targeted and unaffordable. A similar scheme operating in Jersey would cost approximately £2.5 million a year in benefit alone and would be extremely difficult to administer. If a Winter Fuel Payment system is to be introduced it should direct money during periods of cold weather to those households within the community who could find it most difficult to meet their increased fuel bills. A benefit payment that has no regard to the personal circumstances of a household would be unreasonable and wasteful. The Council is therefore presenting a more targeted system which is estimated to cost £560,000. The States instructed the Council to contain the cost of any scheme within current cash limits. The Council has carried out a review across all departments to identify the cuts that would be necessary to provide these funds. If the States decide to introduce the system it is recommending that it should be contained within the current Social Security cash limit.

2. Proposal

The Council of Ministers considers that the most effective means of introducing a Winter Fuel Payment would be as part of the new Income Support system. It would be a special payment made under the scheme working to a formula that reflects the temperature during the winter months. Although this would be similar to the existing Cold Weather Payment made through the Parish Welfare system, the scope of the benefit would be much wider than the existing system which is only limited to Parish Welfare recipients and the formula has been improved with the help of the Meteorological Office. This approach would remove 3 basic problems associated with the original concept. Firstly, in mild winters a blanket Winter Fuel Payment scheme would allow payments to be made in full, even though temperatures do not warrant Cold Weather Payments to be made. Secondly, some groups such as households containing people with disabilities and families with small children would be excluded from the suggested blanket Winter Fuel Payment proposals, but would be included within the Income Support proposal. Thirdly, the Income Support option has a more direct relationship to the increased cost of fuel through increases to the components.

Using the Income Support special payment system would mean that the Income Support legislation and administration could be used to deliver the system to eligible households. The system presented by the Council of Ministers would mean that households which –

- are ordinarily resident in Jersey, and
- are in receipt of Income Support, and
- contain a person over the age of 65, or
- contain a person with a high rate impairment component under Income Support or,
- contain a child under the age of 3,

would be eligible to receive a Winter Fuel Payment.

The amount of the benefit would be determined by a formula which would relate to the temperature and the basic adult component of Income Support. This would be done by calculating the number of degrees the average daily temperature drops below a standard threshold of 15.5 degrees Celsius for each day of the month (a degree day) This is used as a measure of how cold it has been and reflects that when external temperatures drop below 15.5 degrees additional heating is needed to maintain internal temperatures of 18.5 degrees Celsius.

If the formula had been used in 2006 based on welfare levels, it would have been –

$$1.4 \times \frac{D_{day} - 90 .0}{450 .0} \times C$$

Where –

1.4 is a multiplying factor to bring payments to a level consistent with those made previously when the rate *C* was set at £87.15 (this links the formula back to the existing welfare rates and would be adjusted for the Income Support basic rate);

D_{day} is the total number of degree days for the month as measured in degrees Celsius below the standard base value of 15.5 degrees Celsius;

The numerical values 90 and 450 set the range of degree day values allowing the appropriate proportion of the basic component to be paid as the average temperature varies with a maximum rate of the basic component being paid when the average temperature for the month is minus 2.5 degrees Celsius ; and

C is the basic component payable.

3. Costs

The cost of paying Cold Weather Payments through the Parish Welfare system in 2006 was estimated to be approximately £200,000. The budget for these payments was transferred to Social Security in 2006. With a wider scope of potential beneficiaries, the estimated cost of special payments at rates equivalent to those in 2006 paid through Income Support would be approximately £560,000. The Income Support budget would not be able to provide for this increased level of funding.

4. Funding

The States has already set funding limits for 2007 and targets for 2008 and 2009. Additional funding can only be met through reprioritisation and cuts to existing services. The Council of Ministers has reviewed cuts across all departments in order to determine how to provide sufficient funds. If the States decide that the scheme should be introduced, it is proposed that it should be given a higher priority than the continued provision of a Bonus to those people who may have sufficient income to pay income tax or who do not live in Jersey.

In May 2004, the States agreed to an amendment to the Christmas Bonus Law to introduce an income bar and to set the level of the allowance by Regulations. These Regulations have not been debated or approved.

Christmas Bonus is the only completely non-targeted benefit administered by the Department. The purpose of seeking to introduce an income bar is to limit payments to those on relatively low income that, in theory, have no tax liability. This is consistent with the approach adopted with the TV Licence scheme. If the same income bars were used (£12,770 for a single person and £20,770 for a couple) it is estimated that £400,000 would be saved from within the Social Security States Funded budget.

In reviewing the targeting of Christmas Bonus, the Council of Ministers was made aware of explicit

discrimination on age within the system. Currently Christmas Bonus legislation contains explicit discrimination as payments of the bonus are made to women at a lower age than men; at age 60 compared to 65. This may be a remnant of the difference in pensionable age between men and women which was changed in 1974 under the Social Security Law and is gradually being standardised. Unfortunately the Christmas Bonus Law has a stand alone definition of pensionable age which would continue until that Law is changed even though it is being gradually eroded for pension purposes. It is proposed that the Law be changed in 2008 to standardise the age condition at 65 for both men and women.

The Council of Ministers proposes that current recipients be protected and only new claimants would be caught by the new age condition. It is estimated that this would save approximately £180,000 over a 5 year period.

The Council of Ministers also proposes that Christmas Bonus payments be limited in 2008 to those people resident in Jersey. Current legislation allows payments to be made abroad to non-residents who have had an association with Jersey through the payment of full rate pension or full rate invalidity benefit.

5. Administrative costs

In addition to the benefit costs above, the implementation of the Winter Fuel Scheme will cost up to an estimated £10,000 with ongoing administrative costs of £10,000 per annum.

The changes to the Christmas Bonus Scheme will increase the manpower requirement on a temporary basis each year and cost up to an additional £10,000 per annum.