STATES OF JERSEY

MEDIUM TERM FINANCIAL PLAN 2016 – 2019 (P.72/2015): SIXTH AMENDMENT (P.72/2015 Amd.(6)) – COMMENTS

Presented to the States on 5th October 2015
by the Council of Ministers

STATES GREFFE

COMMENTS

Deputy J.A. Martin of St. Helier proposes that –

> the net revenue expenditure of the Chief Minister's Department and the Treasury and Resources Department should be reduced in 2016 in the sum of £90,000 and £67,000 respectively and the net revenue expenditure of the Social Security Department be increased by £157,000 to fund the continued provision of means-tested free television licences for the over-75s.

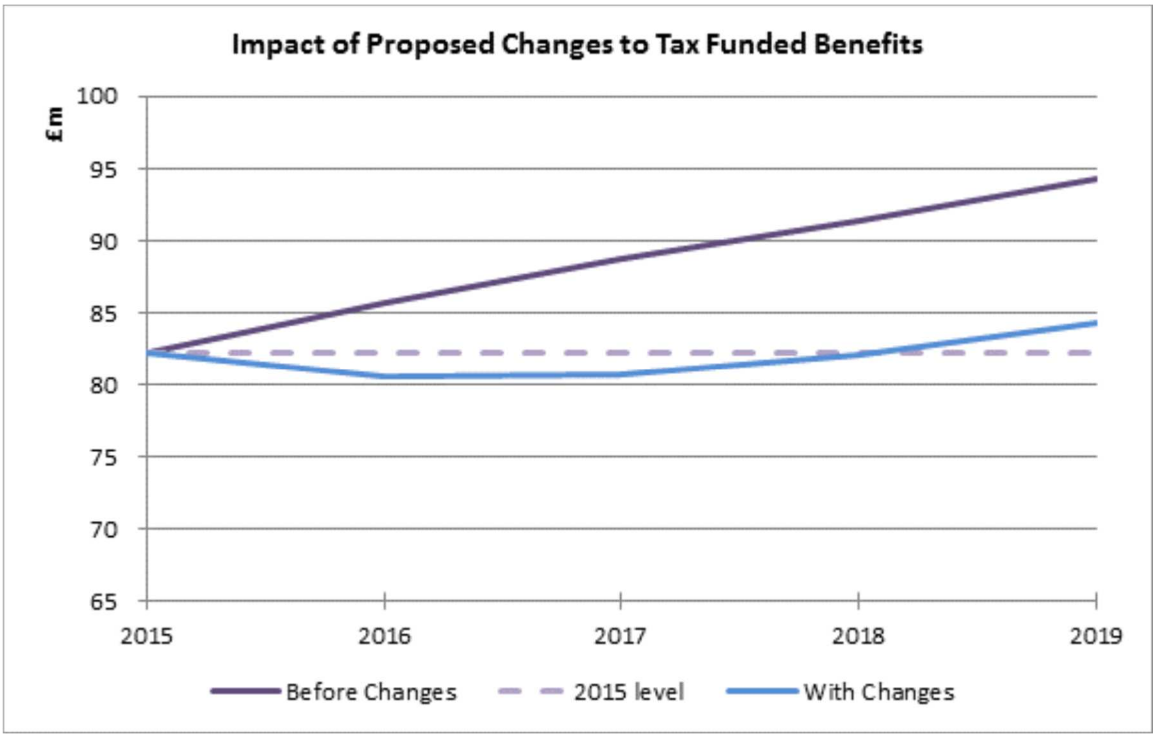
The Council of Ministers strongly opposes Amendment (6) and urges States members to oppose the Proposition.

Summary Council of Ministers' Comments

- The package of measures presented in the MTFP has been proposed to reprioritise resources by reducing spending in some areas to invest in other higher priorities for Health, Education, infrastructure, economic growth and improving productivity.
- Each department has considered its priorities and submitted requests for additional funding alongside a spending review which requires savings and efficiencies across the States.
- As part of the spending review the Treasury and Resources and Chief Minister's Departments have already made significant savings in 2015 and 2016 and will be required to make still further savings from 2017 – 2019.
- Every Social Security benefit has been considered and all the proposals were judged against the principle of making the benefit system fairer.
- It is vital that we review these benefits to ensure that they provide effective support to people that really need it.
- The proposed benefit measures have been properly thought through, and in many cases protect existing claimants with budget savings created through holding benefit levels steady, rather than needing to make cuts in current entitlement.
- Without any change, the cost of benefits aimed at the older population will increase dramatically over the next 20 years, at a time when expenditure on health, long-term care and pensions will also be increasing.
- If we put off these decisions now, they will just become harder to make later on, as the number of people claiming pensioner benefits increases each year.
- Pensioners reliant on income support have also seen above-inflation increases in their total income since the introduction of income support.

