STATES OF JERSEY

MEDIUM TERM FINANCIAL PLAN 2016 – 2019 (P.72/2015): SECOND AMENDMENT

Lodged au Greffe on 16th September 2015
by Deputy G.P. Southern of St. Helier

STATES GREFFE

MEDIUM TERM FINANCIAL PLAN 2016 – 2019 (P.72/2015):
SECOND AMENDMENT

1 PAGE 2, PARAGRAPH (a)(i) –

After the words "as shown in Figure 18" insert the words "except that the intended total amount of States income shall be increased by the amounts in the following table by the introduction of a higher rate of income tax in the 2016 Budget for individuals whose income is greater that £100,000 per year to offset the 2016 financial impact (and the ongoing financial impact in 2017 to 2019) of not proceeding with the proposed savings in the expenditure of the Social Security Department shown –

	2016	**2017**	**2018**	**2019**	
(i)	–	£2,700,000	£1,500,000	£1,600,000	Retain Christmas Bonus
(ii)	–	£200,000	£100,000	£100,000	Keep TV Licence benefit open to new applicants
(iii)	–	£1,500,000	£1,000,000	£1,000,000	Apply index-linking to core components of Income Support
(iv)	–	£120,000	£180,000	£240,000	Maintain current Income Support disregard for pension income

2 PAGE 2, PARAGRAPH (a)(ii) –

After the words "Summary Table B" insert the words "except that the total amount of States net expenditure shall be increased in the years 2016 to 2019 by the amounts in the following table by not proceeding with the proposed 2016 savings (together with the ongoing financial effect of these savings in 2017 to 2019) in the expenditure of the Social Security Department as shown –

	2016	**2017**	**2018**	**2019**	
(i)	£1,300,000	£1,400,000	£1,500,000	£1,600,000	Retain Christmas Bonus
(ii)	£100,000	£100,000	£100,000	£100,000	Keep TV Licence benefit open to new applicants
(iii)	£500,000	£1,000,000	£1,030,000	£1,106,000	Apply index-linking to core components of Income Support
(iv)	£60,000	£120,000	£180,000	£240,000	Maintain current Income Support disregard for pension income

3 PAGE 2, PARAGRAPH (b)(i) –

After the words “Summary Table C” insert the words “except that the net revenue expenditure of the Social Security Department shall be increased for 2016 by the amounts in the following table by not proceeding with the proposed savings in the expenditure of the Department as shown –

	2016	
(i)	£1,300,000	Christmas Bonus retained
(ii)	£100,000	Keep TV Licence benefit open to new applicants
(iii)	£500,000	Apply index-linking to core components of Income Support for pensioners
(iv)	£60,000	Maintain current Income Support disregard for pension income

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

After 7 years of recession and an economy in which growth in jobs was dominated by low-paid work, the 2015 Budget, supposedly the third year of a Medium Term Financial Plan, saw a shortfall in tax revenues of around £70 million. In order to try to balance his Budget, the then Minister for Treasury and Resources, Senator P.F.C. Ozouf, proposed a series of one-off panic measures which cannot be repeated in coming budgets. He took all the savings and gambled on a recovery in interest rates in the near future. In the light of the current turmoil in the Chinese and other world markets, a rise in interest rates appears increasingly unlikely. The promise of medium-term planning rather than short-term annual tax and spending plans fell at the first attempt.

Little seems to have improved in the MTFP for the years 2016 to 2019. There is no evidence of any longer-term planning. Instead we are asked to approve tax and expenditure figures for 2016 alone, with only indicative forecasts for 2017 onwards. We have a two-stage short-term plan. Furthermore, the Council of Ministers promised no tax rises during the elections, but has manifestly failed to deliver. We are faced with a health charge to raise £35 million, and a sewage charge to raise a further £10 million by 2019. Note the use of the word “charge”. We have no indication of the form in which these 2 new taxes are to be imposed; that remains to be seen in stage 2 of this plan, although we are asked to accept the principle of £45 million of additional taxes, unseen, in 2015.

