

# STATES OF JERSEY



## **MEDIUM TERM FINANCIAL PLAN 2016 – 2019 (P.72/2015): ELEVENTH AMENDMENT (P.72/2015 Amd.(11)) – COMMENTS**

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**Presented to the States on 5th October 2015  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

The Education and Home Affairs Scrutiny Panel proposes that –

the net revenue expenditure of the Education, Sport and Culture Department shall be increased by £263,200 in 2016 in order to meet the priorities of the Strategic Plan to invest in education and the allocation to Contingency in shall be reduced in 2016 by the same amount.

**The Council of Ministers strongly opposes this Amendment and urges States members to oppose it.**

### Summary of Council of Ministers' Comments

- The Council of Ministers is proposing significant investment in Education, Sport and Culture over the period of the MTFP, amounting to almost £9 million per annum by 2019, including over £3 million per annum for increasing standards.
- The MTFP also proposes a £55 million investment in schools at Les Quennevais, Grainville and St. Mary.
- The Minister for Education, Sport and Culture, and his Department, recognise the intention of the Scrutiny Panel but cannot support this amendment.
- This investment is made possible by the re-prioritisation of resources to States' strategic priorities and also means that all departments, including Health and Education, must contribute to the savings required.
- The package of measures presented in the MTFP has been proposed to re-prioritise resources by reducing spending in some areas to invest in other higher priorities for Health, Education, infrastructure, economic growth and improving productivity.
- The Council of Ministers cannot support reducing Central Contingencies for the purpose of this Amendment. Contingencies provide an essential buffer to volatile areas of expenditure such as social security benefits, and over the period of the MTFP provide an important part of the flexibility needed in the Plan.

### Detailed Comments

The Scrutiny Panel's proposition advocates an investment in Jersey children in order that they 'may fulfil their true potential' in line with the aspirations of the States' Strategic Plan 2015 – 2018, which has made education one of the government's key priorities.

The Department agrees with the Strategic Plan and is absolutely committed to raising standards – indeed, this is the main theme running through its Business Plan for 2015. To achieve this, the Department is investing in systems and staff that will provide more accurate data about the performance of schools and individual students in the future. This data will be used to inform decision-making and policy formulation.

One of the innovations already being implemented is the introduction of a scheme similar to the U.K. Pupil Premium, which will invest more in the education of vulnerable children and ensure they have a strong start in education. It will also give schools more freedom to provide for the particular needs of their students.

The Medium Term Financial Plan supports this by investing over £1.5 million in new growth to raise standards. There is also investment of £850,000 in committed expenditure which relates to increased revenue costs from new premises, and £750,000 to continue to invest in the I.T. strategy “Thinking Differently”. The latter money will both provide funds to maintain the improved infrastructure together with an investment in continued training and technology to enhance teaching.

In addition, the States has committed to invest £55 million in the Capital Programme, including £40 million in a new secondary school building to replace Les Quennevais and significant improvements at Grainville and St. Mary’s School. This investment follows the excellent new facilities at St. Martin’s School.

The new school at Les Quennevais will ensure that children in the west of the Island have access to the necessary space and facilities for a good, modern education in the future.

The Department recognises the need to make savings across the States in order to fund the required investment in States’ strategic priorities, and as one of the largest departments, Education, Sport and Culture has to contribute to the savings target. The Department has reviewed the services it provides across all areas, and has identified some efficiency improvements with limited effect on the front-line services – that is, education in the classroom.

The Scrutiny Panel are correct in that there is £1.7 million of savings to be achieved. However, of this, £270,000 relates to a restraint on non-staff inflation. Additional savings do not need to be found for this, as the Department has also been allocated the same amount higher in the table. Some of the remaining savings relate to staff, and the Department has been assisted in achieving these through the restructuring provision and the recent States voluntary severance scheme. Therefore, the majority of the 2016 savings will not affect the education received by the children.

In summary, the overall budget for the Department has increased over last year, during a time of extreme pressure on budgets and an overall deficit position. The Department is committed to the Medium Term Financial Plan and is confident that standards will rise with the growth received of £4.8 million in 2016 and almost £9 million a year by 2019.

The Department is therefore not supportive of this amendment.

