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Deputy Sam Mézec
Chair Corporate Services Scrutiny Panel

By Email

26 August 2022

Dear Deputy Mézec,

Re Corporate Services Scrutiny Panel Mini-Budget Review

We are writing in response to the questions outlined in your letter of 17 August 2022.

The Mini-Budget (P.80/2022) is an extensive package of measures to address the cost of living crisis that was developed at pace as part of one of the key priorities in the Chief Minister's 100-day plan. We are proud of the Mini-Budget and believe that it demonstrates this Government's commitment to continue supporting lower income Islanders by giving them the additional help they need with the rising costs of living.

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.

Response to question 1i)

For the measures a) to e) in P.80/2022, can you please provide the following detail: The supporting analysis data/evidence/modelling used to develop the measures.

Analysis of the financial and administrative costs of measures a) to e) in P.80/2022 is included in the Report accompanying P.80/2022. Distributional and microeconomic analysis used to support the development of measures a) to d) was contained in the information pack sent to the Panel earlier this month.

Measure e), the deferral of commencement of the obligation for offshore retailers to register for Goods and Services Tax (GST), was developed as an administrative response to a request made to Revenue Jersey by a group of offshore retailers, who did not consider that they would be able to make the necessary systems and process changes for 1 January 2023. Distributional analysis was not conducted on this measure as it is not possible to quantify purchasing habits across the income distribution. Additionally, the registration of offshore retailers for GST is in satisfaction of a long-standing commitment of successive governments to lessen and ultimately remove the distortive impact of the GST De Minimis level. It is not primarily a measure to help with the cost of living but clearly the continuation of the £135 De Minimis Level for a further 6 months will be helpful.

Response to question 1ii)

For the measures a) to e) in P.80/2022, can you please provide the following detail: The cumulative financial impact of the measures on Islanders.

The cumulative financial impact of measures is difficult to quantify. Other than for those receiving Income Support, the Government of Jersey does not have detailed data on the number of people at each income level and their family structure. Information on the tax deciles (circulated to States Members by Revenue Jersey on 25 August) is perhaps helpfully indicative.

The distributional and microeconomic analysis used to support the development of measures a) to d) contained in the information pack sent to the Panel, will give an indication of the cumulative impact for certain 'model' households. Please note that measure e) has not been included as it is not possible to quantify the benefit to each Islander and is not specifically intended to ease the pressure on the cost of living.

Response to question 1iii)

For the measures a) to e) in P.80/2022, can you please provide the following detail: Whether the potential inflationary pressures resulting from the measures will be evaluated and, if so, how?

It will not be possible to isolate the potential inflationary pressures of measures a), b), c) and e), either individually or in combination, as any impact will feed into general levels of inflation.

In contrast, potential inflationary pressures generated by measure d) - the uplift of the Cold Weather Bonus to £70 per month - can be partially evaluated by monitoring energy price data routinely collected by the Government of Jersey. However, it may be difficult to isolate the effects of measure d) in the energy price data due to the impact of other variables.

Response to question 1iv)

For the measures a) to e) in P.80/2022, can you please provide the following detail: 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.

The findings of the 2019/20 Income Distribution Survey have yet to be released by Statistics Jersey due to interruptions to the Survey's fieldwork caused by the Covid-19 pandemic. In certain circumstances, tax returns may be used as a proxy for income data. However, in this instance 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. (It is estimated that around 30% of households are below the threshold for paying income tax.)

Without complete and up-to-date data on the income distribution, it is not possible to estimate the impact of measures a) to e) for each income decile. However, 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 low to medium income. The temporary reduction of the rate of Social Security contributions will benefit a broad cross-section of the income distribution.

Response to question 1v)

For the measures a) to e) in P.80/2022, can you please provide the following detail: Any trade-offs that have been identified as a result of the measures.

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 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.

Response to question 1vi)

For the measures a) to e) in P.80/2022, can you please provide the following detail: How households at different ends of the income scale will benefit from the measures, both in absolute and relative terms. Including with consideration for working-age Islanders receiving income that is:

- *below the tax threshold (therefore exempt)*
- *taxed at the marginal rate*
- *taxed at the full rate*

Taking each of measures a) to e) of P.80/2022 in turn:

a) **Increases to income tax thresholds and allowances:** 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 specified above, there is a scale of incomes within each and a range of family circumstances which will influence eligibility for allowances. The charts in Annex A provide an indication of the annual monetary impact of the 12% uprate at each income level and the change to effective tax rate.

b) **Temporary reduction of Social Security contributions**: 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.

c) **Doubling the value of the Community Costs Bonus**: 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.

d) **Setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments:** 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.

e) Postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax: 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.

