STATES OF JERSEY

MTFP 2016 – 2019 (S.R.6/2015): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Presented to the States on 20th November 2015
by the Minister for Treasury and Resources

STATES GREFFE

MTFP 2016 – 2019 (S.R.6/2015):
RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Ministerial Response to:	S.R.6/2015
Ministerial Response required by:	18th November 2015
Review title:	MTFP 2016 – 2019
Scrutiny Panel:	Corporate Services

MINISTER'S INTRODUCTION

The Minister welcomes the Panel's Report and has commented in detail below on the Findings and Recommendations. The focus of the MTFP 2016 – 2019 is on growing the States' income and supporting productivity; whilst reducing departmental expenditure and maintaining other flexibilities within the Plan, including annual budget measures. Further details will be brought forward as part of the MTFP addition, to be lodged by the end of June 2016.

FINDINGS

	Key Findings	Comments
1	Whilst we fully endorse the intention to strengthen the IFG, the Panel is concerned that with all the members of the IFG being civil servants, with one exception, it remains short of the wide breadth of knowledge required to enable it to produce accurate and meaningful forecasts that adequately take into account particular local conditions.	The IFG already has a broad knowledge and skills set, but this will be kept under review by the Minister. The independent, non-executive member has already made a positive contribution to the Group's work. The Treasurer is recommending a further external member.
2	There are still significant risks in running the MTFP 2016 – 2019 income tax yield estimates as currently presented, and the Panel and its advisers remain unconvinced about the validity of assumptions used to predict Income Tax, with predicted increases of 4.5%, 5.3%, 5.6%, and 4.1% respectively for 2016 – 2019.	The IFG have identified that there are risks to the income tax forecast and have set them out in their reports. The analysis supporting the future path in income tax over the period is set out in detail in P.72/2015 Add. (IFG update report on draft forecasts of States income from taxation and duty for the preparation of MTFP 2016 – 2019). It shows that there is predicted to be real future growth in the economy (RPI inflation alone was forecast to be above 3% in 2016 – 2019), including real growth in earnings and further employment growth. The combination of this and the past relationship between these trends and employment income in particular, suggests that income tax will grow at the rates set out in the report. This is well below the growth rates in the 1997 – 2008 period, but is consistent with the economic outlook.

<table>
<tr><th></th><th>Key Findings</th><th>Comments</th></tr>
<tr><td>3</td><td>In order to fully deal with the issues highlighted within this report and allow for the setting of a robust financial strategy, there needs to be a cultural acceptance within the States of the underlying factors that have had a negative impact upon the 2015 Budget Setting process and the need to pursue a strategy of recovery and stability.</td><td>It is clear that the reduced income forecasts result from the volatile world-wide economic situation.

As with all economies, there is also a significant funding requirement arising from the impacts of the ageing population.</td></tr>
<tr><td>4</td><td>There is a high level of uncertainty around the range applied to income forecasts and they are not sufficiently prudent.</td><td>The income tax forecast accounts for the high level of uncertainty in the income forecast and is wide enough to cover a range of different economic scenarios, both on the optimistic and pessimistic side.

What is clear is that outcomes will vary from forecasts, that the risks are on the downside, and that the Council of Ministers proposed a plan, agreed by the States, which has the flexibility to deal with downside scenarios.</td></tr>
<tr><td>5</td><td>There is insufficient detail provided in the MTFP 2016 – 2019 regarding the new income-raising measures by the Council of Ministers for the years 2017, 2018 and 2019.</td><td>The Council has been consistent in its stance that it would be irresponsible to continue to invest in Health Services on an unsustainable basis without the principle of additional funding being agreed by the States.

The Council did not seek the agreement of HOW to fund additional investment in Health Services at this stage, which will be a matter to be agreed by the States.

The Council sought agreement that increasing investment in health be funded by increased revenues. This is in common with longstanding practice in the States, firstly to adopt a principle, and then for further work and expense to be incurred to develop the proposed methodology for levying that additional income after that in-principle decision.</td></tr>
<tr><td>6</td><td>The total amount of expenditure the States Assembly is being asked to approve is approximately £3.1 billion for 2016 – 2019.</td><td rowspan="2">The Council of Ministers have been open and transparent in their approach to the second MTFP process. The Corporate Services Panel were consulted with, regarding the changes to the amendment to the Public Finances (Jersey) Law 2005 and the Treasury, in recognising their concerns, worked with the Panel to produce a more acceptable approach.