The Council of Ministers is ideologically driven to try to reduce the size of the state, which is seen as inefficient. Their mantra is public, bad; private, good. This enables them to campaign for taxes to be kept as low as possible. However, this low-tax, low-spend economic model is now under impossible strain. Reform Jersey argues that this model is in fact broken. It is broken because –

(a) the costs for an ageing society (pensions, medical and care costs) are rising: these costs will continue to rise, and must be met;

(b) the Ministers have deliberately transferred the burden of tax from companies to individuals (zero/ten, GST, 20 means 20).

The Council of Ministers fails to recognise that lower- and middle-earners have been subject to large-scale rises in taxation year after year for the past decade. The time has come to implement progressive changes to our tax structure. That is, the highest earners should be asked to contribute a little more to the increasing costs of caring for and protecting the elderly and the most vulnerable in our society.

The Council of Ministers instead proposes in the MTFP a programme of reductions to public services. In the words of the Treasurer –

> “**To reduce, cease or outsource public services**”.

Worse still, the MTFP contains proposals to cut £10 million from the protection in place for the poorest and most vulnerable in our community; those who have to rely on Income Support to live a moderately decent life.

Reform Jersey is committed to the protection of essential public services. In order to do this, we believe that the time has come to introduce a higher rate of income tax for all individuals earning over £100,000, and to use this additional tax revenue to prevent the proposed cuts to support for pensioners, single parents, children and the disabled contained in the MTFP.

The sums available to protect the support to the poor and vulnerable were revealed by an FOI request concerning the numbers paying income tax on earnings by earnings band. The original FOI request considered the income of personal tax entities (being single people, married couples or civil partnerships). The answer therefore reflected the income by tax entity and not by each individual.

Following a further request for a breakdown of income tax by individuals, the original analysis was re-run on 24th August 2015. The results are presented below.

Taking into account updates to the database, the total number of tax entities analysed below is 60,486.

Income Range by Individuals

Row Labels	**Single**	**Married Couples/ Civil Partnerships as individuals**		**Grand total**
		Self/1st Partner	**Wife/2nd Partner**	
Greater than or equal to £500k	51	139	6	196
£400k – £499k	22	75	7	104
£300k – £399k	36	107	14	157
£200k – £299k	109	321	34	464
£100k – £199k	594	1,418	196	2,208
£50k – £99k	3,277	3,962	1,409	8,648
less than £50k	33,447	13,462	14,792	61,701
No income	2,877	589	3,615	7,081
Grand Total	40,413	20,073	20,073	80,559

Please note the following:

- The top banding is for an income range >£500k and not >£1m as in the FOI answer. This is to protect individuals from the possibility of being identified due to the small numbers presented.
- The income and tax figures shown in the answer to the FOI request are inclusive of Taxed at Source (TAS) income. Due to the way this data is gathered, it is not possible to attribute this income to an individual within a married couple or civil partnership. TAS income is therefore excluded from the analysis shown here.

The following table gives the additional revenues generated by an increase in the tax rate from 20% to 25% on those individuals earning over £100,000 annually. For the sake of simplicity, the average income is taken as the mid-point of each income band. This measure has the capacity to generate some £17 million in additional revenue. Restricting the higher rate to, say, an additional 3%, generates enough revenue to replace the cuts proposed by the Minister for Social Security to reduce benefit support by £10 million.

Income band, £	**Average Earnings over £100k**	**Number of individual taxpayers**	**Additional tax revenues**
100k – 199k	£50k	2,208	£5.5m
200k – 299k	£150k	464	£3.5m
300k – 399k	£250k	157	£2.0m
400k – 499k	£350k	104	£1.8m
>500k	£450k	196	>£4.4m
	Total:	3,129	>£17.2m

MTFP – Pensioners

The proposals brought forward by the Minister for Social Security as a contribution towards the overall target of £145 million savings are undoubtedly an attack on the living standards of the poorest and most vulnerable in our society. What is worse, in the eyes of many, is the complete absence of sympathy and respect accorded to the elderly amongst us.

The Council of Ministers never ceases to remind us that we are an ageing society, and that we must ensure that we put in place the correct levels of support to properly care for the well-being of our senior citizens. And yet, here in these proposals, we can find at least 4 changes which will reduce the incomes and living standards of our pensioners.

