STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2010 (P.117/2009): AMENDMENT (P.117/2009 Amd.) – COMMENTS

Presented to the States on 21st September 2009
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes this amendment.

Deputy Southern proposes that the sum of £10 million should be taken from the Stabilisation Fund (as a Fiscal Stimulus initiative) in order to deliver the Millennium Town Park project.

The Minister for Planning and Environment has recently published a draft North of St. Helier Masterplan which is now in Public Consultation and will subsequently be presented to the States for approval.

As this Masterplan sets out an alternative option for the Town Park and the States should first have the opportunity to debate the Masterplan, the Council of Ministers considers it to be inappropriate for this amendment to be considered at this time.

For this reason the Council of Minister opposes this amendment.

However, the Council of Ministers strongly supports the delivery of the Town Park and, subject to the States decision on the North of Town Masterplan, will come back to the States with a suitable funding proposal.

Fiscal stimulus

The Deputy indicates in his section on financial and manpower implications that the additional funding of £10 million be provided from the Stabilisation Fund. 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 and extent of job losses will be less severe than would otherwise have been the case."

The report requires discretionary fiscal stimulus expenditure to be –

- **Timely**. Action should start immediately to have an impact as quickly as possible.

- **Targeted**. Policy should hit the intended target whether it is to support activity and employment in the Island, support those most adversely affected by the downturn or implement projects which have intrinsic benefit.

- **Temporary**. There should be no negative long term implications for the public finances, i.e. no long-term damage to the tax base and no long term spending commitments.

The use of the Stabilisation Fund to fund the Town Park development fails to meet all three of the above criteria –

- **Timely**. The lead time required to let a contract to commence works on the site is in the order of 12 months from the date the cars have been relocated, which is outside the Fiscal Policy Panel's "6 to 9 months" ideal timeframe as set out in P.55/2009. Therefore the Project is likely to fall outside the Fiscal Stimulus time window.

- **Targeted**. The first activity to be undertaken is the remediation of the contaminated ground below the site. This work is specialist in nature and could not be undertaken by on-Island operators. The proposal, therefore, is not well targeted to supporting activity and employment in the Island.

- **Temporary**. Although the works are 'one-off' in their nature, the development has significant long-term implication for public finances. The cost of maintaining and operating a park and underground car park has been estimated at £560,000 per annum. These costs, whilst significant in their own right, are relatively small in comparison with the lost opportunity cost of not progressing the modified 'Hopkins' scheme referred to above.

Financial impact

In the absence of a transfer of funding from the Stabilisation Fund the proposition would require funds to be available from the existing Consolidated Fund balance. The forecasts are already for fairly significant deficits of £51 million and £70 million for 2010 and 2011 respectively. A further £10 million or indeed £12 million expenditure, as proposed by Deputy S. Pitman, would add further to these deficits and not allow even a working balance to be maintained in 2010. By 2011 the effect would be to almost totally exhaust the Consolidated Fund balance.

As a result this amendment will require cuts in services or additional taxes in addition to those likely to be required to address the potential structural deficit in future years.