

Cost of Living Mini-Budget 2022 Review

Corporate Services Scrutiny
Panel

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States of Jersey
States Assembly



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Chair's Foreword



Jersey is in the midst of a cost-of-living crisis.

Many Islanders are seeing their day-to-day costs increasing at rates which their incomes are not keeping up with. States Members regularly hear from our constituents about the struggles they are facing. It is vital that action is taken to address this.

The Government must therefore be commended for acting quickly after the election to put a package of measures together as a response to this. There is no doubt that many households will find themselves better off than they otherwise would have been, as a result of the proposals in this Mini Budget.

However, having been produced at speed, it was right that these proposals were properly examined to ensure that they represented the most effective action that could be taken. In particular, it was important to test whether the measures are well targeted towards those who need help the most.

This Scrutiny Panel acted quickly to establish a review to examine the proposals. We engaged directly with the public on the street, running stalls in town, as well as an online survey. We are also extremely grateful for the response from organisations such as charities, business representatives and trade unions.

We have made recommendations which we hope will be accepted as constructive.

It must be said that it was disappointing that Ministers did not appear able to justify how these measures would impact on inequality in Jersey. The issue of growing inequality in our community is one which the Corporate Services Scrutiny Panel will not let fall off the agenda. Ministers must be better prepared to take questions on this subject in future.

I would like to thank my fellow panel members, Deputies Carina Alves and Max Andrews, as well as Deputy Geoff Southern who was co-opted onto the panel for this review. Our officers also deserve commendation for their dedicated work throughout the summer.

A handwritten signature in black ink, appearing to read 'Sam Mézec', written over a horizontal dashed line.

Deputy Sam Mézec

Chair of the Corporate Services Scrutiny Panel

Executive Summary

The Cost-of-Living Mini Budget Review was established by the Corporate Services Scrutiny Panel (the Panel) to scrutinise proposals of the Mini Budget ([Proposition R.80/2022](#)) lodged by the Council of Ministers on 2nd August 2022 for debate in the States Assembly on 13th September.

The Panel's report considers the Government's decision-making by appraising how proposed measures were informed and evidenced; the consideration of other options by Ministers; and the alignment to other Government principles and policy. The report subsequently evaluates the adequacy of the Mini Budget proposition to address the specific needs of Islanders and business including low-income families, students, pensioners, carers, children, lowest earners and small businesses. The final sections of the report consider the implementation of measures and the financial implications and whether they are realistic and effective.

The Panel wrote to the Minister for Treasury and Resources and the Minister for Social Security on two occasions and held a public hearing with them to obtain their views and policy position on this issue. Many of the findings and recommendations which the Panel has made in the report are directly related to those meetings and the information provided.

The Panel members also engaged with the public on social media and were able to receive a range of comments and written submissions from Islanders, businesses and key stakeholders on the proposed budget. The evidence received is published on the Panel's section of the States Assembly [website](#).

The Panel's findings of the proposed Mini Budget highlighted;

- minimal stakeholder engagement by Government;
- that data gaps led to assumptions being made on measures proposed by Ministers;
- a lack of data specific to income deciles and implications on the inequality of income and wealth in the Island;
- that there was no Children's Rights Impact Assessment completed for proposed measures;
- that the package of support focussed on indirect payments which will not primarily assist the most vulnerable households hardest hit by cost-of-living crisis;
- that other support measures considered by Council of Ministers, to inform decision making, were not placed into public domain; and
- that Ministers must provide business cases for cost-of-living support specific to their department for Council of Ministers' consideration and some are still to be provided.

The Panel proposed six recommendations to the Council of Ministers. The recommendations request:

- that stakeholder consultation which informs decision making is made publicly available;
- clarification on the Government's alignment to the UN Convention on the Rights of the Child;
- identification of accurate and suitable real time data to evidence proposed support measures and their impact on income equality;
- a timeline to the implementation of the Fair Rents Plan and whether it should be expedited or amended to alleviate the crisis;
- clarification on the overall financial investment required in resources (manpower, marketing, equipment etc) to deliver the measures proposed; and
- that additional progressive measures must be considered in Government Plan 2023-2026.

Findings and Recommendations

Key Finding 1



Government consultation with stakeholders occurred on an informal basis and involved only two representative organisations specific to business and the charitable sector. No clarification has been provided to confirm how stakeholder consultation informed decision making in the proposition.

Key Finding 2



91% of Islanders engaged with the Spend Local scheme when it was utilised as a fiscal stimulus measure during the COVID-19 pandemic. However, the re-using of Spend Local cards was discarded by the Minister for Social Security in the package of measures as it would take a period of up to 6 months to implement.

Key Finding 3



No Children's Rights Impact Assessment ['CRIA'] has been completed for the measures proposed. Although there is currently no legislative requirement to prepare a CRIA the Island is aligned to the principle of the UN Convention on the Rights of the Child (UNCRC).

Key Finding 4



The Minister for Children and Education is responsible for providing the business case to secure additional financial support for students in response to the cost-of-living crisis. However, no such business case has currently been provided to the Council of Ministers.

Key Finding 5



The proposition provides no tangible action by Government to reduce inflationary pressures in the rental market as it only encourages landlords to avoid inflationary increases to rent.

Key Finding 6



Despite numerous requests in writing and at the public hearing, no clarity on the impact of the measures on income inequality was provided.

Key Finding 7



The package of measures is focussed on indirect payments and not direct payments and is therefore not progressive and will not primarily assist the most vulnerable households hardest hit by this cost-of-living crisis.



Key Finding 8

The absence of real time data resulted in the use of assumptions when developing the support measures.



Key Finding 9

The Government Plan 2023-26 may contain additional measures to assist with the cost-of-living crisis. However, no detail has been provided to the Panel.



Recommendation 1

The Council of Ministers must ensure that reference is specifically made to stakeholder consultation and how it has informed decision making in relevant propositions, to support transparency within the States Assembly.



Recommendation 2

The Council of Ministers must provide an abridged statement to clarify what consideration was given in the proposition to Children’s Rights and the impact on children, to demonstrate alignment to the UN Convention on the Rights of the Child (UNCRC).



Recommendation 3

The Council of Ministers must consider the timeline to implement the Fair Rents Plan and examine whether it should be expedited or amended to prioritise the cost-of-living crisis.



Recommendation 4

The Council of Ministers must identify and access accurate and suitable real time data when evidencing proposed support measures.



Recommendation 5

The Council of Ministers must clarify the overall financial investment required in resources (manpower, marketing, equipment etc) to deliver the measures proposed in advance of the debate of the proposition.



Recommendation 6

The Council of Ministers must consider additional progressive support measures such as targeted one-off payments which could include food or energy vouchers, to ease the costs of living crisis for low-income households, pensioners, students and small businesses in the Government Plan 2023-26.

Introduction

Background and Context

1. The Covid-19 pandemic and the Ukraine crisis have caused a shift in the macroeconomic¹ landscape worldwide. Disruptions to global supply chains have resulted in rapid increases in prices which have transformed a calm economy of low volatility, low interest rates with positive returns and predictable monetary policies into one with higher inflation, more volatility and less certainty.
2. This has resulted in a fall in 'real' disposable income for Islanders which is predominately caused when high inflation outstrips wages, benefits and taxation increases and affects the affordability of goods and services across society. It is likely that low-income households will be hardest hit by the cost-of-living crisis.
3. As part of the Chief Minister's 100 day plan, [the Cost of Living Mini-Budget \(P.80/2022\)](#) was lodged on the 2nd of August 2022 to address the cost-of-living crisis. The proposition includes a suite of proposed taxation and social security measures to deliver targeted support to Islanders including -
 - a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023;
 - b) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate;
 - c) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50.
 - d) setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments, regardless of temperature, for the winter months (October 2022 to March 2023 inclusive); and
 - e) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023.
4. The Corporate Services Scrutiny Panel (hereafter 'the Panel') launched its Cost-of-Living Mini Budget Review (hereafter 'the Mini Budget') on the 4th of August 2022. The Terms of Reference for the review can be viewed in Appendix 2 of this report.
5. This review seeks to consider the following key issues:
 - **Decision making** – does the proposition provide sufficient evidence to quantify proposal outcomes and detail how interventions will achieve goals.
 - **Distributional impact analysis** – has the proposition assessed the impact of intervention on different groups in society. Does the proposition have any negative effects for groups in society according to characteristics such as income levels or geographical location.
 - **Targeted support** – does the proposition provide targeted relief to those most impacted by cost-of-living increases.