Response to question 2)

Please provide the up-to-date figures/percentages of working-age Islanders that are taxed:

- *below the tax threshold (therefore exempt)*
- *at the marginal rate*
- *at the full rate*

It is estimated 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%.

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%.

Please note that the system of married taxation means that “taxpayer” in some cases could be a married couple, or a couple in a civil partnership, and in other cases an individual. In addition, the statistics presented above do not capture working-age Islanders who are not required to complete a tax return as they are consistently not liable to tax.

Response to question 3)

What is the impact of the measures on these groups:

- *Low-income families*
- *Families who fall on the cusp of being exempt from taxation and the lowest income taxation threshold*
- *Those eligible for the Community Cost Bonus*
- *Pensioners*

The potential impact on the different groups is outlined below:

- **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.

- **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.

- **Those eligible for the Community Cost Bonus**: 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.

- **Pensioners**: 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.

Response to question 4)

What impact will measure a) – increasing the personal income tax thresholds and allowances by 12%, have on the poorest Islanders? Please provide evidence to corroborate your reasoning.

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. Evidence to support this was provided in the appendix of the report accompanying P.80/2022. 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).

Response to question 5)

Please outline the funding implications of the measures on government funds, for the immediate to longer term. (e.g., on the Social Security Fund)

The Report accompanying P.80/2022 sets out the financial implications of the measures. Based on the latest assumptions of the Fiscal Policy Panel (FPP) and work of the Income Forecasting Group (IFG), income is expected to exceed the forecasts in the current Government Plan 2022-25 by more than the costs of these measures.

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.

Response to question 6i)

What consideration has been given to potential alternative measures to those that have been proposed? (e.g., relative reduction in tax burden as opposed to increasing universal cash benefits) Can you outline the alternative measures, if any, that were considered as part of the development process of the Mini-Budget and, where they were not carried through in P.80/2022, the reasoning for this?

The development of the Mini-Budget was an iterative process. A number of options were included in earlier iterations of the Mini-Budget that were subsequently discounted because they either did not provide sufficiently targeted support or were inconsistent with other policy priorities of the Government of Jersey (eg the Carbon Neutral Roadmap). As the report indicates, the Government has borne in mind the guidance available from the 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.

All the options considered were included in the Council of Ministers' papers, and discussed within the minuted records, which can be provided to the Panel for review on a confidential basis.

Response to question 6ii)

What consideration has been given to potential alternative measures to those that have been proposed? (eg, relative reduction in tax burden as opposed to increasing universal cash benefits) Will any alternative measures be proposed in another context, for example as part of the Government Plan 2023 – 26 and, if so, what measures are being considered?

As outlined above, a number of options were included in earlier iterations of the Mini-Budget that were subsequently discounted in favour of the options which targeted most help on lower-income households. Ministers continue to monitor inflationary pressures on the cost of living and will not hesitate to intervene further if there is a strong case for further support. However, we cannot, at this stage, comment on the content of the proposed Government Plan 2023-26.

Response to question 7)

What modelling, if any, has been done on any alternative set of changes to taxation other than what has been proposed in the Mini-Budget? Please provide the supporting analysis data in that regard.

Distributional and micro-economic analysis was conducted, data limitations permitting, to support the development and discussion of alternative policy options that were not included in the final package of measures outlined in P.80/2022. This analysis was included in the Council of Ministers' papers, and discussed within the minuted records, which can be provided to the Panel for review on a confidential basis.

