

CORPORATE SERVICES SCRUTINY PANEL

GOODS AND SERVICES TAX SUB-PANEL

FRIDAY, 8th SEPTEMBER 2006

Panel

Deputy P.J.D. Ryan of St. Helier (Chairman)

Connétable J.L.S. Gallichan of Trinity

Connétable M.K. Jackson of St. Brelade

Witnesses

Senator P.F. Routier (Minister for Social Security)

Mr. R. Bell (Controller of Social Security)

Mr. T. Gales (Strategy and Policy Development Director, Social Security Department)

Deputy P.J.D. Ryan of St. Helier:

Good morning. Welcome. It is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement I am about to read to you on the table in front of you. The Panel's proceedings are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and as a result you are protected from being sued or prosecuted for anything said during this hearing, although this privilege should obviously not be abused. The proceedings are being recorded and transcriptions will be made available on the Scrutiny website. What we will do before they go on the website is let you have a look at the transcriptions in case there are any points of clarification, or points of correction, that have not come over properly in the transcription. I will kick off this morning's questioning. The draft Law: "A combined effect of the current benefits is an uneven distribution of assistance [I am talking about the Income Support Law] and, in some instances, the creation of disincentives replacing them with one benefit and one consistent income assessment will create a fairer, more transparent and accessible system, which will assist in the drive to minimise the impact of poverty in Jersey." What is wrong with the current system?

Senator P.F. Routier:

Well, besides the problem of people needing to go to different organisations to get their benefits, which is something we are trying to resolve, people currently have to go to Social Security, parishes, Housing, and also some education benefits as well. So people generally go through that process to get their total amount of benefit. So there is that. It will be made a lot easier for people. There is an example in some of our documents we have had previously which shows a graph where people who are currently supported at the welfare level, but as soon as people start to go above that level and they go out to work and start helping themselves, their income dips lower than what the welfare level is. That happens in the current system. Then it goes to the other extreme of people who receive incomes of about £700 a week are still getting support through the housing and rent rebate system. Some people consider that that is a bit generous. So the purpose of income support is to try and resolve those couple of - and other - issues. There is a definite sort of graph that goes straight along, it dips down, and then goes up like that. So the trick of income support is to resolve that dip where people, with their combination of benefits, are worse off in the current system.

Deputy P.J.D. Ryan:

£700 a week implies £35,000 a year in income.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Would there be people that would be on that kind of level for a year or more?

Senator P.F. Routier:

Well, people who are currently earning that amount of money are supported by the current housing benefit system.

Deputy P.J.D. Ryan:

Yes, so what I am getting at is, those people, are they likely to be paying tax?

Mr. R. Bell:

Quite possibly.

Deputy P.J.D. Ryan:

Quite possibly. Depending on their personal circumstances, but the average £35,000 a year household income, does that pay tax? Have you those numbers handy?

Senator P.F. Routier:

I have not, but I imagine they do. It depends on their other circumstances.

Deputy P.J.D. Ryan:

Yes. Okay. It does seem a bit strange.

Senator P.F. Routier:

Well, I think the Minister for Housing has said it quite publicly in the States that the existing housing benefit system is fairly generous to those on the top end.

Deputy P.J.D. Ryan:

Okay, so following on from this sort of thing generally, what do you intend to do in fairly simple, practical terms? What do you intend to do so that it is "fairer, more transparent and more accessible"? How will it differ?

Senator P.F. Routier:

Well, people's needs will be assessed and there will be various components which one will look after. Excuse me, but I thought we were here to talk GST (Goods and Services Tax) as opposed to income support.

Deputy P.J.D. Ryan:

We are. Let me explain that --

Senator P.F. Routier:

Yes, but I thought we debated income support and all the rest of it, and that is all history. Sorry.

Deputy P.J.D. Ryan:

For the record, and for completeness of the report, we need to do a brief analysis of income support,

because the question of GST exemptions and what have you is linked to income support, that is where the connection is.

Senator P.F. Routier:

Yes. So, do you want to --

Deputy P.J.D. Ryan:

We have a little bit on income support, and then we will talk about poverty generally, and then we will get on to, very shortly, how GST and possible zero ratings or exemptions might affect the low paid.

Senator P.F. Routier:

Okay.

Deputy P.J.D. Ryan:

That is where we are coming from - or not - as the case may be.

Senator P.F. Routier:

Right. Yes, the evidence is here already in our original reports which were debated by the States a couple of years ago.

Deputy P.J.D. Ryan:

It is. We will refer to that, but what we want to be able to do is to quote you very simply in the report so that it makes a better report, that is all.

Senator P.F. Routier:

Fair enough. Okay.

Deputy P.J.D. Ryan:

It is just to help and aid clarity on low income generally.

Senator P.F. Routier:

Okay. So, how is it going to be better? How is that going to work?

Deputy P.J.D. Ryan:

How is it going to be better? Yes, how is it going to work?

Senator P.F. Routier:

How is that going to work? Well, there are going to be several components which are going to make up the pay for people's differing needs and so, for instance, there will be a housing element, there will be a living element, there will be a carer's element, there will be childcare, and all of --

Mr. R. Bell:

Disability.

Senator P.F. Routier:

Disability.

Mr. R. Bell:

Household.

Senator P.F. Routier:

Household, as well.

Deputy P.J.D. Ryan:

We can refer to the evidence in your report of the draft law and all of that kind of thing.

Senator P.F. Routier:

Yes. You will find it is all in the evidence.

Deputy P.J.D. Ryan:

We will take that as well in the report.

Senator P.F. Routier:

Yes. So all of those will have components which will have amounts of money attributed to them. What will happen is someone will come and be assessed. Their household will be assessed, what their needs are, and those components: if they need housing support; if they need disability support; if they need caring support; if they need child support. All those components will be added up and then their income - their own income - will be subtracted from that and the difference will be the benefit that they are paid.

Deputy P.J.D. Ryan:

Yes. There is some 90 per cent figure somewhere.

Mr. T. Gales:

Yes, MDR (Minimum Deduction Rule).

Senator P.F. Routier:

Yes, that is right, the MDR.

Mr. T. Gales:

Minimum Deduction Rule.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

What does that mean, just to clarify that little point?

Mr. T. Gales:

It basically means that we would include 90 per cent of their earnings in the calculation.

Deputy P.J.D. Ryan:

Not the 100 per cent?

Mr. T. Gales:

Not 100 per cent. But the big issue about the assessment, if you like, it is a common means test across all benefits. Not different as you have now with the parish welfare, family allowance, housing; it will be one common ...

Deputy P.J.D. Ryan:

So just to try and get some clearer idea of who it is going to adversely affect, this new system, and who are going to be the winners, and who are going to be the losers. You are quoted as saying, "There will be winners and losers."

Senator P.F. Routier:

I do not think I used those phrases, did I?

Deputy P.J.D. Ryan:

Well, okay, probably not. What did you say? "Some households with higher incomes will not receive the same level of financial support in comparison to the level of existing benefits they already receive. Some households will receive more in comparison to the level of existing benefits."

Senator P.F. Routier:

That is what I said, yes. **[Laughter]** So certainly the ones explained in that £200 below welfare dip down, they are going to receive more benefit. The ones at the top end will receive a bit less.

Deputy P.J.D. Ryan:

Yes, but in terms of groups of people, can you give us any more ideas? I mean, are there areas, or is it generalised across all sections of the community, or are there particular sections - and I am thinking in terms of pensioners - are there socio-economic groups that are going to ...?

Senator P.F. Routier:

What would you say?

Mr. T. Gales:

I think the biggest area will be children. At the moment the benefits we have do not help people with children much. So families, like parents, will be helped.

Deputy P.J.D. Ryan:

Do not help children. Right, so family? The family unit.

Mr. T. Gales:

Yes. Those that will not be helped as much, if one can put it that way, will probably be those in the rental system or higher incomes.

Deputy P.J.D. Ryan:

In the housing rental system? Right. Okay. Any others?

The Connétable of St. Brelade:

Have you gone any further with the decision about how to treat people's assets yet? Because you will be aware there has been continued discussion about welfare payments when a person is an owner of a property, for instance, and has to go into residential care. Have you gone any further down that route as to how to deal with those assets?