The 4 changes are as follows –

- closure of the Christmas Bonus
- closure of TV Licence benefit to new entrants
- replacement of fixed disregard with percentage for pension income under Income Support
- freeze Income Support components.

The Minister for Social Security plays down the impact of these measures when she states that *"these measures play **only** a small part of the £145m target"*. She also assures us that she wishes to ***"minimise the impact on individuals"***, but whilst £10 million of savings may appear small in the overall picture, on an individual basis, as we shall see below, the impact on some will be marked and serious.

(i) Christmas Bonus

The Christmas Bonus currently stands at £83.73 and is paid to some 18,000 individuals. The Christmas Bonus costs £1.5 million to deliver. The Minister proposes to divert £200,000 to the 65+ health scheme, thus saving £1.3 million from the closure of the Christmas Bonus.

The Christmas Bonus has been in place since 1991, and there have been 2 attempts to limit its value and scope: in 2004 (P.55/2004 – Draft Christmas Bonus (Amendment No. 2) (Jersey) Law 200-) and 2011 (P.43/2011 – Draft Christmas Bonus (Jersey) Law 201-), both as a result of comprehensive spending (CSR) reviews. The reports attached to those proposals are to be found in **Appendices 1 and 2** to this report.

The first sought to put an income bar on the Bonus, saving some £300,000 per year, but requiring additional administrative staff. The second reduced both the eligibility, taking some 450 persons out of the scheme, and the level of the Bonus, down to £78 in 2011.

Members will note that under the new Law, almost all claims are paid automatically, already minimising administration costs.

The Minister for Social Security obviously recognises that the scrapping of the Christmas Bonus for pensioners is the most controversial of her changes in the MTFP. She has therefore added to this move a compensatory action to re-invest some £200,000 in the over-65 health scheme. In doing so she misses the point. Not only is this a derisory improvement, returning to some pensioners as it does a mere 13% of that which has been taken from all, it is not the correct reform that is needed in the scheme.

The problem with the 65+ health scheme is that the costs of medical and dental treatment have to be paid upfront by the pensioner and then reclaimed. Of course many pensioners do not have sufficient savings to allow them to do this. If the Minister really wanted to improve the scheme, she would arrange for the direct payment of bills from a central fund, to be topped up from contributions. It is illuminating that consultation over the coming months on the changes to the 65+ scheme should be on offer now, but there has been no such offer over the changes to the Christmas Bonus.

In dealing with the Christmas Bonus in only one side of A4 (in a report which is 31 pages in length) the Minister reveals an "accountant's" approach to the subject of benefits. The move may deliver £1.5 million in savings, but the Bonus is seen by the vast majority of the community, rich and poor alike, as a symbol of the way in which a government can demonstrate it really does care for its elderly. Its value goes far beyond the monetary cost of the award. The community is justly proud of this generosity.

The Minister makes much of the demographic change we are undergoing, but goes too far when she projects a 65% increase in pensioners over the next 20 years. This may be so, but we are only dealing here with a plan for the next 4 years, during which the dependency ratio only rises by 1%. The time to discuss the extreme projections covering the coming 20 or 40 years is during a major debate on population, migration and the economy; not here as a short-term panic measure to save money.

The Minister then goes on to suggest that the vast majority of pensioners have no need of the Christmas Bonus. We are told (in bold) that only 2,000 of some 17,500 pensioners claim income support and therefore "rely on the one-off payment to meet the costs associated with Christmas". But this bold statement reveals only part of the full picture.

To start with, we have no understanding of how many pensioners have failed to register for Income Support through pride or refusal to complete 26 pages of an extremely intrusive means test. The figure quoted, suggesting that only 11% of pensioners would have problems dealing with the extra costs of Christmas, does not in any way match those contained in the most recent Income Distribution Survey (IDS) 2009/10.

The distribution of households whose income is below the relative low income threshold shows that pensioner households are disproportionately represented:

In particular, whilst around one in ten (11%) Jersey households are pensioners living alone, nearly a third (31%) of households in relative low income before housing costs are pensioners living alone.

