

# STATES OF JERSEY



## COMMUNITY COSTS BONUS: INCREASE

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Lodged au Greffe on 2nd March 2022  
by Senator K.L. Moore  
Earliest date for debate: 29th March 2022

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STATES GREFFE

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to request the Council of Ministers to bring forward Regulations to the Assembly to increase the Community Costs Bonus to offset the impact of cost-of-living increases in respect of groceries and fuel and, in particular –

- (a) to calculate and determine an appropriate increase to the Community Costs Bonus based on past and expected estimated future increases in the cost of G.S.T., which the Bonus was designed to offset, based on the previous and next 6-month periods;
- (b) to provide the Assembly with an estimate of the cost of the Bonus on the basis that eligible persons are Islanders who do not pay tax, alongside options for the introduction of such a change to the eligibility criteria;
- (c) to provide the Assembly with an estimate of the cost of extending the Bonus to all Islanders who pay income tax at the marginal rate, alongside options for the introduction of such a change to the eligibility criteria;
- (d) to agree that any funds required for an increase on the basis of eligibility outlined in paragraph (b) should be allocated from the 2021 underspend as identified by the Minister for Treasury and Resources; and
- (e) to request that the Council lodge the Regulations so as to ensure that they can be debated before the end of the current term, in view of the urgency and importance of addressing this matter, so that eligible Islanders can have the certainty of the Bonus increase before autumn and the onset of winter.

**SENATOR K.L. MOORE**

## REPORT

### Our Current Approach to Community Cost Bonus

The Food Costs Bonus Regulations replaced the previous GST (Bonus) Regulations which were first established in 2008. The bonus originally offered compensation for the cost of GST levied on food among certain household groups.

The value of the bonus was increased to include an element in respect of the cost of food itself, and then further increased to acknowledge the increase of GST from 3% to 5%.

In 2019 the Corporate Services scrutiny panel successfully amended the Government Plan, increasing the food costs bonus by 13% to acknowledge the uplift in costs between 2014 and that year.

In 2020, the food cost and cold weather bonuses were renamed the “Community Costs bonus.” The Community Costs Bonus (Jersey) Regulations 2020 were lodged by the Minister for Social Security on 27th of July 2020 for debate by the States Assembly on the 8th of September 2020.

The bonus is a household benefit and is available to those households that –

- Do not receive income support;
- Are not liable to pay income tax;
- Include at least one member who has been ordinarily resident in Jersey for at least 5 years.

The bonus can be claimed from 1st October of the year and currently stands at £258.25. The cost of providing this bonus to eligible islanders is anticipated to have been £351,000 in 2021 and £361,000 in 2022.

### The Changing Economic Environment

Last year, it was suggested that Jersey is already one of the most expensive places in the world to live<sup>[1]</sup>. There has been an escalating and ongoing increase in the Cost of Living in Jersey. Some of this is now being exacerbated by price pressures caused by external factors.

The December inflation report showed that during the 12 months to December 2021, all the items' Retail Price Index (RPI) increased by 3.8%<sup>[2]</sup>. The increase was derived by upward cost pressure, notably food and travel costs. This was the highest inflation rate for three years.

Some specific examples of price increases over the last 6-8 months include:

- **Housing:** The most recent increase in the Jersey House Price Index recorded in 2021 was 16% compared with 2020. The latest annual rate of increase of the Jersey House Price Index was the highest seen since 2008.<sup>[3]</sup>
- **Electricity:** prices in Jersey rose by 4% from 1 January 2022, adding around 80p a week to the average domestic bill.<sup>[4]</sup>
- **Gas:** In mid-October prices increased by 13.2%

- **Petrol:** The cost of petrol in Jersey has gone up by almost 20p a litre since the start of the year, according to the Jersey Consumer Council.<sup>[5]</sup>
- **Food:** prices increased by 1.9% over the 12 months to December 2021, up 0.5% from the previous quarter<sup>[6]</sup> Moreover, news reports suggest that retailers are expecting to see further price increases in the coming weeks and months.<sup>[7]</sup>

In response to higher inflation, the Bank of England has raised interest rates twice in recent months. From an all-time low of 0.1%, rates first were lifted to 0.25% in December 2021 and then to 0.5% in early February 2022. This is still below what they were (0.75%) heading into the pandemic.