## **General Comments**

### Process of re-allocation and re-prioritisation

The Scrutiny Panel are proposing a re-allocation of funding that has been carefully considered as part of a significant prioritisation process and spending review –

- The Council of Ministers has prioritised the proposals in the MTFP on the strategic priorities of the States.
- The prioritisation was carried out alongside an ongoing spending review, supported by external advisers, to identify savings and efficiencies both across the States and within individual department programmes.
- The Council of Ministers conducted a series of workshops, and the prioritisation of available funding has evolved over a period of discussion and several iterations of the proposals before the final allocations were agreed.
- Each department has prioritised the available funding, and we can't afford to cherry-pick certain savings or growth. We have to make decisions which align with our strategic priorities; this means that every department will be affected and has to contribute to the overall reprioritisation.
- Further work is required to develop the detail for 2017 – 2019, but the Council of Ministers believes that it is presenting a balanced and sustainable package in line with the strategic priorities.
- The package of measures presented in the MTFP has been proposed to reprioritise resources by reducing spending in some areas to invest in other higher priorities for Health, Education, infrastructure, economic growth and improving productivity.

#### Principles of Contingencies

The Education and Home Affairs Scrutiny Panel are proposing to reduce the allocation to Central Contingency allocations by £263,000 in 2016 –

- Contingencies provide an important part of the flexibility within the MTFP. They provide short-term resource for unexpected events.
- Contingencies should not be used to fund recurring spending; only to provide temporary funding until a permanent re-allocation of funding is agreed.
- Contingencies also provide a buffer for more volatile areas of spending, such as Social Security benefits. These areas, termed Annually Managed Expenditure (A.M.E.), are extremely difficult for departments to forecast and manage, and so central contingencies are provided in addition to those held in departments.
- Allocation of contingency funding is closely managed through the Council of Ministers and the Minister for Treasury and Resources' approval. The allocation process is part of Financial Directions.
- Adequate contingency provisions are an important part of the overall flexibility in the MTFP to help deal with the scale of change and reform that is needed.
- A fundamental principle of contingencies is that they should not be used to permanently fund recurring items of expenditure, but be used primarily for one-off unforeseen events.
- The proposed Amendments to the MTFP seek to remove almost £3 million in 2016 from Contingencies which, if assumed to continue for the period of the MTFP, could amount to over £11 million.

### Contingency Provisions

- The Council would highlight that, although the 2016 provision for Contingencies amounts to £37 million, it is very clear from the MTFP Report (Section 9) that this includes a number of specific allocations.
- The provision for the actual annual contingency is only £7 million. This is made up of –
  - £5 million or 1% for total States' general department expenditure, and
  - £2 million or 2% for Social Security benefits.
- The balance of the £37 million is made up of –
  - £10 million for Redundancies,
  - £5 million for Economic and Productivity Growth initiatives,
  - £7 million for Restructuring projects to support Public Sector Reform,
  - £4 million for the Committee of Inquiry, and
  - £4 million provision for pay and pensions proposals.
- These additional provisions for Committee of Inquiry, Redundancy and Economic and Productivity Growth initiatives are proposed as part of the Contingency Allocation only to provide appropriate governance and control over the allocation of this funding.
- The Council of Ministers would also want to highlight that these additional provisions are primarily funded in 2016 from transfers from the Strategic Reserve and does not therefore believe it would be appropriate to use this funding for the purposes proposed by this and other Amendments affecting Central Contingencies.

### **Financial implications**

The Education Sport and Culture Department's net revenue expenditure for 2016 would increase by £263,200 and would be met by reducing the allocation to Contingency in 2016 by an identical amount.

The financial implications of this Amendment are primarily a reduction in the contingency allocation and therefore the flexibility within the MTFP, and in particular the expenditure allocations for 2016. Taken alone, this Amendment may not seem significant, but together with similar proposed Amendments (12), (13) and (14), the central contingency could be reduced by almost £3 million in 2016.

As the Council of Ministers has explained in the detail of the Comment, the principle of taking funds from central contingency would have a significant effect on flexibility and provision for risks on expenditure in 2016. This would leave department expenditure and Social Security benefits (A.M.E.) at significantly greater risk during 2016.

The Council of Ministers assumes that, as the Panel has not specified otherwise, if adopted this Amendment would only affect 2016.

There are no manpower implications.