There is a similar over-representation of pensioner couples in the relative low income group before housing costs, with one in ten (11%) of all households overall being pensioner couples, compared to one in five (20%) of relative low income households.

Table 12 on page 21 of the IDS report most dramatically illustrates the impact of housing costs, in particular on relative low income amongst pensioners:

Table 12: Percent of households in "Relative Low Income" in Jersey, before (BHC) and after (AHC) housing costs, by household type

	BHC	**AHC**	***Proportion of total households in Jersey***
Single parent at least one dependent child*	20	51	*6*
Person living alone (pensioner)	***41***	***46***	***11***
Person living alone (non-pensioner)	11	25	*17*
Single parent with all children over 15yrs	10	10	*3*
Couple (both pensioners)	***27***	***23***	***11***
Couple at least one dependent child*	7	15	*21*
Couple with all children over 15yrs	7	11	*6*
Couple (one pensioner)	***14***	***12***	***4***
Couple (not pensioners)	6	10	*18*

Two-fifths (41%) of pensioners living alone are below the relative low income threshold before housing costs, and this increases to nearly half (46%) when housing costs are taken into account.

While we wait to see what the updated figures reveal in the new Income Distribution Study 2015, which is due to be published by the end of the year, it is clear that the picture painted by the Minister for Social Security of pensioners living in luxury is far from accurate.

The above data gives an estimate of the number of pensioners in relative low income (below £400 per week BHC and £313 AHC in 2009/10), while not identical with Income Support thresholds, of some 6,000 rather than 2,000 pensioners likely to need extra help at Christmas.

The removal of the Christmas Bonus costs £1.60 in weekly terms.

(ii) Closure of TV Licence benefit to new entrants

This measure seems not to fit into any of the 3 objectives set out by the Minister for her changes. It cannot be said to promote financial independence, nor does it improve targeting, as it is already sharply focussed by an income cap fairly tightly set at £16,070 for a single pensioner and £26,170 for a couple. It is further targeted by age, being only open to those over 75. The combination of these 2 measures means that this benefit is restricted to around 2,000 pensioners out of 7,700 over-75s; or 16,700 over-65s, so it cannot be said to spread the impact on individuals.

Once again, however, the spectre of the ageing society is raised and we are threatened with an increase over the next 20 years to £0.5 million from £0.3 million currently. This appears only to be justified by the criterion of asking: *"What benefit would we not introduce today?"*. Instead, it appears to fit in the category: *"How can we reduce the benefits bill with the least resistance?"*.

A free TV Licence (£145.50) equates to a weekly sum of £2.80.

(iii) Failure to index/freeze Income Support components

The following figures apply to all those households in receipt of Income Support, and not just the 1,692 pensioner households who make up the least well-off in society. Like any benefit or fiscal measure, Income Support's effectiveness depends on 2 things –

(a) the level set initially and

(b) maintaining the correct level by proper indexing to avoid 'fiscal drag'.

As is shown in **Appendix 3**, in October 2008, the 4 basic components of Income Support were set as follows:

2008	Adult	£89.32	Single parent	£128.92	Child	£60.27	Household	£45.71
2015	Adult	£92.12	Single parent	£132.12	Child	£63.98	Household	£51.31
% change		3.1%		2.5%		6.0%		12%

Over this 7 year period, average earnings have risen by 12% and the RPI has risen by 13.5%. Only the household component, of the 4 core components, has matched the RPI. The other core components have been reduced significantly in purchasing power. To put it another way, to restore the purchasing power of the worst-off pensioners on income support to what it was in 2008, the adult component, if properly indexed, should have been raised to £98, not £92. The value of income support has markedly reduced.

The Minister now wishes to freeze the value of the core components at the 2015 level. Only the adult and household components totalling some £140 per week apply to pensioners. Using the economic assumptions contained in the MTFP, which has RPI at 3.1% in each year, the plan to freeze the core components for the years 2016 and 2017 of the MTFP will result in pensioners in need of income support being some £9 per week worse off by 2018, as they see the value of their core components eroded.

