



Corporate Services Scrutiny Panel

Mini-Budget Review

Witnesses: The Minister for Treasury and Resources and the Minister for Social Security

Tuesday, 30th August 2022

Panel:

Deputy S.Y. Mézec of St. Helier South (Chair)

Deputy G.P. Southern of St. Helier Central

Deputy M. Andrews of St. Helier North

Witnesses:

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, The Minister for Treasury and Resources

Deputy E. Millar of St. John, St. Lawrence and Trinity, The Minister for Social Security

Mr. I. Burns, Director General, Customer and Local Services

[10:00]

Deputy S.Y. Mézec of St. Helier South (Chair):

Welcome to this Corporate Services Scrutiny Panel public hearing with the Minister for Social Security and Minister for Treasury and Resources for our cost of living mini-Budget review. Normal rules for Scrutiny hearings apply. The hearing is going to be recorded and broadcast live and transcribed. Try to speak towards microphones if you can so it can be picked up, and obviously try not to interrupt one another because it might be difficult for the transcript. If we run out of time this morning then we will follow up with written questions for the things that we did not get to ask. We will ask everyone to go around the table and introduce themselves but we are starting with just the Ministers. If at any point you need to call up one of your officers or Assistant Ministers to give points of detail then we will introduce them at this point. But for the transcript, I am Deputy Sam Mézec. I am the chair of the Corporate Services Scrutiny Panel.

Deputy G.P. Southern of St. Helier Central (Chair, Health and Social Security Panel):

Deputy Geoff Southern, chair of the Health and Social Security Panel.

Deputy M. Andrews of St. Helier North:

Deputy Max Andrews of St. Helier North.

The Minister for Treasury and Resources:

I am Ian Gorst, Minister for Treasury and Resources.

The Minister for Social Security:

Elaine Millar, Minister for Social Security.

Deputy S.Y. Mézec:

Excellent, thank you. We will crack on then. You very helpfully responded to quite a significant number of questions that we asked in advance of this so we will probably make reference to that letter at various points and ask for extra detail. The first question, hopefully a relatively quick one, that I wanted to ask was about postponing the commencement of the G.S.T. (goods and services tax) *de minimis* changes. The proposition P.80 says in it that: "The States are asked to decide whether they are of opinion to agree that the following actions should be taken to address cost of living concerns" and part (e), the first point to this point. In the letter which you sent us, on 3 occasions you point out that this change is not being proposed primarily for cost-of-living reasons so why is it in there?

The Minister for Treasury and Resources:

Because there is a cost-of-living benefit.

Deputy S.Y. Mézec:

How widespread will that be and how, in your view, is that going to assist people with cost of living?

The Minister for Treasury and Resources:

We know that those Islanders that purchase things off-Island that currently have a higher *de minimis* level and therefore, from an administrative perspective, can benefit from that higher *de minimis*. If that remains in place longer they will continue to have that benefit of not needing to pay G.S.T. on those goods because they will have that administrative relief. We were clear it is an administrative relief and it complies with international obligations. If we were to reduce the *de minimis*, the value of the administrative relief reduces and therefore they would pay G.S.T. on smaller value consignments under that administrative relief, so they will have that benefit for an additional 6

months. The value of the benefit to each individual or household will depend entirely on how often they make use of that administrative relief.

Deputy S.Y. Mézec:

What evidence do you have as to whether this is a progressive measure or not?

The Minister for Treasury and Resources:

What evidence do we have as to whether it is a progressive measure? That will depend entirely on the number of times and the value to which individual families, whatever their income is, avail themselves of that administrative relief. So we cannot second guess families that will or will not take advantage of that relief.

Deputy S.Y. Mézec:

I guess what I am asking there is: are households with higher incomes more likely to benefit from this in terms of their shopping habits versus those on lower incomes? Do you have any evidence as to whether they purchase more on-Island or off-Island?

The Minister for Treasury and Resources:

I am not aware and I have not seen the evidence that we have that information about households in relation to their income and where they purchase goods. We know that however, during a cost-of-living crisis, we would expect that Islanders do shop around and look for better value products off-Island and they will be able to do that for longer using this administrative relief for an additional 6 months. We might expect them to but we do not, as far as I am aware, have any evidence or data to say one way or the other.

Deputy S.Y. Mézec:

Some feedback that we are receiving in the survey that we put out on this mini-Budget has been on G.S.T. There have of course, as you would probably expect, been suggestions made on that about the basic rate of G.S.T. or the exemptions which apply to it and whether those might be more progressive measures which would help people more quickly. Did you give any consideration, since there is a mention of G.S.T. in this mini-Budget proposition, of looking at other elements of G.S.T. to support people?

The Minister for Treasury and Resources:

I think probably you have the answer to that in your opening question in that this is an administrative relief that because of the reasons that we have outlined, offshore retailers asked for it to be extended. We gave them that extension. We need to amend the law. It does give cost-of-living benefits but we did not look at it and think we need to make some amendments to G.S.T. in order

to give cost-of-living benefits. It just, by default, gives that benefit. So there were considerations around changes to G.S.T. and, on balance, we took the view that it was not appropriate to amend G.S.T. We wanted to keep it low and broad, maintaining the basis of the introduction of G.S.T. in the first instance. And we also, if you look at things like reducing the rate of G.S.T. on food or removing it from food. The administrative time lag of making the change and then providing the benefit would not meet the criteria of timely benefit to Islanders. So from the principal point of view about the system, which we know others have a different view about that system, and also whether those amendments could give instant relief or benefit to Islanders, those 2 come together and that is why we did not do it.

Deputy S.Y. Mézec:

In your response to the panel's letter, which was dated 26th August, it highlighted that the data from the income distribution report had not been released by Statistics Jersey. I am sure you would have found it ironic that they did release on that very day much more of this data. Not having access to that information beforehand, what impact do you think that had on your decision-making when deciding what to put in this Budget?

The Minister for Treasury and Resources:

The absence of data did not obviously have an impact because you cannot use an unknown to inform your deliberations. So in that strict interpretation of course it did not because we just did not have the updated data. What we will need to do, and this obviously falls largely to the Minister for Social Security, is that historically the Minister for Social Security would use the information coming out of that report to inform policy going forward.

Deputy S.Y. Mézec:

The data that did come out in that preliminary report released on 26th August showed that Jersey over the last decade has become a more unequal society. Many of us would have been able to guess that without seeing the data. Was that the presumption you were working on when you put these proposals together? At that point, did you believe or recognise it even without the substantive data to prove that Jersey was becoming more unequal?

The Minister for Treasury and Resources:

I have not had time to go into any detail of the report. I have seen some of the headlines, both the Minister and myself have been out of the office. Reports like that are very complex and do take time to understand entirely what they are telling us and taking a broad-brush approach to, say, draw an overarching conclusion or might want to do that but we would prefer to take the time required to look at all of the details of what the report is telling us.

Deputy S.Y. Mézec:

My question was asking: in the absence of that report, were you working on the basis of a belief that Jersey was becoming a more unequal society at that point?

The Minister for Treasury and Resources:

We were working on the understanding that Islanders are facing a cost-of-living crisis and the measures that we have brought forward are measures which we think provide benefit to the lowest income families. So the terminology that I might use may not be the terminology that you might use. This is a cost-of-living Budget which is, as far as possible using the current mechanisms available to us, focuses on the benefit on the lowest income and most vulnerable families.

Deputy S.Y. Mézec:

Page 10 of the letter that you sent to us says, and this is in response to question 13: "No specific analysis has yet been undertaken but the impact on income inequality was considered during the development of the mini-Budget." In what way was it considered?

The Minister for Treasury and Resources:

In the way that I have just said. That the lowest income families should receive the greatest benefit.

Deputy S.Y. Mézec:

Is it therefore your view then that the measures that are proposed in this Budget will make Jersey ultimately more equal?

The Minister for Treasury and Resources:

What this Budget is seeking to do is to provide benefit to low-income families. It is not seeking, in the way that perhaps you are suggesting, to deal with broader issues. It is seeking to focus benefit through the threshold increases, through social security contribution reductions, through benefit increases and widening of those benefits to deliver benefit to lower income families. If by default it has the effect that you are suggesting then that will be a default effect.

Deputy S.Y. Mézec:

A coincidence, is that what you are saying it would be?

The Minister for Treasury and Resources:

No, I say it would be a default effect.