¹ *Macroeconomics refers to the branch of economics dealing with performance, structure, behaviour and decision making of an economy as a whole. For example, using interest rates, taxes, and government spending to regulate an economy's growth and stability.*

- **Impact on inequality** – will the proposed budget measures exacerbate wealth and income inequality within Jersey.
- **Future taxation and/or borrowing measures** – how will monetary relief provided through the budget measures be recovered (i.e. through either taxation or borrowing).

Decision Making

How the proposed measures were informed and evidenced

6. Fundamental to the Panel's review was the requirement to determine how the Government's proposed Mini Budget measures were informed and evidenced to provide support to different types of households from increases in the cost of living.
7. The Panel requested the views of a range of stakeholders to identify the level of consultation undertaken by Government to help inform the proposed Mini Budget measures. In addition, the Panel sought to understand what analysis data was used by the Government to evidence the measures proposed.
8. In a submission received from Caritas Jersey², Caritas welcomed the Government's engagement with them to discuss the proposed measures. In a further submission received from Jersey Chamber of Commerce³, they noted their consultation with the Government. However, the absence of consultation is notable from several of the submissions received by the Panel. In consideration of the evidence received, it is apparent that broader consultation on the measures would have been welcomed by stakeholders. The following stakeholders raised their views on the Government's consultation process as follows:

Jersey Trades Union Council:

*In respect of any consultation process on the proposed budget measures, I do feel, there should have been a wider, more broad-church discussion in respect, including community groups, charities, social services, trade unions, etc, prior to the proposal.*⁴

Jim Hopley MBE (Honorary Chair of the Jersey National Park, Jersey Product Promotions Ltd (Genuine / Farm Jersey), Jersey Disability Partnership, Community Action Group, Energy Forum and the Jersey Cheshire Home. Council member Jersey Chamber of Commerce (Special adviser on Sustainability and the Third Sector), Vice Chair of Shopmobility and a member of the Jersey Living Wage Advisory Group):

*In none of my various capacities was I personally, or the organisations I am involved in, consulted that I am aware of in respect of the current cost of living crisis or indeed any of the main proposals lodged by the Minister for Treasury and Resources on behalf of the new government to deal with the same. I assume some broad consultation did take place before and after the election but to what level and with whom I do not know*⁵

Jersey's Fiscal Policy Panel:

*...it might be helpful to comment that the FPP was not specifically consulted on the size of the package in the Mini-Budget, although when we produced our July 2022 report we were aware that this kind of policy initiative was under active discussion.*⁶

² [Submission – Caritas Jersey](#)

³ [Submission – Jersey Chamber of Commerce](#)

⁴ [Submission – Jersey Trades Union Council](#)

⁵ [Submission – Jim Hopley](#)

⁶ [Submission – Jersey Fiscal Policy Panel](#)

9. In a joint letter⁷ to the Minister for Treasury and Resources and the Minister for Social Security as well as during the Panel's joint public hearing with the Ministers, the Panel sought to further understand the level of consultation undertaken by Government and the supporting analysis data, evidence, and modelling used to aid the development of the proposed measures.
10. In a joint response received from the Ministers, it was noted that - *given the need for urgent action – and in some cases, the lack of up-to-date relevant information of the sort you describe – some detailed analyses cannot be produced. Nevertheless, we are satisfied that the proposed measures do, taken together, self-evidently, target in particular lower income households and provide greater benefit to those lower-income households than others with higher incomes.*⁸
11. During the Panel's joint public hearing with the Ministers, when asked by the Panel which stakeholders were specifically engaged with when developing the proposals, it was observed that minimal consultation with stakeholders had been undertaken.

Deputy S.Y. Mézec:

Which stakeholders did you specifically engage with when putting these proposals together?

The Minister for Treasury and Resources:

*I know that some of your consultees have expressed disappointment that we did not go through our normal process of consultation. That, of course, was limited by the time factor. What we did do was speak with ... and it was only a couple, one was a representative which I think we can say was broadly of the charitable and third sector and one was a business representative. But they did that on an informal basis because we approached them. Other than that there was no other consultation.*⁹

12. Highlighting that several submissions received by the Panel had lamented the lack of some measures within the proposed Mini Budget, during the hearing the Panel discussed whether, in the future, proactively engaging stakeholder groups who would have a broader understanding of the specific concerns faced by Islanders, including those living in poverty and those facing cost-of living pressures, would help to better target support measures. The Minister for Treasury and Resources highlighted the Government's consultation undertaken with a 'good representative of third and charitable sector' to target that area. He highlighted that the consultation process undertaken was resultant of the limited timescale for the Government to develop the Mini Budget measures, however, that amendments to the proposition were possible.¹⁰
13. To further identify what analysis data, evidence and modelling was used to inform the proposed measures outlined as measures a) through to e) in P.80/2022, in a joint response received from the Ministers to the Panel it was explained that distributional and microeconomic analysis was used to support the development of the measures a) through to d). Moreover, it was noted that the analysis also provided an indication of the cumulative impact for certain 'model' households. However, with regard to measure e) it was explained that the measure was developed as an administrative response to a request made to Revenue Jersey by a group of offshore retailers and that distributional analysis was not conducted on that measure. Further, it was not possible to quantify purchasing habits across the income distribution. It was noted that the registration of offshore retailers for GST is not primarily a measure to help with rising cost of living.
14. The Panel notes that the findings of the 2019/2020 Income Distribution Survey had not been published prior to the development of the proposed measures and therefore was not available to

⁷ [Letter – to Minister for Treasury and Resources and Minister for Social Security – 17th August 2022](#)

⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 20](#)

¹⁰ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 21](#)

inform the Mini Budget proposals.¹¹ This aspect is explored further in the Impact section of this report.

Key Finding 1



Government consultation with stakeholders occurred on an informal basis and involved only two representative organisations specific to business and the charitable sector. No clarification has been provided to confirm how stakeholder consultation informed decision making in the proposition.



Recommendation 1

The Council of Ministers must ensure that reference is specifically made to stakeholder consultation and how it has informed decision making in relevant propositions, to support transparency within the States Assembly.

