
STATES OF JERSEY



COST OF LIVING MINI-BUDGET 2022 REVIEW (S.R.19/2022): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 28th October 2022
by the Minister for Treasury and Resources**

STATES GREFFE

REPORT

COST OF LIVING MINI-BUDGET 2022 REVIEW (S.R.19/2022): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Ministerial Response to:	S.R.19/2022
Review title:	Cost of Living Mini-Budget 2022 Review
Scrutiny Panel:	Corporate Services Scrutiny Panel

Ministers' Introduction (Minister for Treasury and Resources and Minister for Social Security):

We are grateful to the Corporate Services Scrutiny Panel for their work and the speed with which they scrutinised the cost of living Mini-Budget.

The key findings and recommendations of the Report are helpful. It is important to recognise the context within which the Mini-Budget was constructed. Islanders are facing the greatest assault on the pound in their pocket in over 30 years arising principally from the aftermath of the Covid-19 Pandemic and the war in Ukraine. The rapidly evolving cost of living crisis called for swift and radical action to make sure that money was put back into Islanders' pockets as soon as possible. This required Ministers and officers to work at pace within existing legal frameworks and delivery systems - to deliver timely and targeted support.

Ministers will learn from our experience with this Mini-Budget as this Government continues to deliver on its promises to support Islanders.

Findings:

	Findings	Comments
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.	Stakeholder engagement is important to the Government and there are different methods of engaging stakeholders, including full public consultation, depending on the circumstances. Given the need for urgent action and the political commitments made during the General Election by many States Members, the Government's first package of measures was largely founded on the general advice of the Organisation for Economic Cooperation and Development (OECD) and emerging international best practice from other jurisdictions.

		Key stakeholders representing lower-income households were engaged. Under different circumstances more stakeholders would have been engaged to provide views. However, the most important aspect of the Mini-Budget was to act fast to help Islanders with the impact of the cost-of-living crisis.
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.	<p>A number of issues argued against re-using existing Spend Local Cards including, for example, the changes in Jersey households since their first use and the likelihood that many cards had been destroyed.</p> <p>In addition, measures to support households meet the increases in the cost of living rather than increase consumption (e.g. Spend Local scheme) were prioritised due to the concerns around government intervention contributing to inflationary pressures.</p>
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).	<p>The Government recognises that, even where it is not required by law, it is good practice for policies to be developed with consideration of their potential impact on children.</p> <p>A CRIA was made available in time for the debate. Please see Proposed mini budget (gov.je)</p>
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.	The Minister for Children and Education announced a one-off further increase of 7.2% to maintenance grants for all off-island students and independent on-island students on 25/10/2022. This increase will be effective in 2022, with a separate payment being made to students by Christmas, building on the 2.9% increase implemented from September. The combined increase represents a 10.1% uplift in the level of maintenance which is equal to UK Consumer Prices Index (CPI) 12-month rate for July 2022, published by the Office for National Statistics.
5	The proposition provides no tangible action by Government to reduce inflationary pressures in the rental	For the reasons set out in hearings and Assembly debate, no quick-and-easy Government intervention was feasible in

	market as it only encourages landlords to avoid inflationary increases to rent.	an emergency budget to bear down on rent inflation. The need for full and detailed stakeholder consultation on any such measures was also a factor in shaping the Government's approach to this issue through the Mini-Budget.
6	Despite numerous requests in writing and at the public hearing, no clarity on the impact of the measures on income inequality was provided.	The purpose of the Mini-Budget was to address cost of living concerns, rather than income inequality. However, it is patently clear that the package of measures assists lower-income households most. This point was made to the Panel in our letter of 26 August 2022.
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.	<p>The measures include both direct payments (such as the Community Cost Bonus) and indirect payments (such as reductions in contributions and increases in tax allowances) which do directly place extra money into people's pockets for them to spend as their personal circumstances direct. Given that Jersey is close to full employment, it is expected that the combination of these measures will reach most Islanders.</p> <p>It is incorrect to characterise the Mini-Budget as not progressive while noting that the purpose of the Mini-Budget was to address cost of living concerns rather than income inequality.</p>
8	The absence of real time data resulted in the use of assumptions when developing the support measures.	<p>The best data available was used to support the development of the Mini-Budget.</p> <p>We recognise the importance of evidence-based policy making when bringing forward proposals. However, in the absence of hard or real-time data, it is best practice (across jurisdictions and throughout range of public and private economic activities) to generate assumptions to support policymaking. Indeed, this is standard practice when developing economic models to analyse the potential impacts of policy changes.</p> <p>Statistics Jersey has been funded during 2022 and 2023 to link administrative data already held by government – initially to</p>