Deputy S.Y. Mézec:

I am listening to that answer and it strikes me as being slightly at odds with what is in the letter which says that the impact on income inequality was considered during the development of the mini-Budget. Was it considered or not and in what form was it considered? Did you have inequality impact assessments in the various options that were presented to you? Did it factor in your thinking as to deciding whether you would adopt a particular measure. Yes, a measure may help households, and that is obviously something we will support, but its long-term impact or even a short-term impact frankly on whether Jersey is becoming more or less equal, did that factor in your thinking?

The Minister for Treasury and Resources:

If you, by saying Jersey becoming more or less equal, mean that that will be an additional benefit of targeting support to lower income families then in that wider respect we did.

Deputy G.P. Southern:

Can I ask there whether this Government has given up one of the basic tenets of the previous Government which was to reduce income inequality? Has this swathe of Ministers given up on that goal or not?

The Minister for Treasury and Resources:

As you know, the political or governmental cycle is that Ministers are working through what their Government Plan will be and what the latest version of the Strategic Plan will be ...

Deputy G.P. Southern:

Does that answer, I do not know.

The Minister for Treasury and Resources:

... and Ministers are working on that now, as they are required to do by law. You need to ask the Chief Minister what her targets will be in those documents. The Minister for Treasury and Resources is there to facilitate the policy desires of other Ministers where possible.

Deputy G.P. Southern:

And are you aware of those desires? Are we talking about reducing income inequality or not?

The Minister for Treasury and Resources:

On the one hand, the chair seems to be saying that the measures that we are bringing forward are going to be helpful to reducing income inequality.

[10:15]

We are, in dealing with the cost-of-living crisis, seeking to target these benefits, the lowest income and most vulnerable families, which we surely would agree would have that benefit in the longer term. But from the headlines that we have seen of the Income Distribution Survey, it is very complex and the matters arising and the policy implications which Ministers will have to deal with are themselves complex.

Deputy S.Y. Mézec:

To quote directly from the front page of that preliminary report it says: "Income inequality has increased over the last decade, that is the distribution of household income has become more unequal, particularly after housing costs are included." So I will ask a very basic question on principle. Do you think that it is important that the measures in this Budget help reduce income inequality?

The Minister for Treasury and Resources:

As you ...

Deputy S.Y. Mézec:

It is really a yes or no.

The Minister for Treasury and Resources:

No, the questions are not that straightforward, as you well know. We did not have this, as you have alluded to, review at the point that we brought together these measures. These measures however are targeted in supporting the lowest income families and the most vulnerable families. So as you have also been suggesting in your questions, one would expect that, without doing further work, they would start to mitigate some of those what we can agree are detrimental effects of income inequality increasing, and particularly around the cost of housing issues.

Deputy S.Y. Mézec:

Am I putting words in your mouth if I say that you, as Minister for Treasury and Resources, believe that it is an important thing to reduce income inequality and that would be an important consideration in the adoption of this mini-Budget?

The Minister for Treasury and Resources:

I would have been more nuanced than that, as you know. There are arguments on both sides of the political spectrum.

Deputy S.Y. Mézec:

Which side are you on, on that question?

The Minister for Treasury and Resources:

For me, one of the high-level messages - as I say, I have not looked at the report in great detail - is that the continuing cost of housing is causing and continues to cause financial stress and to be at the heart of income inequality. It is those measures that we need to get to grips with.

Deputy S.Y. Mézec:

I still do not feel that we have had an answer to what is a very basic question, which is whether you think that it is an important consideration in all of this.

The Minister for Treasury and Resources:

In light of the answer that I have just given about the cost of housing, surely one can see that what I am saying is that because of the cost of ... The cost of housing is leading to increased income inequality by dealing with the cost of housing, which I think the Minister for Housing and Communities is doing and others have sought to as well, that will lead to a reduction in income inequality. That is a policy intervention that I would support.

Deputy S.Y. Mézec:

It has taken a while but we might have just got to a yes there.

Deputy G.P. Southern:

Can I ask what the priority is for reducing income inequality on your agenda, Minister?

The Minister for Social Security:

It is clearly something that is important. It is important to me that we make sure that we are supporting people with lower incomes to thrive as best they can. I think my focus has been so far on the ongoing poverty strategy. We look at things like long-term care, we are looking at specific benefits, we are looking at our specific benefit models. Income inequality is something I am relatively new to, you will appreciate, and it does strike me as being a very complex subject and not something you can wave a magic wand at. It is clearly something that is important.

Deputy M. Andrews:

Obviously with inflation at the moment it is becoming rather problematic. Do you expect that there will probably be enhanced transfer payments with more Islanders obviously needing government assistance because they no longer ...

The Minister for Social Security:

I do not understand what you mean by “transfer payments”. What do you mean by that?

Deputy M. Andrews:

So that is government payments to Islanders to provide assistance to households essentially.

The Minister for Social Security:

Benefit payments?

Deputy M. Andrews:

Benefits, yes.

The Minister for Social Security:

It is something that I have said previously we will just keep under review. What we have done with this mini-Budget was to look at steps that we can take quickly and in a timely and targeted way to help people with ... July we started this. Things are moving very rapidly all the time. We are still in a position of volatility. If we get late in the winter and we think that these measures are not doing the job then clearly we will have to look at them again.

Deputy M. Andrews:

What alternatives have been considered if this is going to be the case?

The Minister for Social Security:

I personally have not been involved in ... we have not considered alternatives for January because I think we will see what happens over the winter. I think the package that we have at the moment will provide a lot of help to families in need. We are also working on proposals to help families who have been here for less than five years. We will just keep it under constant review to see what we need. Now it may be additional ... I think we cannot just create new benefits out of thin air very quickly so it is a matter of using the tools and the structures that we already have and seeing how we need to enhance them as required.

Deputy S.Y. Mézec:

Following on from Deputy Andrews' question, does the increase in payments made to Islanders make Jersey a more equal society?

The Minister for Social Security:

I do not know.

Deputy S.Y. Mézec:

Fine answer.

The Minister for Social Security:

I do not know in the sense that it is not ... my approach to this was not about creating equality. My approach was about supporting people on lower incomes through what we believe is going to be a difficult winter. Equality is something that we could all aspire to. I think in an island like Jersey it is probably very unlikely. But I think we can aspire to reducing that gap as much as we can and reducing poverty. Our main goal with this was to help people on lower incomes as best as we can over what is thought to be a difficult winter.

Deputy S.Y. Mézec:

Do you understand why I am struggling with these answers when we have in a letter before us a statement: "The impact on income inequality was considered during the development of the mini-Budget" and we are not getting much clarity at this point about how it was considered, whether it was considered a desirable consequence of these measures or not?

The Minister for Treasury and Resources:

I think you are, you are just maybe not liking the answers that we are giving because we are being very, very clear this is a cost-of-living Budget that is focused on the lowest earners and the most vulnerable families in our community. What we are doing is allocating ... either allowing people to keep their own money through the tax threshold, reducing social security contributions for a quarter, increasing benefit; that is targeting lowest income and most vulnerable families. What we are not doing, which I know that some of us around this table might also be wishing to do at the same time, is saying to the very wealthiest: "We are going to take additional money off you at the same time." If income inequality is here there is a belief that you can bring the highest earners' income down and that helps reduce the gap. We are keeping that here. What we are doing is taking the lowest earners and either taking them out of tax or giving them additional benefits or transfer payments. You could make the argument - it is not an argument that we are making - but you could make the argument that simply by focusing on giving additional benefits to lower income families then you are reducing income inequality.

Deputy G.P. Southern:

Can I just ask what consideration, if any, was given to one-off payments rather than a percentage award in a number of cases? Because percentages automatically give more to those who have more wealth, do they not? And move away from the idea that you keep on promoting that you are trying to get the worst off more help.

The Minister for Social Security:

There are elements of payments being made. The community cost bonus has been doubled, that will be a single payment paid in October. That will go up from £250-odd to £516. So that is a payment that will go to lower income households. The winter fuel benefit are monthly payments that will go. The C.O.L.T.S. (Cost of Living Temporary Scheme) are payments that will go to lower income families. So we are making payments to the lower income families rather than simply ... but also reducing contributions and tax rates. So there is a combination of factors, I would suggest.

Deputy S.Y. Mézec:

Deputy Southern's question was whether what he was suggesting had been considered. So had it been considered that more direct payments across the board as opposed to tinkering with tax allowances, et cetera, was that as an option considered?

