

# STATES OF JERSEY



## MILLENNIUM TOWN PARK: FUNDING FROM THE STABILISATION FUND (P.135/2009) – COMMENTS

---

Presented to the States on 5th October 2009  
by the Minister for Treasury and Resources

---

STATES GREFFE

## COMMENTS

The effect of P.135/2009 is to request the Minister for Treasury and Resources to bring a proposition to the States to increase the sum allocated within the Stabilisation Fund for discretionary fiscal stimulus from £44 million to £54 million in order to provide £10 million for a Town Park.

The consequence of the Minister bringing this proposition, and the States agreeing it, is that less will be available in the Stabilisation Fund to meet automatic stabilisers (the fall in tax receipts from the recession) and the Stabilisation Fund will run out earlier than it would otherwise, which would then require the States to reduce spending or increase taxes.

The States has already agreed to allocate £10 million to the Town Park. If the States rejects this proposition, the £10 million would still be allocated to the Town Park, but the money would come from the Consolidated Fund, which would then run out earlier than it would otherwise, requiring the States to cut spending or increase taxes.

Hence the ultimate effect of this P.135/2009 is neutral – the States has made the decision to allocate £10 million to the Town Park, and the decision in this proposition is only whether to charge the £10 million to the States savings account for economic downturns (the Stabilisation Fund) or the States current account (the Consolidated Fund). As a result of forecast structural deficits, both funds will run out in the near future.

The Town Park is however, an inappropriate use of the Stabilisation Fund.

The States' agreed purpose of the Fund is to make fiscal policy more counter cyclical and hence create a more stable economic environment with low inflation. Within the Stabilisation Fund, the Discretionary Fiscal Stimulus programme operates within well defined criteria agreed by the States.

The report accompanying P.55/2009 Economic Stimulus Plan states that "...the overarching objective in using the Stabilisation Fund is to put additional money back into the economy ... that will add to demand and mean that the fall in output an extent of job losses will be less severe than would otherwise have been the case." The report further requires discretionary fiscal stimulus expenditure to be 'timely, targeted and temporary'. A structured evaluation process was therefore developed which has been used to test all bids coming forward against these criteria.

A preliminary evaluation of the Town Park proposal has been carried out using this process. The outcome is that it does not meet the core criteria –

- Timely – it is estimated that works could not commence on site before January 2011. The Fiscal Policy Panel specifies a 6 to 9 month window with all work to commence on site before the 1st July 2010. The proposal therefore does not satisfy the 'timely' criterion.
- Targeted – The first activity is the remediation of contaminated ground below the site. This work accounts for more than 30% of the project value, is specialist in nature and could not be undertaken by on-island contractors. The proposal therefore does not satisfy the 'targeted' criterion.

- Temporary – The construction work to create the Town Park is temporary but there are long-term implications for public finances. The cost of maintaining the park and the loss of car parking income from the designated sites is £560,000 per annum. The proposal therefore does not satisfy the ‘temporary’ criterion.

If the prime intention of the Stabilisation Fund is changed to fund high priority projects as opposed to countering adverse economic conditions, then the Stabilisation Fund should be disbanded and an alternative Fund created for this specific purpose.

In recognition of the States decisions both to provide £10 million for the Town Park, and also, to ensure that income and expenditure is in balance over the economic cycle, the Minister for Treasury and Resources will propose either to delete or defer one or more capital schemes from the future capital programme in order to finance the Town Park without further increasing deficits.