Response to question 8)

When developing the measures, what consideration was given to any further inflationary increases, beyond the levels where the increase of income tax allowance of 12% is anticipated to provide appropriate support. For example, the measures that may seem appropriate in the immediate context, may not provide the appropriate support in the medium to longer term, should the RPI *continue to rise and peak in 2023 at a level higher than the accommodated for 'above inflation increase of 12%'?*

Forecasting inflation is challenging and, as seen over the last year, there are many unpredictable circumstances outside Jersey's control which will ultimately impact our economy. The FPP oversee Jersey's macroeconomic forecasting and used the most up-to-date data available within their most recent publication (Medium Term Report published July 2022). The August 2022 forecast by the Bank of England expects CPI to peak at 13.1% in Q4 2022 before falling gradually over the course of 2023. Jersey's inflation has been lower than the UK over recent months, a trend driven by the energy price and mix differential. Of course, as the FPP and Bank of England recognise, there could be further economic shocks which prolong the period of high inflation, but these are unpredictable.

Given the current data and forecasts available, the uprate of 12% for income tax thresholds and allowances is significantly above the 7.7% annual inflation forecasted. Care should be taken not to confuse the annual rate of inflation with the peak. Peak inflation can be impacted by base effects, relatively lower inflation the same quarter one year prior, and a step change in a good which makes up a large portion of the RPI basket, whilst annual inflation is more representative of the overall situation. The 12% uprate of allowances sits 4 percentage points above the current forecast and has built in room for the forecast to be exceeded.

Response to question 8i)

What impact will this have on Islanders?

A period of sustained high inflation will be particularly difficult for those on fixed incomes and those with limited ability to access higher paid employment. Sustained price rises in essential items will also be difficult for lower income households and will further erode their standard of living. Further downward pressure on household budgets will be generated by the particularly buoyant housing market and any rises in private rent costs.

The Government will, obviously, continue to monitor and consider further targeted interventions as circumstances dictate.

Response to question 8ii)

What impact will this have on the budget measures?

Higher than forecast or sustained inflation will erode the real value of the benefits provided to Islanders through the measures in the Mini-Budget. However, as stated above, the 12% increase to personal income tax thresholds and allowances sits 4 percentage points above the current forecast and has built in room for the forecast to be exceeded.

Response to question 9)

How will Islanders that are unable to work be supported through the proposed Mini-Budget measures?

Islanders who are unable to work will be supported through the Income Support system. These Islanders are currently receiving additional cash payments of £40 per person per month and these will continue until December 2022. Income support rates will increase by 2.6% from October 2022 and a further increase will be implemented in January 2023, subject to States approval. This second uprate will reflect the September RPI figure, which will be published in late October 2022. Income Support claimants with a child under three years of age or a disability will also benefit from the increase in Cold Weather Bonus to a guaranteed amount of £70 per month from October 2022.

Response to question 9i)

What analysis has been undertaken to appropriately identify how support through social security measures is reaching the Island groups that require the assistance.

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 at or 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.

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.

Additional measures in the Mini-Budget will provide targeted support to Island groups that need assistance. These broadly fall into three categories:

- **Income Support**: The Income Support system which helps a cross-section of households (e.g. working, non-working, pensioner, working age) is used to ensure that additional support is provided to lower income families across Jersey. These families with the lowest disposable income are likely to have less ability to adjust to rising prices compared with other households.
- **Lower income pensioners**: The second group to receive additional support is lower income pensioners (those with incomes too low to pay income tax). Pensioners are more likely to have a fixed income and to have limited options available to increase household income or reduce expenditure to adjust to rising prices.
- **Families with less than 5 years' residence**: Additional support will be provided to families with less than 5 years' residence as this group is not covered by the Income Support scheme and may have less flexibility to take on extra employment or reduce household costs. This group will, of course, also benefit from the 12% uprating of tax thresholds and allowances.

Response to question 9ii)

Have any gaps been identified and, if so, how will any identified gaps be addressed to assure all Islanders who require support receive it.

The Mini-Budget has been designed to provide a package of support to a broad range of household groups that were identified as needing support. Broader support rather than strictly defined targeted support will ensure that there are fewer gaps in the package and that support is delivered quickly to those who require it most.

As noted above, the Income Support scheme does not extend to those without 5 years' residence, although those individuals will benefit from changes to the income tax thresholds and allowances, and from the temporary reduction in the rate of Social Security contributions. They will not be eligible for any benefits that are tied to the Income Support system. As set out in paragraph 48 of the Report accompanying P.80/2022, more work will be delivered in the coming months to develop an appropriate package of support for these households with children with less than 5 years' residence.

Response to question 9iii)

How many Islanders will the funds available through the COLTS scheme support and which groups will it support?

