STATES OF JERSEY

DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – SIXTH AMENDMENT

Lodged au Greffe on 13th September 2016
by Deputy J.A.N. Le Fondré of St. Lawrence

STATES GREFFE

DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – SIXTH AMENDMENT

1 PAGE 2, PARAGRAPH (a)(i) –

To agree in principle that, in respect of public sector employees earning more than the average annual salary, as calculated by the Jersey Statistics Unit, the employer rate in respect of PECRS/PEP should be reduced by 1% per annum, and the employee rate increased by 1% per annum, until such time that the employer rate and the employee rate are equal (it being assumed that any adjustment that is less than 1% necessary to achieve final equalisation shall be implemented in the final year of adjustment), requesting the Minister for Treasury and Resources accordingly to bring forward the necessary legislation, if any, to give effect to this change for debate in the States Assembly and, in consequence thereof, after the words "as set out in **Summary Table B**", insert the words –

> "except that the allocation of resources to each States department and non-ministerial States funded body shall be reduced in 2019 by the amounts specified in table 1 in the report accompanying this proposition."

2 PAGE 2, PARAGRAPH (a)(ii) –

For the words "as set out in **Summary Table C**", insert the words –

> "except for the addition of £1,475,000 in 2019".

DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE

REPORT

On 16th November 2015, the Corporate Services Scrutiny Panel ("CSSP") published a review entitled Public Sector Pension Reform 2015 (Phase 2) (S.R.8/2015). One part of that review identified that the employer contribution rate for public sector pension provision could eventually rise to a cap of 16.5%.

That same report identified that the average employer contribution rate in the Channel Islands was 10% of salaries (based on a survey of 85 respondents).

What this report therefore highlighted was the large disparity between the public sector pension provision, and those provided by the private sector.

For the avoidance of doubt, this proposition does not seek to answer the issue of the long-term sustainability of the public sector pension schemes.

What is clear is that irrespective of the outcome of this amendment they will remain very good schemes to be members of.

However, what I do seek to substantially address is the disparity between the amount that private sector employers pay into their own schemes (average 10%), and the amount the public sector employer – ultimately the taxpayer – pays into the public sector scheme (at present it will rise to an average of 16%).

In effect, the taxpayer is being required to subsidise an already generous scheme by far more than the private sector would ordinarily contribute.

At a time when the Medium Term Financial Plan makes reference to it being inappropriate for taxpayers to subsidise other elements of society, and at a time when significant charges are being introduced, it seems to me that this inequality regarding pension contribution rates should be challenged.

It cannot be right that when taxpayers are being asked to pay yet more money to the government, at the same time they are asked to continue to pay, to subsidise, an already generous pension scheme over and above what happens in the private sector.

I remind Members of one of the justifications in the 2015 Medium Term Financial Plan in respect of the proposed waste charge –

> "… Given the financial challenges facing the States, it is important that every effort is made to minimise cost and improve efficiency across the services."[1]

This would seem to be a very justifiable position.

Indeed, to quote the recent FPP report: "...The FPP have previously pointed out that making savings and efficiencies in the public sector was highly desirable irrespective of the economic conditions the Island faced. Given the weaker long-term outlook for the economy this process is now critical …" and they reiterated the fact that they remained 'strong' on the need for further efficiencies and savings in their recent meeting with States members.

[1] Page 78, P.72/2015

Therefore the purpose of this proposition is to seek to mitigate this inequality between the private and public sector, in terms of employer contributions. This is not (and is not intended to be) an all-encompassing solution, it is a step along the road of reform.

Given the very high level of employer contributions, which will ultimately come from the taxpayer, it seems to me that this balance, this over-generous subsidy, needs to begin to change.

I am therefore proposing that from 2019, the employer rate should be reduced by 1% per year, and the employee rate should rise by 1% per year (to compensate), until such time as the rates are equal. If achieved across the board, and as envisaged in the proposition, this will eventually save approximately £6,350,000 per year.