It was made very clear in the covering report to the draft Regulations what the States would be debating in the MTFP 2016 – 2019 and what the States would be asked to approve –</td></tr>
<tr><td>7</td><td>There is insufficient detail provided in the MTFP 2016 – 2019 regarding the planned expenditure by the Council of Ministers for the years 2017, 2018 and 2019.</td></tr>
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	Key Findings	Comments
		• Total States' income targets for each year 2016 – 2019; • Total maximum expenditure allocation for each year 2016 – 2019; • Total net capital allocation limits for each year 2016 – 2019; and • Department spending limits, central contingencies, savings and other measures for 2016 only; • Departmental revenue spending limits for 2017 – 2019 would be brought back to the Assembly in 2016 no later than 30th June 2016. It was clear that the draft MTFP would, however, include the high-level intended income and expenditure figures for these years which would require States' approval. The Minister for Treasury and Resources highlighted that this would afford the Council and the States time, as well as flexibility, to consider, consult and analyse how the financial challenges faced by the States should be addressed. The Council were rightly extremely conscious that the original concept of the medium term financial planning process should be retained, and to ensure that financial control and discipline are maintained. There are fundamental changes needed within the proposals for public sector reform and reorganisation over the next 4 years. The purpose of the amendments to the Finance Law in P.42/2015 was to provide the time for this detail to be worked through. The MTFP addition is also intended to provide time to consider the impact of the changes on public services and also the distributional effect of the whole package of measures. The Council of Ministers could have considered provisional budgets for departments for the years 2017 – 2019 ahead of the detail being worked through, and proposed these allocations in July 2015. However, Ministers did not feel this was appropriate because of the scale of change that was likely to be required by Ministerial Transfer once the detail of 2017 – 2019 was known. Instead, the Council of Ministers proposed the Amendment (P.42/2015) to enable the detail to be explained to

	Key Findings	Comments
		the Assembly in an open and transparent way in the MTFP addition, with appropriate detail. At the time, the Chairman of the Corporate Services Scrutiny Panel, Deputy J.A.N. Le Fondré stated in the debate on P.42/2015: *"On that basis, (being that the amendment would only apply to the 2016 – 2019 MTFP and that the MTFP addition would be lodged for a minimum 12 week period by 30th June 2016) I am very happy to be supporting the Regulations (P.42/2015) as amended by our (CSSP) amendment as amended."* To be absolutely clear, the only expenditure currently approved in the MTFP is in respect of 2016. For no other year did the Council propose cash limits for departments or central contingency allocations, and did not therefore seek authority at this stage to spend any amounts. Therefore no Minister nor Accounting Officer can spend funds for 2017 – 2019, and will not be able to do so until the second part of this MTFP, the MTFP addition, is agreed by the States next year. All that is currently approved is a total spending envelope for each of the years 2017 – 2019. The States has effectively limited its spending in those years to these maximum limits, but has not given approval at this stage for the money to be spent. Importantly, the Assembly approved a financial framework within which the Council must work and maintain an overall discipline and constraint of Medium Term Financial Planning, rather than returning to annual incremental budgeting.
8	The States' capital projects programme has the potential of creating a high level of risk of a build-up of inflationary pressure in Jersey's economy and creating bottlenecks within the local economy.	This is a reiteration of the points raised by the Fiscal Policy Panel (FPP), and the Minister has already responded on this matter in his response to the FPP Annual Report. The States has developed a Long-Term Capital Plan, which allows considered planning and prioritisation of long-term capital funding requirements in the context of the projected affordable envelope. To further inform capital planning, representatives of the Jersey Construction Council are consulted regularly and given an opportunity to provide feedback on the impact of the current and proposed States capital programme on industry capacity, and the wider economic environment relevant to their industry. This provides an important forum to consider the combined impact of private and public sector workflows, including Andium Homes and the States of Jersey Development Company, and what

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<tr><th></th><th>Key Findings</th><th>Comments</th></tr>
<tr><td></td><td></td><td>that means for the balance of supply and demand in the local market.