Consideration of other options by Ministers

15. Noting that potential alternative options for measures were raised within submissions received by the Panel and in some cases, gaps were also highlighted, the Panel sought to understand what alternative measures to those proposed within the Mini Budget were considered by Government as part of the development process. In addition, where alternative measures were considered but not included in the Mini Budget or were being considered within an alternate context (e.g. to be proposed within the next Government Plan).
16. The Panel raised this in a joint letter¹² to the Ministers. In a response¹³ received, it was explained that as the development of the Mini Budget was an iterative process, a number of options had been included in earlier iterations. However, these were subsequently discounted because they either did not provide sufficiently targeted support or were inconsistent with other policy priorities of the Government of Jersey (e.g., the Carbon Neutral Roadmap).
17. It was also noted¹⁴ that when developing the measures, the Government had borne in mind the guidance available from the Organisation for Economic Co-operation and Development (OECD). The proposals made in the Mini Budget represent an approach which targets most help to low-income households while also offering support to those on middle incomes. It was explained that all the options considered during the development process were included in the Council of Minister's papers and that records of the discussions on the options were taken. The Panel notes that although this information is available to the Panel on a confidential basis, the options that were considered during the development process and not carried through within the Mini Budget proposals have not been made publicly available.
18. In the Ministers' response¹⁵ to the Panel, it was also acknowledged that trade-offs existed in respect of the policy measures proposed, the following was clarified:

As with any package of policy measures there will be trade-offs. In this instance the key trade-off within the package of policies was between providing a broad package of support that could be delivered with speed and efficiency and very targeted support that would require drawing

¹¹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

¹² [Letter – to Minister for Treasury and Resources and Minister for Social Security – 17th August 2022](#)

¹³ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

¹⁴ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

¹⁵ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

strict boundaries and potentially failing to capture some groups who need support. Ministers prioritised a package that could be delivered quickly to as many groups affected by the rising cost of living as possible. This view is supported by research conducted by the Organisation for Economic Cooperation and Development (OECD), which recommends that jurisdictions with the resources to provide support to ease the cost of living should focus on targeted interventions.

19. During the public hearing, the Panel sought to further understand whether a one-off direct financial payment was considered as an alternative support measure - akin to the Spend Local Scheme provisioned to support Islanders and the economy as a result of the Covid-19 Pandemic. The Panel was informed that consideration was given to the utilisation of a similar scheme, however, due to likely administrative challenges (such as having to re-issue cards) that the process would take a long period of time to implement and was ruled out as an option as a result. It was also considered to be an untargeted approach.¹⁶

Key Finding 2



91% of Islanders engaged with the Spend Local scheme when it was utilised as a fiscal stimulus measure during the COVID-19 pandemic. However, the re-using of Spend Local cards was discarded by the Minister for Social Security in the package of measures as it would take a period of up to 6 months to implement.

Clarity and alignment to Government principles and policy

20. In light of the premise that certain measures were discounted as a result of them not aligning with other Government Priorities and that P.80/2022 notes that the Mini Budget does not propose any measures that are contrary to the Carbon Neutral Roadmap, the Panel sought further detail in that regard. It noted in particular that a number of the submissions¹⁷ received emphasised the provision of a fuel duty measure to support Islanders and businesses, resultant of the rising cost of fuel on the Island. The Panel raised this during its joint public hearing and received the following clarification:

The Minister for Treasury and Resources:

...What is interesting, and we will take the fuel duty issue, I personally am, or was, a proponent of reducing fuel duty. There are other reasons why we did not do that but we see that between the lodging of the proposition the fuel market itself has been volatile and we have seen prices of petrol drop by more than 10 pence per litre anyway, so there is always going to be that sort of volatility in difficult economic conditions like we are facing. So I praise those fuel retailers who have reduced their prices - they know who they are - by more than 10 pence, passing on to the public, recognising that there is a cost-of-living crisis and what we have done is set in place a fuel market review. I would expect us to be taking measures in light of that fuel market review but those measures may not indeed be duty issues, or if they are I would expect them to be aligned with our carbon zero remit.¹⁸

21. Noting the Government's ratification of the United Nations Convention on the Rights of the Child to ensure the enjoyment of children's rights for all Jersey's children, the Panel sought to understand whether any Children's Rights Impacts Assessments (CRIAs) were carried out on the proposed measures. The importance of the requirement for tangible action to consider children when developing policy was further substantiated through the Panel becoming aware of the growing

¹⁶ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 10 -13](#)

¹⁷ [Stakeholder submissions](#)

¹⁸ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 21](#)

impact of the increases in cost of living on students via submissions^{19,20} received. With regard to the evidence²¹ received during the joint hearing with the Ministers, it is the Panel's understanding that CRIAs were not carried out on any of the proposed measures.

Deputy S.Y. Mézec:

Were children's right impact assessments carried out when considering each of the measures proposed?

The Minister for Treasury and Resources:

Well, that I do not know. I do not believe that they were directly.

Deputy S.Y. Mézec:

May I impress upon you the importance of doing that in the future?

The Minister for Treasury and Resources:

Yes.

Key Finding 3



No Children's Rights Impact Assessment ['CRIA'] has been completed for the measures proposed. Although there is currently no legislative requirement to prepare a CRIA the Island is aligned to the principle of the UN Convention on the Rights of the Child (UNCRC).

Recommendation 2



The Council of Ministers must provide an abridged statement to clarify what consideration was given in the proposition to Children's Rights and the impact on children, to demonstrate alignment to the UN Convention on the Rights of the Child (UNCRC).

Impact

22. Considering that P.80/2022 aims to provide a package of targeted measures to address the cost-of-living crisis by helping Islanders with recent increases in food, heating and housing costs²², the Panel sought to identify the real impact of the proposed measures on Islanders and to identify whether the measures are appropriately targeted to those Islanders who require assistance most during these challenging times. The Panel notes that the support package proposed by P.80/2022 specifically targets *those on lower incomes but also addresses the cost of living squeeze which is also hitting middle Jersey*²³.

¹⁹ [Submissions - Anonymous](#)

²⁰ [Submissions – Student Loan Support Group Jersey](#)

²¹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 41](#)

²² [P.80/2022 – Mini-budget 2022](#)

²³ [P.80/2022 – Mini-budget 2022](#)

23. The Panel requested the views and comments of a range of stakeholders and members of the public to further understand the challenges that Islanders are facing in respect of cost-of-living increases. Moreover, it sought to understand whether the proposed measures are appropriately and sufficiently targeted to the needs of Islanders and businesses. Furthermore, it wanted to identify any disparities or negative effects of the proposals on any particular groups of society to aid in determining where potential further action could be taken to meet Islanders' needs more appropriately. As part of its review, the Panel was also keen to understand the longer-term implications of the proposals on the inequality of income and wealth in Jersey. In addition to seeking the views and comments of key stakeholders and the Public, the Panel also raised this area with Ministers through written questions and discussed it in depth in the public hearing to obtain the Government's view in relation to the impact of the measures on Jersey society.

Adequacy of the proposition to address the specific needs of Islanders and business

24. Considering that the proposed measures would have a cumulative financial impact, the Panel sought to understand what the cumulative financial impact of the proposed measures would be on Islanders and asked this of the Ministers in written questions. In a response²⁴ received, the Panel was informed that the cumulative financial impact of the measures is difficult to quantify as, other than for those Islanders receiving Income Support, the Government does not have detailed data on the number of people at each income level and their family structure.

25. Moreover, the Panel sought to identify the distributional impact of the measures including the breakdown of how much of the proposed £56 million in funds will go to each income decile of Jersey society. From a response²⁵ received to its written questions, it is the Panel's understanding that tax return data would not provide a complete picture of the income distribution as those Islanders with income below the income tax threshold are not required to submit a return. Noting the absence of the findings of the Statistics Jersey's 2019/2020 Income Distribution Survey²⁶ at the time of developing the Mini Budget, the Panel was informed that without complete and up-to-date data on the income distribution, it is not possible to estimate the impact of measures for each income decile. However, it was explained that, broadly speaking, the changes to Social Security benefits will impact those on lower incomes, while the changes to income tax thresholds and allowances will affect those on above medium income. The temporary reduction of the rate of Social Security contributions will benefit a broad cross-section of the income distribution.

26. In respect of the proposed measures as outlined in P.80/2022 - a) through to e) the Panel has observed the following projected impact resultant of the evidence it has received.