Mr. R. Bell:

We have gone further down the route. The law allows flexibility. The consultation document will be coming out in the next 2 to 3 weeks which will set out and ask questions as to what people think about what should happen. We have an idea ourselves how things would happen, so we are talking about legal charges still, we are still talking about attaching an income to assets. We are not talking about an asset bar that takes place at the moment, but attributed income to assets. But the consultation document will come out, and then once we have received the responses, we will make our final decisions, or final proposals, to the State.

The Connétable of St. Brelade:

Right. Am I right in understanding that really would have the effect of moving the threshold in other calculations?

Mr. R. Bell:

Moving the ...?

The Connétable of St. Brelade:

Well, you have minimum savings levels and this sort of thing and that, in effect, will be altered by the decision whether to take those assets on board or not.

Mr. R. Bell:

Yes, it will, depending upon where the threshold is going to be set, and whether you have differential thresholds for older people, or couples, for example. So those are questions that have been asked within the consultation document.

Senator P.F. Routier:

Perhaps I should have made that clear there is a stage we are going to be going through over the next couple of months, which is a consultation process, with everybody who currently receives benefits, and the wider community generally, to ask them these types of questions, so that we can get a feel from the community and how they see a lot of the issues which will be dealt with further along the line in the regulations.

Deputy P.J.D. Ryan:

Okay, just for the sake of clarity, I think you are referring to the Treasury paper that I have in front of me. I do not know if you know the one I am talking about. It is an Employment and Social Security Income Support paper from, Treasury 3.18: "It is proposed that a minimum level of savings be exempted from an income calculation. The exemptions are estimated to be £9,000 for a single person, £15,000 for a couple, and there are strong arguments to allow a higher level for pensioners over 65 to be £15,000 for a single person and £25,000 for a couple." That is what you are referring to, and you are going out to consultation for people to comment on?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

That is fine, that clarifies that one. When we were just talking about who were going to be the next beneficiaries out of the changes, can you relate that to the quintile income level of people? Is it the lower quintile? Lower 10 per cent, 15 per cent? Have you got any numbers?

Senator P.F. Routier:

Well, currently about 25 per cent of the population are supported by the benefit system, and we do not really see that changing as yet.

Deputy P.J.D. Ryan:

Yes. 25 per cent?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Yes, okay.

Mr. T. Gales:

It is 25 per cent of households.

Senator P.F. Routier:

Of households, sorry.

Mr. T. Gales:

It is 7,000 households out of 30,000-odd.

Senator P.F. Routier:

Yes. Sorry, yes. It is households.

Deputy P.J.D. Ryan:

I was going to say, because income tax is taken, or not paid, by the bottom 26 per cent.

Mr. T. Gales:

Yes.

Deputy P.J.D. Ryan:

So, they do not meet, do they?

Senator P.F. Routier:

No.

Deputy P.J.D. Ryan:

What you were implying there was that they meet.

Mr. T. Gales:

There will be some meeting, because tax do not have any reliefs for disability, for example, so there will be some that will (...overspeaking)

Deputy P.J.D. Ryan:

Yes, on the disability side, but that is probably understandable. But in general terms, are we talking about 10 or 15 per cent?

Mr. T. Gales:

In the bottom 2 quintile, I would say. That is what we are talking about. They would be in the bottom 2 quintile. Whether it is 25 per cent, I do not know.

Deputy P.J.D. Ryan:

Because what I want to do now is just put some numbers to you that are quoted in the OXERA (Oxford Economic Research Associates) report on GST, and the OXERA report, when it talks about the amount of - I am getting on to GST now - GST receipt that needs to be transferred to the Social Security Fund in order to compensate people who would be badly affected by GST, OXERA are saying that the bottom quintile would need £2.4 million per annum currently to compensate, whereas I noticed from the Treasury paper originally it was talking about £2 million contributed from GST receipts to be transferred to you, although I believe that might have changed downwards to £1.75 million.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Question: is that going to be enough?

Mr. R. Bell:

As we see it, and I understand it is how Treasury see it, whatever it costs we will get, and putting a number to it in terms of illustrative purposes or whatever it turns out to be, the effect of GST on income support recipients, will be provided out of receipts of GST.

Senator P.F. Routier:

But certainly the political commitment is “whatever it costs, we will be covered”.

Deputy P.J.D. Ryan:

Right. You have not had any discussions yet? You are not in a position to get more detail?

Mr. R. Bell:

We are not in a position yet because we have not reached the stage where we have worked the rates out. There is a circle to be squared here.

Deputy P.J.D. Ryan:

So it depends then.

Mr. R. Bell:

Yes. In a way, you need to know where the GST system is going to be heading as well according to the calculation.

Deputy P.J.D. Ryan:

Yes, exactly, because if you have a different rate of GST for any reason.

Mr. R. Bell:

So you go into commitment; we work the figures out.

Senator P.F. Routier:

The political commitment is GST will be covered.

Mr. R. Bell:

When you say “Social Security Fund” it is not to the fund.

Deputy P.J.D. Ryan:

No. No, I do not mean the fund. I am sorry, I am using the wrong words, but I know what you are saying. How do you work with income support? Where does that come from? I mean, what do you describe that as?

Mr. T. Gales:

Non contributory benefit. State revenue benefit.

Mr. R. Bell:

From the taxpayer.

Deputy P.J.D. Ryan:

Yes. I am not quite sure how you do your bookkeeping within your --

Mr. R. Bell:

It is just like getting any other cash limit; the cash limited side.

Deputy P.J.D. Ryan:

Fine. All right. So, LVT(?) or cash limits then is what we are talking about?

Senator P.F. Routier:

Yes.

Mr. T. Gales:

Sorry, can I just say, the OXERA figure you said was £2.4 million?

Deputy P.J.D. Ryan:

Yes, to compensate the bottom quintile.

Mr. T. Gales:

For a 3 per cent increase?

Deputy P.J.D. Ryan:

For 3 per cent, yes.

Mr. T. Gales:

That is equivalent to £80 million. Well, £2.4 million is 3 per cent. So that is £80 million. Our benefit cost is only £60 million which includes --

Deputy P.J.D. Ryan:

I am quoting directly from OXERA.

Mr. T. Gales:

Yes. Okay. [Laughter]

Senator P.F. Routier:

Does that mean anything? Sorry.

Mr. T. Gales:

There is an exemption, I gather, on housing, which is the biggest benefit, so £2.4 million seems a bit high to me.

Deputy P.J.D. Ryan:

Okay, but I am quoting directly from OXERA.

Mr. T. Gales:

Yes, yes. I understand. We did have some discussions out there on that.

The Connétable of Trinity:

How far are you down the road to working out what the figures could be? Are you advancing on that? It must be quite hard to do at the moment until you know all the criteria that come into it, but are you --

Mr. R. Bell:

Yes, we are already taking data from housing, as well as we obviously have our own information from

our side in terms of assessments, but what we are planning to do with housing is to send out and seek sufficient information that would give us the needs by which we would tie the 2 ends together and get a fairer idea between housing recipients and social security, which would just leave the welfare end.

The Connétable of Trinity:

Are you thinking of putting a cap on rents?

Mr. R. Bell:

A cap on rents? Well, rents will be --

The Connétable of Trinity:

Well, for people who apply, because there are people at the moment who go way above their means in renting properties because they know they are going to get a rent rebate. If somebody says, "I am going to rent a house at £400 a week" are they going to be able to come into the scenario to get help?

Mr. R. Bell:

The rental subsidy, or the rental component as it will be, or the housing component, will be against what you should be entitled to almost for your circumstances. It will not be one person being able to rent a 6 bedroom house and get the subsidy that goes with that. But in terms of rents, that will stay with housing. In terms of setting rents, that will still be a housing issue.

The Connétable of Trinity:

No, I agree with that. But I am just saying at the present time in the open market, there are people who rent houses way above their means because they know they can get quite a sizeable amount of rent rebate to help them on that. All I am asking is are you going to limit a rental that you would say, "Well, I am sorry, that is out of our range"? If somebody comes along and says, "I am paying £500 a week for rent" even though they might have 3 children, do you say, "Well, I think we cannot help you, that is out of our means"?

Senator P.F. Routier:

It sounds in those circumstances that that particular person would be outside of income support completely, by the sounds of it.