The Economic Policy Political Oversight Group will have an oversight of this work, and will also be cognisant of these factors when considering future policy and emerging trends in the economy. In line with Fiscal Policy Panel advice, this informed process enables a greater provision of local resource where appropriate, and highlights a need for off-Island provision when it is economically appropriate.

The capital projects included in the MTFP 2016 – 2019 are necessary for the Island, and the Fiscal Policy has clearly said that capital spending should continue.</td></tr>
<tr><td>9</td><td>The Panel is concerned that no financial implications for the new hospital are referred to within this MTFP.</td><td>The Council of Ministers has been very clear on its approach towards the new Hospital project, and the timing of the MTFP did not allow the inclusion of any financial implications.

The Council has always fully intended to bring forward the full financial implications, including the full recognition of lifecycle costs, and other revenue and capital impacts.

These will now be included in the MTFP addition.</td></tr>
<tr><td>10</td><td>A sum totalling £148 million has been included as a central allocation/contingency figure in the MTFP 2016 – 2019.</td><td rowspan="3">Figure 16 in the MTFP 2016 – 2019 is purely indicative.

The profile of the specific contingency allocations for redundancy provision, committee of inquiry and economic and productivity growth provision are agreed for 2016, but could change for 2017 – 2019.

As clarified elsewhere in this response, only total expenditure levels for 2017 – 2019 have been approved.

Detailed expenditure levels for departments and contingency expenditure will be proposed in the MTFP addition for 2017 – 2019.

The States will have the opportunity, in the MTFP addition, to agree the level and nature of the central contingency allocations for 2017 – 2019, along with the other detailed allocations to departments for those years

Total contingency expenditure of £42.9 million, and the nature of those allocations, has so far been approved for 2016 only.</td></tr>
<tr><td>11</td><td>No detail has been provided as to how the figure being put forward for contingencies for 2017, 2018 and 2019 has been calculated.</td></tr>
<tr><td>12</td><td>It is unclear whether the £19 million identified for “extraordinary items” in 2016 is discounted from the contingency allocations provided for subsequent years.</td></tr>
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<tr><th></th><th>Key Findings</th><th>Comments</th></tr>
<tr><td>13</td><td>The safeguards around contingency do not do enough to stop the Council of Ministers declaring unspent contingencies as a saving.</td><td>The Council of Ministers welcomes the opportunity to clarify the position on Contingency Expenditure.

The specific contingency allocations referred to above would, by their very nature, be ring-fenced. They have a limited period of allocation, they are largely funded from the Strategic Reserve, and any underspending would be expected to return to the Strategic Reserve.

It is also important to recognise that contingency allocations are not by their nature recurring, and therefore should not be used for recurring or sustainable savings.

The Council has made in 2016, and will inevitably make in 2017 – 2019, allocations for a pay provision. If through negotiations there is an opportunity to deliver savings through pay restraint, these would be recognised as savings, quite appropriately.</td></tr>
<tr><td>14</td><td>The £40 million of non-staff savings being proposed includes £10 million to be raised through user pays charges.</td><td>The Council of Ministers has clearly presented and been transparent in its proposal to increase user pays charging, notably for liquid and solid waste.

This has been consistently represented as a component of non-staff measures, which include £20 million of department savings, £10 million of benefit changes, and £10 million of user pays proposals.

Importantly, none of the proposals for £10 million user pays charges were included in the 2016 allocations. They will be brought forward in the detail of the MTFP addition for 2017 – 2019.</td></tr>
<tr><td>15</td><td>If the States approve Summary Table A, they would, in effect, be approving the introduction of a health care charge.</td><td rowspan="3">The Council has been consistent in its stance that it would be irresponsible to continue to invest in Health Services on an unsustainable basis without the principle of additional funding being agreed to by the States.

The CoM did not seek the agreement of HOW to fund additional investment in Health Services at this stage, which will be a matter to be agreed by the States.

