STATES OF JERSEY

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MEETING THE COST OF WELFARE IN 2004– 2005

Lodged au Greffe on 8th July 2003
by the Connétable of St. Helier

STATES GREFFE

PROPOSITION

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

to agree that the cost of native welfare, including administration, for the Parishes' 2004 to 2005 financial year, and thereafter, should be met by the States, and to request the Finance and Economics Committee to take the necessary steps to remit the appropriate sums annually to the Parishes from the end of that financial year, which is 31st May 2005 in the case of the Parish of St. Martin and 30th April 2005 in respect of the other 11 Parishes.

CONNETABLE OF ST. HELIER

Note: The Finance and Economics Committee's comments are to follow.

REPORT

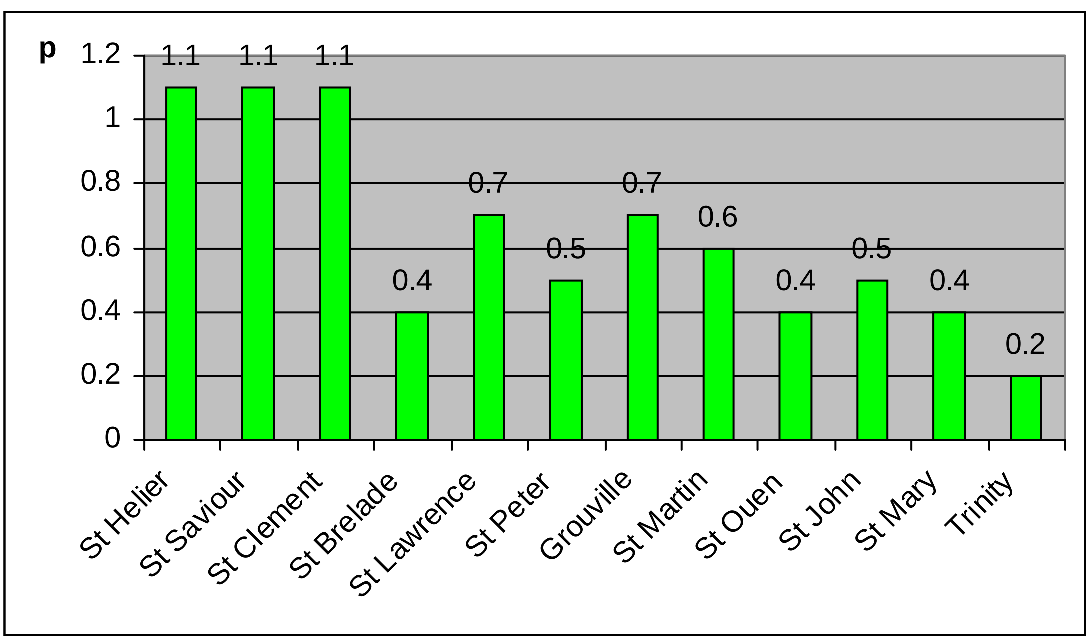
This Proposition has been revised from that lodged on 24th June, i.e., removing the reference to ‘quarterly’ payments to the Parishes so that the full extent of the liability for native welfare is known before the first payments are made, and changing the wording to seek a permanent solution to the problem rather than only focussing on a single financial year. I have also taken the opportunity to amplify the original report, and to clarify certain matters raised in it.

At the outset I want to state that the purpose of the proposition is to ensure that the burden of funding native welfare payments is transferred from the ratepayers to the taxpayers of the Island from no later than the next parochial financial year, 2004 – 2005. This does not mean that certain costs should not be passed the other way, from the States to the Parishes, as envisaged in the draft proposals of the States/Parishes Working Group: if the proposition is accepted the States will have until mid-2005 to ensure that the mechanisms to effect such a transfer of costs are put in place. I do not seek to undermine the good work done by the States/Parishes Working Group, of which I am a member. However, as Constable of the Parish which shoulders more than half of the native welfare burden, I believe that it is incumbent upon me to ask the States to accept a deadline lest the timescale for reform which has already slipped from 2004, slips further into the future.

The arguments for transferring the cost of native welfare from the ratepayers of each individual Parish to the taxpayers of the Island are set out in the Phase 2 Report of the States/Parishes working group. The States currently fund ‘non-native’ welfare costs (c.£4 million in 2002/3) while the Parishes fund ‘native’ welfare (more than £6 million in 2002/3). These costs were 19% higher than the previous financial year and are set to escalate in the current year, particularly in respect of residential care costs, but also as increasing numbers of unemployed persons are claiming welfare.

This proposal has met with little opposition during the course of the consultation over the group’s proposals. Indeed, the key question posed in the course of the Group’s extensive consultation period has been, ‘Should the States pay for all welfare?’ to which the answer has been a resounding, ‘Yes!’

Clearly the native welfare burden falls unequally on the ratepayers of those Parishes where the States’ strategic policies have chosen to concentrate social housing, housing for the elderly and residential care homes. Few would claim that it is fair that the ratepayers of 3 Parishes should be contributing 1.1p of rate to native welfare, or 75% of the native welfare bill, while the ratepayers of Trinity, for example, pay just 0.2p, as the following table shows –



2001/2 Welfare rates per quarter

'It is not equitable that the cost of providing financial support to a proportion of the Island's population should be funded by ratepayers. The original principle underlying welfare was that the better off inhabitants of a Parish should help to support those suffering financial hardship. This was a primitive form of means-tested support when only wealthy landowners paid Parish Rates. However, now all owners and occupiers of property are liable to Rates. Whilst some of these individuals may be 'wealthy' or 'rich' the vast majority will not be.' (p.12)

The Report goes on to state that, 'The States has a wider taxation base than the Parishes from which to meet significant cost increases. Income tax is paid according to wealth, and a transfer of funding all welfare from tax revenues would be more equitable, since it would require those earning the most to contribute towards the welfare costs. The States should tackle the rising cost of welfare, and residential care in particular, via targeted strategic policies.

