

2024.10.22

3.4 Deputy L.M.C. Doublet of the Chief Minister regarding actions to address continuing increases in the cost of living (OQ.201/2024):

Will the Chief Minister outline any actions that the Government will propose, or is considering, to address continuing increases in the cost of living?

Deputy L.J. Farnham (The Chief Minister):

The Corporate Strategic Plan, as agreed by the Assembly, has a major focus on helping Islanders with the cost of living, and some examples of actions taken to date include the reduction in the cost of G.P. (general practitioner) visit; a new higher minimum wage to be introduced next year as part of our commitment to the living wage economy; a proposed 2025 Budget freezes in both alcohol and fuel duty to help ease cost-of-living pressures. Later in this session, we will debate an increase in the income support regulations, which will help those households on the lowest incomes with an extra £3.2 million allocated to this area next year. For households above the income support level, the 2024 Community Cost Bonus is now available and remains at the higher level of £500 per household. That is just some examples of what we are doing. All these actions are ongoing, supporting local households in meeting cost-of-living pressures and we are ready to take further actions as and when needed.

3.4.1 Deputy L.M.C. Doublet:

Is the Chief Minister aware of data from the Jersey Household Income Distribution Report, which states that 54 per cent of one-parent families are in relative low income after housing costs. What policies does this Government have to tackle this issue?

Deputy L.J. Farnham:

I refer to my previous answer. The cost-of-living pressures, the cost of living in Jersey especially for young families, is one of our top priorities. It is one of the key areas of concern in the medium to long term, as we look at working-age population, a fall in the birth rate, and the pressures on young Islanders who cannot afford to buy homes.

[10:15]

The Minister for Social Security I know is paying close attention to those Islanders who are at the lower end of the scale when it comes to income, which is why I have outlined some of the actions she is beginning to take.

3.4.2 Deputy P.F.C. Ozouf:

The question relates to costs of living and what Government can do. Professor Sir John Vickers, in the 2015 report on the functioning of the competition policy, said in his foreword it is important to stress that competition is not just the task of the competition authority, i.e. J.C.R.A. (Jersey Competition Regulatory Authority), other institutions, above all Government, must take its role, I will not go on to quote. He did not, in his answer to Deputy Doublet's well-made question, make any reference to the importance of competition. Just giving more money from taxpayers to people on low incomes does not work in the longer term. It is by making competition work and lowering prices. Could he address the issue as to whether or not, as Professor Sir John Vickers said, his Government will be addressing competitive issues? If so, what are they because I do not know anything that he is doing about that.

Deputy L.J. Farnham:

I am not sure I can teach the Deputy much about competition. We go back a long time, we were all there when the Jersey Competition Regulatory Authority was founded and of course competition remains one of our key levers for bearing down on inflation and the cost of living. As Members will know, we have a fiscal policy, we do not control monetary policy, which is not always helpful. Yes, the Anti-Inflation Strategy Group, chaired by the Minister for Sustainable Economic Development, is currently working on areas of this in relation to encouraging competition. I cannot immediately go to the list of actions that are proposed but I am happy to share that with Deputy Ozouf. But of course, encouraging a competition under the Competition Law in line with the work of the J.C.R.A., which keeps watching briefs on our local economy, is vital. As a Government, we want to do ... you will have to excuse me, Sir, I have been struggling with a bit of something lately, so I am not very loud. I do apologise. We will continue to promote competition wherever possible and the benefits of the economy and cost of living, making sure we can do what we can. But it is challenging with the limited tools we do have.

3.4.3 Deputy P.F.C. Ozouf:

I am not sure that I got much more than just words. Professor Sir John Vickers said Government needs to ensure that it creates the right environment for the J.C.R.A. itself to work and he says he is going to give me a list of the things that he is doing. Can he think of one thing in the area of competition which, at the end of the day, is a vital important part of the reasons why, as the F.P.P. (Fiscal Policy Panel) have pointed out, that we have got growing local domestic inflation? Could he give me one example of what he and his Government are doing, together with other Ministers, to deal with increasing competition and what they are doing, their role, not just that of the J.C.R.A., as Professor Vickers said. It is tripartite. Government should be on the case. We have got rising inflation, could he name one thing that Government is doing in the competition area that is going to make a difference to households?