The Minister for Treasury and Resources:

Firstly, this is not tinkering. Deputy Southern talked about a percentage but the 12 per cent equates to a £2,000 increase in tax thresholds. That is not tinkering. Secondly, as the Minister for Social Security has just said, the proposals on benefits that she is bringing forward in some of those benefits are direct financial amounts and therefore we have got a combination of both approaches, not just one uniform approach.

Deputy S.Y. Mézec:

So it was not considered then, so having a more focused approach on payments out as opposed to alterations - I will say rather than tinkering - on tax rates? Because you understand there are pros and cons to what it is and you have got to weigh them up. One concern that there is about the raising of tax thresholds is that does not benefit the lowest earners because they are already below thresholds and the greatest proportionate benefit of those measures is felt by those who are at the upper end of marginal relief who need that benefit less than those who are at the lower end of that. Deputy Southern's question was whether a more focused approach on direct payments was considered in this. If it was not that is fine to say so.

The Minister for Treasury and Resources:

Yes, but first of all we have to deal with the premise of the question that you are putting to us because if you increase thresholds by £2,000 which is what we are doing, firstly that is a financial benefit, and take the average about £500, that is felt more keenly and of greater benefit to lower taxpayers and lower income families ...

Deputy G.P. Southern:

Still taxpayers surely.

The Minister for Treasury and Resources:

... than it is ... well, not middle taxpayers. To the lower taxpayers, is a greater percentage ...

Deputy G.P. Southern:

Taxpayers yes, but not the population.

The Minister for Treasury and Resources:

... it is a greater ... we are coming on to that, are we not, because that is what you are asking me. Because a greater percentage of their salary that they are keeping than those further up the marginal rate. But what we also did was recognise the point that you are making that not everybody is a taxpayer. Already something like between 25 per cent and 30 per cent of households are not taxpayers and therefore the proposals the Minister for Social Security is making are financial amounts where benefits are being provided not on a percentage basis but on a financial amount basis. We did consider them and this is where we arrived at. We also, even at one point, thought about giving actual cash handouts potentially using the card again. But we do not think that that is as well-targeted as the measures that we brought forward.

Deputy S.Y. Mézec:

Okay, so the answer was yes. Did you give much consideration to that or was it ruled out fairly quickly?

The Minister for Treasury and Resources:

I think that particular proposal was ruled out fairly quickly as being untargeted.

The Minister for Social Security:

I think the problem with Spend Local as well, again we keep going back to it is a question of speed. What can be done quickly? With the Spend Local card, and I am sure Mr. Burns will correct me if I am wrong, my understanding is there is a belief that it would take up ... people will probably not have kept their cards. If we went to people and said: "Have you still got the card?" they will say: "No, I have lost it, binned it, I thought it was finished." We would have to re-issue cards and that would take a period of up to 6 months administratively. So by the time you got cards produced, found the people they were going to, got them posted out, it would take more time than we wanted to spend.

Deputy G.P. Southern:

It would have fitted very nicely with January blues when people do not have much money to spend because it is after Christmas.

The Minister for Social Security:

I think it would be past-January.

The Minister for Treasury and Resources:

But that is where people will feel the tax benefit in January, having had the social security reduction benefit throughout this quarter coming, and the benefits' benefit that is also being provided.

[10:30]

Deputy S.Y. Mézec:

I was disappointed in the answers to the questions we posed in this letter to not get more detail on the breakdown between decile of how focused this £56 million associated with this is as in how much of that amount ultimately goes to each decile. I was disappointed not to get that information and it does tie into this question because the suggestion is that if you were to have a more focused option on direct payments then perhaps more of that spend would be focused even greater on those at the lower end. I guess the question there is: are you satisfied that of this very large amount being spent or the cost associated with this Budget that it is as best focused as it possibly could have been, and that there were not alternatives that had you committed to earlier or spent a bit more time on might have achieved to make these measures more progressive than you might consider they already are?

The Minister for Treasury and Resources:

Thank you for that last point. We brought forward this Budget in 21 days. Of course officials had been doing some work arising out of the previous, I think it was Corporate Services Panel amendment to ... I cannot remember what it was now. But anyway requesting that officials do look at cost-of-living proposals that the new Government could implement. Therefore we focused on those elements that could be delivered quickly and using the current mechanisms that are available to us because only by using current mechanisms could we get benefit to Islanders in a timely way, and it was really important to us to do that. They really were the constraints, which I suppose in answer to your question means that those constraints meant that we were not possibly able to consider quite as broadly as what you were asking us.

Deputy S.Y. Mézec:

Do the proposals in this Budget align with recommendations put forward by officers to this Government when it took office and decided very quickly to put this proposition together or were there political decisions made to deviate from what might have been recommended originally?

The Minister for Treasury and Resources:

There are always political decisions because officers bring forward a suite of measures. Perhaps officers would say to us that they did not expect us to pick quite so many of them and to have such a big package. That is already proving to have been the correct decision when we see the volatility in inflation and the economies across Europe. Officers might have brought forward proposals but it is Ministers that make the decisions about those proposals.

Deputy S.Y. Mézec:

Were there things that you considered putting in this package that you ruled out on the view that they would cost too much?

The Minister for Treasury and Resources:

From an overall perspective, as I said, officers did not expect us to choose so many of the measures that we have done. We were wanting to bring forward the measures within the current forecasts of what income would be so that there was not any extra strain on taxpayers or contributors or on the need to borrow. So we wanted to do that, and that is exactly what we have done. As I have said in answer to your G.S.T. question, there were overarching political views about why we wanted to maintain that as it is but that also would not have delivered timely benefits either. There were different ways that we could have dealt with the marginal rate taxpayers, and we looked at that and settled on just an increase in thresholds because we believe that targeted the benefit best to lower income families and lower taxpayer families. I do not have anything further to add.

Deputy G.P. Southern:

Do we know, while you are on that particular subject, how many households we are talking about in terms of marginal rate payers and those who are above and who those who, sadly, are below any income tax measures? And why have you concentrated so much on tax measures with large sums of money rather than on the really poor, who are the bottom third or approximately bottom third, who do not even qualify to pay tax?

The Minister for Treasury and Resources:

We have not, have we, because if you look at the split of the package there are tax measures and as we have ...

Deputy G.P. Southern:

To the extent of how much?

The Minister for Treasury and Resources:

... just discussed ... next year between £13 million and £14 million. But as we have just discussed, the benefit of those tax changes are felt by the lower income families who are paying tax

proportionately greater than higher income families on the marginal rate. Then you have got all of the money that the Minister for Social Security is providing through benefits and then you have got the reduction ...

Deputy G.P. Southern:

All the money.

The Minister for Treasury and Resources:

The reduction ...

Deputy G.P. Southern:

How much?

The Minister for Treasury and Resources:

The reduction in the ...

Deputy G.P. Southern:

How much compared to the ...

The Minister for Treasury and Resources:

Just a minute. The Minister for Social Security will answer that for you. Then you have got the benefit of the reduction in the social security contribution which will be foregone income of £9 million this year to the Social Security Reserve Fund. That is to all people who are employed. They will feel that benefit. So that is right down from the very, very lowest earners because they will feel that benefit. Minister, do you want to answer roughly how much ...

Deputy G.P. Southern:

Who benefits most from those?

The Minister for Treasury and Resources:

... from the benefits package? I do not have that directly to hand without totting them up.

The Minister for Social Security:

Sorry, could I ask Sue or Ian, do you have that number?

Female Speaker:

No.

The Minister for Social Security:

We have £9 million. The reduction in social security contributions will cost us £9 million and we will have £9 million less receipt in way of social security contribution. We are not concerned by that because we have the Social Security Reserve Fund, which was designed to give us a cushion over a period of time to deal with crises like this, to give us some extra funds that we can draw on, in a sensible way. Then the actual cost of the benefits ... £9 million reduction in social security contributions and then total social security benefits will be £5.6 million this year and £7.7 million next year.

Deputy G.P. Southern:

Made up of a series of similar benefits?

The Minister for Social Security:

Yes, that is all the benefits this year where we have C.O.L.T.S.; the doubling of C.O.L.T.S. will cost us £1 million this year. Community cost bonus £500,000 this year. We have budgeted up to £3.6 for an increase uptake of community costs bonus. The cold weather bonus for this year will be £0.4 million. Then we are accelerating the plans on free sanitary products which is £0.1 this year.

Deputy G.P. Southern:

None of those are relatively small sums; £0.4 million there, £1 million here.