The Parishes have no control over residential care payments, which now account for 50% of the 'native' welfare costs incurred by them. The Parishes are not responsible for the policy of care for the elderly or the placement of individuals in care homes. Put simply, if a resident of a Parish is admitted to a care home and they are a 'native', then the Parish must meet the cost of the fees paid to the home (net of any pension the elderly person receives). The cost of residential care for just one individual could be as much as £20,000 per year. It is almost impossible for Parishes to budget accurately for the cost of residential care. The admission of one or two additional Parishioners into care homes could make a significant dent in the budget of the smaller Parishes.' (p.12 and 13)

The recommendation of the group is stated clearly –

The Steering Group considers it is inappropriate for the cost of 'native' welfare to continue to be met by the Parishes. The rising costs, particularly those associated with care of and support for the elderly, need to be addressed as part of a comprehensive, targeted States strategy. It is therefore recommended that 'native' welfare costs (estimated to be around £7 million in 2002-3) should be transferred to the States.

The Report goes on to identify a 'quid pro quo' in the section 'Balancing the books', that is to say, the infrastructure costs such as the maintenance of main roads which it is recommended should be billed equally to the ratepayers of the Island. While the ratepayers of the Parishes currently carrying 75% of native welfare costs stand to benefit under such a proposal, and all ratepayers should be better off given the volatility of welfare expenditure, it requires a number of mechanisms for this to be practicable, including a new commercial rate, a domestic Island-wide services fund controlled by a Conseil des Connétables, and so on.

Such mechanisms cannot be introduced in a hurry. I share the enthusiasm of my colleagues on the Working Group to see a package of proposals implemented but there can be no doubt that such radical changes in our system of local and central government will take a great deal of further work before they can be realised. However, there is a hurry to bring fairness into the arena of funding native welfare. In September 2000 an alternative proposal (P.164/2000) was brought forward by the Comité des Connétables to equalise the welfare burden across the Parishes with every Parish contributing in proportion to their total quarters. At the time it was stated that in 1999 'the Comité was considering what action could be taken to reduce the welfare burden on some Parishes and hoped to bring recommendations for change to the States later in 2000.' Legitimate delay had already been introduced into the process through the work of the Grimes/Blampied investigation into the cost of native welfare in 1998/9. But having reached the end of a further exhaustive examination of the issues, we are actually no closer to removing the welfare burden, and, therefore, the ratepayers of St. Helier, St. Clement and St. Saviour are expecte to continue to fund three-quarters of the Island's native welfare costs. There is certainly a risk that without the 'penalty clause' which this proposition offers, the States will allow other priorities to deflect them from this essential task.

It has been suggested that the proposal for the States to guarantee to meet the full costs of welfare for the next financial year and beyond will make the package of measures proposed by the Working Group unachievable. That is not my intention, nor do I see it as an outcome should my proposition be successful. I want the proposals outlined in the Working Group's report to succeed as much as anyone, but also have to re-express the intense frustration felt by many ratepayers over the many years of delay in solving this problem.

There is no need for the States to start paying for the preceding year’s welfare in mid-2005 without receiving something back from the Parishes. By the same token, the Parishes will not be in a position to offer the ratepayers a ‘bonanza’ for the next financial year. If the proposition is accepted it will apply the minds of the Policy and Resources and Finance and Economics Committees to make sure that the ‘quid pro quo’ is sorted out in short order. It will become their top priority, as it ought to be.

I have been criticised for lodging this proposition instead of ‘entering into a dialogue with the Finance and Economics Committee’. But the time for talking about the welfare burden is over: I took part in the States/Parishes Working Group, back in January 2002, in good faith, reassured that I would be able to look my ratepayers in the eye in July 2003 and be able to show something concrete in this respect, whereas what we are now being told is that dealing with the unjust welfare burden ‘cannot’ be achieved until 2005 at the earliest, that is to say, they must endure this worsening situation for at least a further two years, and even then, with no guarantee that relief will come.

In the current economic climate it seems likely that the welfare burden which has increased from £6.3 million to £7.3 million during the Parishes’ last financial year alone, will continue to increase, and probably at a faster rate during the current financial year. To counter this effect it was proposed by a number of my fellow Constables to request the States to pay the difference between the welfare cost each year, beginning by comparing the native welfare bill of the year just past 2002/3 with the current financial year 2003/4 (estimated to be in region of £1.5 million). However, it was pointed out that this could not reasonably be requested to take effect until the 2004/5 financial year given that States’ cash limits have been accepted for 2004. It would therefore mean proposing that the States agree to pay the Parishes in mid-2005 the difference between the welfare payments of 2003/4 and 2004/5, which is clearly an unknown quantity and one, I suggest, which would not offer much light at the end of the tunnel for the ratepayers of Jersey.

Therefore, in my view, the States should accept a deadline: in a year’s time, mid-2004, if my proposition is accepted, ‘the meter will start running’; in mid-2005 the States will be required to shoulder the burden that is theirs, logically, morally and philosophically, by paying to the Parishes the native welfare costs for the past financial year. If the relevant Committees move quickly in the meantime there is no reason whatsoever why the Parishes should not at the same time take on a new set of responsibilities which can be more logically and efficiently delivered at the parochial level.

There are no manpower implications in this proposition; the financial implications are in the region of £8 million in the Parishes’ 2004/5 financial year, depending on the number of native persons qualifying for assistance at that time. However, these could and should be mitigated by the transfer of appropriate costs back to the Parishes.