The CoM sought agreement that increasing investment in health be funded by increased revenues. This is in common with longstanding practice in the States, firstly to adopt a principle, and then for further work and expense to be incurred to develop the proposed methodology for</td></tr>
<tr><td>16</td><td>If the States approve the MTFP 2016 – 2019, they would, in effect, be approving the principle of raising £10 million from Islanders through additional user pays mechanisms.</td></tr>
<tr><td>17</td><td>Within the MTFP 2016 – 2019, it is the clearly-stated intention of the Council of Ministers to introduce a user pays liquid waste charge as a significant contributor to the £10 million identified to be raised through new user pays charges.</td></tr>
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	Key Findings	Comments
18	The cost of the removal and treatment of liquid waste is currently paid for by Islanders through general taxation.	levying that additional income. Existing expenditure for liquid waste is included in cash limits. However, significant capital expenditure and its servicing is proposed over the coming years. Jersey is in the minority of countries which do not finance liquid and solid waste through charging. The Panel's own advisers describe Jersey as low tax, high spend. The CoM believe it is time to begin to transfer the costs of waste disposal from the taxpayer to the user.
19	Each household will be asked to contribute in the region of £1,000 per year if the healthcare and £10 million user pays charges are contained in this MTFP are implemented.	This is an analysis which the Council of Ministers does not recognise, and in particular the analysis does not recognise the benefits that households will receive from the extra investment in key services and infrastructure. The detailed proposals will be brought to the States for decision, and an impact assessment of each proposal will be presented, together with an overall assessment of the package of measures for the MTFP addition. By the very nature of the intended charges, the impact on individuals, individual households or commercial users will vary significantly.
20	The Panel is concerned that no impact studies have been completed regarding income, expenditure, tax and user pays.	It is intended that further distributional analysis of the proposals will be undertaken before the lodging of the MTFP addition, and that this will be made available to States members when concluded.
21	No impact studies have been undertaken with regard to the effect these changes will have on the economy and overall unemployment in the Island.	The advice from the FPP is to continue to support the economy in the short term and to address the structural deficit by 2018/19. By following the FPP advice, the Council of Ministers is ensuring that the conditions are created for future economic, productivity and employment growth.
22	Insufficient consultation has been carried out with the Unions specific to the £70 million of proposed people savings.	Negotiations on the 2015 public sector pay review are continuing. The States Employment Board meets regularly to discuss developments, and continue to do so. Specifically, meetings with the Unions were held in February, April, June and August.
23	It remains the case that it would be prudent of the Council of Ministers to assess the affordability of the employer's contribution cap within the context of an employer's contribution which is lower than 16% or 16.5%.	The employer contribution cap was accepted by the States Assembly when the Public Employees (Retirement) (Amendment and Validation) (Jersey) Law 2014 was adopted by the States on 23rd January 2014, and subsequently came into force on 8th May 2014. The employer contribution cap is

	Key Findings	Comments
		included on the face of this Law. The final offer made to unions, which the majority of staff representative bodies have accepted, includes an employer contribution of 16% of earnings, with an employer contribution cap of 16.5% of earnings. The changes to the scheme are being implemented in a manner which makes them affordable within the MTFP 2016 – 2019. The employer will pay higher employer contributions for new entrants only in the period 2016 – 2018. Existing employees will move to the new arrangements in 2019, with employer contributions in respect of these members increasing over the 3 years 2019 – 2021. This means that changes to the pension scheme are affordable within the MTFP period. It also means that the States is able to address the underfunding in the current final salary arrangements and move public servants to having their pensions based on lower career average earnings. Based on the historical trend of the number of new employees, the cost in 2016 of introducing sustainable pension arrangements that address increasing longevity is expected to be £185,000. If the number of new employees is lower than trend, the costs will be lower. The changes to the public service pension scheme mean public sector employees will pay more for their pensions, work for longer and have their pensions based on lower career average earnings. Under the current final-salary arrangements, the States could be asked to pay more towards pensions which are becoming increasingly expensive to provide. The introduction of an employer contribution cost cap will for the first time provide certainty as to the maximum that the States could be asked to pay for public service pensions.
24	The top-slicing approach to savings adopted by the Council of Ministers will result in no real transformational change, and offers little drive to change the culture of spending within the States.	The very reason the Council of Ministers proposed a two-part MTFP process has been to allow the time to properly consider the fundamental changes which are needed within the proposals for public sector reform and reorganisation over the next 4 years. The MTFP addition is also intended to provide time to consider the impact of the changes on public services, and also the distributional effect of the whole package of measures.

