

STATES OF JERSEY



MINI-BUDGET 2022 AMENDMENT (P.80/2022): NINTH AMENDMENT

Lodged au Greffe on 13th September 2022
by Deputy G.P. Southern of St. Helier Central
Earliest date for debate: 20th September 2022

STATES GREFFE

MINI-BUDGET 2022 (P.80/2022): NINTH AMENDMENT

PAGE 2, PARAGRAPH (a) –

After paragraph (a), insert a new paragraph (b) as follows and re-designate the subsequent paragraphs accordingly –

“(b) ensuring that any legislation to be brought forward in relation to the increase of Income Support components, as detailed within the Report to this proposition, also fully compensates Income Support claimants for rises in the Retail Price Index since 2014;”

DEPUTY G.P. SOUTHERN OF ST. HELIER CENTRAL

Note: After this amendment, the proposition would read as follows –

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 –

- (a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023;
- (b) ensuring that any legislation to be brought forward in relation to the increase of Income Support components, as detailed within the Report to this proposition, also fully compensates Income Support claimants for rises in the Retail Price Index since 2014;
- (c) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate;
- (d) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50.
- (e) setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments, regardless of temperature, for the winter months (October 2022 to March 2023 inclusive); and

- (f) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023.

REPORT

The Council of Ministers is proposing a Mini-Budget over a two-year period and has allocated a total spend of £14.7 million in 2022 and £41.8 million in 2023. The Mini-Budget consists of 4 basic elements:

- Reduction of Social Security Contributions from October to December 2022
- Increase in Income Support components in 2023
- Increase (12%) income tax allowances in 2023
- Increase in value of / access to COLTs/ Community bonus/ Cold weather bonus

We have often been told by Treasury ministers that fiscal measures should be “Temporary, Timely, and Targeted.” Fortunately, Jersey has a system of Income Support which gives access to means-tested benefits to enable us to easily support those most in need. The proposed fiscal measures can be easily targeted to those on Income Support. It remains to be seen whether they are a temporary measure.

Time and again, the Minister for Treasury and Resources stated in the Public Hearing on the 30th August 2022 “*the lowest income families should receive the greatest benefit*” but refused to be drawn on what effect that might have on the wider aim of reducing income inequality. Indeed, the Minister purported not to know whether the Chief Minister intended to maintain the reduction of income inequality as one of her strategic targets and stated at the hearing, “*You need to ask the Chief Minister what her targets will be*”.

Whether this proposed increase is temporary or not, the sum of £6.4 million has been set aside for the additional expenditure in 2023. The first thing to establish when assessing these proposals is whether the sums have an evidential basis. This can be seen in the answers to Written Questions: [WQ.9/2021](#) and [WQ.54/2021](#) which reveal the increases in Income Support component rates between 2014 and 2021 as follows:

Table of 2014 and 2021 Income Support component rates and the percentage change over this period.

Component	2014	2021	% Increase	Payment after 12%
Adult	£92.12	£99.61	8%	£120
Single Parent	£132.51	£140	6%	£172.50
First Child	£63.98	£77.98	22%	£87.30
Further Child	£63.98	£69.23	8%	£83.70
Household	£51.31	£55.51	8%	£67.10

Over the past 8 years, the RPI increased by 16% but, as the table above shows, Income Support components have not been fully index linked during the interim period, and therefore have fallen behind in value. Only the First Child component has been significantly increased. All the other core components are between 8 % and 10% below par. Before the increase proposed in the Mini-Budget is applied, significant increases in the Income Support rates are required in order to ensure they are fully index linked.

This amendment is designed to ensure that IS components are fully index linked to achieve accurate and effective rates to address the cost of living crisis.

Financial and manpower implications

The Mini-Budget provides an additional estimated funding of £6.4 million to provide for the increases in Income Support which will be incorporated into the Government Plan 2023-2026. The Ministers state that this could further increase in light of the September 2022 RPI figures. This flexibility indicates that a further rise of the order of £5.8 million uprating can be met in the Plan.