The Connétable of Trinity:

No. No, because I think what the attitude was that the people who had, say, 3 children went and rented a property they thought they would like, but honestly could not afford it, and went then to housing to say, "I cannot afford this, can you help us?" and they were quite sizeable amounts of money being given out, maybe up to £250 a week towards their rent. I am just saying are you still going to carry on that situation, or are you going to try to curtail that, and where people should rent a house within reason, within their means, and not way out of their bracket.

Senator P.F. Routier:

We were going to fund an amount of rent which is appropriate for that person's circumstances. If they are out there renting a property which is far greater than their needs, they are going to have to fund that difference, and how do they fund that difference?

The Connétable of Trinity:

Well, this is what I am saying.

Senator P.F. Routier:

Because they would not be able to fund the difference, because if they were income support people, all

they would have is their living money, so they would be eating into their living money. It would not stack up financially for them at all.

Mr. R. Bell:

There will only be scope within income support to meet their reasonable needs appropriate to their circumstances.

The Connétable of Trinity:

Well, that is fine.

Senator P.F. Routier:

Yes.

The Connétable of Trinity:

But obviously at the present time, I do not think it is that way.

Senator P.F. Routier:

No.

Deputy P.J.D. Ryan:

Can I just ask you to hold there and not ask any more questions, because there is something important, and if you ask a question then I have to listen to the answer. **[Laughter]** So just going back a question, we were talking about the amount of money needed to compensate low income people for the GST under the proposed GST laws and taxes. I quoted OXERA as saying the bottom quintile will need £2.4 million per annum out of GST receipts on the current numbers that are available. In fact, they might even be out of date; it could even be more than that. From what you were saying, are you envisaging compensating all GST for those people, or just the GST on the benefit element of what you are paying them? So in other words, if they are already earning a certain amount in their own right --

Mr. T. Gales:

We can only compensate on the benefit, can we not?

Deputy P.J.D. Ryan:

You are only compensating on the benefit element?

Mr. T. Gales:

We can only increase benefits, can we not? Are you saying you would compensate completely on everything?

Deputy P.J.D. Ryan:

Okay, you have someone who maybe is, for the sake of argument -- can we just hold it here for a second, I might need to just consult my adviser?

Mr. T. Gales:

Yes, sure.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Say they have a total household income of £500 a week. It is a family with some children, and of that

they earn £300 in their own right, and are getting £200, would this be a reasonable figure? Is this common?

Mr. T. Gales:

With what? We do not know yet, but, yes, go for it.

Deputy P.J.D. Ryan:

Let us just say that it is £300 they earn in their own right; they need £500 to live.

Mr. T. Gales:

Right.

Deputy P.J.D. Ryan:

Would it be typical that they get £200 from Social Security to help them?

Mr. T. Gales:

It could be, but --

Senator P.F. Routier:

The principle is right, but as to the numbers, I think they might be wrong.

Mr. R. Bell:

It is an illustration.

Deputy P.J.D. Ryan:

It is an illustration, it is all I am talking about..

Senator P.F. Routier:

It is an illustration provided that is not their assessment that £500 is what they need to live.

Deputy P.J.D. Ryan:

Yes, yes, yes. Let us assume that you --

The Connétable of St. Brelade:

Your estimate is that £200 at 2005 prices, 3 children, 2 between the age of 16 and 18, one under 16 can live on £381 a week. That is your figure, so that is what you are talking about.

Deputy P.J.D. Ryan:

So, let us say it is the extra £81 you are giving them. Let us use that as an illustration, making £381 a week they have got. Through the GST receipt scheme being added to your cash limit, are you going to be compensating them the GST they pay to the tune of £81 over £381, or are you going to be compensating them the GST they pay out on the full £381?

Senator P.F. Routier:

My thoughts are that we would be doing the latter of the 2.

Deputy P.J.D. Ryan:

The latter?

Senator P.F. Routier:

That is my initial thoughts. I do not know if we have thought that process through properly, myself, but

I think it is ...

Mr. T. Gales:

We are talking about, say, living costs. That has a component of foodstuffs, clothing, whatever.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Yes, yes.

Mr. T. Gales:

Now, if that goes up by 3 per cent, then the benefit can go up by 3 per cent, and there is a compensation there.

Senator P.F. Routier:

Because there is housing and all that in there.

Deputy P.J.D. Ryan:

Yes, yes. There are all sorts of things in that, but I am talking about the total GST that that family pays out.

Mr. T. Gales:

But that is a basic living allowance, let us put it that way. Because anything outside the basic living allowance GST would apply to.

Deputy P.J.D. Ryan:

Yes. Okay, this family pays out £381 a week. Some of it is in rent, some of it is in food, some of it is in doctors' bills; there will be a whole range of things that they spend money on.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

They will have to pay, when we change to GST, an amount and it will not be 3 per cent of that total - I quite accept that - but it will be whatever it is. It will be an amount of money, let us just talk pound notes. Will you be compensating them for those pound notes?

Senator P.F. Routier:

It is my intention to do that.

Deputy P.J.D. Ryan:

It is your intention to do that?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Are you aware of the Treasury's attitude to that?

Senator P.F. Routier:

We have the commitment that GST will be covered. The cost of GST will be covered.

The Connétable of St. Brelade:

Just to analyse this down once again, **[Laughter]** you have housing costs. You have £381, I mean, that is after housing costs. So, it is pretty clear what the housing costs are going to be. So, that has to be easily separated out, I would have thought. Because what I think the GST is focussing on is the living costs, is it not?

Senator P.F. Routier:

Yes, exactly.

The Connétable of St. Brelade:

Ex-housing costs.

Deputy P.J.D. Ryan:

Right, well we think at this point in time that OXERA's number of £2.4 million is based on what you have given a commitment to, but we will double-check that, and perhaps we can ask you from your end to double-check that as well, and see if we can have a sensible comment from you on that. Okay, thank you.

Senator P.F. Routier:

Yes, okay. Because until we know what the rate of GST is going to be, and the exemptions and all the rest of it, if there are any, we are not going to know what is what.

Deputy P.J.D. Ryan:

Yes. But I think obviously OXERA made certain assumptions, so based on the same assumptions that is what we are going to ask you to clarify.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Are you familiar with the Hart Report on Social Protection in Jersey?

Senator P.F. Routier:

I certainly am. I hope I am. Not every word, perhaps, but I know the themes. **[Laughter]** Do not start quoting lines at me. **[Laughter]**

Deputy P.J.D. Ryan:

We have already explored, I think just now, the main question I wanted to ask. Are you confident that the funding for the scheme is adequate to meet the needs as identified by the Hart Report? £64 million as per the States' Business Plan 2007, that is.

Senator P.F. Routier:

Firstly, you are right, we have £64 million to redistribute from one system to another system. The impact it will have on the overall social protection and moving people, improving the situation is unknown really at this present time. Income support was established, firstly, to have fairness, equity and to improve all the system. That is what it was established to do. That is the first step that we are taking with this. It is our desire to improve people's position within the Island. Our first job is to redistribute that £64 million equitably. If we are able to achieve improving this general situation - the depth of poverty in the Island - we will be really pleased to do that, but we have to get this equity right first. That

is how I would answer that question.

Deputy P.J.D. Ryan:

Okay. Thank you. We had a session with Senator Stuart Syvret and he talked about a poverty trap with those people who are just above the HIE (Health Insurance Exemption) threshold, and what we are worried about is that those people will have no protection from GST. That is what we are worried about. So first of all, do you think that there is a poverty trap? First of all, would you agree that there is a poverty trap? Would you agree with Senator Syvret?

Senator P.F. Routier:

No, I do not. Well, existing HIE, there are issues with regard to people qualifying and not qualifying, existing HIE. In the new income support system, HIE does not exist. It just vanishes and people will have a component to help them to go to the doctor. The new system is suggesting that there will be a charge for everybody to go to a doctor. Currently, HIE people do not pay to go to a doctor at all, and the GPs (General Practitioners) themselves have even been saying to us that there should be a minimum charge, whatever that might be; £4 or £5, something like that. Because the HIE system has been abused to a certain extent where people are just going to the doctor because it is free. So the doctors themselves are saying, "Well, it would be good to have a charge to make people think about going to the doctor." So the existing HIE system is no longer going to be available to anybody, and so the existing difficulties there are with HIE will vanish.

Deputy P.J.D. Ryan:

Can you give any indication of where you think under the new scheme the thresholds for assistance might be, or are you still in too nebulous a state?