		support Covid Health Recovery. This approach, which has been adopted by other jurisdictions, has the potential to provide faster more granular data to support decision making in the future.
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.	<p>The draft Government Plan was lodged on 4 October 2022, and it would not have been appropriate to discuss its content prior to publication.</p> <p>The draft Government Plan outlines proposals for additional measures to support Islanders by restraining overall increases in duties where appropriate to do so. This includes freezing alcohol and road fuel duties for 2023.</p>

Recommendations:

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
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.		Accept	<p>The Government's approach to stakeholder engagement (including formal consultation exercises) is set out in a published policy available on the Government website. Please see Public consultations and stakeholder engagement (gov.je)</p> <p>As the Government's policy states, the approach to engagement will always depend on the nature of the issue under consideration. In this situation, the need to act quickly limited the extent to which detailed or lengthy engagement could be undertaken.</p>	20/9/22
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		Accept	A full impact assessment was provided to States Members in time for the debate. This can be found at Proposed mini budget (gov.je)	20/9/22

	demonstrate alignment to the UN Convention on the Rights of the Child (UNCRC).			
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.	Partially Accept	The Fair Rents Plan is more than one action. It is a set of discrete actions across the entire rental market (social and private). Some of the Plan has already been delivered, such as the Andium rent freeze and the reduction of social rents to 80% of the market rate. The Affordable Housing Gateway eligibility criteria have already been widened. Plans for a revised Residential Tenancy Law have already been developed and law drafting is to commence early 2023. The Government is in the process of appointing a new Rent Control Tribunal. The plan is running to schedule, with good progress being made. Hasty, uncoordinated interventions in the private rental market could have serious unintended consequences and it is important that Government actions are carefully planned and implemented to avoid negative consequences.	20/9/22
4	The Council of Ministers must identify and access accurate and suitable real time data when evidencing proposed support measures.	Partially Accept	The Government will always, as a matter of principle, strive to base its decisions on the best evidence available at the time. Where data is unavailable, the Government will clearly	20/9/22

			<p>identify any key assumptions underpinning a measure.</p> <p>As noted above, Statistics Jersey has been funded to link administrative data already held by government which has the potential to provide faster more granular data to support decision making in the future.</p>	
5	<p>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.</p>	Accept	<p>The financial implications of the Mini-Budget were included within the Proposition, including the relevant administrative costs where they could be reasonably quantified.</p> <p>With speed of implementation being key, one of the main aims was to deliver changes within existing systems and frameworks, which also minimises the associated administrative costs.</p> <p>Jersey is in a fortunate position, thanks to prudent management of public finances over many years, to be able to provide these levels of short-term support.</p>	20/9/22
6	<p>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.</p>	Partially Accept	<p>The Government is committed to keeping the economic position under close review; monitoring the impact of the new cost-of-living measures; and making any new interventions deemed necessary. The need to target support to the most vulnerable groups will always be a major consideration in the planning of any additional measures.</p>	

			<p>However, it is important to recognise the limitations of voucher schemes. The use of existing delivery systems helped to ensure that support is timely and targeted. The use of vouchers, except on a small scale in very limited circumstances, is likely to involve significant administrative costs. It may also be difficult to distribute vouchers in a well-targeted manner. The use of one-off payments and/or vouchers may or may not be associated with a progressive distribution of additional support.</p>	
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Ministers' Conclusion:

We would like, again, to thank the Corporate Services Scrutiny Panel for their Report. We consider that the Mini-Budget will deliver timely and targeted support to help Islanders weather the cost of living crisis. Support has been focused on those households with lower incomes, as they will feel the impact of rising prices more keenly than others. The Government will keep these measures under review and will act if more is needed.