

STATES OF JERSEY



INCREASE IN REVENUE EXPENDITURE FOR AGRICULTURE AND FISHERIES (P.74/2023): THIRD AMDENDMENT

Lodged au Greffe on 31st October 2023
by the Council of Ministers
Earliest date for debate: 7th November 2023

STATES GREFFE

INCREASE IN REVENUE EXPENDITURE FOR AGRICULTURE AND
FISHERIES (P.74/2023): THIRD AMDENDMENT

1 PAGE 1, PARAGRAPH 1 –

Designate the existing paragraph as paragraph (a) and for the words “to increase States’ revenue expenditure on agriculture and fisheries to a total of 1% of all revenue expenditure” substitute “to ensure States’ revenue expenditure directly on agriculture and fisheries support schemes rises to at least £6.7 million in 2024 and increases in line with RPI(X), for each remaining year of the Government Plan, with compensating measures to offset the additional cost.”.

2 PAGE 1, PARAGRAPH 1 –

After the existing paragraph, insert the following new paragraph –

“(b) to request the Council of Ministers to bring forward proposals to provide for the recapitalisation of the Agriculture Loans Fund in 2024, to a level sufficient to enable meaningful capital investment in the industry and not less than £10 million”.

COUNCIL OF MINISTERS

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Council of Ministers to take the necessary steps to ensure States’ revenue expenditure directly on agriculture and fisheries support schemes rises to at least £6.7 million in 2024 and increases in line with RPI(X) for each remaining year of the Government Plan with compensating measures to offset the additional cost, and to lodge an amendment to the Government Plan 2024-2027 to achieve the realisation of this target.

- (b) to request the Council of Ministers to bring forward proposals to provide for the recapitalisation of the Agriculture Loans Fund in 2024, to a level sufficient to enable meaningful capital investment in the industry and not less than £10 million.

REPORT

Agriculture and fisheries are a longstanding fundamental element of Jersey's economy and its landscape. As Deputy Luce has notes in his proposition, these sectors are facing long-term challenges to their continued viability.

Factors such as rising interest rates and increases to input costs have had a disproportionately adverse impact on agriculture. Moreover, this area is particularly susceptible to increases in the minimum wage, with labour costs making up a significant percentage of expenditure and existing profit margins remaining typically low. Most notably, the growing sector reported a profit margin of just 3% prior to COVID-19, so implementing further wage increases without the appropriate support schemes will likely render the industry unviable.

The Economic Framework for the Rural Environment and the Economic Framework for the Marine Environment have set out clear policy interventions to support the industry and government funding provided to the rural economy has steadily risen to over £3 million in 2024, including an additional £1.15 million already identified within the 2024 Government Plan. Despite this, it must be noted that support for this industry remains below comparable jurisdictions, and further increases to wage costs are estimated to put severe strain on the sector.

Ministers are grateful to Deputy Luce for his engagement in discussing his proposition with Deputy Morel, Deputy Binet and members of the agricultural and fishing industries. Following these discussions, the Council of Ministers have brought forward this amendment to ensure that sufficient resources are dedicated directly to support schemes such as the RSS and to allow meaningful investment for the sectors over the long term.

This will allow the rural economy to maintain a sustainable economic model, facilitated via a robust support scheme which has been designed to specifically reward the provision of identified public goods.

The recapitalised rural and marine support schemes would deliver the payments for public goods in 2024 based on:

- Measures to maintain and improve environment and landscape
- Measures to improve local food resilience
- Measures to enhance skills and social inclusion
- Measures to enable capital investment (to achieve the above)

Agriculture is an essential component to the Island's economy and must be appropriately supported, in a similar manner to all other developed economies, to maintain a sustainable rural economy for future generations. It is an ever changing and evolving industry that should be championed, and the government is committed to assisting its growth and development for decades to come. Whilst it is clear that the government cannot increase its financial support exponentially, this amendment will help address long-term challenges to its success and provide reassurance to the industry that its overhead costs will not remain insurmountable.

The Council of Ministers do not support assigning a specific percentage of total spend to agriculture as doing so restricts the ability of future governments to allocate funding

based on underlying needs and relative priority. It further limits the flexibility of the Assembly to determine the allocation of public funds via the Government Plan process.

Financial and staffing implications

The Government plan lodged by the Council of Ministers was finely balanced, and the additional spend of agricultural and fisheries without compensating measures would lead to a negative Consolidated Fund balance in future years of the plan. This is not a position that the Council of Ministers could support, being contrary to the principle of maintaining the sustainability of Public Finances.

This amendment reduces the recurring impact of additional expenditure, but £3 million would still need to be found within departmental budgets to keep the Government Plan in balance. The plan already included a £10 million Value for Money target each year, and so this £3 million would need to be found in addition to the existing funding for the rural economy to this to avoid the need to raise additional revenues. It has not been possible to carry out an assessment of the impact of the additional target in the time available. An allocation of additional savings targets to departments would be included in the requested amendment to the Government Plan.

A funding source for the recapitalisation of the Agricultural Loan fund would also need to be found and given the forecast values of the Consolidated Fund this would most likely need to be made via a transfer from the Strategic Reserve. Again, this would be confirmed in the amendment to the Government Plan.