Summary of benefit proposals

The Council of Ministers believes that every area of government spending should play its part in helping the States to return to a balanced budget. The proposal to hold the benefit budget at its 2015 level by the end of the MTFP represents £10 million or 7% of the proposed £145 million package of measures needed to balance the budget and fund the investment in States' strategic priorities.



The proposed measures have been properly thought through, and in many cases protect existing claimants with budget savings created through holding benefit levels steady, rather than needing to make cuts in current entitlement to those benefits targeted at need. The package creates a reduction in budget of £10 million by 2019 and all the necessary changes have been put forward as part of the initial MTFP document. Subject to the States' approval of the current proposals, there will be no need to submit further proposals in 2016.

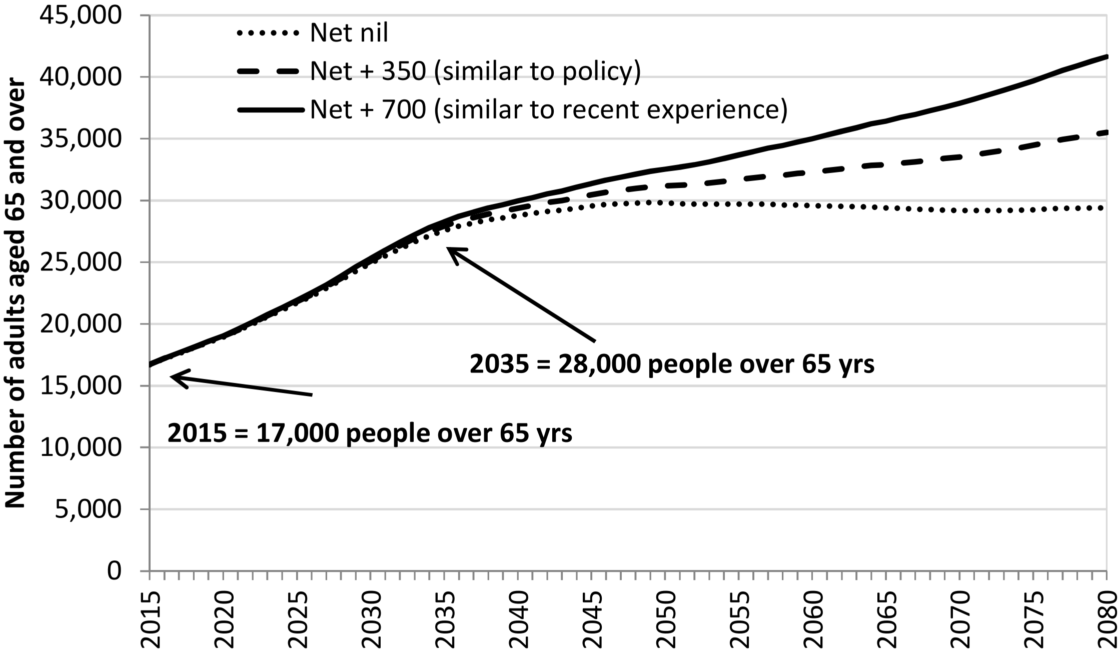
Every Social Security benefit has been considered and all the proposals were judged against the principle of making the benefit system fairer. Three tests were also used to identify the most appropriate measures –

- Promoting financial independence;
- Improving the targeting of benefits; and
- Minimising the impact on individuals.

Demographics

The number of people aged over 65 in Jersey is already growing – 16,700 people at the end of 2015 compared to 14,400 at the end of 2010 – an increase of 16% in this 5 year period. By 2020 this will have risen to 19,000 and this steep growth will continue. By 2035 there will be nearly 28,000 people over the age of 65 – **regardless of the level of immigration**.