Measure a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023

27. The Panel notes that it is estimated that that around 30% of households do not pay income tax because their household income falls below the tax thresholds. Around 10% of taxpayers pay tax at the Standard Rate of 20%; 90% of taxpayers benefit from Marginal Relief and pay effective rates of tax below 20%. Furthermore, the Panel was informed that for the 2020 year of assessment 9,550 taxpayers submitted a tax return but were not liable to tax, 37,340 taxpayers benefited from Marginal Relief and 4,300 taxpayers were taxed at the standard rate of 20%.²⁷

28. The following Impact was identified by the Government in respect of this measure:

It is difficult to provide exact amounts for the benefit to each household as it depends on their individual circumstances. For each of the broad income levels (below tax threshold/marginal

²⁴ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

²⁵ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

²⁶ [Statistics Jersey Income Distribution](#)

²⁷ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

rate taxation/full rate taxation), there is a scale of incomes within each and a range of family circumstances which will influence eligibility for allowances.²⁸

29. The Panel raised concern that raising tax thresholds does not benefit the lowest earners who are below the tax payment threshold and therefore the greatest proportionate benefit would be for those Islanders who are at the upper end of marginal relief and who would likely need the benefit less than those who were at the lower end.²⁹

30. The Panel sought to understand the impact of this measure on the poorest Islanders. The Panel asked this of the Ministers and received the following response:

The 12% increase to personal income tax thresholds and allowances will take an estimated 2,700 lower-income taxpayers out of the scope of income tax entirely while others will be liable to pay less tax. This will be additionally beneficial to some lower-income households which will consequently in future years have access to those benefits restricted to non-taxpayers. The precise effect for individual households will depend on eligibility for allowances...It should be noted that Jersey's high personal income tax thresholds (when compared to equivalent jurisdictions) mean that those on the lowest incomes are not liable to pay income tax (an estimated 30% of Jersey households).³⁰

31. In light of the Panel's concern regarding the impact of this measure on Jersey's poorest Islanders, the Panel explored further whether alternative measures such as one-off payments (akin to the Spend Local Scheme during the Covid-19 Pandemic) would be a more suitable way to assist Islanders. As briefly mentioned in the previous section of this report, the Panel was informed that this type of support was discounted early on in the decision-making process as it would not be timely and targeted.³¹

32. It was emphasised that elements of payments were being made to help the lowest income households through the proposed Social Security support benefits.

The Minister for Social Security:

There are elements of payments being made. The community cost bonus has been doubled, that will be a single payment paid in October. That will go up from £250-odd to £516. So that is a payment that will go to lower income households. The winter fuel benefit are monthly payments that will go. The C.O.L.T.S. (Cost of Living Temporary Scheme) are payments that will go to lower income families. So we are making payments to the lower income families rather than simply ... but also reducing contributions and tax rates. So there is a combination of factors, I would suggest.

33. In respect of Marginal Rate taxpayers, the following was explained:

The Minister for Treasury and Resources:

...There were different ways that we could have dealt with the marginal rate taxpayers, and we looked at that and settled on just an increase in thresholds because we believe that targeted the benefit best to lower income families and lower taxpayer families...³²

34. The Minister for Treasury and Resources explained that the benefit of the tax changes is felt by lower income families who are paying tax proportionately greater than higher income families on

²⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

²⁹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 11](#)

³⁰ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

³¹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 12](#)

³² [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 14](#)

the marginal rate. Furthermore, the support through the Social Security proposed measures as well as the benefit provided through the reduction in Social Security Contribution will assist all Islanders that are employed which includes the very lowest earners.³³

35. In a submission received from Caritas³⁴, although Caritas welcomes the increases proposed to the tax thresholds, they raise concern that the benefit will not be felt for some time for the many people who are prior- year basis taxpayers. This concern was similarly reiterated by the Jersey Consumer Council³⁵.
36. In addition, Caritas raises concern that the support benefits including Cost of Living Temporary Scheme (COLTS), Community Cost Bonus (CCB) and Income Support and Cold Weather Bonus, although welcomed, may not help many of those in the greatest need. In respect of the CCB the Jersey Consumer Council³⁶ also highlighted concern that the benefit may fall short of helping all those that need assistance.
37. In a submission received from a member of the public³⁷ further concern was raised regarding the COLTS. It was their view that the scheme was not sufficiently targeted to people living on their own in particular for individuals who were elderly or had disabilities and required the support of a carer.

Measure b) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate

38. The following Impact was identified by the Government in respect of this measure:

This measure provides the greatest monetary benefit in absolute terms to those with the highest earnings while in relative terms the benefit is greatest for those on lower incomes. However, this is capped at the Standard Earnings Limit (£285.84). As a percentage of quarterly income, earners above the Standard Earnings Limit see a diminishing benefit.³⁸

39. In written questions the Panel asked Ministers to detail the impact of the Social Security reduction model on different income levels and received the following response:

...the reduction in Social Security contributions provides for rapid support to be provided across the working age population. In percentage terms, the impact is at a maximum for those earning below the Standard Earnings Limit (£57,168 per year), with the percentage dropping as incomes increase above this level. In cash terms, the benefit increases with income and is capped at £95.28 per month for those with incomes above the SEL. This measure is not specifically targeted at lower income groups but is designed to provide rapid relief across a large number of people.³⁹

40. It was further noted that pensioners who do not pay Social Security contributions are guaranteed an increase of at least 7.7% in their pension payments from October 2022 and so will also see an increase in household income at an early date.⁴⁰

³³ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 14 -15](#)

³⁴ [Submission – Caritas Jersey](#)

³⁵ [Submission – Jersey Consumer Council](#)

³⁶ [Submission – Jersey Consumer Council](#)

³⁷ [Submission – Anonymous 3](#)

³⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

³⁹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁴⁰ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

41. The Panel sought to understand who benefits most from the proposed two percentage point reduction in Social Security contributions and whether the model was appropriately targeted across income levels. The Panel raised this during the joint public hearing.⁴¹

Deputy G.P. Southern:

... while somebody who is not earning very much and is paying the full 2 per cent, some people at the top end are not paying 2 per cent but are paying 1-point-something per cent effectively by the way.

The Minister for Treasury and Resources:

The fact that you have that middle cap means that above the cap, you are not getting the 2 per cent reduction on earnings above the cap. So between the minimum payment and the cap of £55,000 per annum, it is really quite targeted because it targets those who are earning the greatest benefit under £55,000

42. The Panel further sought to understand why an amount reduction in Social Security contributions was not used as opposed to utilising a percentage reduction. Thereby assisting further those who earn the least. It was explained that the mechanisms and administration structures in place require a percentage reduction to be used rather than an amount reduction.⁴²
43. The Panel raised concern that the measures were being based on how quickly they could be delivered as opposed to how to focus them best. It was emphasised that the package of measures within the Mini Budget are the most focused delivery within the mechanisms available that can give benefit as quickly as possible.⁴³
44. Considering the measure is temporary up to December 2022, through submissions received concern was raised in relation to withdrawing the measure too early. This sentiment was reiterated within submissions received from the Jersey Consumer Council⁴⁴ and Citizens Advice Jersey⁴⁵ as well. A submission received from Caritas⁴⁶ noted that when a reduction of Social Security contributions was used as a support measure during the Covid-19 pandemic that extended for a period of 9 months. Caritas and Jersey Consumer Council emphasised that the measure proposed in the Mini Budget should be extended to March 2023.