Deputy L.J. Farnham:

Like I say, we have competition. We have regulated markets, for example, in telecoms. The Government funds, for example, the Consumer Council, which promotes competition through local business. Those are 2 existing examples of how we address competition.

3.4.4 Deputy T.A. Coles of St. Helier South:

One of households' biggest single expenditures, which seems to rise unchecked, is the cost of rent. The Minister for Housing has indicated that he will be bringing the new Residential Tenancy Law later this year. Will the Chief Minister confirm whether he is likely to support rent control stabilisation measures that will be brought within this?

Deputy L.J. Farnham:

I am not sure until I have seen all of the detail, but that is a debate we will have around the Council of Minister's table. We make our decisions consensually and I do not think that will be any different, but I look forward to seeing the detail.

3.4.5 Deputy T.A. Coles:

Insurance is another factor which has increased exponentially since Gibraltar stopped underwriting insurance for the Crown Dependencies. What has this Chief Minister and this Government done to see if these rates can be reduced?

Deputy L.J. Farnham:

I am sorry, I was distracted. Could he repeat the second part?

The Bailiff:

Well, Chief Minister, you will appreciate that I have to remonstrate with you because this now is taking up time, but could you repeat the second part of your question, Deputy?

Deputy T.A. Coles:

Certainly, Sir. Gibraltar has ceased underwriting insurance for Crown Dependencies, which has seen many Jersey residents' insurance premiums increase exponentially. What has the Chief Minister and his Council of Ministers done to help alleviate this?

Deputy L.J. Farnham:

I simply do not know at this stage, sorry.

The Bailiff:

I have Deputy Andrews, Deputy Alex Curtis, then final supplementary.

Deputy I. Gardiner:

Sir, I had my light on.

The Bailiff:

Well, if you had your light on before, Deputy Gardner, I will add you in. I have to say that I did not notice it, and the general rule is unless I look at you in the eye and nod please do not assume you have been noticed, but perhaps you thought I had.

3.4.6 Deputy M.B. Andrews:

What impact, if any, does the prospective Government Budget have on crowding out the private sector and potentially adding to the domestic inflationary pressures that we already have?

Deputy L.J. Farnham:

I am just wondering if that was related to the original question, but I guess it is, sort of. Is the Deputy referring to the potential reduction in headcount, for example? I am not quite sure what he means by "crowding out".

The Bailiff:

Would you like to pose your question differently in a way that perhaps is ...?

Deputy M.B. Andrews:

Indeed, Sir. I am aware that the Council of Ministers have brought forward proposals in the forthcoming Budget, and I want to know what impact, if any, will some of those policies have on domestic inflation and also what impact will that have in terms of cost of living?

Deputy L.J. Farnham:

Generally, the Budget is aimed at helping to relieve living pressures, as I have mentioned some of the examples we have already taken action on. Some are included in the Budget; for example, the freezing of alcohol and fuel rates. In addition to that, we are looking to curb costs in the expenditure of the government, our net revenue expenditure. I think that is important. The costs continue to grow. If we had not taken action, it would continue to grow exponentially. In the medium to long term, there is more risk to inflation by having an oversized, too expensive Government than taking the action we are now. In the short term, there is a small inflationary risk by increasing to new minimum wage and living wage, and we are fully cognisant of that, and are planning to manage that. But that is a one to 2-year blip, which will smooth out in the longer term.

3.4.7 Deputy M.B. Andrews:

I note the S.E.B. agreed pay awards above inflation, and also the Council of Ministers have brought forward proposals to increase personal income tax thresholds, so what impact will this have to aggregate demand within the economy? Also will we see inflation potentially now last for longer?