As noted in the Report accompanying P.80/2022, approximately 11,000 individuals currently receive the additional payment of £40 a month on top of their normal benefits under the COLTS scheme. Payments are received by Income Support households and by households who have recently claimed the Cold Weather Bonus, Community Cost Bonus or are covered by the Pension Plus scheme. For example, a couple with two children will receive a COLTS payment of £160 per month from August to December 2022. From January 2023, low income families receiving income support will see an increase in their weekly benefit rate.

Response to question 10)

Figures given by the previous Social Security Minister in answers to WQ.54/2021 and WQ115/2022 reveal that failure to fully index the components of those who cannot work and therefore are dependent on only the adult and household components of Income Support meant that they were £11.24 per week worse off in 2021 than in 2014. How will the measures assist those Islanders within this group?

There have been many changes in the Income Support scheme since 2014 and a simple comparison of component rates fails to take account of the wider picture. Islanders receiving Income Support will also be receiving COLTS payments of £40 per person per month and this will continue until the end of 2022. Income Support rates will increase in October 2022 by 2.6% and a further increase will be provided from January 2023, subject to States approval. In addition, a working age person with a child aged under three years of age or living with a disability will receive additional Cold Weather Bonus payments this winter at a fixed amount of £70 per month from October 2022.

Response to question 11)

It is noted that the Community Cost Bonus is currently only claimed by 1000 Islanders, however, it is anticipated that 7000 Islanders will come forward to claim the benefit. To date, why have the 7000 Islanders not been informed of their eligibility for this benefit and thus the support available to them? How has the assumption of 7000 Islanders been identified?

The Report accompanying P.80/2022 notes that "*The proposals also allow for a significant increase in the uptake of the Bonus. It is estimated that up to 7,000 households may be eligible for the Bonus. A communications campaign will highlight the Bonus and encourage applications from these households over the autumn*." Information on the Community Cost Bonus is currently available on the Gov.je website in the same format as other benefits. 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 noted above, 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.

Response to question 12)

With regard to the proposed reductions in social security contributions what impact does the model have across the different income levels? Please provide data to corroborate your reasoning (For example - will Islanders receiving the lowest incomes receive the least benefit?)

As stated in the response to question 9i), 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.

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.

These measures are designed to be broad and to act quickly. They are not targeted to Islanders with the lowest incomes as there are other measures within the Mini-Budget that address that issue directly, in particular the increase in COLTS payments with effect from August 2022 (i.e. before the Social Security reductions come into force)

Response to question 13)

What analysis, if any, has been undertaken to identify the impact of the measures on income inequality. Please provide data to corroborate your reasoning. For example, will the proposed measures increase income inequality rather than reduce it?

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.

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. It is important to note that this is not limited to just those on high incomes, although they are more likely to have greater bargaining power with employers.

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. 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. 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. Whereas, changing the marginal rate of tax provides a smaller cash benefit, if any, to lower income taxpayers.

In this context, 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.

Response to question 14)

What consideration, if any, has been given to the increasing mortgage interest rates and the impact of this on taxation figures through interest tax relief provided? Has this been considered as part of the process to develop the proposed measures and, if so, how?

Ministers are closely monitoring developments in the Bank of England's base rate and how this flows through into mortgage interest rates. Mortgage Interest Tax Relief has been capped for some years to protect the Public Purse from excessive exposure to potential mortgage interest rate increases.

Response to question 15)

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? Has this been considered and, if so, how?

Sufficient data is not available to assess each individual private sector rental property and the movements of rental costs while in contract. Data for advertised rentals is collated and published as part of the Statistics Jersey House Price Index report. For low-income Islanders who qualify for social housing, rents have not been raised since before the Covid-19 pandemic and so the capped rise of 4% will be considerably below measures of inflation over the same period.

It is not possible to analyse how much of the monetary support will be passed onto private landlords. The level of pass through to landlords depends upon the choices of individual landlords. 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.

Response to question 16)

Has Island Energy been approached to gauge any potential increases on gas prices going forward and, if so, what were the outcomes?

Island Energy was not approached as part of the preparation of the Mini-Budget. Gas represents a small proportion of Jersey’s energy mix. However, Ministers will continue to monitor energy price developments and the impact on Islander’s and businesses.