Measure c) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50

45. The following Impact was identified by the Government in respect of this measure:

Provides a fixed increase of £258.25 for those already claiming the Community Costs Bonus (CCB). The measure will also seek to increase the uptake of the CCB. For those who have not previously claimed the Bonus, the benefit will be the full value of the Bonus, not just the incremental increase. This is only available for households that do not pay income tax.⁴⁷

46. It is the Panel's understanding that the CCB will reach an estimated 7,000 households. In written questions the Panel sought to understand how the assumption of 7,000 households was determined and received the following response:

⁴¹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 39](#)

⁴² [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 39](#)

⁴³ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 40](#)

⁴⁴ [Submission – Jersey Consumer Council](#)

⁴⁵ [Submission – Citizens Advice Jersey](#)

⁴⁶ [Submission – Caritas Jersey](#)

⁴⁷ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

As the Bonus is available to people who do not pay income tax, it is not possible to identify all potential recipients using tax data. The figure of “up to 7,000” is only an estimate. As just under 10,000 potential taxpayers were identified for 2020 as not having a tax liability; and around 30% of households do not pay income tax. However, there are a range of factors that make it complicated to move from this figure to an estimate of Community Cost Bonus claimants.

These factors include:

- The fact that the Community Cost Bonus is not available to households where Income Support is payable;*
- The Community Cost Bonus is a household benefit and while some households only contain one taxpayer, others can contain two or more taxpayers;*
- Although around 10,000 potential taxpayers are noted above, there will be more individuals who do not have a tax liability as they are not required to complete a tax return; and*
- The option to claim a benefit will always be at the discretion of the individual and not all households who could claim this (or any other) benefit may choose to do so.*

Taking all these factors into account, the figure of “up to 7,000” is considered reasonable. A communications campaign to encourage uptake of this benefit at this time should help ensure that all eligible persons who now wish to claim CCB find it easy to do so.⁴⁸

47. Noting that the CCB currently only reaches 1,000 households the Panel raised concern that more has not been done to encourage the other 6000 households to claim the benefit eligible to them to date.

Deputy G.P. Southern:

Can I take you on to the increase in the community costs bonus, which only affects some 1,000 people, I think, maybe even less? You are expecting a new cohort to apply for that, numbering, what, 7,000 people who are eligible for it but not claiming it. How can you have allowed that to happen? There is a benefit that people should be claiming and you have not told them it is there.⁴⁹

The Minister for Social Security:

...The community costs bonus, it is there, it is on the website, the information is there but it is a benefit that has to be claimed, it is not something that is paid automatically. C.O.L.T.S. I believe is paid automatically. The community costs bonus was structured in a way that people have to claim it and for whatever reason people have not. There is now an advertising campaign that is going to go in all the Parish magazines and it is going to be promoted much more widely, saying to people: “This money is available, please come forward.” It may be that people have had an eligibility in the past and they just have not felt they have needed it, but over this winter people may feel that with the rising cost of living, with fuel costs, that they do need it and that they will come forward now to claim. We are just making sure that people are aware of it.⁵⁰

48. It is the Panel’s understanding that no research has been undertaken to identify why those eligible for the CCB are not claiming the benefit. In light of this the Panel questioned how those eligible for the benefit will now be targeted.

Director General, Customer and Local Services:

⁴⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁴⁹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 26](#)

⁵⁰ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 27](#)

There is a comms plan. The mini-Budget has included funding for some communications and there is a comms plan. The Minister for Social Security has referred to the first part of that which is an advert in all Parish magazines and we will be seeking to communicate to the wider community and making sure they are aware that extra support is available. Obviously this year the funding has doubled, as in the amount has doubled to £516 and therefore maybe people might come forward for that because of all the cost-of-living issues rather than perhaps before and then maybe not wanting to.⁵¹

49. The Panel raises concern regarding the manpower and marketing resources required to achieve the 7,000-household target proposed by the changes to the Community Cost Bonus.
50. As noted previously concern was raised within submissions⁵² received that this measure although welcomed would not benefit all those Islanders that would require assistance.

Measure d) setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments, regardless of temperature, for the winter months (October 2022 to March 2023 inclusive)

51. The following Impact was identified by the Government in respect of this measure:

Provides a fixed increase to the Cold Weather Bonus and Cold Weather Payments. This is only available for low-income households who qualify for income support (i.e. pensioners, with a child under three years of age, with a high level of personal care needs) and pensioner households who do not have a tax liability.⁵³

52. From evidence⁵⁴ received through the Panel's written questions, it is the Panel's understanding that this measure will support eligible low-income households and pensioners in the main.
53. As noted previously concern was raised within submissions⁵⁵ received that this measure although welcomed would not reach all those Islanders in the greatest need, particularly Islanders living alone and/or who are elderly, disabled and require carers.

Measure e) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023

54. The following Impact was identified by the Government in respect of this measure:

Postponing the registration of offshore retailers for Goods and Services Tax, and hence the reduction in the de minimis, will have variable effects on households based on their behaviour and is not tied as closely to income level as measures a) to d). However, it should be noted that this measure is not specifically intended to ease the pressure on the cost of living.⁵⁶

55. In light of the above, the Panel raised this during its joint hearing to determine whether the measure is sufficiently progressive. From the evidence received, it is the Panel's understanding that the measure is an administrative relief and the benefit to Islanders in respect of any cost-of-living relief would be by default only, rather than through targeted cost-of-living relief. Moreover, the measure is not quantifiable.⁵⁷

⁵¹ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 28](#)

⁵² Submissions – [Caritas](#) and [Jersey Consumer Council](#)

⁵³ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁵⁴ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁵⁵ Submissions – [Caritas](#) and [Anonymous 3](#)

⁵⁶ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁵⁷ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 3, 41](#)

Negative effect for particular groups in society

56. The Panel sought to identify the impact of the proposed measures on particular groups within Jersey society in particular in relation to low-income families and pensioners. During the review process the Panel observed through evidence gathered the following groups as being in most need of assistance or as seeking further support during this challenging time.

- Low-income families
- Pensioners
- Carers
- Students
- Small businesses
- Rental market

57. The Panel sought to understand how the proposed measures impact these groups and raised this within written questions and during the joint public hearing with Ministers. The below section outlines the impact in respect of each group.

Low-Income Families

58. In a response to its written questions the Panel received the following responses⁵⁸ from Ministers in respect of impact of the measures on low- income families:

This group will, in many cases, be eligible (and already receiving) COLTS payments. These will be doubled to £40 per month for August 2022 to December 2022. This will mean that a low-income family of four will be in receipt of a total of £160 per month to assist with a heightened cost of living. In addition, Income Support components will increase by 2.6% in October 2022, with an additional uprate proposed for 2023. The additional proposed uprate from January will be lodged in September 2022 for debate in November 2022 to allow time for it to take effect from 1 January 2023 when COLTS payments will stop. Low-income families with children under 3 are also eligible for the increased Cold Weather Payments.

59. The Panel also sought to understand the impact of the measures on families who fall on the cusp of being exempt from taxation and the lowest income taxation threshold:

Those earning around the current threshold (including relevant allowances and reliefs) will benefit from having additional earnings not subject to tax. This group will be paying Social Security contributions which are proposed to be reduced by 2 percentage points from October to December 2022. Dependent upon family structure and residency, these people may be eligible for Income Support and Special Payments too.⁵⁹

60. In respect of those Islanders eligible for the Community Cost Bonus, it was also explained that by doubling the value of the Community Cost Bonus, eligible recipients will be given an additional £258.25 to help with rising costs. Those who have not previously claimed the Bonus will feel the largest incremental benefit as they will receive the new full amount of £516.50.⁶⁰

Pensioners

61. The Panel received the following responses⁶¹ to its written questions about the impact of the measures on pensioners:

⁵⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁵⁹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁶⁰ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁶¹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

The 7.7% (equivalent to RPI Pensioner) increase in the Jersey Old Age Pension will protect the real value of pension payments. Many pensioners will also be eligible for the Cold Weather Bonus which is increasing to £70 a month (from an average monthly payment last winter of £29.39). Additionally, a significant portion of pensioners will be eligible for the Community Cost Bonus. Pensioners who are liable to pay income tax will also benefit from the increase to the personal tax thresholds