(iv) Change from fixed to percentage disregard for pensions

The proposed change to the disregard for pensions is justified, according to the Minister, as an incentive to promote financial independence, and in theory it does. But this measure shows how distanced she is from the real world. By increasing incentives to save for retirement through, say, an occupational pension scheme, the Minister assumes that such schemes are in place and will continue to be available to all workers. This is simply not the case, as more and more employers take the opportunity to reduce the value of occupational pension schemes, if not scrap them altogether. Let us examine this proposal to see what it means in real terms for our current and future pensioners.

The Minister proudly announces on page 2 of her report that ***"The old age pension has been protected".*** Well it has been protected for some, but not all. Its value has been reduced for many.

The full States pension for a single person is £197.40; and for a married man (if married before 2001) is augmented by £130.34 to £327.74. These figures will rise by the June Average Earnings Index by 1.8% in October of this year.

Only some 4,000 or so out of 17,000 Jersey resident pensioners receive a full pension. The average pension payment is around £143 weekly (2013 DSS report). Any single pensioner or pensioner couple wholly reliant only on the States pension at the full rate is eligible to apply for Income Support.

Currently there is a fixed sum disregard for income from pensions of £55.23 for the first pensioner and £35.77 for an additional pensioner. After applying these disregards, a pensioner couple in a rented one-bedroom flat will receive a top-up payment from Income Support. A single pensioner in a bedsit would receive around £120. The “average pensioner” referred to above, reliant on a States pension of around £140, can expect a top-up from Income Support of around £200 weekly to support herself.

Under the Minister’s change, the disregard becomes a percentage and not a fixed sum. That percentage is set at the same level as earned income, that is, 23%. For a single full pension that becomes a disregard of around £46, and for an additional pensioner, an extra £30. These disregards leave those pensioners with the least income, i.e. those needing Income Support benefit, worse off by £9, or £15 weekly where there are a couple with an additional pension.

With the average “other” income into pensioner households (almost entirely made up of income from pensions) standing at only £215 per week (*see* R.123/2014 – Social Security Department: Minister’s Report and Financial Statements – 2013, Table 29, shown below), this suggests that significant numbers of these poorest pensioners will be made worse off by the change, whereas it is those who are better-off that will benefit.

Table 29 indicates the average weekly income received from Income Support and from other sources for each of the household types at the end of 2013, as well as the percentages of the Income Support households that are wholly reliant on Income Support.

Household Type	Average Income Support Benefit £	Average Other Income £	Average Total Income £	Percentage of Households wholly reliant on Income Support
65+	£172	£215	£387	1%
Adult/s without children	£174	£134	£309	32%
Adults with child/ren	£288	£402	£690	6%
Single adult with child/ren	£345	£193	£538	17%
Total	**£218**	**£205**	**£422**	**17%**

Table 29: Total average (mean) weekly income based on claims as at 31 December 2013

Thus, if we examine the example given in the report (section 4.4.3, page 22), if person A is fortunate enough to work for a series of employers with occupational pension schemes, so that he has an additional £100 weekly pension, he will be better-off by an additional £12 per week under Income Support than person B, who may well have done similar work throughout his life, but for different, less generous, employers with no pension scheme in place.

This change to the pension disregards does the opposite of targeting benefits on those most in need. To claim otherwise, as section 4.4 appears to, is simply misleading.

This measure applies only to new recipients of pensions, either because they are pensioners – there are some 120 of these who are eligible for Income Support – or because they are of pensionable age already and new applicants for Income Support – there are around 80 of these per year. Using the average pension income figure of £215, this means that some 200 new applicants will lose around £5.50 per week in disregard, on average. This will produce a small (200), but growing, saving to the department of around £60,000 annually.

Financial and manpower implications

This amendment is designed to be financially neutral, with the additional costs of not proceeding with the savings proposed by the Minister for Social Security from 2016 being met by the introduction of a higher rate of income tax for individuals earning over £100,000 per annum. There are no manpower consequences.

