

STATES OF JERSEY



COMMUNITY COSTS BONUS: INCREASE (P.39/2022) – COMMENTS

Presented to the States on 25th March 2022
by the Minister for Social Security

STATES GREFFE

COMMENTS

I ask Members to reject this proposition and the amendment also lodged by the Senator.

- While I acknowledge Senator Moore's intention to support households based on an extension of the existing Community Costs Bonus, it is no longer possible to bring Regulations to the Assembly to extend existing legislation.
- The proposed increase in the value of the bonus to existing claimants (parts (a) and (b)) would only need a minor increase in funding, but the extension to additional groups in part (c) would require significant funding with no practical funding route identified.
- The inclusion of all marginal rate taxpayers in the Bonus scheme would be poorly targeted.
- The extension to the additional groups runs against the rationale for the original bonus payment and brings the future of the bonus itself into doubt.

Having monitored the growth of inflationary pressures over recent months, the recent exacerbation has led to the need to take urgent action, and I will be making an official statement to the Assembly on Tuesday 29 March 2022 to set out my plans to provide well-targeted and funded support to vulnerable groups during 2022.

Response to proposition

The Community Costs Bonus (CCB) was originally established as a specific response to the introduction of GST. The original bonus figure was equivalent to £75 a year and was calculated on the basis of the additional cost of GST on food items for a lower income family. Since then, the value of the bonus has been increased several times and the link with the cost of GST on food items has been lost. Taking the original figure of £75 for a 3% GST rate, the value to compensate for the costs of 5% GST on food today would be £165¹. The current bonus value is £258.25 which is paid as a lump sum once a year. For the last full year just over 900 households made a claim for CCB.

Parts (a) and (b) of the proposition as amended propose an 8% uplift in the bonus. This would provide each household with an additional £20.66, making a total bonus payment of £278.91 for 2022. There were 905 claims for CCB in the most recent tax year.

The most recent RPI figure for Jersey was 3.8% (December 2021). The Fiscal Policy Panel will shortly be publishing a revised forecast for 2022 in light of recent trends.

This additional sum would not place pressure on existing budgets. Equally, it only provides just over £20 extra per household during 2022.

My plans to provide extra support in response to inflationary pressures will include this group of existing Bonus claimants.

¹ The food weighting of the RPI between June 2008 to December 2021 increased by 32%. This is slightly below the main RPI increase for the same period of 35%

Part (c)(i) of the amended proposition suggests that the Bonus should be extended to all marginal rate taxpayers.

Nearly 9 in 10 taxpayers pay at the marginal rate. Latest estimates suggest that there are approximately 44,000 marginal rate taxpayers. Extending the Bonus to this group would have a significant ongoing financial impact.

The Bonus is paid on a household basis. Under current tax legislation, a household made up of a married couple or civil partners only includes one taxpayer but other households may include more than one taxpayer. Only one application per household would be eligible, requiring checks on household composition and tax status.

An accurate figure for the number of households that include a marginal rate taxpayer will require further investigation but this proposal will have a significant cost. For example, 35,000 payments at the proposed rate of £278.91 would require an additional budget of nearly £10 million a year.

When the Bonus was first set up, it was specifically designed to support households who would not receive any benefit from the increased tax allowances put in place at that time. Under current tax policy, these tax allowances continue to be increased every year. Providing the Bonus to marginal rate taxpayers who also receive the benefit of the tax allowance would be duplicating the support already provided to this group.

Given the very large number of taxpayers included in the marginal rate group and the wide range of salaries which are subject to marginal rate deductions, a fixed value benefit paid to this group would be poorly targeted with many well-off households receiving support as well as lower income taxpayers.

This group of taxpayers will also receive a much higher level of extra support compared to the existing group of Bonus claimants, who do not have incomes high enough to pay tax.

- The higher income, taxpaying group will receive an additional £278.91.
- The lower income, non-taxpaying group will receive an additional £20.66.

Under the current Bonus regulations, households are required to apply for each Bonus that they receive. There would be significant additional administration to process claims from such a large group in a short period.