Response to question 16i)

What consultation has been undertaken with other utilities companies regarding price increases?

The need to act quickly precluded an extended period of consultation with either the public or businesses, including utility companies. As mentioned above, Ministers will continue to monitor energy price developments and the impact on Islander’s and businesses.

Response to question 17)

With regard to the impact of inflation on food, not all food types will incur the same level of inflation. What analysis has been done to determine the types of foods rising in cost and the impact on different groups in society as a result?

In the June RPI report, the Food category contributed +0.7 percentage points to the annual change in RPI, whilst it contributed +0.8 percentage points to the annual change in RPI Low-Income. The Food category is more heavily weighted in the RPI Low-Income measure as it forms a larger portion of their spending. However overall, RPI Low-Income, RPI(X) and RPI(Y) all stood at 6.5% whilst RPI (7.9%) and RPI Pensioners (7.7%) were significantly greater.

Statistics Jersey has advised that they are not able to provide more disaggregated information on food price inflation and its impact across different groups in society.

Response to question 18)

Why has the Minister not decided on a rise to an above RPI to increase pensions to match proposals for other benefits, on a temporary basis?

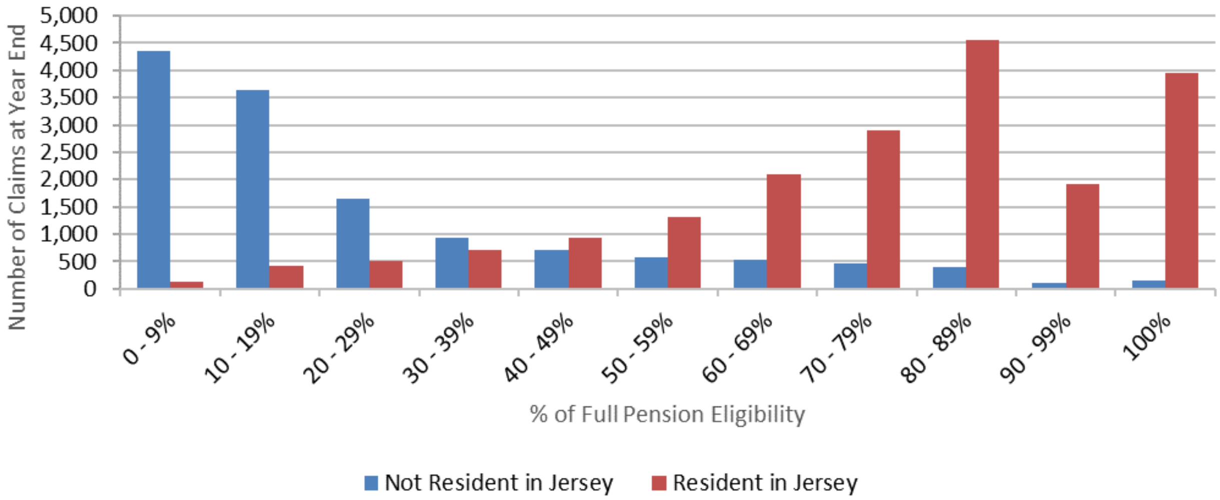
The Jersey state pension is subject to a statutory annual increase in October each year. The increase will, as a minimum, match the increase in the June value of RPI for pensioners. In years in which wages are rising faster than prices, the pension will rise by more than RPI, with the aim of tracking average earnings in the long term.

It 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). 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.

Response to question 19)

Please provide the detail of those Islanders claiming a full pension and those claiming a part pension. II. What will the weekly increase as a result of the 7.7% uplift to pensions be for Islanders claiming a part pension?

The chart below shows the distribution of Jersey state pension claimants for 2021 based on the amount of pension they claim and their residency status. The 7.7% uplift will apply equally across all claimants.



Response to question 20)

Paragraph 17 of the proposition points out that the average reduction in contributions is around £57 monthly or £171 per quarter. Will the minister explain where these figures are to be found?

The figures referred to in paragraph 17 of the Report accompanying P.80/2022 have been calculated using Social Security data available on Government of Jersey Open Data.

The table below presents the data and the impacts of a 2 percentage point reduction in Class 1 employee and Class 2 contributions.