APPENDIX 1

P.55/2004 – Draft Christmas Bonus (Amendment No. 2) (Jersey) Law 200-

REPORT

The ability of the Employment and Social Security Committee to pay a Christmas Bonus is governed by a small piece of legislation, the Christmas Bonus (Jersey) Law 1991. Prior to 1991, a Christmas Bonus was paid through triennial Regulations. The current Law, for example, has no subordinate legislation attached to it, and so even minor changes to the scheme involve amendments to primary legislation.

Christmas Bonus is a non-contributory benefit but eligibility is linked to the receipt of existing benefits (contributory and non-contributory). The scheme is totally funded from General Revenues and there is no income bar or means test like other non-contributory benefits. The Employment and Social Security Committee is resolved to target general revenue benefits to those most in need, and as with other benefits, including those for people with disabilities, it believes that an income bar should be introduced. The current legislation does not allow for this, and so one of the amendments to the Law is to give power to the Committee to set an income bar through Regulations. Other methods of targeting were reviewed by the Committee but the income bar was considered to be the most appropriate and least costly method of administering a targeted benefit consisting of a one-off annual grant.

The Committee is not proposing the actual levels of the income bar at this time. This will be done if the States agree in principle to the introduction of the income bar and after more analysis of the Income Distribution data to determine the appropriate level. At this stage however, the Committee propose that there should be 2 levels: one for a lone householder and a higher income bar for couples.

A second amendment is also being proposed by the Committee in relation to the amount of the allowance and, importantly, how the benefit is increased each year. At present the bonus rate is automatically increased each year by the mid-point between the Earnings and Cost of Living indices and so there is no mechanism to vary the rate of the allowance, up or down, to cover specific hardship for example.

In 2003 there were 17,763 Christmas Bonus beneficiaries, the majority of which were pensioners, with payments totalling £1.255 million.

The financial implications are a net saving of £300,000, and an additional 0.75 F.T.E. to administer (being 3 additional full-time posts for 3 months of the year).

European Convention on Human Rights

Article 16 of the Human Rights (Jersey) Law 2000 will, when brought into force by Act of the States, require the Committee in charge of a Projet de Loi to make a statement about the compatibility of the provisions of the Projet with the Convention rights (as defined by Article 1 of the Law). Although the Human Rights (Jersey) Law 2000 is not yet in force, on 11th March 2004 the Employment and Social Security Committee made the following statement before Second Reading of this projet in the States Assembly –

In the view of the Employment and Social Security Committee the provisions of the Draft Christmas Bonus (Amendment No. 2) (Jersey) Law 200- are compatible with the Convention Rights.

Comments

The Finance and Economics Committee supports the proposed Amendment as it is in accordance with the decisions taken within the 2004 Fundamental Spending Review process and subsequently endorsed by the States within the agreed 2004 Budget debate. The Committee supports the proposal as it is consistent with the policy of directing scarce resources towards those in most need in the Island.

The Committee also notes that additional manpower is required for the increased administration of the income bar. The Finance and Economics Committee would expect this manpower requirement to be found from the existing seasonal staffing arrangement of the Employment and Social Security Committee.

APPENDIX 2

P.43/2011 – Draft Christmas Bonus (Jersey) Law 201-

REPORT

Background

The Christmas Bonus Law provides an annual payment in December to individuals who satisfy certain criteria. In 2010 the full value of the bonus was £97, with a reduced bonus of £87 paid to individuals who also received the U.K. Christmas bonus of £10. 18,927 persons received a Christmas bonus last year, at a total cost of £1.74 million.

As part of the Comprehensive Spending Review process for 2011, the Minister for Social Security proposed to limit the eligibility criteria for the Christmas bonus (SS-S8) to create a saving of £439,000 in 2011.

During the Annual Business Plan debate, the States approved an amendment brought by Senator Le Gresley (P.99/2010 – 6th amendment). The amended proposal, as approved by the States, is that the Christmas bonus should no longer be paid to –

- Individuals living outside Jersey;
- Individuals living in Jersey who currently only qualify on the grounds of residency and age (i.e. they do not receive any qualifying benefit such as old age pension).