Senator P.F. Routier:

No.

Deputy P.J.D. Ryan:

So if everybody is paying doctors' bills, which is what you are suggesting, and if there is GST on doctors' bills, how do you feel about that? What is your attitude on that?

Senator P.F. Routier:

My attitude, as it has been for the last year or so, is that the Social Security Fund will pick up that difference.

Deputy P.J.D. Ryan:

Right.

Senator P.F. Routier:

Not only for people on income support, but for the whole community.

Deputy P.J.D. Ryan:

Not only on income support but for the whole community? Okay. So the new scheme will be flexible enough to provide assistance to those on the margins of the benefit system, for example?

Senator P.F. Routier:

Well, it is outside of that. It is the Social Security health benefits system which exists now which currently subsidises people's visits to the doctor and subsidises their prescriptions.

Deputy P.J.D. Ryan:

Yes. So you will take everybody out of the effects of GST?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Even if GST rates increase?

Senator P.F. Routier:

Well, we would have to decide that, but certainly that is what is proposed at the 3 per cent, that is certainly the intention.

Deputy P.J.D. Ryan:

How much will that cost, do you know?

Mr. T. Gales:

£900,000.

Senator P.F. Routier:

£900,000, yes.

Deputy P.J.D. Ryan:

Per annum?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

You have the Treasury's commitment to providing it?

Mr. R. Bell:

They would not be providing it.

Senator P.F. Routier:

It is paid by contributions.

Mr. T. Gales:

The Health Insurance Fund.

Mr. R. Bell:

Out of social security contributions.

Deputy P.J.D. Ryan:

Out of social security?

The Connétable of Trinity:

Just out of curiosity, what is the HIE costing you now? Any idea? The reason why I asked, if you take the HIE out, and you just pay the other, and they all pay some contribution, it might balance.

Mr. R. Bell:

The funds for HIE is passed into the income support system, yes.

The Connétable of Trinity:

Exactly. Yes. So it may not cost you an overall £900,000.

Mr. T. Gales:

It will do because HIE costs are partially funded through the health scheme anyway.

The Connétable of Trinity:

Right. Okay.

Deputy P.J.D. Ryan:

Would you not agree this is a bit of a convoluted method? Would it not be better to exclude GST in the first place from doctors' bills?

Senator P.F. Routier:

Well, every year I have to have the responsibility of making a decision about what is the subsidy we pay for people to go to the doctor, and also for prescriptions. So whatever price is being charged by the doctors, I make a decision about what subsidy we will reflect. So if the consultation goes up from £45 by 3 per cent, I think that is the figure we --

Mr. T. Gales:

It is about £46.

Senator P.F. Routier:

It makes it up to £46 or whatever it is. I can put the subsidy up by the equivalent amount. I do that every year, regardless if it was GST.

Deputy P.J.D. Ryan:

This always comes out of the Social Security Fund?

Senator P.F. Routier:

Yes.

Mr. R. Bell:

Health Insurance Fund.

Mr. T. Gales:

Health Insurance Fund to be correct.

Deputy P.J.D. Ryan:

The Health Insurance Fund? Slightly different?

Senator P.F. Routier:

Yes, 2 separate funds.

Mr. T. Gales:

Yes, 2 different funds.

Mr. R. Bell:

It is paid out of social security contributions, but it is a separate fund. It gets 2 per cent.

Mr. T. Gales:
Collected together.

Deputy P.J.D. Ryan:
Health Insurance Fund.

Senator P.F. Routier:
Yes.

Deputy P.J.D. Ryan:
What is the state of that fund?

Mr. R. Bell:
There is a surplus of £44 million.

Deputy P.J.D. Ryan:
So you would have enough?

Mr. R. Bell:
Yes.

Deputy P.J.D. Ryan:
Even with the future and aging population?

Mr. R. Bell:
We will come across an issue within the next 15 to 20 years, well, slightly less than that. There are other avenues we could pursue with the funds, which is chronic disease management, but for the time being the fund is in a very healthy position. For the time being the future health costs are, to a degree, unknown.

Deputy P.J.D. Ryan:
Okay. I will question you more on that.

The Connétable of St. Brelade:
Its income, if you like, is that cast in stone?

Mr. R. Bell:
The 2 per cent? Well, cast in stone through the States, yes. It can go up, just as social security contributions go up. Yes.

Senator P.F. Routier:
The last actuarial report said that it did not need to go up, and that was about 4 years ago, or something like that. There is another actuary's report due next year, and obviously --

Mr. R. Bell:
No, no. The Health Fund is 2007.

Senator P.F. Routier:
Yes, sorry.

Mr. T. Gales:

That is next year.

Senator P.F. Routier:

It is next year.

Deputy P.J.D. Ryan:

That is what I thought. We would not get it for --

Senator P.F. Routier:

Yes, it takes a while for the actuary to do his work obviously, so it will take some time. But certainly that is the advice they are giving us, that we did not need to have an increase, in the last review. What the new one will say ... But the fund has been performing better than what the actuary was anticipating during the period that has just gone by. So, there has been more coming into the fund than anticipated. So that is partly the reason we are able to do what we are intending to do.

Deputy P.J.D. Ryan:

Yes. Are you worried about the section of the community just above the benefit level, as far as the GST cost increase is concerned? Wherever you have your benefits level, there will always be a section of the community that will become vulnerable just above it.

Senator P.F. Routier:

Yes. Well, as I said in response to the question about the Hart Report, I mean, we would love to be able to help more people, obviously, but there is a limited budget. You use your budget as best you can, and if we were able to eradicate poverty across the Island, that would be a marvellous thing. But we can only achieve what we can with the budget we have.

Mr. R. Bell:

I think increases to GST will automatically almost push the income scheme up a bit in terms of adjusting the components. They will capture those just above, but then there will be those, I suppose, that will be just above the new "just above" rate, if you like. But GST moves it up slightly, but it captures the same proportion.

Mr. T. Gales:

I would also argue that the income support system is not a hard and fast line above and below; there is a graduation. But there will be some above it.

Deputy P.J.D. Ryan:

Yes. What I am confused about, and perhaps you can help me, is why this £2 million out of GST receipts has gone down to £1.75 million. Can you throw any light on that? It sounds to me like a budget cut.

Mr. R. Bell:

I believe the estimate comes from the Treasury side.

Senator P.F. Routier:

I have been fairly relaxed about it, because I have a political commitment that whatever GST costs, those people will be supported. I have been quite relaxed about this number, because I have the commitment.

Deputy P.J.D. Ryan:

Yes. Of course, you were on the Finance and Economics Committee. Would you not accept that often

messages are sent at an early point in time - from a Finance and Economics Committee in the past, or a Treasury in the current and the future - indicating a possible, I would say, moving of the goal posts, but maybe you would not. I think you understand what I am getting at. Is this a coded message which says, "You are not going to get the £2 million out of GST receipts"?

Senator P.F. Routier:

I do not accept that situation at all. I only accept the situation that I have been given a commitment that whatever GST hits on to income support people --

Deputy P.J.D. Ryan:

We can quote you on it?

Senator P.F. Routier:

You certainly can.

Deputy P.J.D. Ryan:

Okay, thank you. [Laughter]

The Connétable of St. Brelade:

Tom mentioned a communication that you are currently liaising with the statistics unit about HES (Household Expenditure Survey). Have you gone any further with that?

Mr. T. Gales:

No, we are still looking at the HES data. We are looking at it basically from the income side, and the reason we are looking at it from the income side, rather than the expenditure side, is to get a handle on this modelling we have to do, and define rates. We are trying to get as much information on what rates are likely to be through HES, existing benefits, and whatever. So that is what we are looking at at the moment.

The Connétable of St. Brelade:

So that might clarify this poverty trap area to a certain extent?

Mr. T. Gales:

Yes, I think it needs to be clear. A poverty trap generally means that as your income increases you take home less disposable money. I think what Senator Syvret was talking about was the fact that someone on HIE who moves off HIE could be worse off. But they might go off HIE, not through income; they might start working, for instance. That is one of the issues around disincentives rather than poverty traps. There are quite a few disincentives in the HIE system.