Within the principles of this proposal there is some protection built in for lower earners, in that the proposal will not affect anyone earning less than average earnings. According to the Jersey Statistics Department, the mean average weekly earnings for full-time employees in June of this year was £700. This equates to £36,400 per annum. I have also consciously not applied this to the JTSF, as on the basis of the rates informed to me, the present scheme is far closer to the average rate, (but would save approximately £1.350,000 per annum if fully implemented). However, if, either during the time of reviewing matters as envisaged within this amendment, or at some future date, the Minister chose to address the JTSF and more fully consider whether it is presently fit for purpose and properly sustainable, then that is within his power to do so.

Even after equalisation, the employer rates will generally be above the average private sector rate, but not to the same degree. However, the differential will have been reduced.

It is also not the purpose of this amendment to spend the saving.

It is being placed into the central contingency allocations instead.

This does therefore allow the Council of Ministers some flexibility, in that if there is a technical issue which affects the date of implementation (for example), then a transfer from contingency will still be possible. So this proposition is intended (if approved) to set a direction, to set a principle, but to allow the Council of Ministers a degree of flexibility in the event that it was needed.

To conclude, to me, given the cuts in income support, the redundancies that are taking place, and the introduction of the charges outlined in the plan, as well as other potential charges such as the charge to assist in the funding of the hospital, it is very difficult for me to see how we can then justify to the taxpayer that such a generous level of contribution can continue to be justified when they are ultimately paid for by the taxpayer. The very ones that ultimately will at the same time be suffering the impact of all of these extra charges.

Financial and manpower implications

There are no manpower implications arising from this amendment.

If adopted, this amendment will –

(1) Transfer the amounts detailed by department in Table 1 below from each department to contingency in the year indicated.

(2) If that money is not spent, it will represent a saving as follows –

2019	*2020*	*2021*	*2022*
£	£	£	£
1,475,000	3,025,000	4,650,000	6,350,000

This represents a cumulative saving of just under £15.5 million in the period to achieve equalisation.

Thereafter the £6,350,000 would represent an annual saving.

APPENDIX

Table 1[2]

Impact on Department Cash Limits (PECRS/PEPS)

PECRS/PEPS	MTFP 2			MTFP 3		
	2017	2018	2019	2020	2021	2022
	£000	£000	£000	£000	£000	£000
Chief Minister's	0	0	-72	-147	-226	-309
- Jersey Overseas Aid Commission	0	0	-0	-1	-1	-2
External Relations	0	0	-4	-8	-13	-17
Community and Constitutional Affairs	0	0	-204	-418	-643	-878
Economic Development, Tourism, Sport and Culture	0	0	-27	-56	-86	-117
Education	0	0	-102	-208	-320	-438
Environment	0	0	-37	-76	-116	-159
Health and Social Services	0	0	-719	-1,474	-2,266	-3,094
Infrastructure	0	0	-104	-213	-327	-446
Social Security	0	0	-65	-133	-205	-279
Treasury and Resources	0	0	-54	-112	-172	-235
Non Ministerial States Funded Bodies						
- Bailiff's Chamber	0	0	-5	-10	-16	-22
- Law Officers' Department	0	0	-26	-53	-82	-112
- Judicial Greffe	0	0	-14	-29	-44	-61
- Viscount's Department	0	0	-6	-13	-20	-27
- Official Analyst	0	0	-2	-4	-6	-9
- Office of the Lieutenant Governor	0	0	-3	-7	-10	-14
- Office of the Dean of Jersey	0	0	-0	-0	-0	-0
- Office of the Data Protection Commissioner	0	0	-2	-3	-5	-7
- Probation Department	0	0	-10	-20	-31	-42
- Comptroller and Auditor General	0	0	-1	-1	-2	-3
States Assembly and its Services	0	0	-19	-39	-59	-81
Total	**0**	**0**	**-1,475**	**-3,025**	**-4,650**	**-6,350**

[2] Figures provided by the Treasury