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WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
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ANSWER TO BE TABLED ON TUESDAY 29th MARCH 2011

Question

In 2005 the Net Revenue Expenditure of the Social Security Department was £82,466,889. The Net Revenue Expenditure Cash limit after the Comprehensive Spending Review for 2011 stands at £175,068,400. Can the Minister explain this £92,601,511 increase in the budget given his assertion that costs are under control?

Answer

It should be noted that all the information in this answer has been collated from States Business Plans and States Budget Reports which are all publicly available.

Each item in the following analysis has been agreed by the States and included within the departmental cash limit for the relevant year. The Department controls its expenditure within these agreed limits.

Eligibility for Social Security benefits is enshrined in legislation. Changes in benefit spend from year to year are directly related to the level of inflation and drivers of the numbers of people needing benefit, such as the ageing demographic and the state of the economy.

	£ Million
2005 Cash limit*	82.7
Transfers from Parishes and inter departmental transfers	34.4
Benefit increases to protect low income groups from the impact of GST	3.1
Temporary increase in benefit budget to protect low income groups from impact of recession	11.2
Temporary increase in benefit budget to provide transitional protection for claimants moving from a more generous benefit to Income Support.	3.2
Provision of pension contribution top-ups for lower and middle earners	15.4
Benefit up rates in line with inflation	11.7
Increases to administration and Grants budgets in line with inflation	0.7
Increases in Residential Care funding to take account of ageing population pressures	8.2
Additional funding proposed by Private Members' propositions	5.1
Growth bids proposed by the Council of Ministers	1.3
CSR savings for 2011	-1.9
2011 Cash Limit	175.1

* This analysis is based on movements in the cash limits from year to year. The cash limit approved for 2005 was £ 82.73 million.

Transfers from Parishes and inter departmental transfers £34.4 million

The transfer of budgets from the Parishes and other States departments makes up a considerable proportion of the increase. These transfers do not represent a net increase in States spending, but a movement of budget from one department to another department. These budget transfers total more than £34 million - including net transfers of £23 million from the Housing Department and £10 million from the Parishes.

Benefit increases to protect low income groups from the impact of GST £3.1 million

Additional funding has been provided by the States to protect lower income groups from the impact of GST - this has been achieved through changes to the Income Support system and a separate bonus paid to those who do not qualify for Income Support ("GST Bonus").

An additional £ 3.5 million (see section below) was provided as result of the proposition of Deputy le Fondre to increase support to low income families rather than remove GST from food and fuel.

Temporary increase in benefit budget to protect low income groups from impact of recession £11.2 million

In times of recession, tax yield falls and benefit spend increases. In times of economic boom tax yield increases and benefit spend decreases. These economic facts led to the creation of the Stabilisation Fund.

Through the Stabilisation Fund, the States has provided additional temporary support to lower income families affected by the current recession. The integrated Income Support benefit system has made it much easier to identify and monitor these additional costs and to deal with the increased number of claims. Additional money has been required since 2009. This temporary funding will be withdrawn as the economy moves back into growth. In 2011, some of this temporary funding is being used to provide extra support to jobseekers to secure employment and reduce benefit dependency.

Temporary increase in benefit budget to provide transitional protection for claimants moving from a more generous benefit on to Income Support £3.2 million

As part of the introduction of Income Support, it was agreed politically that households that received less benefit under the new system should receive some protected payments for a limited period to compensate for the loss of their previous benefit. The cost of this protection has reduced steadily since the beginning of Income Support. The original budget in 2008 was £9.7 million and this has now reduced to £3.2 million in 2011. It will be eliminated completely in the coming years.

Provision of pension contribution top-ups for lower and middle earners £15.4 million

The States Grant for supplementation is paid into the Social Security Fund and is used to supplement the contributions made by lower paid workers, to allow them to receive a full pension. The formula driving the exact cost of supplementation is specified in the Social Security law. Changes in the cost of supplementation in a given year will depend on the rise in the value of the pension, the change in the number of lower paid workers and the relative change in the value of their wages.

The Fund is currently receiving slightly more income than it spends in benefits and pensions each year - this is a deliberate policy that was agreed in the late 1990s to build up a surplus to help meet some of the cost of the increasing number of pensioners that will need to be supported in the future. At current contribution rates, the Fund will move into current year deficit within the next five years.

If the value of the grant were to be reduced, there would need to be either a reduction in the value of the state pension or an increase in the rate of contributions.

Benefit up rates in line with inflation £11.7 million

The Department receives an allocation each year in order to uprate benefit levels in line with inflation. For 2006 and 2007 this related to Parish Welfare and Social Security benefits that were replaced by Income Support. In addition to Income Support, the Department continues to provide a number of other benefits (Christmas bonus, TV licence benefit etc) which are uprated on an annual basis.

Increases to administration and Grants budgets in line with inflation £0.7 million

Increases in administration costs and the uplifting of annual grants during this 6 year period have been limited to an increase in £400,000 of staff costs and £300,000 in non-staff costs.

Increases in Residential Care funding to take account of ageing population pressures £ 8.2 million

The Department has been allocated additional funding in respect of the increasing costs of residential care, based upon cost rises experienced by Parishes, before Income Support was introduced. This cost pressure was a principal driver behind the change in the Parish Rates system. The Social Security Department is now preparing a contributory long-term care benefit which will transfer most of the cost associated with residential care to a ring fenced fund.

Additional funding proposed by Private Members' propositions £5.1 million

Since 2005, the Department has received additional funding as a result of Private Members' propositions. These include winter fuel payments (Senator Shenton), additional support for working aged adults either on the autistic spectrum or with learning disabilities (Deputy Gorst) and additional funding for Income Support and the GST bonus (Deputy le Fondre). In total these initiatives have added just over £5 million to the departmental budget.

Growth bids from the Council of Ministers £1.3 million

Since 2005, the Council of Ministers has supported successful bids for funding in three areas - a childcare support system for parents with less than five years residency, increased work incentives within the Income Support system and additional funding for the Jersey Employment Trust.

CSR savings for 2011 £1.9 million

The 2011 budget includes £1.9 million worth of CSR savings. The major items relate to a reduction in the level of Christmas bonus, reductions in benefit budget due to increased fraud prevention and detection and a freeze in the housing component of Income Support.

Current forecast

As was stated in the Draft Annual Business Plan for 2011, the Social Security Department has refined its forecasts to take account of the impact of the economic downturn.

As a consequence of actual results during the second half of 2010 and their impact on future periods, a revised forecast was reflected in the 2011 Budget agreed by the States at the end of 2010, indicating a reduced estimated spend of £170 million for 2011.