Deputy P.J.D. Ryan:

Can I ask a fairly simple question of anyone here? Doctors, dentists, and others under a GST system - if they are inside a GST system and above the £300,000 threshold - would be obliged to charge GST on their bills, generally. If they were just below - as some doctors would be - the £300,000 threshold, they may have a lot of GST inputs which they would be unable to reclaim, so that would push prices up. Even if they were to be included and were then zero rating, this would have the effect of keeping all doctors' bills down to a level, avoiding the impact of GST, largely. Bearing in mind that at some stage your health insurance scheme is going to need review because there will be added costs with aging populations and things, would you prefer zero rating, or do you prefer handling it out of the health insurance scheme, which is the way you have been going? Just what do you prefer, given a choice?

Senator P.F. Routier:

I think that is a difficult question to answer with one hat on. I have a political view about GST and the exemptions, which is the view I have. The situation that the States have agreed about - a couple of times now possibly - no exemptions, is the route that I am going along with and I support. The way I see dealing with that situation is the one I am proposing, is that the health scheme will cover the costs.

Deputy P.J.D. Ryan:

Okay. Thank you.

Mr. T. Gales:

Sorry, can I just add something?

Deputy P.J.D. Ryan:

Yes.

Mr. T. Gales:

I would come from a different point of view. I will not be concentrating on the doctors; I will be looking at drug costs.

Deputy P.J.D. Ryan:

Sorry?

Mr. T. Gales:

I will be looking at drug costs.

Deputy P.J.D. Ryan:

Drug costs?

Mr. T. Gales:

Yes. Costs of prescribed medicines; that is two-thirds of the costs of the health scheme.

Deputy P.J.D. Ryan:

Am I to take it that you would suggest that if they were zero rated ...?

Mr. T. Gales:

But that is, again, a different issue, if I can put it that way, because the prescription charge - it is like an inverse subsidy that way around - because it is unlikely we would move a prescription charge by whatever we have to move it to cover GST, because it would only be 3 per cent. It will probably stay where it is, and it would be absorbed within the health scheme.

Deputy P.J.D. Ryan:

Yes. I see. So you do not see prescription charges as a problem?

Mr. T. Gales:

No.

Deputy P.J.D. Ryan:

But you see a bigger problem?

Mr. T. Gales:

I only see prescription charges as a problem with people with multi-disease states, where they have lots of prescriptions. But there are mechanisms you can get around that season ticket and whatever we think

of there.

Deputy P.J.D. Ryan:
Right.

Senator P.F. Routier:
But the experience we have had with drug costs in recent years is that there has ...

Mr. T. Gales:
They have slumped. Yes, maintained.

Senator P.F. Routier:
They have what?

Mr. T. Gales:
They have not gone up.

Senator P.F. Routier:
Exactly. They have not gone up because there has been a lot of generic prescribing, and we have managed to --

Deputy P.J.D. Ryan:
Contain it.

Senator P.F. Routier:
Yes, definitely, because people have this view that pharmacy costs are going up, and all the rest of it. But because of a different way of prescribing, and working with the doctors, and generic prescribing, we have been able to maintain our costs to the fund through doing that. But that is the experience we have had over the last few years, put it that way. What happens in the future, who knows?

Deputy P.J.D. Ryan:
Right. But it could change.

Senator P.F. Routier:
Yes. A new drug could come out and blow it.

Mr. T. Gales:
It only needs one new drug and ...

Deputy P.J.D. Ryan:
There is pressure on that though, is there not?

Mr. T. Gales:
Yes.

Deputy P.J.D. Ryan:
There is pressure for new drugs and new all sorts.

Mr. T. Gales:
New drugs are expensive.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

It is not going to get better, is it?

Mr. R. Bell:

A lot of those drugs, of course, hit first to the hospital rather than in community pharmacies, because they are the wonder drugs, if you like, that consultants prescribe rather than GPs prescribe. So it is not the same pressure. We can now prescribe less, but there is pressure.

Deputy P.J.D. Ryan:

Yes. Okay. But there is pressure.

The Connétable of Trinity:

Do you --

Mr. T. Gales:

Sorry, John. I am talking about prescription items. Obviously those that are bought over the counter, we do not have anything to do with those.

Deputy P.J.D. Ryan:

No.

The Connétable of Trinity:

The hospital drugs that go out of the pharmacy at the hospital, do you pay for those, or ...?

Senator P.F. Routier:

No.

The Connétable of Trinity:

That comes out of the health --

Mr. R. Bell:

That comes out of the health budget.

The Connétable of Trinity:

The health budget. Are they not trying to get you to take that over?

Mr. R. Bell:

We are looking at options to provide greater similarity between the 2 lists, but it is still the case that there will be still drugs there for clinical reasons that will only be prescribed by consultants and the hospital. They will be prescribed through GPs.

The Connétable of Trinity:

Are there not also people that only go to the hospital to get their drugs, and not go to pharmacies?

Mr. T. Gales:

Yes, that happens. Yes. Perverse incentives, as they say.

The Connétable of Trinity:

Interesting.

Deputy P.J.D. Ryan:

Can we just explore a little bit further on the health side from the Constable of St. Brelade. Mike?

The Connétable of St. Brelade:

Well, yes, obviously, this is a subject of ongoing discussion but, effectively, in the Island we have the situation whereby we have, obviously, a multitude of residential homes: some completely private; some not quite private, for instance, run by the parishes. Now, they are intended to be self-funding, but the indications from the Treasury are that public-funded homes would not be liable for GST, whereas private ones are, and we have this sort of middle situation - a grey situation - where there is a degree of doubt as to where the existing parish homes will lie. I just wondered what your thoughts were on the funding of residential homes. The percentage in St. Brelade is something like 50 per cent - I am not certain what it is for the rest of the Island - of the residents are presently on income support of some form or another. Would you expect that cost to be GST-liable? Have you had any thoughts on this?

Senator P.F. Routier:

No, I have not given it any thought at all, because I was leaving it to the Treasury and the Treasury Minister to deal with that. Our job would be to cover the costs of whatever is out there really. We would have to react to that.

Deputy P.J.D. Ryan:

Because it could put up the requirement. You could increase your bills, because the private residential home --

The Connétable of St. Brelade:

They will be GST-liable, I do not think there is any question about that. What concerns me slightly your comment that, "We will just cover whatever it costs" means that they have all thought to controlling the actual costs of social security payments. Do you not feel that --

Mr. R. Bell:

Well, simply a qualification of who "we" are concerned about controlling the costs. I thought we were talking about the impact of GST. The impact of GST, what we are saying is that we have the understanding that we will receive the impact of GST to distribute back out through the income support, so it is the 3 per cent. It is not about the controlling of the costs, so it is almost a circular tax circle going on here, yes.

The Connétable of St. Brelade:

Well, surely it is linked. I mean, if social security costs go up, effectively GST costs have to go up to pay for it. So, as you say, it is a bit of a chicken and an egg situation, but one's feeling at the moment - going back to low income support - is that the whole cost of income support is increasing, so GST is having to go up to pay for it. I just feel that Paul is intimating that, "We do not have to worry about costs, because whatever we want is going to be covered by whatever I say."

Senator P.F. Routier:

I hope I did not give the impression that I was not worried about the cost of income support. I am concerned about it, and we have a limited budget to work with, plus we have the commitment. If the focus of the discussion is about the effect of GST on income support, well, I have the commitment, whatever comes from the GST debate -- I am not sure that using the income support debate to effect the GST is the right way around to be having the discussion. I just do not know that.

Mr. R. Bell:

The issue is that if you take residential care homes and you exempted them, you exempt them from everybody, and those that would be able to pay would be exempted as well, whereas if you do it through the income support route, you pass the tax proceeds back so that it protects those on the low income as opposed to (...overspeaking).

Deputy P.J.D. Ryan:

How would your components be affected - I think I know the answer to this anyway, but let us get it from you - if you have 2 people, both on income support: one is in a publicly-funded residential home, and one is in a private residential home. So one is going to have GST and one is not. How would you handle that?

Senator P.F. Routier:

Do all homes charge the same amount of money now?

Deputy P.J.D. Ryan:

Well, there is no GST involved, but once you introduce GST --

Senator P.F. Routier:

No, they do not.

Mr. T. Gales:

You could have someone in Cheshire Home that is going to cost you £800 a week. You could have someone in Maison St. Brelade which might be £400 a week.

