

STATES OF JERSEY



FUNDING FOR CULTURE, ARTS, AND HERITAGE (P.69/2024) – COMMENTS

Presented to the States on 18th October 2024
by the Council of Ministers

STATES GREFFE

COMMENTS

Introduction

Providing a suitable level of funding for arts, heritage and culture (AHC) remains important to this Council of Ministers. This is evident in the proposed Budget 2025 which, despite increasing pressures on the public purse, has increased the provision for AHC in line with inflation, allocating an additional £269,000 in 2025 compared to 2024 funding. This follows substantial investment in AHC, both in terms of revenue budgets and investments in the Opera House and Elizabeth Castle.

Process

The Deputy's original proposition required expenditure on AHC to reach 1% of expenditure by 2022. This was achieved, and subsequent Government Plans chose to maintain a formula driven approach to funding. In compiling the Budget 2025, the Council of Ministers has considered this in the context of government finances as a whole and proposes a move to a Retail Price Index (RPI) linked approach. As the deputy refers to in his proposition - this was clearly set out in the plan.

The Budget (or Government Plan) is the overall financial plan that sets out how Government will deliver its priorities. It includes decisions across a broad range of financial matters, from changes to tax allowances to funding new healthcare facilities; from ensuring health services are funded to be safe to investing in our vital infrastructure.

Given it is a document of such breadth, it is correct to include all financial matters in a single place, to allow the Assembly to consider them in the round, in a holistic manner that allows for the implications of each to be viewed in the context of the whole.

In line with the Common Strategic Priorities (CSP), we are seeking to curb growth in public sector expenditure and have limited levels of growth to delivering the CSP, meeting Health deficits and investing in staff via pay awards. Ministers will be reprioritising their existing budgets to deliver prioritised objectives rather than seeking new money, and funding for AHC should be no different. If there is a clearly identified need for additional funding for AHC, then that case (and the proposed purpose of the additional funding) should be made as part of the Budget debate.

This year the Council of Ministers lodged the Budget in August, giving Scrutiny a total of 16 weeks to scrutinise the plan. This is ample time for all aspects of the plan to be properly reviewed.

It is long established that members may bring amendments to the Budget where they do not agree with the Budget proposed by Council of Ministers. It means the States will be having a quasi-Budget debate in advance of the actual Budget debate, on a piecemeal basis and out of context with the whole.

Costs of the proposition

The proposition sets out the budgets that would be required to maintain AHC allocations at 1% of Net Revenue Expenditure, without changing other expenditure lines.

Difference between 1% of NRE vs RPI Linkage					
	2024	2025	2026	2027	2028
£'000	Approved	Plan	Plan	Plan	Plan
1% of Net Revenue Expenditure	11,285	12,305	12,395	12,490	12,820
Budget 2025 - RPI Linked	-	11,554	11,551	11,771	12,167
Difference	-	751	844	719	805

Table 1

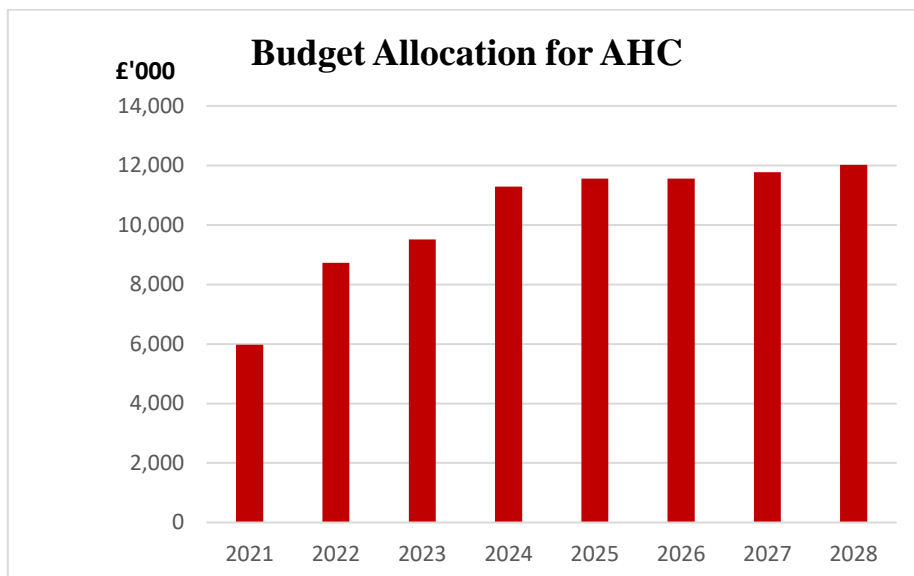
To maintain the existing formula would require at least an additional £719,000 to be found each year of the plan. This above inflation increase will not have been subject to any justification or business case and will have not been prioritised against other spending pressures.