62. In light of the concern raised within submissions about whether the support available to pensioners would be sufficient and the uplift in pension payments to pensioners enough, the Panel sought to understand why pensioners would only receive an increase of 7.7% when an increase by 12% is being proposed with regard to tax allowances. During the hearing it was explained⁶² that pensioners would receive an increase to reflect the Retail Price Index (RPI). However, where eligible, pensioners would also receive further Social Security benefits to assist them.
63. It was further clarified in response⁶³ to the Panel's written questions that as the Jersey state pension is subject to a statutory annual increase in October each year, the increase will, as a minimum, match the increase in the June value of RPI for pensioners. Moreover, in years in which wages are rising faster than prices, the pension will rise by more than RPI, with the aim of tracking average earnings in the long term. It was noted that it is very likely this year that the June value of pensioner RPI, at 7.7%, will be higher than the average wage increase (which will be published in late August). In addition, that legislation would be needed to change the uprating process for pensions and given the significant increase that pensioners will receive in October 2022, a further increase has not been included in the Mini Budget.
64. It was also clarified that the Mini Budget strengthens the support that is already available to lower income pensioners. As pensioners who do not pay income tax have access to additional support schemes which cover a range of health costs (e.g., GP visits, dental, optical and chiropody costs) and heating costs. Moreover, that these pensioners have also been included in the temporary COLTS, which is providing an additional £40 per person per month.⁶⁴

Carers

65. Within submissions received (as previously highlighted within this report) concern was also raised in respect of carers and the support that was available to them, particularly, carers of the elderly and Islanders with disabilities.

Jim Hopley MBE (Honorary Chair of the Jersey National Park, Jersey Product Promotions Ltd (Genuine / Farm Jersey), Jersey Disability Partnership, Community Action Group, Energy Forum and the Jersey Cheshire Home. Council member Jersey Chamber of Commerce (Special adviser on Sustainability and the Third Sector), Vice Chair of Shopmobility and a member of the Jersey Living Wage Advisory Group):

Throughout this paper to-date I have been referring to exceptions being needed in the case of Care and Disability for individuals and indeed for the organisations heavily involved in providing services for this substantial and growing proportion of the island's population. It is a fact that well over 15% of our total population carries some form of disability and that many thousands of islanders, spouses / partners, families and friends and indeed a surprising number of children are effectively unpaid carers and often under-appreciated. I can find little or no recognition of this in the proposed mini budget even though the pressure and costs that often comes with many disabilities are exceptional⁶⁵

66. The Panel also raises concern in relation to the absence of support in the Mini Budget for individuals and organisations of voluntary and community nature who work to deliver provision of care to those

⁶² [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 38](#)

⁶³ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁶⁴ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁶⁵ [Submission – Jim Hopley](#)

most in need within the community. This often means that the most vulnerable in society are neglected under such challenging circumstances as a result of the rising pressures on resources.

Students

67. Submissions⁶⁶ received highlighted the absence of support for students studying off Island who would also be impacted by the rising cost of living.
68. The Panel raised⁶⁷ this during its public hearing and from the evidence received notes that the Minister for Children and Education is committed to review the funding for higher education within her first 100 days. With regard to the additional pressures being felt by parents to financially support their children studying and living off Island, the Minister for Treasury and Resources explained that if the parents are resident in Jersey they will benefit from the Mini Budget measures as the Mini Budget is focused on Islanders who are resident in Jersey.

Key Finding 4



The Minister for Children and Education is responsible for providing the business case to secure additional financial support for students in response to the cost-of-living crisis. However, no such business case has currently been provided to the Council of Ministers.

Small Businesses

69. Submissions⁶⁸ received highlighted the absence of support for small businesses who are also impacted by the rising cost of living.
70. In a submission⁶⁹ received from the Chamber of Commerce, the requirement to more closely support small businesses is highlighted as they too are feeling the impacts of the increasing costs including in relation to fuel, goods and logistics, property and rents.
71. Considering that no targeted measures are included to assist small businesses the Panel asked why this was the case. The Panel was informed⁷⁰ that the Cost-of-Living Mini Budget is focused on putting money back into the pockets of Islanders who are most affected by the rising cost of living which will, in turn, support demand for the goods and services supplied by Jersey businesses. However, Ministers also recognise the pressure that high inflation is placing on businesses and will therefore continue to monitor the situation across all sectors and will not hesitate to act if there is a strong case for doing so.
72. The Panel also questioned why no measure to reduce employer's Social Security contributions was included in the mini budget. It was explained⁷¹ that the intention of the Mini Budget is to provide support to individual Islanders in the first instance, which will in turn support demand for the goods and services supplied by Jersey businesses.

⁶⁶ Submissions – [Student Loan Support Group Jersey](#) and [Anonymous](#)

⁶⁷ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 30](#)

⁶⁸ Submissions – [Anonymous 2](#), [Rubis](#), [Jersey Hospitality Association](#)

⁶⁹ Submission – [Chamber of Commerce](#)

⁷⁰ [Letter – Minister for Treasury and Resources and Minister for Social Security – 7th September 2022](#)

⁷¹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 7th September 2022](#)

73. The Panel notes a letter⁷² received from the Minister for Social Security to clarify concerns raised within a submission⁷³ received from a member of the public in respect of support available to small businesses.

Rental market

74. Submissions received highlighted the concerns in relation to the rental market and rental increases. Stakeholders shared their views as follows:

Jim Hopley MBE (Honorary Chair of the Jersey National Park, Jersey Product Promotions Ltd (Genuine / Farm Jersey), Jersey Disability Partnership, Community Action Group, Energy Forum and the Jersey Cheshire Home. Council member Jersey Chamber of Commerce (Special adviser on Sustainability and the Third Sector), Vice Chair of Shopmobility and a member of the Jersey Living Wage Advisory Group):

I would argue there certainly needs to be more direct action to control rents particularly in the private sector. With rapidly escalating food prices and movement upwards in heat and light costs, thankfully in the case of the latter far lower than the UK, rental costs are the area that impacts most on people who are not house owners (many of the poorest in Society) and their ability to cope. Exhorting moderation from landlords in this area is not enough to provide the protection needed whilst demand continues to make the market overheated.⁷⁴

75. The Panel sought to understand what analysis has been carried out to identify how much of the monetary support provided through the Mini Budget proposals will potentially be passed on to landlords as a result of increasing housing costs and asked this in written questions to the Ministers. The Panel was informed that it was not possible to analyse how much of the monetary support will be passed onto private landlords. As, the level of pass through to landlords depends upon the choices of individual landlords. However, it was noted that those that follow the Government of Jersey's advice to keep rents stable, or at least a below inflationary rent increase, will receive less than those who pursue above inflationary rent rises.⁷⁵
76. The Panel raises concern in relation to the achievable impact from issuing Government advice as a measure to manage the rental increases within the rental market and that no quantifiable action to control increasing rents is being proposed to ensure rent increases remain suitably managed under the circumstances.
77. A submission⁷⁶ received from Jersey Trades Union Council proposed that rents should be frozen for the next 18 months with all properties available to rent regulated to aid in providing fairer and more affordable accommodation.



Key Finding 5

The proposition provides no tangible action by Government to reduce inflationary pressures in the rental market as it only encourages landlords to avoid inflationary increases to rent.

⁷² [Letter – Minister for Social Security – 7th September 2022](#)

⁷³ [Submission – Anonymous 2](#)

⁷⁴ [Submission – Jim Hopley](#)

⁷⁵ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁷⁶ [Submission – Jersey Trades Union Council](#)



Recommendation 3

The Council of Ministers must consider the timeline to implement the Fair Rents Plan and examine whether it should be expedited or amended to prioritise the cost-of-living crisis.