Description	**Cost**	**Number of people**	**Average change per person for Q4 2022**	**Average change per person per month**
Class 1 employee contributions below the SEL	£5,194,943	38,024	£136.62	£45.54
Class 1 employee contributions above the SEL	£2,966,474	10,725	£276.60	£92.20
Class 2 contributions below the SEL	£280,379	1,841	£152.30	£50.77
Class 2 contributions above the SEL	£509,221	1,841	£276.60	£92.20
Totals	£8,951,017	52,431	£170.72	£56.91

Note: As highlighted in the penultimate paragraph of this letter, an error was identified in the calculation of benefits generated by the temporary reduction in Social Security contributions for different earnings levels.

Response to question 21)

Were the social security contribution figures also examined alongside the available statistics for Relative Low Income (RLI) either in quintiles or deciles. For example, Jersey has more pensioners in RLI than the UK – has this been considered when assessing the level of cost-of-living support required by Islanders?

Statistics Jersey have not released the full 2019/2020 Income Distribution Survey due to the pandemic interrupting field work.

The temporary reduction in Social Security contributions forms an important part of the Mini-Budget as a measure that can be brought into effect very quickly and supports a large proportion of the overall population. It is a temporary measure that will be replaced in January 2023 with broader changes to income tax thresholds and allowances. Other parts of the Mini-Budget are specifically aimed at supporting lower income families.

The Mini-Budget strengthens the support that is already available to lower income pensioners. Pensioners who do not pay income tax have access to additional support schemes. These cover a range of health costs (e.g. GP visits, dental, optical and chiropody costs) and heating costs. These pensioners have also been included in the temporary COLTS scheme, which is providing an additional £40 per person per month.

Response to question 22)

What consideration, if any, has been given to the impact of the support measures on the longer-term impact on the system. What consideration has been given to the fact that the support cannot just be 'written off' as once it is in the system, a high RPI will remain in the system and although the rate of change in the RPI may go down the impact will remain for the longer term. How will this impact be appropriately accommodated?

The lasting financial impact of the Mini-Budget will depend on the nature of the measure. For instance a number of measures will create a one-off impact on government finances which will be absorbed within existing departmental budgets. Whereas measures such as the increase to state pensions and personal income tax thresholds and allowances will generate a recurring impact on government finances.

For those measures generating a recurring impact, it is important to distinguish between those that are the result of statutory requirements and those that are due to policy choices. Uprating of state pensions is a statutory requirement and adequate provisions have been made to accommodate the long-term impact of this. Increases to income tax thresholds and allowances will result in recurring foregone revenue, but the effects of this can be partially mitigated through policies that promote growth in the tax base and, if necessary, future tax policy changes.

Correction to impact of the temporary reduction in Social Security contributions

While preparing responses to the Panel's questions, officers identified an error in Table 3 of the Report accompanying P.80/2022. The table in question provides examples of the benefit generated by the temporary reduction in Social Security contributions for different earnings levels. The estimate of benefit for example 4 (£80,000 earnings per annum) was based on the 2021 Standard

Earnings Limit. Correcting for the 2022 Standard Earnings Limit will move the monthly and quarterly benefits for this example from £92.20 and £276.60 (respectively) to £95.28 and £285.84 (respectively). This error was also present in the Report accompanying P.82/2022 and has now been corrected in a reissued version.