The proposition makes no attempt to identify a funding source. The Budget is tightly balanced, and it would not be financially responsible to increase spend without compensating measures. We should not run smaller surpluses over the plan, and certainly should not allow our forecast consolidated fund balance to become negative.

The increase in spend proposed would therefore mean either further savings for other departments or alternatively increases to taxes. The Council of Ministers has, in line with the CSP, for example chosen to support Islanders through the cost of living by freezing duty on fuel and alcohol – both of which cost similar amounts to the proposed, above-inflation increase in AHC funding.

Investment in Arts, Heritage and Culture.

In 2021, the total budget for AHC was £6 million. This has now increased to £11.5 million in the proposed 2025 budget. Over a 4-year period the budget has nearly doubled without the usual rigour of business cases justifying the additional spend. This may lead to unwise or unjustified spend on funding simply because it is there.



In the same period the States has also made investments in both the Opera House of £11.7 million and Elizabeth Castle of £5 million.

The Perils of Formulae

The arguments against using percentages of expenditure to allocate government spend are well rehearsed, for example as part of the debate of P.74/2023. Using such a blunt tool constrains the ability of future governments and the Assembly to determine the allocation of public funds via the Budget process. It increases expenditure in future without reference to the needs of that area of spend in comparison to other demands for public spending. It is good practice that additional funding should be based on developed business cases which demonstrate the expected outcomes through cost-benefit analysis.

If the terms of P.40/2019 continue to be followed, the budget for AHC would be 1% of total revenue expenditure. This means that for every £1 million of additional expenditure (e.g. to meet significant pressures within Health or Education), an extra £10,000 is allocated to AHC.

This in effect prioritises AHC spending above all other areas of spend, including front line services, to meet this arbitrary commitment without considering Jersey's specific needs.

For example, the Budget seeks to address the pressing challenges in the Health Care service through an additional allocation of £31 million. Under the 1% rule this would attract a 1% AHC levy of £305,000, the equivalent cost of 5 nurses.

FPP Advice

Previous Fiscal Policy Panel (FPP) reports¹ have recommended that the Government of Jersey should only use the hypothecation method of funding allocation when revenue and spending are likely to be justifiably related. The main risk highlighted by the FPP regarding hypothecation is that it is a poor method of public financial management and introduces unnecessary constraints into the budgeting process. This results in an inefficient allocation of resources.

The panel in their latest report², have supported the change from linking the AHC budget to 1% of net revenue expenditure and linking to RPI instead. This is part of their recommendation to avoid using formula driven growth as it risks creating spending targets that are inefficient and/or undeliverable.

Conclusion

Ministers recognise the importance of maintaining the budget for AHC and have, in fact, done so, by allocating £11.5 million for 2025. However, linking this budget to total net revenue expenditure represents an inefficient method of allocating public funds, particularly during a period of strained Government finances.

The FPP have advised against these types of arrangement, and indeed welcomed the change to inflation linkage in the Budget. The Council of Ministers firmly believes that its approach is appropriate and proper and would ask members to reject this proposition.

¹ [FPP 2022 Annual Report.pdf \(gov.je\)](#)

² [FPP Annual Report 2024 FINAL 24 September.pdf \(gov.je\)](#)