Deputy P.J.D. Ryan:

So you would --

Mr. T. Gales:

But what I am saying is - or what I think I should say is - that the way it is funded at the moment is a bit of a mess, in that it is coming from about 4 different sources, and at the moment Health and Social Services are looking to try and work on a placement tool to make sure that people go into the right care, at the right time, and they will try to negotiate rates of various homes, so that when they negotiate the rates, then it is something we could use for our income support.

Deputy P.J.D. Ryan:

Yes. I mean, person A is in a publicly-run residential home; person B is in a private home.

Mr. R. Bell:

I know what you are asking: you are asking --

Deputy P.J.D. Ryan:

Are you going to discriminate? A bit of a strong word, but you know what I mean.

Mr. R. Bell:

I am not sure it is discrimination going on, but are you going to pay everyone the 3 per cent, even though some are not going to be charged, and I think that is what you are asking me.

Deputy P.J.D. Ryan:

Or are you going to take account of the fact that one will be incurring GST and one will not, in your component?

Mr. R. Bell:

I think we will have to work that through on the detail.

Senator P.F. Routier:

For instance --

Deputy P.J.D. Ryan:

Do I take that as a yes? [Laughter]

Mr. R. Bell:

To which question, because it was a double-ended question? [Laughter]

Deputy P.J.D. Ryan:

Yes to both questions. You will have to work that through on the detail was what you said.

Mr. R. Bell:

Yes.

Senator P.F. Routier:

The Constables would know better than me what happens but, I mean, there are various rates charged by various homes across the Island.

Deputy P.J.D. Ryan:

Yes.

Mr. T. Gales:

Yes, I think the main --

Senator P.F. Routier:

The parishes do not meet those charges completely. Some people would prefer to pay more and go to a better quality one, and we are not going to do any different.

Deputy P.J.D. Ryan:

No. This is an issue of discrimination, I suppose, in the way that GST might work between a public and a privately-run residential home.

Mr. T. Gales:

Yes.

Senator P.F. Routier:

We will have a component which is going to cover the reasonable costs for care. If somebody prefers to go to one that is costing more money, well that is their choice.

Deputy P.J.D. Ryan:

Yes.

Mr. T. Gales:

No, it is not --

Mr. R. Bell:

Some we will be charging 3 per cent and some will be higher.

Senator P.F. Routier:

I know that, but as a retailer I know that 3 per cent [Laughter] it is just a price. It is a price.

Deputy P.J.D. Ryan:

Yes. But it is a government-imposed price. It is not going to add to the profits of that privately-run residential home, is it? That 3 per cent.

Senator P.F. Routier:

The customer pays a price. It pays profit and GST.

Deputy P.J.D. Ryan:

What I am saying is that a privately-run residential home will have a government-imposed price increase of 3 per cent; a publicly-run one will not under the current possible proposals. If you are going to keep your income support the same over both of them, what you are doing is you are discriminating as a government against the privately-run one.

Mr. R. Bell:

No, I think that we will have to work the details through. I think this is an example of how we have a tax; a new tax is going to come in and we are going to have to work out the details on it. It is a pretty good example of the difficulties that will be created the more exemptions you have.

Deputy P.J.D. Ryan:

Yes. That is a separate sort of issue.

Mr. R. Bell:

Well, it was a fair point.

Deputy P.J.D. Ryan:

But specifically the question was: what are you going to do about that particular situation where you have a public and a private one?

Mr. R. Bell:

Yes, I think we will have to work the detail through, but we would not want to be creating a situation whereby, in your words, discrimination would take place.

Deputy P.J.D. Ryan:

Okay. You would not want to have a situation where ...?

Mr. R. Bell:

Where, in your words, discrimination would take place. I am not using "discrimination" myself.

Deputy P.J.D. Ryan:

Do we have any more on health and residential to be clear on?

The Connétable of Trinity:

It is a time bomb, is it not, residential care? The main thing is that you are doing now in the consultation is whether the people who have assets are treated exactly the same as people who do not have assets. That must be coming, because if you talk about problems, it is just because you have a property but you have no cash, this is what happens. The majority of these older generation people in their 80s that may

have an asset, but they do not have any liquid now. All of a sudden they are faced - who have worked all their life - I am telling you this now, I know one who is paying over £1,000 a week for a nursing home. But because she has an asset -- and, of course, do you take family life away (...inaudible) Jersey, which you may not want to hand your property on to your children, whereas you tell them, "Well, I am sorry, because you have an asset you have to sell it, and then you go into a nursing home." Now she may only live for a year, and she could have maybe borrowed on that asset, but because she is a certain person who will not borrow, the attitude is, "No, I cannot do that. I cannot have a ..." and, unfortunately, that is where they are not equitable these 2 things. Now, of course, I totally agree that if you have assets maybe you should work the income from those assets to offset the cost of a nursing home, which is being done. But that is when the major problem will come. But, then again, that person is paying 3 per cent GST on a room at Palm Springs, but if I put somebody in through social into Ronceray there is a price differential between the private person who pays, and if the State that does the work for you. It is a different fee, and this is not right. This is what I am saying. It is a minefield when it comes to sorting these things out.

Mr. R. Bell:

Yes. There are a number of issues in there, some of which we will deal with with income support, but the time bomb, as you put it, will be something that the community will have to address in the longer term, because those costs are going to go up way above, over time, the funds that are available within income support.

The Connétable of Trinity:

On the other hand, you mostly will do their pension to compensate GST anyway, so they get a bit of it back.

Deputy P.J.D. Ryan:

Okay. Right. What I would like to do is now move on to a new area, and that is this centre for research that you have been commissioning since 1997. You might ask, "What does that have to do with GST?" Because I am going to go in reverse - my 2 questions - and I will ask the last question first, and then come back to the first question.

Senator P.F. Routier:

Well, I had better write it down then. **[Laughter]**

Deputy P.J.D. Ryan:

It is okay, I will repeat it. Now, my last question: how can States Members make an informed decision on GST and possible zero ratings, without firm information on what makes up a decent standard of living in Jersey? That is the last question. I will now come to the first one: could you give us the progress that is going on; where you are with this research project? Is it Loughborough University? I think it is, is it not?

Mr. T. Gales:

Yes.

Deputy P.J.D. Ryan:

What is the progress; where are you with it?

Mr. T. Gales:

Finished. Some time ago. Yes.

Senator P.F. Routier:

Yes. I mean, all they did was get together a basket of goods for the various types of households and groups of people within the Island sat down with the researchers and identified what they needed to live.

Deputy P.J.D. Ryan:

To live.

Senator P.F. Routier:

The items they needed in their basket.

Deputy P.J.D. Ryan:

Essential items?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

As far as they were concerned.

Senator P.F. Routier:

Yes, as far as they were concerned. We have to say that they were not excessive in their demands, they were very reasonable, and then they were moderated as well, in all these various different groupings of people. So that work has been completed.

Deputy P.J.D. Ryan:

Bearing that in mind and referring you to a lot of the things that you have been saying about, "It is too early yet. We do not yet know what the rates are going to be, et cetera, et cetera." Why do you not know what the rates are going to be? You have all this research, why is it not possible to calculate the rates now? Why did you not do it last month, for example?

Mr. R. Bell:

What we want to do is to move on to the actual current claimants and their circumstances to get a better idea. So we want to combine the 2, but we want to understand, in a consistent way, the circumstances of our actual population as opposed to the model. You can push this one 2 ends, can you not; you can go for the rates, but it has to fit within the £64 million.

Deputy P.J.D. Ryan:

So, it is budget-driven?

Senator P.F. Routier:

It always has been.

Mr. R. Bell:

Yes, budget-driven, as it is currently.

Senator P.F. Routier:

Because we have a set amount of money to play with.

Deputy P.J.D. Ryan:

Okay. Therefore you will cut or --

Senator P.F. Routier:

Or increase.

Deputy P.J.D. Ryan:

-- or increase to suit the budget? So this research then that you have all the answers to - what it should be - will be put on one side and, in fact, has been put on one side, so that you can see what money you have got. Well, I do not say it is not a good research to do. I am not making that point, but I am just trying to clarify that you now know what you should be doing, but you have a budget which is probably going to say that you cannot do it, is that right?

Senator P.F. Routier:

We do not know that yet. But I think the initial thoughts when we started out on income support, and after that research was done, there -- are you coughing?

Male Speaker:

No. [Laughter] It is the Constable behind me, I think.