	Key Findings	Comments
25	The pattern of year-end spending within the States of Jersey is indicative of undisciplined spending, with budget-holders spending to avoid loss of budget, rather than focusing on managing their costs.	The carry-forward process was introduced to ensure that resources are used effectively to achieve value for money and to enable departments to plan further ahead than a single year. The current carry-forward process allows departments the flexibility to manage budgets across financial years for continuing projects, or to meet new priorities. This flexibility is a crucial part of allowing departments to meet changing spending needs, deliver longer-term savings and improve services in line with strategic priorities. This flexibility creates an incentive for departments to control and minimise expenditure so that plans for future initiatives can be realised and public sector services can be delivered within States approved limits. Higher expenditure in the final quarter can also be the product of effective management of controllable non-recurring expenditure. It is a sensible practice to withhold expenditure on these items until other expenditure pressures have materialised and the availability of funding is apparent.
26	The Panel and its advisers have significant concerns as to whether the total identified savings contained within the MTFP 2016 – 2019 will be achieved within the envisaged timeframe.	The Council of Ministers proposed the total expenditure limits for 2016 –2019 and these have now been approved by the States. The Council of Ministers proposed these total expenditure limits based on an assessment of the level of savings that can be achieved by 2019. The Council of Ministers and the States is now constrained and required to work within these limits. The Council of Ministers will continue to work with Chief Officers and departments and keep Scrutiny and other States members informed of the progress towards the detail that will be required for the MTFP addition for 2017 – 2019.
27	It is important that any measures taken by the Council of Ministers to ensure that a positive balance is maintained on the Consolidated Fund do not impact on the delivery of the £145 million of measures needed to balance the books.	There appears to be a misunderstanding of the make-up of the £145 million. By 2016, the 2% savings by departments in 2015 are required to be identified on a recurring basis, and are a fundamental part of the £90 million savings target contributing to the £145 million package of total measures. The MTFP 2016 –2019, and now the draft Budget 2016, have provided an update on the position on the Consolidated Fund for 2015 and confirm that the majority of the measures referred to have been delivered or replaced with equivalent proposals.

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Panel strongly recommends that membership of the IFG should consist of a broader base, which should include an equal split between private and public sector representation.	T&R	Accept in part	The IFG already has a broad knowledge and skills set, but this will be kept under review by the Minister. The independent, non-executive member has already made a positive contribution to the Group's work. The Treasurer is recommending a further external member.	Ongoing
2	Based on expert adviser opinion, the Panel strongly recommends that the Island's current tax regime is challenged and reviewed in advance of the lodging of the next MTFP.	T&R	Reject	The Island's tax system has undergone a period of wholescale change in the last decade, including the introduction of GST, the introduction of the corporate income tax regime, and the planned role out of the 20-means-20 policy. The Island's tax system would therefore benefit from a period of stability and certainty. To commence a wholescale review of the tax system at this time, including reviewing tax-raising measures not currently utilised in Jersey (e.g. capital gains tax), will cause significant uncertainty and will damage the Island's reputation for stability in its tax policy. The current tax system is guided by the long-term tax policy principles agreed by the States in the Strategic Plan, and is articulated in the Minister's Long-Term Tax Policy.	N/A
3	The Panel recommends adopting an income forecast outlining a point between the lower and central scenarios outlined by the Income Forecasting Group.	T&R	Reject	The Council of Ministers will continue to apply the range of economic assumptions from the FPP, based on the wealth of insight and expertise that the Panel brings, supported by the information drawn from other UK, European and global economic forecasts. The Council of Ministers also recognises the advice of the FPP	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				and IFG that the risks are to the downside and proposed a plan, agreed by the States, which has the flexibility to deal with downside scenarios.	
4	The Panel recommends that the revised income line should be used to inform expenditure levels in the June 2016 addition for the years 2017, 2018 and 2019.	T&R	Rejected by the States	See Recommendation 3 – The Council of Ministers did not advocate further levels of savings beyond those currently proposed or the raising of taxes to reflect the scenario proposed by the Panel's adviser, as it is not clear that such measures are necessary at this point. Instead, the Council will maintain its current strategy and pursue the proposals to drive economic growth with the aim of increasing income lines and maintaining other flexibilities within the Plan, including annual budget measures. The expenditure limits agreed in the MTFP are maximum levels. The Council and the States maintain the ability to agree detailed expenditure allocations for 2017 – 2019 below those maximum levels, should this be necessary.	Full Revision of Income Forecasts ahead of MTFP addition June 2016
5	The Panel recommends that, in the absence of adequate detail with which to inform its decision, the States Assembly should not approve income forecasts for the years 2017 – 2019 at this time, but should await the details to be provided in the Addition to the MTFP for the years 2017, 2018 and 2019, which is to be lodged by 30th June 2016.	T&R	Rejected by the States	A more detailed analysis has been carried out on the income forecasts than ever before. The economic assumptions are endorsed by the FPP, and the role and structure of the IFG has been extended and formalised. There is no lack of detail in these income forecasts. In relation to the proposed funding mechanisms and as previously stated above (Finding 5), the Council of Ministers sought endorsement of the principle that income be raised to fund the investment in health required. The detail of HOW that income is raised will come back to the States for a decision, but for now, to back	N/A