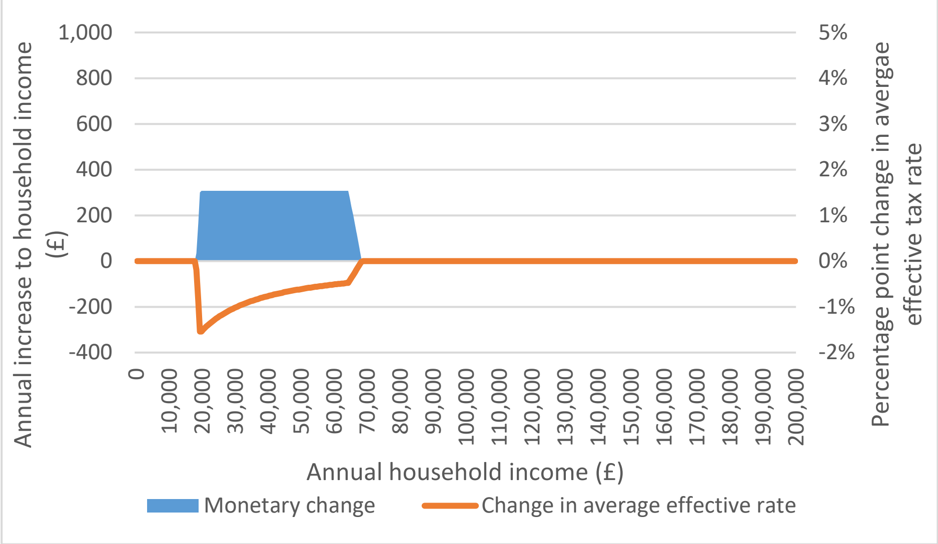
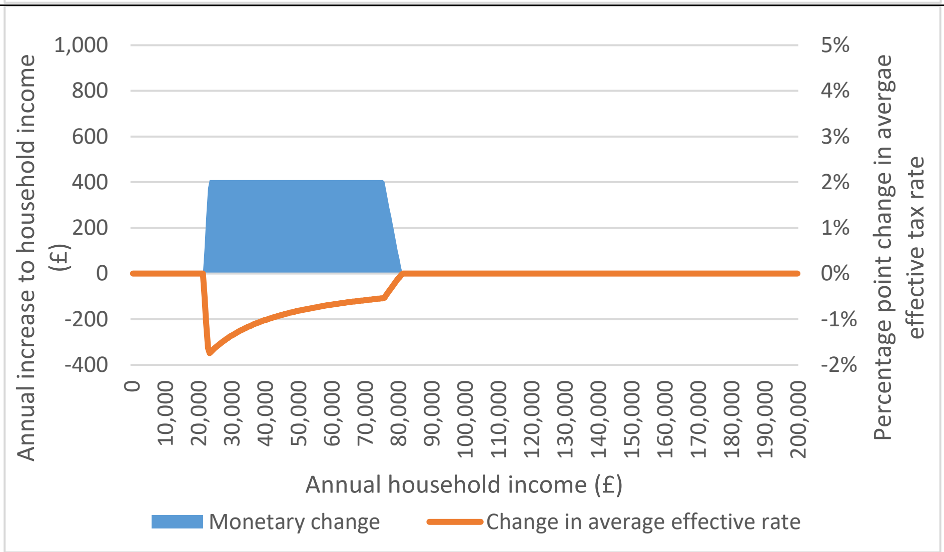
We note the intention to publish these responses and trust that they will be useful inputs to the valuable work of the Panel.

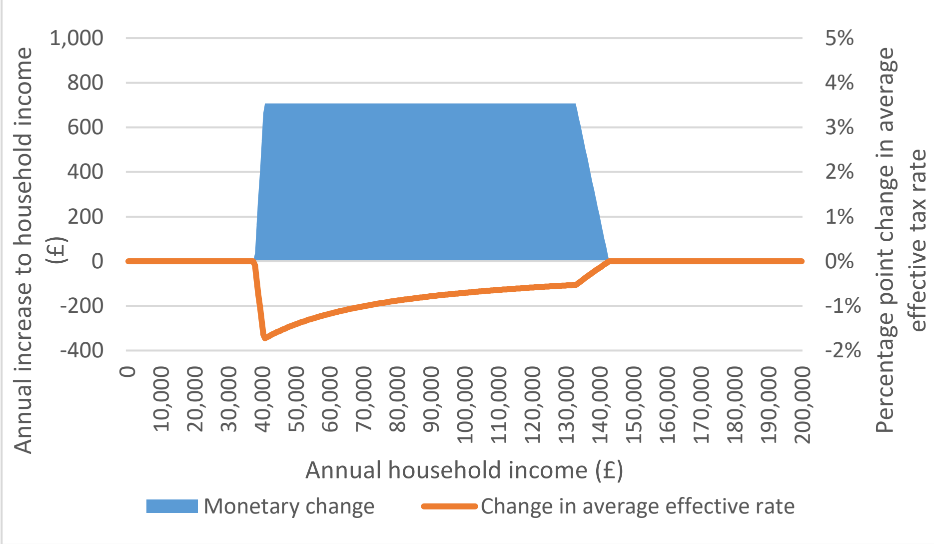
Yours sincerely

Deputy Ian Gorst
Minister for Treasury and Resources

Deputy Elaine Millar
Minister for Social Security

Annex A: Analysis of impact of the proposed changes to income tax thresholds and allowances