The Minister urges Members to reject this part of the proposition.

Part (c)(ii) of the amended proposition suggests that the bonus should be extended to all Income Support recipients. When the Bonus was first set up, it was specifically designed to support households who were not covered by the Income Support scheme.

The Bonus provides a single annual payment to a household. Income Support is a weekly benefit that adjusts with household circumstances. There is a significant “churn” of claims during a year as individuals move in and out of households, find or lose work, have a baby, reach pension age etc.

Setting eligibility on a specific date to claim the Bonus would exclude households who were not receiving Income Support that week but did claim Income Support at other times during the year. Setting eligibility across the full year would require significant additional administration to track households and process claims. If all households claiming Income Support at any time during the year were included, the total cost would be significantly higher than the cost of paying against a specific date.

There are approximately 5,600 household claims for Income Support active at present. The cost of providing a Bonus to this group would be £1.6 million. The cost would increase if any household claiming Income Support at any time during the year could apply for the benefit.

Under the current Bonus regulations, households are required to apply for each Bonus that they receive. There would be significant additional administration to process claims from such a large group.

The Income Support scheme supports household according to the size of the household. A couple with two children receives more support than a single adult in the same circumstances. A flat rate bonus cannot take account of household size – the single adult will see more benefit from the additional payment, compared to the family unit.

Income Support is paid weekly to support basic regular costs of low income households. A single additional payment made once a year is unlikely to be used throughout the year to support weekly shopping costs.

My plans to provide extra support in response to inflationary pressures will include Income Support claimants.

The Minister urges Members to reject this part of the proposition.

Part (d) of the proposition suggests that any additional funds required should be allocated from the 2021 underspend. As the Minister for Treasury & Resources has explained previously, the bulk of amounts unspent in 2021 related to projects or amounts held in reserve that were not required. The Minister has already considered the position and made the appropriate decisions using her powers under the law.

Amounts relating to ongoing projects have been carried forward to ensure that these are delivered and that funds are used for the purpose approved by the Assembly.

Ministers have prioritised other unspent amounts to reduce the level of borrowing to meet the financial impacts of the pandemic. It is not appropriate at this stage to allocate previously identified 2021 underspends as additional funding to a new 2022 project.

This impact of this part of the proposition is either to remove funding from existing projects, or to borrow more to pay for the proposed changes. Our financial strategy, supported by FPP advice, has been not to borrow for day-to-day expenditure, and only to finance investments or to meet the impact of Covid. Furthermore, we as an Assembly have agreed to minimise Covid borrowing.

This part of the proposition is inconsistent with these strategic decisions for long-term financial sustainability. Good financial management dictates that short-term decisions to use one-off underspends should not be used to fund ongoing expenditure.

My plans to provide extra support in response to inflationary pressures do not place any additional burden on government expenditure.

The Minister urges Members to reject this part of the proposition.

Part (e) of the proposition requests that the Council lodge Regulations to make changes to the Bonus Regulations to be debated before the end of the current term

This proposition will be debated in the session commencing 29 March 2022. The last date for lodging new propositions under this term was 10 March 2022.

Standing orders include 19A:

19A Prohibition on lodging before ordinary election

(1) A proposition may not be lodged during the pre-election period unless, in the opinion of the Bailiff, the proposition relates to a matter of such urgency and public importance that its lodging should not be delayed.

(2) The pre-election period is the period commencing 2 months before the first day of the nomination period for an ordinary election and ending with an ordinary election.

(3) In paragraph (1) "proposition" does not include any proposal to amend any proposition."³¹

I do not consider that the proposed extension of CCB Regulations meets the test of "urgency and public importance".

My plans to provide extra support in response to inflationary pressures do not require a States decision.

The Minister urges Members to reject this part of the proposition.

Statement under Standing Order 37A [Presentation of a Comment relating to a proposition]

Due to administrative requirements related to the preparation and approval of this comment, there was a delay in presenting the final comment to the Greffier for presentation to the States Assembly.