Implication of the measures on inequality of income

78. The Panel sought to understand what analysis had been undertaken by the Government to identify the impact of the proposed measures on income inequality in Jersey and asked this of the Ministers in written questions and received the following response⁷⁷:

No specific analysis has yet been undertaken but the impact on income inequality was considered during the development of the Mini-Budget. The measures proposed have, to the greatest extent possible, been targeted on lower-income groups.

79. It was further explained that in a high inflation, tight labour market, economy there will be some individuals who are able to make significant income gains due to their skill set being in demand. However, that this is not limited to just those on high incomes, although they are more likely to have greater bargaining power with employers.⁷⁸

80. Moreover, that broad tax policy changes, such as the 12% uprate to thresholds and allowances, are a blunt tool, but one of the only tools that is available to the Government if they wish to target the households that sit just above the Income Support threshold and are therefore difficult to target with direct cash payments.⁷⁹

81. It was noted that under the broad, simple and fair principles that underpin the tax system, there are two options for policy makers to consider in relation to marginal rate taxpayers. The first is to change the value of thresholds and allowances, the second is to change the marginal rate of income tax. It was further explained that changing the value of thresholds and allowances provides the same cash value to every marginal rate taxpayer, but this represents a smaller portion of income to higher income marginal rate taxpayers. However, changing the marginal rate of tax provides a smaller cash benefit, if any, to lower income taxpayers. Consequently, using the system available, uprating thresholds and allowances as opposed to changing the marginal rate of tax is better for income inequality among those towards the middle of the income distribution.⁸⁰

82. In light of the above and considering that no specific analysis was undertaken on the impact of the measures on income inequality, however, that Ministers had noted in writing⁸¹ that income inequality was considered during the development of the measures, the Panel raised this during its hearing to further understand in what way income inequality was considered.

83. It became apparent through evidence received during the hearing that the focus of the Mini Budget was to address the cost-of-living concerns rather than to deal with the broader issues of income inequality and that any impact in that regard would be a default effect of the measures.⁸²

⁷⁷ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁷⁸ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁷⁹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁸⁰ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁸¹ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

⁸² [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 5 -10](#)

84. In light of this, considering that the preliminary report of Jersey Household Income Distribution⁸³ had highlighted that the income inequality has increased over the last decade and that the distribution of household income has become more unequal, the Panel emphasised the importance of considering the impact of the measures on income inequality when developing them and considering their adoption.⁸⁴
85. The extent to which income inequality was factored in when developing the measures remained unclear to the Panel. Therefore, following the hearing, in further written questions to the Ministers the Panel sought further clarification on this matter and received the following response⁸⁵:

Overall, the package of support will have a limited impact on income inequality and a very limited impact on wealth inequality. However, it is important to consider each concept individually:

Wealth inequality: None of the proposed measures will have any direct impact on wealth inequality. There could be secondary effects of the policies which reduce wealth inequality. However, reducing wealth inequality would require a mixture of policy measures, particularly wealth taxes such as capital gains and inheritance, none of which are currently part of Jersey's tax system.

Income inequality: The impact on income inequality will be different across the different policy areas covered by the mini-budget. Changes to income tax thresholds and allowances will likely improve income inequality but the improvement will have the greatest effect on those in the middle of the income distribution (i.e. marginal rate payers). The temporary reduction in the rate of Social Security contributions is not expected to have an impact on income inequality. Proposals to increase the value of benefits and pension payments will have a positive impact on income inequality by increasing the income of those at the lower end of the income distribution. Other proposals, such as increases to the minimum wage, are expected to generate a modest positive impact but the extent to which that is realised in practice will be affected by several factors

86. Within a submission⁸⁶ received from the Jersey Trades Union Council, further emphasis is placed on income inequality concerns. In particular the submission proposes that the poorest on the Island require and need more support. The submission highlights that there is a poor measure of inequality in Jersey and that the proposed Mini Budget does not only fail to address the issue but actually worsens it.
87. The Panel notes that throughout the submissions received, concern was raised in respect of impact of cost-of-living increases in food (the increased reliance on foodbanks has been raised), housing, road fuel, energy, utility bills and doctors' fees for all Islanders during this time. The Panel notes that these areas are not being directly supported through the Mini Budget proposals. Further emphasis is placed on the significant impact of these areas on the most vulnerable Islanders and those already on the poverty line who require urgent support. The default impact on carers and voluntary organisations to support Islanders in need is also emphasised and therefore the increased support required by these individuals and organisations to continue to meet the most vulnerable Islanders' needs who may otherwise fall through the gaps is highlighted. It is stressed that more direct support measures may be beneficial to support these areas, for example through vouchers for food, energy and fuel that could be targeted to those Islanders that require the greatest support.

⁸³ [Statistics Jersey – Preliminary Report Jersey Household Income Distribution](#)

⁸⁴ [Transcript – Joint public hearing with the Minister for Treasury and Resources and Minister for Social Security – Pg 7](#)

⁸⁵ [Letter – Minister for Treasury and Resources and Minister for Social Security – 7th September 2022](#)

⁸⁶ [Submission – Jersey Trades Union Council](#)



Key Finding 6

Despite numerous requests in writing and at the public hearing, no clarity on the impact of the measures on income inequality was provided.



Key Finding 7

The package of measures is focussed on indirect payments and not direct payments and is therefore not progressive and will not primarily assist the most vulnerable households hardest hit by this cost-of-living crisis.



Key Finding 8

The absence of real time data resulted in the use of assumptions when developing the support measures.



Key Finding 9

The Government Plan 2023-26 may contain additional measures to assist with the cost-of-living crisis. However, no detail has been provided to the Panel.



Recommendation 4

The Council of Ministers must identify and access accurate and suitable real time data when evidencing proposed support measures.



Recommendation 5

The Council of Ministers must clarify the overall financial investment required in resources (manpower, marketing, equipment etc) to deliver the measures proposed in advance of the debate of the proposition.



Recommendation 6

The Council of Ministers must consider additional progressive support measures such as targeted one-off payments which could include food or energy vouchers, to ease the costs of living crisis for low-income households, pensioners, students and small businesses in the Government Plan 2023-26.

Cost of Living Mini-Budget Review: Survey Results



Islanders
responded to
the survey



27%

of respondents fell into
£20,001-£40,000 total annual
household income



72%

of respondents were
aged between 31-65

47%

agreed or strongly
agreed that their
household would benefit
from the Government's
mini-budget.



>70%

In the last month,
over 70% of
respondents noticed
the cost of living rise
the most in food

When asked: 'What would help you to address
cost of living concerns?', the most common
responses were:

Removing GST on food and essential items

Reducing fuel duty

Support for small businesses

Reducing healthcare costs

Cheaper bus passes

Increasing student grants

Capping rent prices

Implementation

Evaluation on implementation on proposed package of support & communication strategy