Senator P.F. Routier:

We were anticipating that we were going to better the current welfare rates by about 5 per cent. But that was our initial thought after that research was done. But we have not wanted to firm up on that until we have the actual figures nearer to the time.

Deputy P.J.D. Ryan:

What is the progress then, Paul? When are we going to get that?

Senator P.F. Routier:

In February.

Deputy P.J.D. Ryan:

After the GST debate?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

I will go back to the last question that I asked you first. Do you know what I mean?

Senator P.F. Routier:

Yes, I have forgotten what it was.

Deputy P.J.D. Ryan:

How can States Members make an informed decision on GST and possible zero ratings without firm information on what makes up a decent standard of living in Jersey? Where are you going to end up with your income support? If you are not going to report on that until February - that is after a GST debate - I am asking you whether you believe that it is okay for the States to make firm decisions on GST exemptions and zero ratings without that information.

Senator P.F. Routier:

I believe they can. I do not see it as a problem for the States to make those decisions, I really do not. We know that the people who are currently receiving welfare benefits, and all the various benefits around the Island with our income support system, they are going to be protected from whatever the GST debate throws at them.

Deputy P.J.D. Ryan:

Well, you have a political commitment that any increases are going to be covered.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

If you do not have the budgets to pay what your research tells you should be paid, I mean, why would it not be the case - a quite reasonable case - that a States Member might decide, "Well, we need to do something about zero rating X, Y or Z in order to further compensate." But not necessarily those on income support, but the bands above it. Immediately above it.

Mr. R. Bell:

Well, I understand the theory, except if you increase the number of exemptions, you will therefore have to increase the percentage on those that are not exempt.

Deputy P.J.D. Ryan:

Yes, zero rating. You might. But what we are about here, a States Member might decide to influence the distribution of a tax. A tax is a tax, and what politicians do is seek to influence the distribution of that tax.

Mr. R. Bell:

States Members have an idea the extent to which the current systems assist people. The same pot of money is going to be available for income support. There is not going to be a mass change or a different delivery of that £64 million. Yes, it will be delivered more efficiently. Yes, it will be delivered with more equity. We may hope these will be political decisions at the end of the day, that we will help those perhaps less better off within the existing system.

Senator P.F. Routier:

We have to recognise that income support was thought about well before GST.

Deputy P.J.D. Ryan:

Yes, I accept that.

Senator P.F. Routier:

It is a separate thing.

Deputy P.J.D. Ryan:

I accept all of that. But what I am suggesting is that a States Member will want to know, with your budget that you have - we are talking about separate things here - redistributed because of the little anomalies you have that nobody is going to argue with. But when it comes to a GST debate and whether a States Member will seek, or want to seek, politically to effect the distribution of that tax, he or she will probably quite reasonably want to know how - not only just those on income support but those above it - close are they are going to be to the weekly incomes as your research has shown you is effectively where the minimum should be. This is a separate question to whether your budget should be increased, so that you can increase your income support to that level. It is separate when it comes to a GST debate, would you accept that?

Senator P.F. Routier:

Sorry, accept ...?

Deputy P.J.D. Ryan:

Would you accept the point that it would be reasonable for a States Member to want that information before the GST debate?

Senator P.F. Routier:

Not necessarily. No, I just --

Male Speaker:

I certainly would not.

Deputy P.J.D. Ryan:

Okay.

Senator P.F. Routier:

It may help. Honestly, it may help, but we are in a situation the timescale is that --

Deputy P.J.D. Ryan:

You are not going to have it?

Senator P.F. Routier:

We are not going to have it. We are just not going to have it.

Deputy P.J.D. Ryan:

Let me ask you a question, I think that you have already answered it. Because you did say that you thought that the budget standards that your research provided you were pretty good. You were fairly happy with them.

Senator P.F. Routier:

The mechanism for getting them together, the pricing of them obviously has to be updated to current --

Deputy P.J.D. Ryan:

Yes. But the content and the processes; you are happy with your research? You have not done some research which you have discarded as not being very good?

Senator P.F. Routier:

No.

Deputy P.J.D. Ryan:

You are happy with the research and the processes?

Mr. T. Gales:

When we embarked on this back in 19- whenever it was, there were bits of information we did not have.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Yes.

Mr. T. Gales:

One is that the parish welfare rates had been set in 1970 and had not been checked again and we did not have an income distribution survey. The 2 bits of information we needed: one was, given the welfare rates now, how does that compare, hence, CRSP. The other side of it was the IDS (Income Distribution Survey) to see how many people fell within those parameters, and that was the 2 bits of information we had.

Deputy P.J.D. Ryan:

Okay. That is fine. So, do they fall roughly in line - as far as you are able to check - with your own calculations within the department?

Mr. T. Gales:

Yes, because of the way CRSP did it, it was different household types. You do get a variation. But if you look at the basic living standards, i.e. food, clothing, et cetera, they are fairly similar, and that is what we were working to.

Deputy P.J.D. Ryan:

Okay. The final one on the CRSP budget standards, this is the crunch really: are they unaffordable under the present budget for the income support scheme?

Senator P.F. Routier:

I honestly do not know. I do not know.

Deputy P.J.D. Ryan:

You must have some indication, surely. I cannot believe that you have not done some calculations and some research to see whether the likely budget is going to cover it.

Mr. R. Bell:

My attention to date has been putting together the framework - the law - in time so that we can deliver income support to our deadline. Now we have done that, we are doing our consultation on the regulations, we will turn greater depths to the modelling of the budget setting.

Deputy P.J.D. Ryan:

What I do not want to say in a press release - which we do regularly - is that you do not know whether your budgets are going to be able to cover the CRSP budget standards.

Mr. T. Gales:

Based on basic living allowances, and bearing in mind CRSP covers more than that, i.e. it talks about social activity as well, then we have enough budget.

Deputy P.J.D. Ryan:

You have?

Mr. T. Gales:

On basic living allowances.

Deputy P.J.D. Ryan:

But not with the full CRSP?

Mr. T. Gales:

Not with the full CRSP.

Deputy P.J.D. Ryan:

I want to quote you accurately in any press report.

Mr. T. Gales:

Sure.

Senator P.F. Routier:

Tom has been doing the real tight work with the numbers, so ...

Deputy P.J.D. Ryan:

Okay, if you want to give a little bit of thought outside the meeting to a statement to give to us, because I am interested in accuracy for any press release.

Mr. T. Gales:

Sure, sure. So am I.

Deputy P.J.D. Ryan:

Anything further on the CRSP Report? Just one little concern expressed by the doctors that we have interviewed over GST. Dr. Ince, who is the President or Chairman of the Doctors' Medical Society ...

Mr. T. Gales:

He was on the Negotiating Committee.

Deputy P.J.D. Ryan:

Yes, Jersey Medical Society. He said that there was a little bit of a problem in that surgery fees were a disincentive to what he called "preventative care". In other words, going in for a regular service to your doctor, when there is nothing wrong with you, on an annual basis. Preventative medical care, rather than waiting until you have a problem before you go to the doctor. Do you agree with that?

Senator P.F. Routier:

For some it may be. Certainly for families with children, I would certainly ...

Deputy P.J.D. Ryan:

Would you not think for older people, in fact? Older people should be going to see doctors on an annual basis. Would that not then save us money in the longer run?

Senator P.F. Routier:

Yes. That is certainly why we have put in our budget for income support that people can go to the doctor 4 times a year or something.

Mr. T. Gales:

On average, 4 times, I think.

Senator P.F. Routier:

Yes. Our income support proposals allow for people to go to the doctor 4 times a year. Within the money that they get, I think it will be.

Deputy P.J.D. Ryan:

On income support?

Senator P.F. Routier:

On income support.

Deputy P.J.D. Ryan:

But I am talking about anybody who is not on income support for a minute. I mean, this is not strictly --

Mr. R. Bell:

Then we are going beyond income support? We are talking the population as a whole?

Deputy P.J.D. Ryan:

Yes, we are talking population as a whole.

Mr. R. Bell:

If we are talking about the population as a whole, the primary care system is being looked at through the New Directions programme between Social Security and Health and Social Services, and we are looking to get screening and other preventative measures, treatment of chronic diseases (...overspeaking).

Deputy P.J.D. Ryan:

Because his point was that adding tax to it is a further disincentive, going down the wrong way. Pushing further down the wrong route, to add tax to doctors' bills.