<table>
<tr>
<td>Household 1:
1 adult
0 children
5% pension contributions
No mortgage</td>
<td>
</td>
</tr>
<tr>
<td>Household 2:
1 adult
1 child
5% pension contributions
No mortgage</td>
<td>
</td>
</tr>
</table>

<table>
<tr>
<td>Household 3:
2 adults, 1 earner
2 children
10% pension contributions
No mortgage</td>
<td>
</td>
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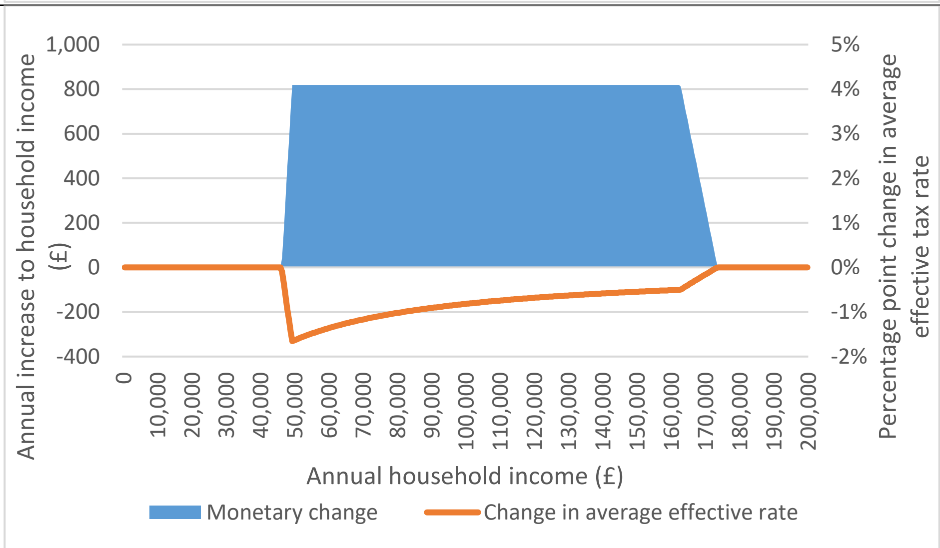
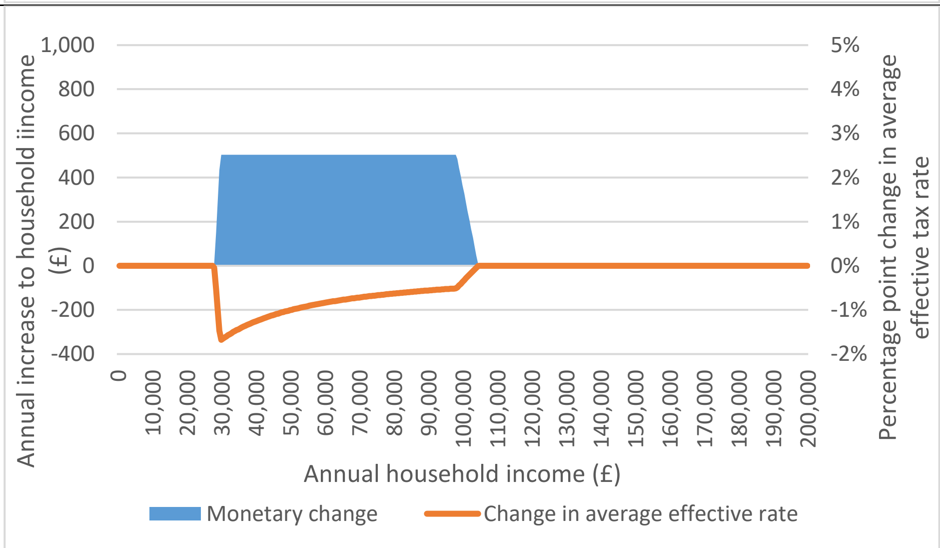
<tr>
<td>Household 4:
2 adults, 2 earners
2 children
5% pension contributions
£3,000 mortgage interest payments</td>
<td>
</td>
</tr>
<tr>
<td>Household 5:
(pensioners)
2 adults
0 children
No pension contributions
No mortgage</td>
<td>
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