The Minister for Social Security:

In total it is £5.6 million over the benefits that we have. 5£.6 million in total and then next year it is £7.7 million., which also takes in the increased income support components next year.

Deputy S.Y. Mézec:

Sorry to ask a numbers question just in case you cannot pull the figure off the top of your head, but of the entire cost associated with all of these measures in P.80, can you recall what the breakdown is between how much of that cost is associated with the direct payments, so I guess that is parts (b), (c) and (d) of the proposition, versus how much is associated with part (a), which is the income tax amendments?

The Minister for Treasury and Resources:

The reason we do not have those figures in front of us is because it is made up of 2 components. One is what was already in the Budget and then the other is the additional that we have put in, which takes you up to 56. But we can provide that to you because it is a combination of what was in and what has been added.

Deputy S.Y. Mézec:

What I want to get from an answer to that is of that £56 million how much goes to the direct payments, which you may argue are the most progressive elements of this, versus how much goes to the tax changes, which you may argue are the least progressive measures in this. Is a majority of it going on the most progressive or the slightly less progressive element?

The Minister for Treasury and Resources:

I do not have the numbers right in front of me because of the reason that I have just given. But if we take out the one-off social ... let us provide you with the actual numbers rather than just me pontificating about what the split is.

Deputy M. Andrews:

Some may question with the mini-Budget it is quite broad. Potentially there could have been the opportunity to reappraise the Budget and really target some of the lower income households, especially in the lower deciles. Would you maybe not agree that some of the measures are supporting some in the upper deciles and potentially there could have been more broadly support for those in the lower income deciles in terms of maybe extension of some support mechanisms that could have been in place at those low-income households?

The Minister for Treasury and Resources:

We were constrained, I say again, by the existing mechanisms that we have got in place that we were the only mechanisms we really could use within the 21 days that we needed to hit the lodging date, to have it debated at the first States sitting. I think the question really drives at do we, over this term of Government, need to think again about how our income tax system works from a personal tax perspective, and equally the Minister for Social Security is committed to looking at how you can deliver appropriate benefits to those under five-year residency, particularly focused on families with children. That piece of work is probably slightly easier than looking at the overall income tax system. I have to say from my perspective I can see that there would be benefits from it but there is a lot of work already rowing up for the next 4 years, so I cannot give you a cast iron commitment that that is what we will do. But when you are looking at measures like this it would indicate that there maybe should be some review and change there.

Deputy M. Andrews:

Of course given the tight timeframe, if you were given more time, for instance, if we are maybe looking at this mini-Budget being introduced in the future, if ever we experience a time period like this again, what measures would you like to introduce that have not been part of this Budget?

The Minister for Treasury and Resources:

I think that this - and I would say this - is a really good use of current mechanisms and current forecast income within budget, and I think it does get to not only the lowest income families but also some middle-income families who are also feeling the squeeze of the cost-of-living crisis to whom the benefit system rightly does not reach. Are there other measures that we might have brought forward in an ideal world? I cannot think of any that are not connected with perhaps a different approach to income tax.

Deputy M. Andrews:

How do you appraise the level of savings for households and also in terms of the uplift in terms of the thresholds? Are people better off in real terms from the measures that are in place?

The Minister for Treasury and Resources:

People are better off in financial terms. So money that they are keeping in their pocket. We will not know whether they are better off in real terms until post the event because that is just how policy making works.

Deputy S.Y. Mézec:

Following on from that, these measures, as you said, we will all feel something from them in some form or another. Is the intention of these proposals to make Islanders better off in real terms, neutral or just not as worse off as they would be had you done nothing but still worse off in real terms? Those are the only 3 options, for the record.

[10:45]

Deputy G.P. Southern:

He knows you well, does he not?

The Minister for Treasury and Resources:

He does. I know him well. He is trying to squeeze me into positions which are difficult to be squeezed in. The reason that I say that is if we take the tax measures, the inflation figure when we brought forward these measures stood at 7.9 per cent, so we could have just increased threshold by 7.9 per cent, but we had the F.P.P. (Fiscal Policy Panel) economic assumptions and we will now have a new income forecast as well in due course. But we have the economic assumptions which I think at the time said that inflation could run up to 9 per cent. We see that the U.K. (United Kingdom) is already above 9 per cent and it is possible, we do not know yet, that Jersey inflation levels might mirror U.K. inflation levels. There are some way out assumptions in the U.K. about what inflation might do there and we have ... so we have built in some flexibility between the 7.5 per cent and 12 per cent increase in thresholds, but we sit here in a very volatile situation knowing that

there is still some flexibility for Islanders to deal with the inflation levels that we are seeing in that basket of goods. That could very easily be eaten up. Rather than it being a benefit so that they are not worse off, so they are better off as opposed to inflation, that could, with inflation at the end of September or the end December, be eaten up so that this package simply moves into the neutral or the not as bad off as they have been, but then Ministers will need to think again about whether there are amendments that need to come forward to the Government Plan at the end of the year or even further proposals in the New Year.

Deputy S.Y. Mézec:

So the short version of that answer is that you do not know and that is fair enough.

The Minister for Treasury and Resources:

We know where we are now. What we do not know is we cannot predict the future because even our best economic advisers said one thing about inflation 3 months ago or 6 months ago and that did not transpire to be the actual level of inflation, and we are seeing that, of course, around Europe. So we are working with the best advice that we have but knowing in practice it could be different.

Deputy S.Y. Mézec:

Indeed, so we accept that these measures may not leave people better off, they may still be worse off but just not as worse off as if you had done nothing.

The Minister for Treasury and Resources:

But it also may leave them better off.

Deputy S.Y. Mézec:

Here is hoping.

The Minister for Treasury and Resources:

Well, that is as much hope ... we are questioning now trying to predict the future and neither of can do that.

Deputy S.Y. Mézec:

Indeed, but rather than predict the future we can ask in practical terms what you are doing to plan for those eventualities should they arise, as you acknowledge they may well arise. So at this point, are there any measures you are looking at in terms of that Government Plan? Are you anticipating that when we get to December and have that debate there could be a round 2 of measures that either resemble these or go further or what have you? Is that something my Scrutiny Panel needs to prepare to review?

The Minister for Treasury and Resources:

We know that it is a possibility but we have not or I do not think I have seen any proposals that would deal yet with that possibility because we would not really want to do that until we have the September inflation figures. That will give us a good indication of whether we really are mirroring the very high rates in the U.K. or not.

Deputy S.Y. Mézec:

Thank you. We have been receiving lots of submissions from different organisations for this review, a great mix of views being transmitted in that and while these measures have been welcomed it is fair to say there are some concerns that occasionally get raised in those about whether the measures go far enough. What do you say in response to that?

The Minister for Treasury and Resources:

I suppose I can only reiterate what I have already said, that we were working under pressure of time - that is not an excuse, it is just a reality - with the existing mechanisms that we have in place and within the existing forecast budget position which would allow us to do it within the current spending envelope. So we think it goes a very long way to supporting Islanders with the cost-of-living crisis. There have been one or 2 specific areas. I think a student financing group has come forward and said that they would like to see measures and the Minister for Children and Education has said that she will take that away and consider those proposals. Ministers are prepared to listen and want to listen, and if there are cases where we think there is a good case made for us to make amendments or changes then, of course, we will do so. But broadly we think it is a good package that supports Islanders.

Deputy S.Y. Mézec:

Which stakeholders did you specifically engage with when putting these proposals together?

The Minister for Treasury and Resources:

I know that some of your consultees have expressed disappointment that we did not go through our normal process of consultation. That, of course, was limited by the time factor. What we did do was speak with ... and it was only a couple, one was a representative which I think we can say was broadly of the charitable and third sector and one was a business representative. But they did that on an informal basis because we approached them. Other than that there was no other consultation.

Deputy S.Y. Mézec:

Thank you. Some of those groups who are getting in touch with us now, some of which is at our request, are lamenting the lack of some measures in this. Some that have been raised are about fuel duty. That will not surprise you. Others about whether these measures could be better targeted, et cetera. I appreciate that you put this together very quickly out of necessity, what have you learnt for the future about the process and would you want to more proactively engage groups like that because there are - which is quite sad to say - increasing numbers of groups and an increasing amount of work that is having to be done in Jersey to assist people who are living in poverty, facing cost-of-living pressures. Those people who are working at the coalface have a lot of understanding about how these issues affect those people. Would you want to consult with them more proactively in future?