Mr. R. Bell:

Well, if the Health Insurance Fund picks up the tab, it will not make --

Senator P.F. Routier:

For those who are in need. Oh, and for everybody.

Mr. R. Bell:

For everybody. It makes no difference.

Deputy P.J.D. Ryan:

For everybody? That is fine.

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

That is good.

Mr. T. Gales:

Can I just ask for clarification? Was he saying that doctors charge people less for a checkup rather than ...?

Male Speaker:

I think it is more, is it not?

Deputy P.J.D. Ryan:

I think he is also saying that doctors were increasingly having to discount surgery fees in order to facilitate and not dissuade patient consultations. That is what he is saying.

Male Speaker:

I must go and see him tonight. [Laughter]

Deputy P.J.D. Ryan:

Any comments?

Mr. T. Gales:

We can look at some of the returns to see if that is the case.

Deputy P.J.D. Ryan:

Okay.

Senator P.F. Routier:

Doctors are businessmen as well.

Deputy P.J.D. Ryan:

Yes, I accept that. Now, is there anything else? I just want to move on finally - I do not think there is anything else - to something that we have been hearing about, which I would like to get your reaction to, and it is to do with childcare. It was only yesterday that we had a public session with a lot of the childcare industry, the early years industry. Not strictly to do with you, I accept that, but it is to do with you in respect of the employment side of your portfolio. It is all to do with GST being charged on, again, a similar anomaly in the residential homes. You will have some publicly-funded childcare providers. You will have the schools providing the 3 to 5 year old situation, taking business away from the private nurseries, who then also provide the 3 to 5 year old facility.

Mr. R. Bell:

Are you talking about where private nurseries do 0 to 5 and there may be some cross-subsidisation taking place between the 3 to 5 group?

Deputy P.J.D. Ryan:

All sorts of anomalies going on in that area with the Education Department. Now, I am not expecting you to make any comment on what your colleagues in the Education, Sport and Culture are up to. I am not expecting a comment from you on that. But I would like you to comment on the assertion from, certainly the Parents' Action Group, that this is essential. There is a cross-over to economic development here that getting the most out of our labour force and workforce - and it is on record certainly in the economic growth plan - that getting as much from the workforce in the way of both parents working is going to help economic growth, and all the rest of it. Do you see where I am coming from? What is your comment on it, generally, as the Social Security Department? Would you agree with the assertion that early years child cover is a problem area?

Senator P.F. Routier:

That is exactly why the Council of Ministers yesterday set up the working group, a cross-section of our department, Education --

Deputy P.J.D. Ryan:

I heard about that. So you are involved in that?

Senator P.F. Routier:

Very much so. It is an area which needs addressing right away.

Deputy P.J.D. Ryan:

Okay. So you would agree with the fact that there are problems here?

Senator P.F. Routier:

In the way people access it and the availability and --

Deputy P.J.D. Ryan:

Equity and regulation?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Black childcare economy. Do you think there is a problem with the black economy as regards childcare?

Senator P.F. Routier:

Do you mean unregistered?

Deputy P.J.D. Ryan:

Yes. Bearing in mind that childcare is heavily regulated.

Senator P.F. Routier:

I have no evidence of unregistered childcare. I mean, if I knew about it obviously it would be reported to Education, Sport and Culture, but I have no evidence of that.

Deputy P.J.D. Ryan:

I mean, anecdotal evidence we are getting is that this is particularly prevalent. Have you come across that?

Senator P.F. Routier:

Well, they would not be applying to us for childcare benefit, because they would be black economy. As I say, I am not aware of any of --

Deputy P.J.D. Ryan:

What we are talking about here is it has been said that within the immigrant community - recent migrants to Jersey - there is a high level of unregulated childcare going on.

Senator P.F. Routier:

Well, I hope the people who are reporting this to you have reported it to Education, Sport and Culture, and to the Children's Service. But I have no evidence of this.

Deputy P.J.D. Ryan:

You have nothing at the moment, but it is anecdotal, and your advice would be to give you examples?

Senator P.F. Routier:

Well, it is not our responsibility, the actual provision of that.

Deputy P.J.D. Ryan:

No, it is not.

Senator P.F. Routier:

We recognise for people getting into work it is important that there is good childcare facilities available, and that is what education and the private providers will provide. But there, as you have identified, is a

mismatch in provision of service at the present time which needs to be resolved, and that is why our department have agreed to take part in a cross-department review.

Deputy P.J.D. Ryan:

I suppose the question is will the imposition of GST on early years' education and childcare, and nursery childcare, exacerbate the current situation which you have accepted is unacceptable at the moment?

Mr. R. Bell:

I am not sure I understand which part is unacceptable. We have identified that there are issues around it that need to be dealt with, which is why we are doing the piece of work identifying the issues and then coming up with solutions.

Deputy P.J.D. Ryan:

Well, the anomalies.

Senator P.F. Routier:

I mean, if Education is going down the route of providing all free education, they might make that decision.

Deputy P.J.D. Ryan:

From nursery upwards? From 0 upwards?

Senator P.F. Routier:

This piece of work is just starting. We know it needs addressing.

The Connétable of Trinity:

I think the concern that was said yesterday there are some families paying up to £1,000 a month on childcare, so obviously the implementation of GST on top of that is that it will be quite expensive. But then you have the others who maybe could afford to pay for childcare, but have got them in a free school.

Senator P.F. Routier:

Yes. It is a real mismatch at the moment. It really is.

The Connétable of Trinity:

This is another mismatch. We were quite amazed at how low the fees are that these people work for, £5, £10 an hour for teachers looking after the children. But, I think absolutely right, if you are looking at it, that is fine, but there certainly is a need to look at it.

Senator P.F. Routier:

Yes. Mr. Chairman, I do not want to be rude but I have another to go to. **[Laughter]**

Deputy P.J.D. Ryan:

Last bit, we are right there.

Senator P.F. Routier:

Keep going.

Deputy P.J.D. Ryan:

I think one of the concerns yesterday, as well, was that the childcare allowance has remained frozen

under the low income scheme; it has remained frozen for some while, and is inadequate to pay for the higher costs of early years and nursery because of - to some degree - government's policy by giving free childcare to the 3 to 5 year olds has taken the profitable element. There is an inequality in regulation there which I would like to explain to you, which is that in the public sector, 3 to 5 years --

Senator P.F. Routier:

I am aware of it.

Deputy P.J.D. Ryan:

-- they insist on, I think it is 10 children per carer, whereas in the private sector it is 8. You are aware of that?

Senator P.F. Routier:

Yes.

Deputy P.J.D. Ryan:

Any comment?

Senator P.F. Routier:

It is not right. [Laughter]

Deputy P.J.D. Ryan:

What about the childcare allowance being inadequate?

Senator P.F. Routier:

Well, we recognise that our current childcare allowances have not matched the increase in costs in the community but, as I say, our existing childcare benefit is going to be wrapped up into income support, and we will ...

Deputy P.J.D. Ryan:

A system which, as they assert, is likely to drive private childcare businesses out of business, cannot be right. Would you agree with that? That is a problem?

Senator P.F. Routier:

Every business makes a decision whether they pack up business or not. I cannot make a judgment on why they have made those decisions.

Deputy P.J.D. Ryan:

But if government policy is helping to drive that situation, you would agree, perhaps, that that government policy may be wrong?

Senator P.F. Routier:

I need to sit down and look at all the reasons why there is such a wide lot of information that needs to be gathered from this childcare issue, and it is a real mixed bag of information that is out there, and it needs to be addressed, and it is going to be addressed.

Deputy P.J.D. Ryan:

Okay, so watch this space, basically. Thank you. Any more?

The Connétable of St. Brelade:

In effect, to summarise that, you support Stuart Syvret's P.86 suggesting that childcare for working

parents can already be so prohibitive as to not to make it worthwhile to work, and he questions whether it is wise to tax that service. So would you say you really would support that view?

Senator P.F. Routier:

I would not support the outcome of his view **[Laughter]** but I recognise the cost of childcare is an issue. The implementation of another 3 per cent on top of that, I am not sure whether that makes it much different. I do not know. I will leave that with you.

Deputy P.J.D. Ryan:

Any more, gentlemen? Okay. Well, thank you very much for your time this morning.