STATES OF JERSEY

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STRATEGIC PLAN 2006 TO 2011 (P.40/2006): THIRTEENTH AMENDMENTS (P.40/2006. AMD.(13))– COMMENTS

Presented to the States on 19th June 2006
by the Council of Ministers

STATES GREFFE

COMMENTS

Amendment (1)

The Council of Ministers broadly accepts the Deputy's amendments in (1), subject to the variations proposed in the Council of Ministers subsequent amendment to part (1)(a),

Amendment (2)

The effect of this amendment is to prevent the Council of Ministers, Ministers or individual States Members from proposing any new initiatives that were not included in the preceding year's Annual Business Plan.

At a stroke, this proposal would stop the Council of Ministers from delivering its Vision as set out in the Strategic Plan, whether or not altered by tabled amendments. In addition, the States would not be able to respond to changing demands and pressures both domestically and internationally.

Assuming the increase in net revenue expenditure from 2010 to 2011 is limited to 2.5%, the amendment, as worded, seeks to reduce the funding available to deliver the Strategic Plan by £101 million. A major reason fo the reduction resulting from this amendment is that table 4.1 in the 2006/2010 Business Plan did not include an provision for the transfer of funding for Parish welfare and residential care from the Parishes to the States. As shown in the Strategic Plan resources statement, this totals £50 million over the period 2007 to 2011. Th remaining reduction reflects the Council of Ministers proposal to deliver £20 million cash efficiency savings bu reinvest them in services and the use of the Dwelling House Loan Fund.

This reduction in funding would require either –

- tax increases,
- service reductions,
- or a mixture of the two.
- (The option of running ongoing deficits is unsustainable.)

This strikes at the heart of the Plan. The Council of Ministers' plan is based upon maintaining Jersey's position of pre-eminence in the world. We believe that in the face of growing International competition we have to maintain and improve our services and our investment in social, environmental and economic initiatives. We are committed to driving out waste, improving efficiency and improving services, but when judged against other similar governments our performance shows that there is limited scope for delivering further major efficiency savings over the £20 million to which we have committed.

The Council of Ministers believes that it is time for the States to decide whether it agrees with our vision of protecting what makes Jersey special and putting right those problems of which we are all aware, or whether we are willing to accept the gradual levelling down to average standards for a developed economy that would result from continued service and cost-cutting.

The Council of Ministers has presented a very cautious resource forecast in the plan. It shows that the States Income and expenditure are in balance over the period of the plan. The Council believes it is likely that financial performance will exceed the estimates and has committed itself to ensuring that by the end of the period there is no structural deficit. Thus there is no justification for further reductions in the level of resources that will be available to deliver the States programmes.

The Council of Ministers believes that this amendment will result in cuts to services and/or raising taxes. **Neither of these is acceptable and the Council of Ministers asks the States to reject the amendment.**

Analysis of the effect of the Amendment

The amendment would restrict the resources available over the plan period and would result in a potential reduction of £101 million in the resources available to deliver the Plan. The strategic plan put forward by the Council of Ministers is based on using the resources available to invest in services, benefits or infrastructure. The Council considers that this is a realistic use of resources and that it is sensible to reinvest savings and the DHLF over the period in order to promote continuing success.

The resource statement shows that the plan is in balance over the period of the plan and the Council of Ministers is committed to ensuring that there is no structural deficit at the end of the period.

The Council of Ministers is committed to achieving all possible efficiencies, but considers that a potential reduction of £101 million cannot be made good by further efficiency savings. Therefore to ensure that a balanced budget position can be maintained over the next 5 years the States will either have to significantly increase taxation or make reductions in services.

It is worth noting that the efficiencies will result in real cash savings which will be utilised to fund increased spending on high priorities identified in the plan.

The efficiencies will release £20 million by 2009 from the following areas–

Human resource management	£0.7m
Finance functions	£1.1m
Information technology functions	£0.9m
Corporate procurement	£1.9m
Property	£5.5m
Cross departmental and other initiatives	£1.2m
Departmental efficiencies	£8.7m

The highest priorities for increased spending are –

- healthcare;
- rising costs of welfare and introduction of the low income support scheme;
- investment in economic growth;
- vocational training;
- refurbishment of social rented housing;
- road maintenance; and
- bringing the Teachers' pension scheme into balance.