Deputy L.J. Farnham:

The items that the Deputy mentioned, I am reliably informed will have very minimal impact on upward inflation and will be ... and the other aspects of the Budget will help to bear it down more. So the net impact on inflation will be positive or negative, whichever way you want to look at it. Members will also know that a lot of the inflation we suffer in Jersey is largely out of our hands and depends on other actions taken in the rest of the world. Currently our R.P.I. (retail price index) forecasts are due to fall. We eagerly await the next one, which I think is due out imminently, and we will be able to comment more once we have had a chance to study the details of that.

3.4.8 Deputy A.F. Curtis:

The cost of housing is widely considered one of the largest drivers of many cost-of-living challenges. Is the Chief Minister exploring what role Government needs to take to ensure the open housing market functions in an affordable manner?

Deputy L.J. Farnham:

Yes, and that work is largely led by the Minister for Housing. We have examples of schemes which have been introduced, which have shown a promising start. Of course, the real driver of house prices is the supply and demand issue. We found our forecasts on that changing. Two or 3 years ago, we were looking at a demand for, I think, up to 8,000 homes over the next 10 years. With revised population figures, post-Brexit, post-pandemic, labour shortages, we have seen our population predictions fall. That has allowed some of the housing supply to catch up with demand. If we can find a balance where the supply and demand of housing, especially family homes, is more equal, then that will have a very positive bearing on the cost of homes. If we can then, with policies brought in by the Minister for Housing, help specifically younger Islanders to buy family homes, then that is something we will continue to support strongly and it will evolve as we learn from the schemes we are running now.

3.4.9 Deputy A.F. Curtis:

Between 2018 and 2022 the Island's population dropped by circa 200 at the same time as well over 1,000 properties were built. Will the Minister advise how the supply and demand argument explains this?

Deputy L.J. Farnham:

Not off the top of my head, no. Sorry.

3.4.10 Deputy I. Gardiner:

We know that one of the most impacted groups are pensioners from the cost of living, people who depend on the government pension. Would the Chief Minister agree to raise the living-rate pension to the same level as bringing the living wage?

Deputy L.J. Farnham:

Ultimately, that would be a matter for the Assembly. The old age pension increased by 5.4 per cent in October. This is above the R.P.I. O.A.P. (old age pensioners) figure of 4.4 per cent. That is the current status. But, as I said, that is not something I would consider doing without

full debate and evaluation on how that might impact on the Social Security Fund and the contributions we will be required to make in the future.

3.4.11 Deputy I. Gardiner:

It is interesting that the Chief Minister mentioned 5.4 with inflation, when the wages for the public sector raised for 8 plus one, and we know that inflation was much higher. I understand that the living rate pension will not be considered this term. In this case, would the Minister follow C.S.P. (Common Strategic Policy) that we all agreed and ready to make the next step, would think to reinstate work that has been done on the workplace pension, to ensure that future generations have a decent pension to live?

Deputy L.J. Farnham:

I am sure we are prepared to discuss that. It is ultimately a matter for the Minister for Social Security, but the short answer to that is yes, we are prepared to discuss it.

3.4.12 Deputy L.M.C. Doublet:

After housing costs, the biggest cost for Islanders is food. Caring Cooks is distributing vouchers to Islanders who cannot afford to buy food; Salvation Army have recently opened a new pantry store for Islanders who cannot afford to use supermarkets. What is this Government doing specifically to address the cost of food, and does this include holding any talks with the large supermarkets to establish what could be done to lower the cost of food?

Deputy L.J. Farnham:

I understand the Minister for Sustainable Economic Development has had conversations, I know with a French food chain, to answer the last part of the question first. I refer to my first answer, when we gave some examples of where we are providing additional financial support to those lower household incomes, and that work continues. That helps to offset the cost of living, including the rising food costs.

[10:30]

Also, the move to a living wage - through a new minimum wage system - I think will be most helpful, again, in helping those that are operating on the lower end of the income scale. That work is all in progress, and we remain open-minded to introducing new actions, for want of a better word, if necessary. But we are determined to continue to help Islanders with the cost of living and we are committed to continuing to introduce policies and run policies that help, within our toolbox of what we can do with our fiscal policy, which bears down on the rising cost of living.