	Recommendations	**To**	**Accept/ Reject**	**Comments**	**Target date of action/ completion**
				the commitment to invest in Health, the Council believed that it was imperative that the States agree the principle of matching with increased funding.	
6	The Panel recommends that, in the absence of adequate detail with which to inform its decision, the States Assembly should only approve expenditure for 2016 at this time.	T&R	Rejected by the States	The Council of Ministers maintains the two-part MTFP 2016 – 2019 as the most open and transparent approach. As part of the presentations and debate around the amendment to the Public Finances (Jersey) Law 2005 (P.42/2015), and in the covering report to the draft Regulations, it was made very clear what the States would be debating in each part of the MTFP 2016 – 2019, and what the States would be asked to approve and when. The Treasury also worked very hard to take on board the concerns of CSSP at the time and reached agreement on the Amendment. The Council remains extremely conscious that the original concept of the medium term financial planning process should be retained and to ensure that financial control and discipline are maintained. The two-part MTFP process for 2016 – 2019 provides time to consider – • the fundamental changes needed within the proposals for public sector reform and reorganisation over the next 4 years; and also • the impact of the changes on public services and the distributional effect of the whole package of measures. The only expenditure approved so far in this MTFP is in respect of 2016. For no other year did the Council propose cash limits for	N/A
7	The Panel recommends that the States Assembly should await the details to be provided in the Addition to the MTFP for the years 2017, 2018 and 2019, which is to be lodged by 30th June 2016, before taking any decision to approve expenditure for those years.	T&R	Rejected by the States		N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				departments, and therefore did not seek authority at that stage to spend any amounts. Therefore no Minister nor Accounting Officer can spend funds for 2017 – 2019, and will not be able to do so until the second part of this MTFP, the MTFP addition, is agreed by the States next year. All that is currently being proposed is a total spending envelope for each of the years 2017 – 2019. The States has effectively limited its spending in those years to these maximums, but has not given approval at this stage for the money to be spent. Importantly, it approved a financial framework within which the Council must work, and an overall discipline of Medium Term Financial planning, rather than returning to annual budgeting.	
8	States' capital projects should be managed in a timely manner, taking into consideration the consequences of the local economy and the prevailing economic conditions.	T&R	Accept	Per the comment to Finding 8 above, the States will continue to engage with the industry to understand and manage the impact of capital spend on the local economy. The Corporate Management Board Capital Sub-Group will continue to oversee and proactively scrutinise spend against existing capital projects, to identify and manage any factors impacting on the timeliness of expenditure. Unspent balances on existing capital allocations will be reviewed alongside revenue expenditure as part of the carry-forward process in 2015/16. The capital projects included in the MTFP 2016 – 2019 are necessary for the Island, and Fiscal Policy has clearly said they should continue. The Fiscal Stimulus programme was important in maintaining the	Ongoing