The Minister for Treasury and Resources:

That very point is why we did approach one that we did think was a good representative of third and charitable sector involved in exactly that area, offering foodbank facilities as well as other support facilities for vulnerable Islanders. I have to be realistic and say that if we were producing a mini-Budget again in such limited timescales we would continue to follow the route that we followed this time, which is difficult because it is really a consultation after the event. There is still the ability for amendments to be brought forward. What is interesting, and we will take the fuel duty issue, I personally am, or was, a proponent of reducing fuel duty. There are other reasons why we did not do that but we see that between the lodging of the proposition the fuel market itself has been volatile and we have seen prices of petrol drop by more than 10 pence per litre anyway, so there is always going to be that sort of volatility in difficult economic conditions like we are facing. So I praise those fuel retailers who have reduced their prices - they know who they are - by more than 10 pence, passing on to the public, recognising that there is a cost-of-living crisis and what we have done is set in place a fuel market review. I would expect us to be taking measures in light of that fuel market review but those measures may not indeed be duty issues, or if they are I would expect them to be aligned with our carbon zero remit.

Deputy S.Y. Mézec:

The next few questions are about the costs associated with this Budget. The cost of increasing tax allowances by 12 per cent as proposed is estimated to be £34.1 million and can you explain how these costs will be recuperated?

The Minister for Treasury and Resources:

What do you mean?

Deputy S.Y. Mézec:

You are proposing changes to income tax thresholds, which means you will not be receiving as much revenue as you would have anticipated; how are you funding that?

The Minister for Treasury and Resources:

Well, as we have said, the F.P.P. forecast of economic conditions and then the work that the income tax forecasting group says that we can fund these measures, with the exception obviously of the social security contribution reduction because that is foregone income to the Social Security Fund, within the current spending envelope or within the current income envelope.

Deputy S.Y. Mézec:

Have you pushed that to its limits?

The Minister for Treasury and Resources:

Not quite, no. But it does mean that it will, of course, be more difficult for other spending proposals that might want to be brought forward in the Government Plan or in the future. We think that is the right thing to do because Islanders right now are facing a cost-of-living crisis. We gave a commitment ... the Chief Minister gave a commitment in her 100-day plan that this is exactly what we would do.

Deputy S.Y. Mézec:

Is this sustainable?

The Minister for Treasury and Resources:

I believe that it is.

Deputy S.Y. Mézec:

Is there a risk in future of budget cuts being necessary to maintain these increased tax allowances beyond what was initially thought would be the case for next year.

The Minister for Treasury and Resources:

So the question of efficiencies and value for money within the current expected income levels, this can be funded and it can be funded going forward. The fact that departments might not be making all of their efficiencies that they committed to previously or that they want to spend more money on other projects, new project or service pressures is another issue that should be addressed. We should not say to Islanders: "I am sorry, we have lots of spending requests in government so we are not going to support you with the cost-of-living crisis." We are a Government to serve the public, we should say first of all: "We are supporting you with the cost-of-living crisis and then we will deal with the challenges that we face after that."

Deputy S.Y. Mézec:

Can we therefore take it then that, as you say, this can be funded because of improved revenue forecasts and it not being necessary to cut budgets in order to do this ... I take what you say about efficiencies, nobody wants services to be inefficient or bad value for money, but can we therefore take it then, because as you say this is fully fundable, that there will be no austerity necessary in this term of office?

The Minister for Treasury and Resources:

I am a Minister for Treasury and Resources that believes that we can continue to deliver efficiency and value for money. You know I think that we increased the spend in government too much during the last 4 years. We disagree about that, that is no problem.

Deputy S.Y. Mézec:

If I can interrupt you and just try to target this question a bit better. Inefficiency and bad value is something we will all oppose but an increase in spending is not necessarily a sign of increased inefficiency. It could be a sign of a very good improvement in public service that improves people's lives, who will benefit from it. But, of course, that has to be funded from somewhere and that would be from tax revenue. You are taking a decision to support Islanders through the cost of living by increasing their tax thresholds and that is a reasonable thing to do, which some households will be pleased for no doubt. But if the effect of that is that you no longer have the revenue that you need to invest in vital public services, that has a knock-on effect on people's quality of life in other ways. So my question is that given you are saying that we can make alterations to tax thresholds in a sustainable way because of increased revenue beyond what was already predicted, that there will be no necessary austerity measures in future. Inefficiencies and cutting out bad value for money is not austerity because it does not affect services. So we can take it from there that you are not making a decision today that will have negative impacts on the provision of public services in the future. Can you make that guarantee?

[11:00]

The Minister for Treasury and Resources:

No Minister can ever make such a guarantee, as you well know, because the delivery ...

Deputy S.Y. Mézec:

Can you give an assurance?

The Minister for Treasury and Resources:

... the delivery of efficiency can be delivering a service in a different way. Departments have committed to efficiencies. They have not delivered those efficiencies so their budget has gaps in around those efficiencies and we need to work with departments to make sure that they do deliver those efficiencies. Where departments come forward with continual requests for increased spending, I think we should work with departments to first of all analyse their existing budget to see if they can provide their services in a different way. If they want to deliver new services to do so from within their existing budget. That is, to me, a logical approach to take.

Deputy M. Andrews:

With local banks, obviously we will be seeing interest rates increase. Now, in terms of revenue as well, that will obviously be generating enhanced revenue for Jersey, however this is also probably going to be to the cost of many Islanders who obviously have private loans. Indirectly there is probably going to be an impact in relation to increasing transfer payments as well. Do you not see that correlation?

The Minister for Social Security:

You are confusing 2 things. Sorry, you mentioned 2 things there which are bank loans and private loans, and those are 2 quite different things. One of the things I think we really need to do, and I know work has been underway on this for some time, is to control the consumer credit market. We do not regulate lenders of consumer credit, it is something - Deputy Southern, you and I spoke about this a very long time ago - I feel we have to do. Work is underway and I would like to see work continue to make sure that lenders, whether they are ... the banks are quite happy with this, that we do not have a position where we have private unscrupulous lenders who are overcharging people and that we have proper controls around the lending market. I think with interest rates ... yes, you are right, increased interest rates will increase income into Jersey, the States, but, yes, there may be an impact on families who do not have fixed rate mortgages. I believe fixed rates are the norm now but as those fixed rates expire there is an issue that the banks may increase mortgage lending rates. However, there will also be benefits for savers, those people who have savings will see a corresponding advantage as interest rates go up.

The Minister for Treasury and Resources:

But we remind ourselves as well that there are 2 markets, are there not, in Jersey? There is the domestic market, which will potentially have the effect that your question is raising and Government will need to see what additional support might be required in that regard, but there is also the international market, which for us can only be a good thing if interest rates are increasing in that regard, because that will lead ultimately to greater profits in the financial services sector which will lead to greater income into government coffers.

Deputy M. Andrews:

With monetary policy obviously in the news - the Monetary Policy Committee made a decision to increase the base rate - how are you already following up in terms of what is happening in the U.K. and also what we could potentially expect in Jersey as well with a domestic retail price index increase?

The Minister for Treasury and Resources:

In regard to?

Deputy M. Andrews:

In response to the Monetary Policy Committee, they made a decision to increase the base rate, that is potentially now going to have a cascade impact in Jersey. How are you going to monitor the impacts, especially across the term of the mini-Budget?

The Minister for Treasury and Resources:

That is exactly what we do through the F.P.P. and the independent economists. We remind ourselves that ... I am not sure how many of the 3 economists have sat previously on the Bank of England Monetary Policy Committee but I know historically they often have; that is the experience which we look for. They consider those impacts on our economy and then they advise Ministers accordingly and that feeds then into the income forecasting group and what they think will happen here. So it is very much one of the indicators and changes that informs their advice to us.

Deputy S.Y. Mézec:

Thank you, handing over to Deputy Southern to lead on the next questions.

Deputy G.P. Southern:

Yes, we have already heard the loss of revenue by reducing social security contributions for October to December 2022 is estimated to be £9 million and increasing social security benefits is estimated to cost £5.6 million in 2022 and £7.7 million in 2023. Can the Minister for Social Security suggest whether this financial loss will be recovered by the Government moving forward and, if so, how?

