
STATES OF JERSEY



MEDIUM TERM FINANCIAL PLAN 2016 – 2019: REVIEW OF COUNCIL OF MINISTERS' IMPACT ASSESSMENTS

Presented to the States on 27th May 2016
by the Corporate Services Scrutiny Panel

STATES GREFFE

REPORT

The Corporate Services Scrutiny Panel has been asked for feedback on a Council of Ministers (“CoM”) paper regarding Impact Assessments. The Paper relates to Agenda Item B2 dated 10th February 2016 (“B2”).

The Panel is disappointed that this work is at such an early stage, and would have liked the opportunity to comment on the impact assessments prior to them being presented to the Assembly. The Panel would ideally have liked to see an impact assessment on the overall economic, social, and environmental effects of these charges with historical data and comparisons from 2012; however, the Panel believe this is unlikely to happen and at best, the Assembly will be presented with an analysis lacking the important granular detail.

The Panel has serious concerns regarding the approach adopted by the Council of Ministers in relation to the distributional analysis (impact assessments) of measures to be included within the MTFP Addition. Impact Assessments should be used by Ministers to understand the impact of measures under consideration for inclusion in the MTFP and to assist in decision-making over the most appropriate measures for inclusion. However, it appears that impact assessments will only be carried out once policies have been agreed. This was not the process envisaged by the Panel when it originally called for impact assessments to be undertaken. Given that Article 8A of the Public Finances (Jersey) Law 2005 was specifically amended to allow extra time for the significant re-engineering and consequential change to line-by-line departmental estimates, the Panel and its adviser had assumed that this work would be started much sooner to help define the MTFP Addition well before lodging in June 2016.

The Panel’s advisers, CIPFA, raise concerns that the distributional analysis on policy options appears not to be at an advanced stage, meaning that it will not be available to Ministers when making policy decisions in relation to the MTFP addition.

“...we would have expected that the distributional analysis incorporating a range of policy options to be highly advanced in order to provide meaningful context to ministerial deliberations. If most of the work had not been already been undertaken it is difficult to assume that such an options appraisal can be meaningfully informed by distribution analysis.”¹

Efficiency Savings

With regard to the work to reduce the number of States employees, CIPFA comment that, notwithstanding the work in train to downsize the workforce, they are unsighted on –

- Pension Fund implications and recurring additional liabilities
- Impact on personal Income Tax yields relating to a large number of staff released.

CIPFA strongly recommend that appropriate impact studies are used to inform pension fund and income tax forecasting.

¹ CIPFA Report on Impact Assessments – March 2016

Benefit Changes

Although CIPFA endorse the analysis being proposed by CoM, they state it is unclear whether such measures on their own will materially affect the economy in a way that will further impact the current structural deficit.

Capital Expenditure

B2 states that it “...may be even harder to determine the distributional impact of changes in public capital expenditure than current expenditure”.

CIPFA have said they do not necessarily agree with this and state –

“...We would consider that the impacts of revenue expenditure change to be more opaque than that relating to Capital Expenditure so would not necessarily agree with this statement. For example it should be easier to model the economic impacts of a large capital project rather than the overall impacts of terminating the employment of some 1,000 staff...”²

Revenue-raising measures

CIPFA comment that –

“It is critical that service users have clarity between what they are receiving and what they are expected to pay for a service. Indeed the introduction of charges for services that were hitherto financed from general taxation can be seen by many as an additional tax burden rather than a clear link between user consumption and the financing of that service.”

CIPFA also comment on there being no real detail on how consumption relates to specific charging, and how this may impact on demand for such services.

CIPFA make the following key assumptions –

Health Charges and User Pays

- Lack of visibility on the construction of related service provision that would be associated with charges
- Charges more conceptual rather than founded/modelled on definable outputs
- No real detail on how consumption relates to specific charging and how this may impact demand for such services
- Absence of detail on how such additional income could be collected

Tax yields

- inadequate clarity on the calculation of base Income Tax estimates
- Income tax estimates more aspirational
- Key assumptions – continuing issue of optimism bias

Distributional Analysis

There is no detail on how these charges will financially impact on each individual, nor of the cumulative financial impact of other tax increases and charges to date. The Panel would therefore recommend that a financial assessment of the impact of tax changes

² CIPFA Report on Impact Assessments – March 2016

(including changes in Social Security contributions and similar items) and charges; and also the impact of changes in Income Support provision (where appropriate), should be carried out to show historical data and comparisons from at least 2012 to 2019. Ideally, we would recommend using the position at the end of the following years as a basis of calculation: 31/12/10; 31/12/12; 31/12/15; 31/12/19.

This should be upon a range of types of individual and family groupings, by income range (for example: single pensioner; married couple; married couple with one child of school age, etc., etc.). Reference should be made to the relevant reports produced by the Statistics Department, such as Household Expenditure Surveys, etc., where appropriate.

Timescales

CIPFA comment that, despite confirmation from the Chief Minister at a public hearing in September 2015 that the studies are “being undertaken”, significant work has yet to be completed on distributional analysis. They go on to comment that they would have assumed “that detailed work would have started as soon as the initial MTFP 2016 – 2019 was lodged with only one year of detail”.

CIPFA also suggest that “*if some of the work is still to be commenced awaiting policy guidance around April/May, then it would be extremely challenging to achieve the June 2016 deadline submissions and allow the Council of Ministers adequate time to prepare a preferred position*”.³

Conclusion

Although the Panel has no evidence to say the detailed work has not been carried out, B2 does not suggest the CoM are where they should be so close to the MTFP Addition lodging date of 30th June 2016. There is no evidence of sufficient progress being made within the 6 months since the debate on the MTFP 2016 – 2019, and the Panel has concerns that too little is being done too late. A fully integrated analysis is almost impossible due to the timeframe. Given that Article 8A of the Public Finances (Jersey) Law 2005 was specifically amended to allow for significant re-engineering and consequential change to line-by-line departmental estimates, the Panel and its adviser had assumed this work would be started as soon as the MTFP 2016 – 2019 was lodged showing only one year of detail.

*“...As highlighted within our analysis the impact of options need to be considered across the segmented analysis. This requires knowing in advance what the range and size of policy options are being considered. The paragraph on timing suggests that some of such work cannot proceed until the policy options themselves are articulated and at the point of writing – these options have not been formulated. It would be our view that this position would make a fully integrated analysis almost impossible...”*⁴

It is stated that analysis for certain areas will consider evidence and research from elsewhere; however, CIPFA state that the geographic and demographic attributes specifically relating to Jersey are likely to make this type of analysis more problematic if unadjusted comparisons with the UK or other jurisdictions are used.

³ CIPFA Report on Impact Assessments – March 2016

⁴ CIPFA Report on Impact Assessments – March 2016