And it is likely, according to media reports<sup>[8]</sup>, that the Bank will raise rates again as it attempts to lower the risk that inflation remains persistently above its 2% target. Higher interest rates increase the cost of borrowing, typically reducing demand in the economy. In turn, this reduces pressure on firms to raise prices.

Taken together there is already significant upward pressure on prices across the board for consumers. However, this is expected to worsen as a result the recent invasion of Ukraine by the Russian Federation. On the day of the invasion (24th February 2022) the price of British gas for next-day delivery jumped 53% to 326p per therm as the Russian incursion triggered concerns of disruption to global energy supplies. Oil prices have increased past £74 a barrel to hit their highest level for more than seven years. It is possible we will see significant food price increase, as Russia and Ukraine are important produces of key agricultural products such as wheat<sup>[9]</sup>

Taken together it is very likely we will see ongoing and increasing cost pressures on consumers and families over the coming 6-12 months arising both because of the pandemic and the impact of the Russian Invasion of Ukraine.

## Options

The Community costs bonus has not been increased since the amendment brought by the Corporate Services Scrutiny Panel in 2019. With inflation continuing to climb, an increase of 4% would give recipients an additional £10.33 or 5% would raise that by £12.91 making the bonus £271.16.

After speaking with Citizen's Advice, it is clear that increasing groups of people are experiencing financial hardship in the island. According to the CEO of that organisation:

*"In our experience, those who meet the criteria to claim Income Support have some protection from the increasing cost of living due to the safety net it provides and the additional assistance it gives access to. Those in receipt of Income Support have access to Special Payments, the Health Access Scheme, Cold Weather Payments, the Jersey Christmas Appeal and other charities and food banks who request pre-screening with evidence of Income Support. We cannot see an equivalent provision or area of support for those who do not qualify for Income Support. This may be due their income being slightly above the means tested entitlement or due to having a mortgage, which is being affected by the increasing Bank of England base rate. These households can struggle just as much as Income Support households without having access to other support. Income Support is increased annually as a buffer against the increasing cost of living, but those who are not in receipt of Income Support have to make ends meet with*

*stagnating wages. Many of these Islanders also need access to food banks, provisions, dry goods and toiletries. This is a vulnerable group that deserves more focus.”*

In light of this evidence it would be right for the Council of ministers to consider widening the remit of the Community costs bonus to include people who are not paying income tax, but do not receive income support and those who pay the marginal rate of tax.

## **Conclusion**

The Council of Ministers are asked to review the current Community Cost Bonus with a view to considering the additional cost pressures arising because of the worsening international situation. The aim would be to determine if and what uplift should be applied and how that uplift will help ameliorate the impact of these cost pressures on consumers. Given the time pressures arising as a result of the coming election the COM is asked to prepare this proposal with a view for consideration by the States Assembly by end of April.

## **Financial and Manpower implications**

There will be financial and manpower implications. As we are not proposing a specific increase at this time it is difficult to ascertain the financial implications.

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[1] [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Jersey](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Jersey)

[2] <https://www.gov.je/news/2022/pages/December2021RetailPricesIndex.aspx>

[3] <https://www.gov.je/Government/JerseyInFigures/HousingLiving/pages/houseprice.aspx#:~:text=The%20most%20recent%20increase%20in,the%20highest%20seen%20since%202008.>

[4] <https://www.jec.co.uk/the-energy-blog/electricity-prices-to-rise-4-from-1-january-2022/#:~:text=Electricity%20prices%20in%20Jersey%20will,to%20the%20average%20domestic%20bill.>

[5] <https://www.jec.co.uk/the-energy-blog/electricity-prices-to-rise-4-from-1-january-2022/#:~:text=Electricity%20prices%20in%20Jersey%20will,to%20the%20average%20domestic%20bill.>

[6] <https://jerseyeveningpost.com/news/2022/01/22/cost-of-living-rose-by-38-in-past-year/#:~:text=Food%20prices%20increased%20by%201.9,9.9%25%20figure%20calculated%20in%20September.>

[7] <https://jerseyeveningpost.com/news/2022/02/14/food-price-rises-are-on-the-way-says-retailer/>

[8] <https://www.bbc.co.uk/news/business-60206564>

[9] [https://www.fao.org/faostat/en/#rankings/countries\\_by\\_commodity](https://www.fao.org/faostat/en/#rankings/countries_by_commodity)