The Minister for Social Security:

Well, the £9 million lost contributions, it is something we believe the fund can bear. The Social Security Reserve Fund is something like £2.1 billion at present, which has been built up over a period of, I think, 20 or 30 years, about 20 years, and it is there for situations such as this to draw on. This is a temporary measure, we will continue making contributions to that fund, it will continue to be invested wisely to make sure that we are not just going to run it dry. That is not what anybody would do. That fund will continue to be managed sensibly, and that is why we are only doing the

3-month reduction as a stopgap until the tax changes come into effect. The social security benefits, those will be funded from our existing income support budget where we have an underspend this year because income support claims have reduced, I think due to the tight labour market. We have less unemployment so people are in work, they are generally ... despite all the figures, appear to be having somewhat better wages. The claims on income support are down this year. I believe that has been a trend for a year or 2, for reduced claims. So we do have money in hand that we can use to pay these benefits. We will, however, be still looking for an increase next year in the Government Plan just to pay our normal range of benefits next year and to make sure that we do have funds available.

Deputy G.P. Southern:

I am glad to hear you are not running down the Social Security Fund despite 2 years when the government grant has not been paid into it. £9 million I accept is relatively small beer in terms of contributions, but can you guarantee that you are not going to see further reductions in the payment into what is a ringfenced scheme?

The Minister for Social Security:

I cannot guarantee it but I think when the tax changes come into play that will mean we can go back to asking for normal social security contributions because the ... I think it is the case that there will be ... the reductions in contributions will help a broader swathe of the populous so it is better to have those contributions being paid by everyone. We do not know what is coming around the corner, we may have to dig into it again but we will do that on a very careful and considered basis to make sure that the fund remains viable and that any withdrawals ... well, this is not a withdrawal, it is not putting money in rather than a withdrawal, that that situation does not continue for any longer than it has to.

Deputy G.P. Southern:

Can I take you on to the increase in the community costs bonus, which only affects some 1,000 people, I think, maybe even less? You are expecting a new cohort to apply for that, numbering, what, 7,000 people who are eligible for it but not claiming it. How can you have allowed that to happen? There is a benefit that people should be claiming and you have not told them it is there.

The Minister for Social Security:

Can I check one thing with you? Is that 1,000 people of 1,000 households?

Female Speaker:

Households.

The Minister for Social Security:

Households. So 1,000 households. The community costs bonus, it is there, it is on the website, the information is there but it is a benefit that has to be claimed, it is not something that is paid automatically. C.O.L.T.S. I believe is paid automatically. The community costs bonus was structured in a way that people have to claim it and for whatever reason people have not. There is now an advertising campaign that is going to go in all the Parish magazines and it is going to be promoted much more widely, saying to people: "This money is available, please come forward." It may be that people have had an eligibility in the past and they just have not felt they have needed it, but over this winter people may feel that with the rising cost of living, with fuel costs, that they do need it and that they will come forward now to claim. We are just making sure that people are aware of it.

Deputy G.P. Southern:

But how long have these households been unaware and not claiming it? Did they find out yesterday, the day before that, or 20 years ago, or 10 years ago, when?

The Minister for Social Security:

I think it is always difficult to say why people are not claiming benefits. There are some people who will just always be reluctant to claim benefits that they are entitled to. I know people like that.

Deputy G.P. Southern:

You are now going to encourage a whole new cohort to apply for it.

The Minister for Social Security:

We are going to run a communication campaign making the availability of that benefit very front and centre ... not front and centre, people will be aware it is there, it is on our website now. If someone went and looked to see what is available to them it would be there. I do not know if we know why people are not claiming it; do we know why people are not claiming it at all?

Deputy S.Y. Mézec:

Would you like to step forward and introduce yourself?

Director General, Customer and Local Services:

Ian Burns, director general for Customer and Local Services. The community cost bonus we have estimated that it would be up to another 7,000 households. That is an estimate based upon the number of non-taxpayers that we know about. Also there are many non-taxpayers who do not need to make a tax return. We are not in a position where we can just make a payment to everybody automatically and therefore the Minister has said that we should be promoting it and we have

estimated, for budgetary purposes, that many people. Obviously people's financial situation changes every year, they move in tax, out of tax and therefore we are not able to make payments directly. We would very much like to but that is the current position.

Deputy G.P. Southern:

Have you done any research into why people do not claim?

Director General, Customer and Local Services:

Not that I am aware of, no. We do know that people who claimed last year, who are now paying tax, would fall out of the claim. So we do try and obviously communicate to everybody who has claimed the year before to make sure they know the claims are open, but obviously before we do that we do check whether they are taxpayers and if they are taxpayers we do not write to them to ask them to claim for something they cannot then get. People do move in and out of being a taxpayer every year.

Deputy G.P. Southern:

So you have not done any research on who does not claim and yet you are targeting people. How are you going to decide who to target? For example, is it going to be multilingual, is it the fact it is the non-native English speakers are those who are largely not claiming it because they are not aware of it?

Director General, Customer and Local Services:

There is a comms plan. The mini-Budget has included funding for some communications and there is a comms plan. The Minister for Social Security has referred to the first part of that which is an advert in all Parish magazines and we will be seeking to communicate to the wider community and making sure they are aware that extra support is available. Obviously this year the funding has doubled, as in the amount has doubled to £516 and therefore maybe people might come forward for that because of all the cost-of-living issues rather than perhaps before and then maybe not wanting to.

Deputy G.P. Southern:

Will there be someone for people to talk to face to face? Is the front door open now?

Director General, Customer and Local Services:

Yes.

The Minister for Social Security:

The front door is open now.

Deputy G.P. Southern:

Has that been advertised widely?

The Minister for Social Security:

It is open. It is open.

Deputy G.P. Southern:

It is only open if people out there know it is open otherwise they will not bother knocking on the door.

Director General, Customer and Local Services:

Yes, so the community cost bonus you can apply online or over the phone, it is very straightforward. You can also do so face to face as well but it is much easier to do it over the phone or online. The Minister for Treasury and Resources has obviously asked ...

Deputy G.P. Southern:

Lots of people are not online.

Director General, Customer and Local Services:

Yes, so you can do it over the phone and face to face. The Minister for Treasury and Resources and the Minister for Social Security have asked us to look at promoting the La Motte Street opening facilities and we are just working that through now. That will be approved by the Ministers shortly.

The Minister for Social Security:

We are also proposing, I think, to speak to some of the charitable sector. So, for example, the foodbank providers to make sure that they have information that they can speak to people who perhaps do not speak English as a first language, to make sure it is communicated to those communities and that they are also aware that the benefits exist directly.

[11:15]

Deputy S.Y. Mézec:

We will move on, thank you. It took over an hour before an officer had to join, that is pretty good.

The Minister for Treasury and Resources:

It was an administrative detail you wanted.

Deputy S.Y. Mézec:

Indeed. The next question is going to come from Deputy Andrews. I am just conscious of the time so I am going to ask that we kind of pick up the pace for some of these.

Deputy M. Andrews:

Yes. One of the things that was missing from the mini-Budget was financial assistance for students in the U.K. Why was this excluded from the mini-Budget because obviously it has been for the Student Finance Group who have obviously had to bring this to the attention of Ministers?

The Minister for Treasury and Resources:

This is a mini-Budget which is focused on helping Islanders who live here with their cost-of-living crisis here. The Minister for Children and Education has said that she is going to go away and do a review within her first 100 days of the funding of higher education, I think she said. We remind ourselves that Jersey's benefit around higher education is extremely generous. There are some issues about the living component element and the Minister for Children and Education will deal with that.

Deputy M. Andrews:

By the time it comes to implementation, we will have university students who will probably be living for a period of double-digit inflation and that is obviously going to become very problematic for them. Would you not agree?

The Minister for Treasury and Resources:

I agree that the Minister for Children and Education has said that she is going to take it away and do that work. So that is her policy area and she will come forward with any necessary proposals.

Deputy M. Andrews:

Also, this is going to place undue stress on parents who obviously are having to pay additional expenses for their children and by the time, obviously, the implementation is put into place, this is obviously going to have an exacerbation on private debt for the household and especially that of the parents too.

The Minister for Treasury and Resources:

If the parents are resident in Jersey, they will be receiving any of the changes that the mini-Budget does propose that they are entitled to. They will be receiving those benefits. At the heart of the tax change and the social security reduction is that Islanders themselves choose where the greatest pressure is on their own household budget and how to spend that money. As well as that, the Minister for Children and Education is, as I have said, doing the work that she is committed to.

Deputy M. Andrews:

How soon do you believe that the level of support that students require in the U.K. could be implemented?