Growth in 65+ population – Estimated number of people for different levels of net migration



Without any change, the cost of benefits aimed at the older population will increase dramatically over the next 20 years, at a time when expenditure on health, long-term care and pensions will also be increasing. It is vital that we review these benefits to ensure that they provide effective support to people that really need it. If we put off these decisions now, they will just become harder to make later on, as the number of people claiming pensioner benefits increases each year.

The new long-term care scheme was launched in July 2014 to support people with long-term care needs. In particular, the scheme provides generous support to home-owners to protect the value of family assets. Contributions into this Fund began in 2015 and will rise to 1% in 2016. A further increase in contribution rates is likely to be needed by 2020.

A comprehensive review of the Social Security fund will start in 2016. Action is needed in the next few years to maintain the old-age pension for future generations. A public consultation will consider options for increasing contributions, and reviewing the level and range of benefits available through the scheme.

Detailed Comments on benefit proposals

Closing the TV Licence benefit scheme to new entrants

The proposal to close the TV Licence benefit scheme to new entrants will mean that as people reach 75 years of age, they will continue to pay for a TV Licence each year, if they have one. Pensioners who already receive a free TV Licence will continue to do so.

The household budget of the person aged below 75 or above 75 remains as it is today.

The cost of a TV Licence for those that are currently paying for it is already incorporated into their household budget. The BBC provides a range of payment methods, making it easy to spread the cost over the year.

When considering possible areas to include in these proposals, benefits which deal with expenses that are more difficult to predict have been protected. These include the cold weather bonus, which provides support for heating costs, with its value increasing depending on the severity of the winter.

The 65+ health scheme has also been protected (and a proposal put forward to expand the scheme), as this provides targeted support for dental, optical and chiropody costs as they are needed.

As with the Christmas bonus, the cost to the taxpayer of maintaining the TV Licence benefit will rise substantially in future years as the older population increases.

A decision to maintain the TV Licence benefit would require the States to identify additional savings in other areas in the short term, and also to put aside an increased budget for future years as the number of claimants increases.

Provision for Ministerial support

The figure (£157,000) referred to in the Deputy's proposition is the cost of personal assistants' salaries – these are staff who support Ministers, Assistants Ministers and Officers, providing a wide range of administrative support.

This work is important, and so are these staff members. Cross-government leadership is essential to reforming and improving the public sector as the challenges we face as an Island become more complex. To do this, government needs people who do essential administrative work, helping co-ordinate day-to-day activities – without this, we would be less effective overall as a government.

Process of re-allocation and re-prioritisation in the MTFP

The Deputy is proposing a re-allocation of funding that has been carefully considered as part of a significant prioritisation process and spending review –

- The Council of Ministers has prioritised the proposals in the MTFP on the strategic priorities of the States.
- The prioritisation was carried out alongside an ongoing spending review, supported by external advisers, to identify savings and efficiencies both across the States and within individual department programmes.
- The Council of Ministers conducted a series of workshops, and the prioritisation of available funding has evolved over a period of discussion and several iterations of the proposals before the final allocations were agreed.
- Each department has prioritised the available funding, and we can't afford to cherry-pick certain savings or growth, we have to make decisions which align with our strategic priorities; and this means that every department will be affected and has to contribute to the overall re-prioritisation.

- Further work is required to develop the detail for 2017 – 2019, but the Council of Ministers believes that it is presenting a balanced and sustainable package in line with the strategic priorities.
- The package of measures presented in the MTFP has been proposed to re-prioritise resources by reducing spending in some areas to invest in other higher priorities for Health, Education, infrastructure, economic growth and improving productivity.

Financial implications

The amendment provides for a balanced revenue budget; however, the Chief Minister's Department and the Treasury and Resources Department's net revenue expenditure would reduce in 2016 by £90,000 and £67,000 respectively, and the net revenue expenditure of the Social Security Department would increase by £157,000.

Together with proposed Amendment (10), there would be a reduction in the Chief Minister's Department of £130,000 and equivalent savings would have to be identified in addition to the sums that have already been achieved in both the Chief Minister's Department and Treasury and Resources Department, £788,100 and £1,016,000 respectively.

There may need to be a reduction in manpower in the Chief Minister's Department.