

STATES OF JERSEY



ANNUAL BUSINESS PLAN 2008 (P.93/2007): AMENDMENT (P.93/2007 AMD.)– AMENDMENT

**Lodged au Greffe on 24th August 2007
by the Minister for Treasury and Resources**

STATES GREFFE

ANNUAL BUSINESS PLAN 2008 (P.93/2007): AMENDMENT (P.93/2007 AMD.)– AMENDMENT

In paragraph (b) of the Amendment after the words “after they reach their third birthday” insert the words “, this increase to be funded by an equivalent pro rata reduction in the net revenue expenditure of all States Funded Bodies for 2008”.

MINISTER FOR TREASURY AND RESOURCES

REPORT

Purpose

The Minister for Treasury and Resources opposes paragraph (a) of the amendment of the Minister for Education Sport and Culture in the strongest terms. Senator Vibert's amendment seeks to increase the Council of Ministers' proposed spending limits in 2008 by £600,000, but increasing to £1,519,000 in 2009 and similar amounts in future years.

The States' Fiscal Strategy identified a commitment to control States spending in return for the approval of new tax measures. The Strategic Plan identifies a commitment to States' income and expenditure being in balance over the economic cycle, and indeed the Council of Ministers' 2008 Business Plan has proposed balanced budgets over the 5 year planning cycle. This amendment proposes a recurring spending increase of £1.5 million p.a. This would increase the demand on tax revenues by £1.5 million for not just one year but to be maintained each and every year. This would increase spending by well in excess of £6 million over the 5 year cycle, which would actually mean that budgets were no longer balanced. The amendment suggests that the spending increase can be met from improved tax receipts. Those increases in tax receipts are already included in the forecasts as part of the assumptions for economic growth – tax increases within the Fiscal Strategy are needed to address the indicative deficits from 2010 resulting from the move to 0/10.

The Minister therefore urges members to reject paragraph (a) of the amendment of the Minister for Education Sport and Culture during the debate.

If members are nevertheless minded to support an increase in funding in 2008 for Education, Sport and Culture for nursery education by accepting paragraph (a) of the amendment, the Minister will urge members to vote for this amendment to paragraph (b) of Senator Vibert's amendment. This amendment proposes that a pro rata reduction in all States Funded Bodies for 2008 is introduced into paragraph (b) of Senator Vibert's amendment. In this way the total States net expenditure in 2008 will not increase above the level proposed by the Council of Ministers of £559,654,400.

The effect of a pro rata reduction of £600,000 on all States Funded bodies is shown below.

Net Revenue Income and Expenditure 2008

DEPARTMENT	Pro Rata reduction in States Funded Bodies £
Chief Minister	(16,100)
Economic Development	(17,500)
Education, Sport and Culture	(104,900)
Health and Social Services	(161,700)
Home Affairs	(46,900)
Housing	(24,000)
Planning and Environment	(6,600)
Social Security	(149,600)
Transport and Technical Services	(23,900)
Treasury and Resources	(18,400)
<u>Non Ministerial States Funded Bodies</u>	
- Bailiff's Chamber	(1,300)
- Law Officers' Department	(5,800)
- Judicial Greffe	(4,200)
- Viscount's Department	(1,500)
- Official Analyst	(600)
- Office of the Lieutenant Governor	(800)
- Dean of Jersey	0
- Data Protection Commission	(200)
- Probation	(1,600)
- Comptroller and Auditor General	(800)
States Assembly	(5,600)
Grant to the Overseas Aid Commission	(8,000)
	(600,000)

It is appreciated that all Departments have struggled to manage within the tight budgets already set and agreed by them, and that a further reduction will be an even greater burden. However, the States has to accept some responsibility for restricting the overall growth of public expenditure, and the level of growth reluctantly put forward and agreed by the Council of Ministers should not be increased, however worthy the principle. Rather, if expenditure on pre-school education is regarded as such a high priority, some other expenditure needs to be cut. At this stage it is not feasible to try to ascertain the 'least needy' areas of expenditure, and accordingly a pro-rata reduction across the board is proposed in this amendment.

Whilst an alternative, and 'softer' solution, might have been for the whole reduction to fall upon the Overseas Aid budget, which has increased by over £1 million for 2008, this would be contrary to the funding formula already agreed by the States. A further alternative could be to require Education, Sport and Culture to fund this within their existing budget.

In conclusion, the wisest course of action must surely be to reject the amendment of Senator Vibert and to retain the current levels of expenditure shown in the Business Plan.