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				Island's capacity at a time of lower demand. The focus now should be on managing the programme without over-inflating the economy, and ensuring there is sufficient capacity, not on cancelling projects.	
9	When plans are brought forward for the new hospital or any other significant capital projects, there should be full recognition of the effect of life-cycle costs and any other revenue or capital impacts made within the relevant MTFP.	T&R	Accept	Business case templates issued by the Treasury for use by departments when submitting capital project funding requests will continue to require life-cycle cost analysis, with any associated revenue costs to be provided for within spending limits approved in the MTFP.	MTFP addition June 2016
10	Beyond the 'extraordinary items' identified for contingency allocation in 2016, stronger safeguards should be implemented to ensure all other spending from the central contingency allocation receives advance approval by the Assembly.	T&R	Reject	The Council of Ministers remains of the view that the nature of central contingency allocations is a matter for the States in the MTFP. However, once the States has approved the purpose of the central contingency allocations, as they have done for 2016, the appropriate central contingency allocation and monitoring procedures will apply.	N/A
11	Controls should be in place to require States Assembly approval to release contingency expenditure, no more than one year before the period to which it relates.	T&R	Prepared to consider	The Minister fully intends to exercise strong controls over contingency expenditure. Advance approval being required by the States for all expenditure from contingency would defeat the objective of having contingency available for urgent and unforeseen items, which often require quick and clear approval, such as storm damage or emergency situations. The States will have the opportunity, in the MTFP addition, to agree the level and nature of the central contingency allocations for 2017 – 2019, along with the other detailed allocations to departments for those years. The Council of Ministers is prepared to consider the annual	MTFP addition June 2016

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				approval of contingency allocations in total, similar to growth, as part of the annual Budget process. This would require a change to the Public Finances (Jersey) Law 2005.	
12	The Council of Ministers should not, within any MTFP, present figures which conflate savings with user pays charges.	T&R	Accept	The Council of Ministers has clearly and transparently presented its proposal to increase user pays charging, notably for liquid and solid waste. This has been consistently represented as a component of non-staff measures, which include £20 million of department savings, £10 million of benefit changes, and £10 million of user pays proposals.	MTFP addition June 2016
13	The Panel strongly recommends that appropriate impact studies are carried out and presented to the States Assembly in advance of the lodging of the MTFP 2016 – 2019 addition (income, expenditure, tax and user pays).	T&R	Accept	Further distributional analysis of the proposals will be undertaken before the lodging of the MTFP addition, and that this will be made available to States Members when concluded.	MTFP addition June 2016
14	The Panel strongly recommends that appropriate impact studies are carried out and presented to the States Assembly in time for the lodging of the MTFP 2016 – 2019 addition (savings).	T&R	Accept	Further distributional analysis of the proposals will be undertaken before the lodging of the MTFP addition, and that this will be made available to States members when concluded.	MTFP addition June 2016
15	Treasury and Resources must assess the reasons behind the pattern of year-end spending and put measures in place to ensure that the culture of spending to avoid loss of budget, instead of budget-holders managing their costs in a disciplined manner, is brought to an end.	T&R	Accept	Per the comment to Finding 25 above, the carry-forward process provides an opportunity for departments to manage their resources over multiple years and therefore discourages year-end spending to maintain budgets. As part of the ongoing Public Sector Reform project, departments are considering all opportunities to reduce costs and operate in the most	Ongoing

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				efficient way. Supporting this, the Treasury will continue to monitor and report on expenditure throughout the year to enable effective and transparent scrutiny of spend, and will undertake an exercise to understand reasons for expenditure in the fourth quarter.	
16	The Minister for Treasury and Resources must ensure that growth expenditure is only released when the prescribed savings targets contained within the MTFP 2016 – 2019 have been achieved, regardless of any additional income raised. Additional income is not a substitute for achieving the approved savings.	T&R	Accept	The Council of Ministers welcomes the opportunity to confirm what has previously been said, that future decisions on growth expenditure remain with the States for the period 2017 – 2019. No detailed expenditure allocations for these years will be agreed until the States debate the MTFP addition next year. Furthermore, the Council of Ministers has been explicitly clear that any proposals for the allocation of growth will only be made if delivery of savings targets can be demonstrated. This is a fundamental component of the Plan and part of the flexibility within the total expenditure limits. The Council of Ministers has also been very clear that its principle is to demonstrate delivery of savings targets before proposals for income-raising measures and user pays are phased in during the later years of the MTFP.	June 2016

MINISTER'S CONCLUSION

The Panel's recommendations will assist the Council of Ministers in moving forward in line with their policies and the approved MTFP 2016 – 2019, and in developing the MTFP addition by June 2016.