88. In the Ministerial written response⁸⁷ to the Panel's questions, it was highlighted that it was not possible to isolate the evaluation of the potential inflationary pressures resulting from four of the proposed measures in the proposition either individually or as a combination, as any impact will feed into general levels of inflation. The measures where inflationary pressures could not be determined included: a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023; b) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate; c) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50; and e) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023.
89. It was highlighted in the Ministerial letter that potential inflationary pressures generated by measure d) – the uplift of the Cold Weather Bonus could be partially evaluated by monitoring energy price data routinely collected by the Government of Jersey. However, it was also indicated that it might be difficult to isolate the effects of measures in the energy price date due to the impact of other variables.
90. In the United Kingdom the [Office for National Statistics](#) has conducted research on the impact of increased cost of living on adults across Great Britain on a quarterly basis⁸⁸. The research provided analysis on the proportion of the population affected by an increase in their cost of living and the individual characteristics associated with not being able to afford an unexpected expense which uses data from the opinions and lifestyle survey. The [Jersey Opinions and Lifestyle Survey 2022](#) is completed every year by Statistics Jersey which collects the experiences and opinions of Islanders to help influence Government Policy.
91. The Panel questioned the methods of assessment for the proposed measures to quantify its success at its public hearing. The Panel were advised by the Minister for Treasury and Resources that due to *“the volatility across western economies and potential increase for inflation might mean that we need to act and bring forward measures before we were able to do a post-implementation analysis of what the effects of the measures were. So, we may need to be making amendments in more real time from any post-implementation review. It does not mean to say that we should be doing more post-implementation reviews because I think we absolutely should. It goes back to the point that we made about efficiencies. Often Government introduces legislation or introduces policies and then they just sit there without any post-implementation review and then we cannot always be sure that they are working well.”*
92. The proposition⁸⁹ highlights that funding of £0.1m in 2022 will be provided to support a public communications campaign. It is concluded that an important aspect of the mini budget is to ensure that good information is readily available on price comparisons as well as Government benefits and support to help families with cost-of-living pressures. Funding will be provided to support community organisations and publicity campaigns. The Government will also encourage and support community-based projects such as a community shop/hub and related support and advice services.
93. During the Panel's public hearing the Director General, Customer and Local Services confirmed the presence on a communication plan. The Minister for Social Security also referred to the first part

⁸⁷ [Letter – Minister for Treasury and Resources and Minister for Social Security – 26th August 2022](#)

1. ⁸⁸ [Office for National Statistics - Impact of increased cost of living on adults across Great Britain](#)

⁸⁹ [Page 10 – R.80.2022](#)

being adverts in Parish magazines which will seek to communicate to the wider community to raise awareness. The Panel were also advised by the Minister for Social Security that the communication plan did include face to face meeting opportunities. The communication plan was not reviewed by the Panel or placed into the public domain. It is not clear who the strategic community organisations are who government will work with to achieve this aim or how the funding will be proportioned to achieve this measure within the proposition.

Financial Implications

Income Projections & Spending Government Plan 2023 – 2026

94. The proposed changes to the income tax thresholds (£34.1 million) will result in a reduction to revenue. The Minister for Treasury and Resources confirmed that the Fiscal Policy Panel forecasts of the economic conditions and the work of the income tax forecasting group confirmed that this option was viable as income is expected to exceed the forecasts in the current Government Plan 2022-25 by more than the costs of these measures.
95. It is also confirmed that the increase in tax funded Social Security benefits arising in 2022 will be met by underspent departmental allocations for 2022 while the costs for 2023 will be met by the increase in income referred above. The reduction in Social Security contributions will be met by the Social Security Fund, which has significant reserves and can absorb the £9m cost without any long-term implications.
96. However, the detail of the data and discussions held by the income tax forecasting group have not been placed into the public domain or been provided to the Panel.
97. The Minister for Treasury and Resources confirmed to the Panel in its public hearing that due to the investment in the Mini Budget it would be more difficult for other spending proposals that might want to be brought forward in the Government Plan or in the future. The Minister went on to explain that it was a question of delivering efficiencies and value for money within the current income levels and it was highlighted that:

Where departments come forward with continual requests for increased spending, I think we should work with departments to first of all analyse their existing budget to see if they can provide their services in a different way. ⁹⁰

The Minister for Treasury and Resources went on to confirm:

We sit here in a very volatile situation knowing that there is still some flexibility for Islanders to deal with the inflation levels that we are seeing in that basket of goods. That could very easily be eaten up. Rather than it being a benefit so that they are not worse off, so they are better off as opposed to inflation, that could, with inflation at the end of September or the end December, be eaten up so that this package simply moves into the neutral or the not as bad off as they have been, but then Ministers will need to think again about whether there are amendments that need to come forward to the Government Plan at the end of the year or even further proposals in the New Year.

98. The Fiscal Policy Panel does highlight to the Panel in its written submission ⁹¹ that the Government should consider whether any of the support could be readily withdrawn in the event that the gloomy predictions prove to be overblown and that Government will need to consider all the policy implications should there be a persistent higher energy price level.

⁹⁰ [Transcript - Public Hearing – Page 24](#)

⁹¹ [Fiscal Policy Panel – Written Submission](#)

Conclusion

99. The Mini Budget proposition was established in 21 days to correspond to the 100 day plan of the Chief Minister. Consequently, stakeholder consultation was not inclusive to the different groups on island which results in gaps for support, it resulted in a lack of data so assumptions were made on the proposed measures and the Government's position on the UN Convention of the Rights of the Child was not clear in the proposed measures of support.
100. Other options under consideration by the Council of Ministers were not placed into the public domain and capping rent increases was not a compulsory measure.
101. The evaluation of the measures proposed in the proposition will require further consideration by the Council of Ministers if the proposition is adopted.
102. The financial investment of the proposition is covered by reductions to income tax and social security fund but this is not sustainable over the longer term.

Appendices

Appendix 1

Panel Membership

The Panel comprised of the following States Members:

Deputy Sam Mézec - Chair



Deputy Max Andrews – Vice Chair



Deputy Carina Alves



Deputy Geoff Southern – Co-opted Member – Health and Social Security Panel Chair



Appendix 2

Terms of Reference

- Conduct detailed scrutiny of the Mini Budget Proposition - P.80/2022: Mini Budget 2022 [the Proposition] with consideration as to how proposed measures are informed and evidenced to support different types of households from increases in the cost-of-living.
- Appraise whether the Proposition is adequately aligned to address the specific needs of households hardest hit by the cost-of-living crisis.
- Review the economic and environmental impact of the proposed package of support, including its potential to drive further inflation and impact policy.
- Assess whether the Proposition has any negative effect for particular groups in society according to characteristics such as income levels or geographical location.
- Evaluate the impact of the Proposition on the inequality of income and wealth in Jersey.
- Review whether realistic, efficient, and effective implementation measures, targets and timescales have been set for the proposed package of support.
- Consider whether the measures brought forward in the Proposition are sufficient and if more support is likely to be required.
- Assess how monetary relief provided through the budget measures will be recovered.

Appendix 3

Evidence Considered

Public Hearing

Joint public Hearing with the Minister for Treasury and Resources and the Minister for Social Security

The public hearing transcript can be viewed on the States Assembly Website [here](#)

Written Questions

The Panel wrote jointly to the Minister for Treasury and Resources and the Minister for Social Security

Written Submissions

Requests for written submissions were sent to 34 targeted stakeholders and responses were received from the following:

- [Jersey Consumer Council](#)
- [Chamber of Commerce](#)
- [Jersey National Park](#)
- [Caritas](#)
- [Rubis](#)
- [Jersey Electricity](#)
- [Children's Commissioner](#)
- [Fiscal Policy Panel](#)
- [Citizens Advice Jersey](#)
- [Jersey Hospitality Association](#)
- [Jersey Trades Union Council](#)
- [ATF Fuels](#)

- [St Brelade's College](#)
- [Student Loan Support Group Jersey](#)
- [Jersey Business](#)

To view all the submissions, responses to written questions and public hearing transcripts, please visit the [review page](#) on the States Assembly website

Survey

The Panel received responses from the public to its survey over a two-week period. In accordance with data protection legislation, the survey results have not been published.

Town Pop-up Stands

The Panel on two occasions held pop-up stands in St Helier town centre to engage members of the public and gauge their views on the review matter.

Other evidence considered

- [Office for National Statistics – Impact of Increased cost of living on adults across Great Britain](#)
- [Jersey opinions and lifestyle survey](#)
- [P.80/2022 – Cost of Living Mini Budget 2022](#)



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