The Minister for Treasury and Resources:

I am not going to give an opinion on a commitment that another Minister has given. They will do their work and then they will bring that forward.

Deputy M. Andrews:

Surely, there must be a timeframe. You have been in dialogue with the Minister in relation to it.

The Minister for Treasury and Resources:

The Minister has said she is going to do this work within her first 100 days.

Deputy M. Andrews:

Yes, okay.

Deputy S.Y. Mézec:

Bearing in mind the discussion we had earlier about increased revenue beyond what was initially forecast, are you confident that there is enough left in the coffers to support students if you are asked to sign a cheque by the Minister for Children and Education?

The Minister for Treasury and Resources:

I am not going to be able to give you any informed answer to that question because I do not know what the work is going to show.

Deputy S.Y. Mézec:

Would it not be a good idea to have some form of discussion with her so that she does not come to you with a package of proposals aimed at supporting Jersey students who are studying outside of the Island only for you to say: "Sorry, we cannot afford that"? Would it not be an idea to have that conversation sooner?

Deputy G.P. Southern:

It appears that your mindset says that we are very generous.

The Minister for Treasury and Resources:

We are very ...

Deputy G.P. Southern:

That sounds like Treasury speak but there is a likely cut.

The Minister for Treasury and Resources:

No, not at all, no. I was a strong supporter 5 years ago. We transformed the grant available for higher education. That was a time when we did go against officer recommendation to reduce what was on the table because we politically felt it was really important that Islanders were not disadvantaged and were not able to go off-Island to study because of the support that was available to them. So I come at it from that position but it would equally be wrong for me to give a commitment about what a proposal that might come before me is.

Deputy G.P. Southern:

Are you not proposing that you are still a strong supporter of proper funding for our students?

The Minister for Treasury and Resources:

Of course I am.

Deputy G.P. Southern:

Good.

Deputy S.Y. Mézec:

Good.

Deputy M. Andrews:

Do you know how many students it will entail in terms of the package of support?

The Minister for Treasury and Resources:

I do not know. You will need to ask the Minister for Children and Education that.

Deputy M. Andrews:

Surely this would be information that you would have to hand because, again, this is going to have to be a level of support that is going to be enhanced.

The Minister for Treasury and Resources:

No, the Minister for Children and Education has given a commitment. She is doing the work. She will, during that work, no doubt come and knock on my door and we will look at all of the data that she provides, which will have answers to the questions that you are asking now, and we will just need to wait for her to do that work.

Deputy S.Y. Mézec:

Have you and/or your officers explained to her and/or her officers what the financial parameters are that she will be constrained by in coming up with some form of package of support?

The Minister for Treasury and Resources:

The reality is I think ...

Deputy S.Y. Mézec:

So “Yes” or “No” or “Definitely”.

The Minister for Treasury and Resources:

No, it is not because all of last week I was out of the office. I am out of the office all this week.

Deputy G.P. Southern:

It sounds like a “No”.

The Minister for Treasury and Resources:

Other than coming to appear before you today, so I do not know whether officers have spoken yet or whether there is something in my inbox that has some of the answers to these questions. When I am back in the office proper which will be early next week, then maybe we will be able to give you a fuller answer to your questions.

Deputy S.Y. Mézec:

May I therefore impress upon you the importance of having that dialogue with her if it has not already taken place?

The Minister for Treasury and Resources:

First of all is to ask whether officers have had that dialogue.

Deputy S.Y. Mézec:

Indeed. Thank you.

Deputy M. Andrews:

We also have to consider as well with students, they will be living in poverty especially with the rising inflation. Their earnings will be eroding so that is why I think there really needs to be an impetus to act quickly.

The Minister for Treasury and Resources:

The Minister for Children and Education has given that commitment to act quickly.

Deputy M. Andrews:

Okay, we will move on.

Deputy S.Y. Mézec:

So the next questions. One measure that is not a part of the P.A.C. (Public Accounts Committee) proposition but was mentioned in the report is the Government's position of very kindly asking landlords in Jersey if they would be ever so kind as to not increase the rent. How is that going?

The Minister for Treasury and Resources:

I think you will have seen that the Landlords Association have issued a statement.

Deputy S.Y. Mézec:

Are you confident that it has been heeded, bearing in mind that that association in particular represents a very, very tiny proportion of landlords out there; 3 per cent or something like that, if my memory serves me right?

The Minister for Treasury and Resources:

What I do not know, however, is how many units of accommodation that association represents which of course is just as important as the number of landlords. I think that the statement does show a change and a commitment to understanding that Islanders are suffering the cost-of-living crisis and that responsible landlords would want to act appropriately and in very large part, ensure that any rent increases are below the R.P.I. (retail price index). We indicated to them in conversation that Andium would be capping their rents at 4 per cent.

Deputy S.Y. Mézec:

Yes, I signed that order.

The Minister for Treasury and Resources:

You did, yes, exactly.

Deputy S.Y. Mézec:

So I know the facts of course.

The Minister for Treasury and Resources:

We indicated to them that that is what was happening in the social sector and that that was not an unreasonable position for them to take.

Deputy S.Y. Mézec:

Indeed. Signing an order is one thing but, beyond this, it sounds like the greatest measure that you are taking with regards to increasing rents is crossing your fingers. Did you not think it might be appropriate to bring further measures to perhaps require a more proactive resistance to raising rents?

The Minister for Treasury and Resources:

It is okay for us to say “we require” but there is no point in saying something that you do not have the teeth to deliver. We are very, very clear that the relationship between landlord and tenant should be mutually beneficial and particularly at a time when tenants might be and are struggling with the cost-of-living crisis, landlords should be mindful of it and do the responsible thing.

Deputy S.Y. Mézec:

You have used the word “should” a few times there rather than “must”. During the pandemic, we required a “must” approach rather than a “should” approach. Why was that not considered this time?

The Minister for Treasury and Resources:

No, we did not. We required a “must” approach to whether landlords could evict.

The Minister for Social Security:

It stopped evictions.

The Minister for Treasury and Resources:

Elaine probably knows more about this. So must not evict their tenants and we gave advice to the courts as well.

Deputy S.Y. Mézec:

That is not what I am referring to. I am referring to a proposition that I brought forward as Minister for Housing and Communities at the time that did require a “must” approach when it came to rents. It said that rents simply could not be increased during that period of time because it was a crisis, that was the law and it was not allowable to break that law. I am asking you if you did consider anything like that this time.

The Minister for Treasury and Resources:

That was not the law. You did not amend the law to say that landlords could not increase rents.

Deputy S.Y. Mézec:

Yes, that is exactly what we did. We passed an amendment to the Residential Tenancy Law that said: “For a defined period of time, it was not lawful to increase rents.” It was very controversial at the time. My memory must be clearer on that than yours but we certainly did do that and you may see a citation of that being put forward your way at some point very soon. It was a question I was asked by a constituent to ask you with me taking the Jeremy Corbyn approach here of question asking. This constituent asked me with the increased benefits payments that have been made as part of this proposition, will there be any facility in place to have these increases paid directly to her landlord since that is where it is going to go anyway because they are facing a rent increase where the advice from Government has clearly not been heeded? It is a slightly facetious question, I should say.

The Minister for Treasury and Resources:

Well, it is and it is not because we know that we moved a long time away, where possible, from making benefit payments directly to landlords and rather giving it to individuals so that, at that point, they had the decision-making around what they did with that money. It is a very difficult area and it is one that we will keep under review. We look forward to seeing that citation in due course but we really do expect tenants and landlords to have a conversation and if tenants are struggling with their rents and landlords are being unreasonable, then we would encourage them to have those conversations with their landlords. If evidence comes to us where landlords are acting unreasonably, then we will be able to collate that evidence and maybe think of policy developments going forward. I should say that the Jersey Landlords Association were open to working very much with their tenants and recognise the need for restraint.

Deputy M. Andrews:

One of the questions I really wanted for you both to answer is with tracker mortgages, we will probably be seeing some households be in receipt of transfer payments but we are going to be seeing the potential increase in mortgage interest probably increase over the transfer payments so some transfer payments are probably going to be quite futile.

The Minister for Social Security:

So what do you mean by “transfer payments”?

Deputy M. Andrews:

So as I alluded to before, this is where the Government will be providing financial support for Islanders.

The Minister for Social Security:

So benefits?

Deputy M. Andrews:

Benefits, yes.

The Minister for Social Security:

The benefit system.