However, in order to maintain eligibility to other individuals aged below 65, it was also agreed that the value of the Christmas bonus should be reduced to –

- £78 in 2011
- £80 in 2012
- £82 in 2013.

In addition to pensioners aged 65 and above, the Christmas Bonus will continue to be payable to –

- Women in receipt of a pension with a pension age of 60, aged 60 to 64
- Pensioners who have opted to take a pension at the age of 63 or 64
- Individuals aged below 65 receiving a Survivor's Allowance or Survivor's Pension
- Individuals aged below 65 who receive Invalidity Benefit
- Individuals aged below 65 with a 100% award for Long Term Incapacity Allowance
- Individuals of any age receiving Invalid Care Allowance
- Individuals of any age receiving Income Support and a personal care component (level 2 or level 3).

Revised Law

The Christmas bonus is administered through the Christmas Bonus (Jersey) Law 1991. In order to remove eligibility from the 2 groups set out above, changes are required to this Law.

The existing Law does not include a right of appeal to an independent tribunal. Rather than make extensive amendments to the current Law, a new Law has been prepared. The draftsman's Explanatory Note sets out the detail of the new Law.

The Social Security Department administers 3 similar benefits which provide an annual lump sum –

- TV Licence Benefit – £145.50 in 2010 paid to individuals aged over 75 subject to income and other conditions
- Food Costs Bonus – £153.60 in 2010 paid to households subject to income tax, income support and other conditions
- Christmas Bonus – £97 in 2010 paid to individuals satisfying benefit, residency and age conditions.

The provisions within the new Christmas Bonus Law now provide for the re-determination of claims, independent appeal rights and penalties which are similar to those included in the Social Security (Television Licence Benefit) (Jersey) Law 2006. The Food Costs Bonus triennial Regulations which are planned to be renewed in July 2011 will also include similar provisions.

In summary, these provisions allow for a decision in respect of the payment of a benefit to be challenged by a claimant within a set timeframe. The decision must then be reviewed by a second officer within the Department. If the claimant remains dissatisfied with the second decision, there is a right of appeal to an independent tribunal. Offences committed in respect of these 3 benefits will carry a penalty of up to 2 years' imprisonment or an unlimited fine.

The new Law includes a requirement for the Minister to publicise the payment of the bonus each year. Almost all claims are paid automatically, and the public notice will ensure that anyone who does not receive an automatic payment is able to make a claim at the correct time.

In line with Senator Le Gresley's amendment, the value of the Christmas bonus is reduced from its 2010 value and is set for the next 3 years. From 2014 onwards, the value of the Christmas bonus will revert to a formula in which it is adjusted according to the midpoint between the June Retail Prices Index and the Average Earnings Index for that year.

Financial and manpower implications

There are limited manpower considerations – under the current Law, individuals who do not receive a benefit from the Social Security Department can apply for Christmas bonus, if they satisfy age and residency conditions. These applications are currently processed manually. This group (approximately 450 individuals in 2010) will no longer be eligible for the Christmas bonus and there will be a reduction in administrative overhead. Under the new Law, almost all claims will be paid automatically, minimising administration costs.

It is estimated that approximately 18,000 individuals will be eligible for the Christmas bonus in 2011 and the bonus will be paid at a maximum rate of £78 per person, a total estimated cost of £1.32 million. This sum is allowed for within the departmental cash limits, taking into account the approved CSR saving.

APPENDIX 3

INCOME SUPPORT RATES AT OCTOBER 2008

Rates for basic components

The rates payable for the basic components under Article 5(2) of the Law are –

(a)	under Article 5(2)(a) of the Law (adult rate)	£89.32
(b)	under Article 5(2)(b) of the Law (single parent rate)	£121.94
(c)	under Article 5(2)(c) of the Law (child rate)	£60.27
(d)	under Article 5(2)(d) of the Law (household rate)	£45.71

Adults and children

For each adult and child in an Income Support household, a fixed sum of money is paid to cover personal costs.

Component type	**Weekly rate £ (from 7th April 2014)**
Adult	£92.12
Single parent	£132.51
Child	£63.98
Household (if you rent or own your home)	£51.31