

STATES OF JERSEY



BUDGET 2005: SECOND AMENDMENTS

**Lodged au Greffe on 23rd November 2004
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

BUDGET 2005: SECOND AMENDMENTS

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(a) *to increase the estimate of revenue expenditure of the Employment and Social Security Committee from £87,727,100 to £88,327,100 by adding –*

£600,000 to enable the expansion of the Child Care Allowance Scheme by lifting the restriction that applicants must be in work;

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(b) *to increase the estimate of income from Indirect Taxation in order to fund the provision of the expansion of the Child Care Allowance Scheme, by adding the following amount to the Impôts –*

£600,000 to Impôts on tobacco, so that the income rises from £14,595,000 to £15,195,000.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Back in 1998 the then Finance and Economic Committee stated that the cost of granting Child Care Allowance was impossible to estimate but it made £2 million available. Last year, the scheme only delivered £330,000 for under-fives. Making an additional £600,000 available would enable the allowance to reach up to 200 families. It is difficult to predict how rapidly this level might be attained, as expansion of the scheme would, of course, be limited by the rate at which the number of childcare places grows. The case for such expansion is summarised below.

Why tobacco?

I have targeted the impôt on tobacco to raise additional funding for expanding access to child care in order to conform with the wishes of the States as expressed in P.109/2003 – A Tobacco Strategy for Jersey –

“to increase the impôt duties on tobacco products over and above the rate of inflation each year.”

Indeed, my understanding is that when this decision was taken earlier in the year it was thought at the time that a rise of 5.5% (14p on a packet of cigarettes) would be more than inflation, but in the event it has been overtaken by the RPI, which has now reached 5.6%.

The rise of 5.5% proposed would raise duty on a packet of 20 cigarettes from £2.55 to £2.69 and produce an additional £760,000 on an estimated consumption of 83,200 kilos. To raise a further £600,000 requires an additional 11 pence, giving a total rise on a packet of cigarettes of 25 pence or 9.8%. The impact on the RP produced by this amendment would be less than 0.1%. Revenue and consumption figures for tobacco over the past 5 years are given in the attached Appendix.

Why child care?

I bring this amendment in parallel with P.173/2004. P.173 provides the principle, and this, the funding. The detailed arguments for change to the Child Care Allowance can be found in that report, but are summarised here.

This amendment puts some funding behind Aim 3.6 of the recently adopted Strategic Plan– Aiming for a well-educated society –

“The States will ensure an integrated and sustainable approach to the provision of education”, the success of which will be indicated by “An increase in the number of 3 to 5 year olds receiving early years provision.”

The motivation behind this amendment is laid out by the Jersey Child Care Trust (JCCT) thus –

“High quality child care gives children an essential start in life and enables their parents to work or train”.

The States has long accepted that the immediate and long-term benefits of high quality early years care and education are many, for example, from the working party report of 1996 –

“... improved academic performance, enhanced social skills, a reduction in crime and antisocial behaviour, less need for remedial education and less unemployment. The positive effects are strongest in children from disadvantaged backgrounds. A cost-benefit analysis within the Report estimated a payback to society of £4,130 for every £1,000 invested in a high quality pre-school programme.”

Thus the Employment and Social Security Committee produced the Child Care Scheme Act 1999. This Act had as its aim –

“to establish a Scheme to make child care more available for low income families”.

That the child care allowance has signally failed in its prime aim “*to make child care more available for families on low incomes*” is demonstrated by the figures that reveal its take-up, below –

Year	1999	2000	2001	2002	2003
Number of beneficiaries	132	144	98	82	71
Expenditure (£,000)	444	668	771	716	786

The JCCT in their review of Strategy: “Two Years On” highlight 4 areas as priorities–

- **Reviewing all the Childcare allowances.** Research shows that parents still want accessible affordable childcare. The numbers of parents claiming CCA in particular is extremely low, with each childcare facility having less than 2 parents per setting on average claiming the benefit. There is evidence of single parents who are paying 50% of their net income on childcare. This would indicate that the allowances are not having the originally desired impact.
- **Hard to reach families.** Through discussion with community professionals (we recognise) there is a need to engage with these families and to provide the support they require. Children who are identified as being in need are those who are most likely require good quality childcare. Research shows that the combination of childcare and education is particularly beneficial to this group.
- **Work-life balance issues.** Parents and carers need help and support to facilitate their children’s development, and to get the balance of work and family life right.
- **Single-parent families.** Support for single parents, who form a large section of society, and in particular those reliant on parish welfare payments, must be a priority.

Also from the Childcare Survey 2000, the JCCT highlight education opportunities –

- **Study.** More than half of non-working parents would like to study for further qualifications to improve their employment prospects – if childcare was available (and affordable) while they studied.

This amendment provides some funding directed at addressing the failure of the current Child Care Allowance to achieve its prime aim: *To make child care more available to low-income families.*

The removal of the requirement to be in work from the entitlement criteria will undoubtedly improve availability of childcare, by –

- enabling parents more efficiently and effectively to seek work;
- allowing parents to study to improve skills and qualifications;
- permitting access to those hard-to-reach children in greatest need, who research suggests would benefit most;
- allowing continuity of care provision to be maintained in a sector where employment is often short-term or unstable;
- improving the quality of life for parents and children on low incomes.

APPENDIX

tobacco		1999	2000	2001	2002	2003
Millions	duty	10.870	11.167	12.008	12.367	13.354
Thousands of kilos	quantity	144.6	122.5	107.2	102.5	97.3

The latest estimate for this year is 87.6K kilos yielding £14.564 million. The estimate for 2005 is 83.2K kilos yielding £13.835 million at 2004 rates of duty or £14.595 million at the proposed 2005 rates.

Please note that these figures represent the amount of tobacco imported into the Island on which duty is paid. They do not represent total consumption as many local people bring back duty free tobacco. The tobacco distributors argue that this is a significant factor in lowering on Island sales and that Impôts figures are not representative of actual consumption.

The Department advises the Committee that there are 4 factors that affect on-Island sales of tobacco, but it is not possible to say which is the most significant. These factors are –

- (i) duty-free sales;
- (ii) awareness of the health issues;
- (iii) increasing prices;
- (iv) declining visitor numbers.