Efficiencies

Improvements in efficiency result in delivering the same or an improved level and standard of performance at a reduced cost.

The Council of Ministers is determined to deliver the already challenging programme of efficiencies built into the Strategic Plan financial forecast. It will therefore deliver the cash efficiency savings of £20 million and will endeavour to improve on this if possible. However it considers that applying significantly higher efficiency targets to address the savings required by this amendment would be unachievable and result in a degrading of services.

- This position is supported by the Benchmarking Report, published in 2004, which showed that the States' services in general perform well when compared with other jurisdictions:

- The report contained 119 "green traffic lights" (indicating they are in the highest quartile of their comparators) and only 20 "red traffic lights" (i.e. in the lowest quartile).

- The report also showed that the size of the States workforce as a percentage of the working population was lower than Guernsey, the Isle of Man and Gibraltar.

- Whilst the cost of services compared to the U.K. was higher in some instances usually accompanied by higher service standards (e.g. cost per pupil, police costs per head of population), in others it was lower (cost per prisoner care, cost per police officer, cost of cleaning roads and footpaths, cost per planning application).

- The report also showed that total cost of the public service per head of population, whilst being higher than Guernsey or Bermuda, was lower than the Cayman Islands, Gibraltar and the Isle of Man. This mainly resulted from higher employment costs which reflected the pay rates across the economy.

Since the report the Change Programme has ensured that efficiency savings of £20 million per annum will be delivered by 2009. Departments are indicating that there is very little scope for further efficiencies without serious impacts on service levels and customers.

Tax Increases

The States have agreed a Fiscal Strategy, including a comprehensive restructuring of the Island's taxation system. The Strategy is being implemented. To introduce the sort of modifications required to deliver additional income to replace that withdrawn by this amendment at such a late stage is inconceivable.

Services Reductions

If the proposed reduction in resources is to be made good the States would need to reduce the Council of Ministers proposal as set out in the Resources Statement by a potential £101 million over the next 5 years.

Such reductions could be either revenue or capital expenditure. The capital programme has already been severely constrained in previous years and there is no expectation of an easing of that approach. Therefore it is almost certain that the proposed increase in capital spending of £3 million a year from 2008 to fund refurbishment of States Housing, the roads and the Town Park would have to be deleted.

This would not be sufficient to meet the reduced resources available and therefore the States would need to consider serious service reductions of a scale that has not been seen before in Jersey. Whilst it may be easy to suggest that there are high levels of bureaucracy that could be cut the comparative figures do not support that, so there would have to be cuts in direct service delivery.

After deleting the increased spending on capital the ongoing cost of services would have to be reduced by some £18 million per annum, should the receipts from the Island Rate of £10 million per annum not be applied. This could not be achieved without diminishing Income Support benefits and standards in services across the board.

Summary

The Council of Ministers strongly rejects this amendment. The financial forecast on which the Strategic Plan is based is a robust, workable and sustainable platform for delivering high quality public services over the next five years. The amendment, if approved, would see a reduction in the level of services that is consider to be wholly unacceptable.

It would also mean that the States would not be able to bring forward new proposals and would not be able to respond to changing demands and pressures both domestically and internationally.

The Council of Ministers strongly rejects this amendment.

Amendment (3)

(3)(a)

The Council of Ministers accepts that additional indicators be incorporated for the issues raised by the Deputy. Appropriate measures will be developed and incorporated into the performance framework.

(3)(c)

The Council of Ministers accepts the Deputy's amendments. It is worth noting that the proposed new action 6.1.4 –

> 'Ensure that any new policies will be financed within existing resources unless otherwise agreed by the States Assembly in the Annual Business Plan; (CM)'

permits the States to vary previously agreed resources to finance new policies through the Annual Business Plan process.

Amendment (4)

The Council of Ministers wholeheartedly endorses this amendment, which it considers is an implicit requirement of good government.