Deputy M. Andrews:

Yes. Because there are no controls on the rental market for instance so we could be ...

The Minister for Treasury and Resources:

The rental market and the mortgage market are 2 different things, are they not? So let us just go back to the question about the mortgages and trackers.

Deputy M. Andrews:

Yes.

The Minister for Treasury and Resources:

So the cost of housing which we know is a cost of housing and cost of motoring which covers fuel and everything are the 2 great drivers for the inflation levels, and they are already in the 7.9 per cent of inflation in the basket of goods. The question that you are asking really is about the volatility of the increase in interest rates and the knock-on effect that that will have going forward to inflation levels not just in the U.K. but in Jersey. That is why we have caveated what we have said about what action may need to be taken in the future back to the chair's question about whether this is beneficial, neutral or negative. Those issues will fall into the inflation basket so we will be able to follow what is happening to see whether those inflation levels do increase above and beyond what the economists forecast when we put this package together.

Deputy M. Andrews:

Yes, it has been obviously previously spoken of having rental controls implemented in Jersey. What are your personal views in relation to rental controls and the implementation of such controls or are you antithetical to the idea because obviously it was mentioned in the mini-Budget but then no economic policy has been brought forward?

[11:30]

The Minister for Treasury and Resources:

Firstly, you could say I am conflicted as a landlord. Secondly, this is an area that the Minister for Housing and Communities is dealing with and seeking to populate the Rent Control Tribunal. Probably, their first job will be to look at the law which creates them and see whether that is fit for purpose and that needs to change as well. I am sceptical that such measures can have the desired effect but that is a personal view. Let us get the evidence and let us look at that data.

Deputy G.P. Southern:

In the context of the fact that we have 12 per cent changes in terms of taxation or in terms of benefits, why have you left the pensioners alone who are only going to get an upgrade of 7.7 per cent as distinct from 12 per cent elsewhere for different groups?

The Minister for Social Security:

I think the pension increase is going to reflect R.P.I., so they are getting an R.P.I. increase and then those pensioners who qualify for income support and the other payments can then claim them. So if you are a pensioner on income support, you will also receive the C.O.L.T.S. payment. You may be able to claim community costs so the other benefits are there but, as the Minister for Treasury and Resources said, we have just tried to aim for the wider coverage without focusing on specific groups. There is a pension increase which will reflect R.P.I. and then they can claim income support benefits as they do at present.

Deputy G.P. Southern:

Okay, I will study that little gem afterwards when we have the transcript. Can I draw your attention, while I am on this sort of area, to table 3 in your mini-Budget 2022 in P.80 which gives a table which reflects the reduction in the social security contributions which I would like you to take a look at?

The Minister for Social Security:

Sorry, can you just tell me what you are looking at please?

Deputy G.P. Southern:

Table 3 on page 5 of the mini-Budget 2022 in P.80 and the question is: who benefits most from this reduction of 2 per cent? Which end of the table because the table goes from earnings of £20,000 through to earnings of £80,000? By the time you get to the top end, are you still targeting the bottom end adequately is the question because you have put a cap on it, for example?

The Minister for Social Security:

Yes, exactly.

Deputy G.P. Southern:

That means that, while somebody who is not earning very much and is paying the full 2 per cent, some people at the top end are not paying 2 per cent but are paying 1-point-something per cent effectively by the way.

The Minister for Treasury and Resources:

The fact that you have that middle cap means that above the cap, you are not getting the 2 per cent reduction on earnings above the cap. So between the minimum payment and the cap of £55,000 per annum, it is really quite targeted because it targets those who are earning the greatest benefit under £55,000.

Deputy G.P. Southern:

Okay, alternatively then, you give, attached to that table, the average reduction in contributions. Why do you not just give everybody on that table the average reduction? In which case, you could bottom load those who earn least and would have most trouble paying the hike in R.P.I.

The Minister for Treasury and Resources:

It comes back to the fact that we have the mechanisms and the administrative structures in place that we have seeking to change it so that you gave an amount rather than a percentage because you know how the social security system works. We have to use the mechanisms that we have in place, and that requires us to use a percentage reduction rather than an amount reduction which is what you were indicating.

Deputy G.P. Southern:

How much consideration did you give to changing the rules around that?

The Minister for Treasury and Resources:

Well, I believe we would have to change the law in order to do that and then change the system. As you know, that is not straightforward at all with the social security system and would not be deliverable within the timescale.

Deputy G.P. Southern:

Not even if it was completely additional with its own set of rules.

The Minister for Treasury and Resources:

No.

The Minister for Social Security:

That would possibly also add quite a burden to businesses or to the employers. I am guessing that if you are doing a simple percentage deduction from all your employees, if, as an employer, you then have to reprogramme your own systems for differential levels for different numbers of employees, that would be quite an undertaking for businesses to do. Whether you are a big employer or a small employer, that would add to the administrative burden for employers. Is that correct?

The Minister for Treasury and Resources:

Yes.

The Minister for Social Security:

Yes, so as the Minister for Treasury and Resources says, there is a system there and it is what is simplest and fastest for everybody.

Deputy G.P. Southern:

It seems to me we keep on hearing about the fastest delivery and not necessarily the most focused.

The Minister for Social Security:

It is focused.

The Minister for Treasury and Resources:

No, it is the most focused delivery within the mechanisms that we have available that can give benefit as quickly as possible.

Deputy G.P. Southern:

Okay.

The Minister for Treasury and Resources:

That is the whole mini-Budget.

Deputy S.Y. Mézec:

I am just conscious of time. Do you have a few minutes just for some speed questions?

The Minister for Treasury and Resources:

I do not do speed questions, do I? Well, you do speed questions. I do not do speed answers.

Deputy S.Y. Mézec:

Okay, well, 3 very, very quick ones hopefully.

Deputy M. Andrews:

So with the postponement of G.S.T., this is obviously going to benefit offshore retailers by having local people look at purchasing their goods but this is potentially going to be to the detriment of local businesses. Have you ever looked at it from that perspective?

The Minister for Treasury and Resources:

Yes, of course we have but offshore retailers requested deferral because they were not ready to do so. The bigger prize to Jersey ultimately is the buying off offshore retailers so that when the *de minimis* level does change there will be a more level playing field, which is what the businesses are talking about, but also of benefit to Islanders through increased revenue.

Deputy S.Y. Mézec:

A quick one. Were children's right impact assessments carried out when considering each of the measures proposed?

The Minister for Treasury and Resources:

Well, that I do not know. I do not believe that they were directly.

Deputy S.Y. Mézec:

May I impress upon you the importance of doing that in the future?

The Minister for Treasury and Resources:

Yes.

The Minister for Social Security:

We have considered households so we have looked at families with children and we are looking at families for those under 5 years, so we have not ignored children.

Deputy S.Y. Mézec:

That is not the same thing. Children's right impact assessments is a very specific type of assessment and document.

The Minister for Social Security:

Yes, I understand.

Deputy S.Y. Mézec:

That is what my question relates to. Thank you. The very final question then is: will you be doing an assessment of the success or otherwise of these measures and, if you are intending to do that, at what point would you do that and would you time that in such a way to be able to extend some of these measures if you felt it was necessary to do so?

The Minister for Treasury and Resources:

That is not a one-word answer because some of the things that we have talked about during this hearing about the volatility across western economies and potential increase for inflation might mean that we need to act and bring forward measures before we were able to do a post-implementation analysis of what the effects of the measures were. So we may need to be making amendments in more real time from any post-implementation review. It does not mean to say that we should be doing more post-implementation reviews because I think we absolutely should. It goes back to the point that we made about efficiencies. Often Government introduces legislation or introduces policies and then they just sit there without any post-implementation review and then we cannot always be sure that they are working well.

Deputy S.Y. Mézec:

Thank you very much. Do you have any final thing that you would like to add at this point? Anything to confess or any questions you cannot believe your luck I did not ask you that I might take the opportunity to?

The Minister for Treasury and Resources:

Not at all, Sir, no.

Deputy S.Y. Mézec:

What a shame.

The Minister for Treasury and Resources:

Thank you very much for your time.

Deputy S.Y. Mézec:

Thank you. Can I thank you both for attending this hearing? I thank your officers for attending and to members of public who have come to view as well and the officers who have been supporting us on the Scrutiny side as well. There will be some follow-up written questions of things we were not able to ask and I therefore call the meeting to a close. Thank you very much.

[11:40]