

STATES OF JERSEY



DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): FOURTEENTH AMENDMENT (P.14/2011 Amd.) – ADDENDUM

**Presented to the States on 14th September 2011
by the Deputy of St. Mary**

STATES GREFFE

ADDENDUM

ITEM 1 – JERSEY GENERAL HOSPITAL

JEP of August 2nd 2011.

The main front page headline read “HOSPITAL IN URGENT NEED OF UPGRADE”

The text read (in part)

“The building has a lack of fire evacuation procedures, raw sewage leaks, a maternity unit with facilities behind those of a developing country, and practices still in place which were stopped in the NHS over 20 years ago.”

.....

“The system is so poor that raw sewage leaks out into the Hospital every couple of weeks,” he (the Hospital Director) said.

ITEM 2 - JERSEY GENERAL HOSPITAL – JEP comment

JEP editorial, August 3rd

“Particularly disturbing is the hospital sewage system’s inability to cope, to the extent that there are leaks of raw effluent every couple of weeks. Anything more inappropriate and, frankly, appalling in an environment where cleanliness is a paramount concern is hard to imagine.

If we have grown accustomed to the idea that our health facilities put those of the much-maligned UK National Health Service in the shade, it is time to reassess our beliefs.

It is also time to ask questions about how the hospital has been allowed to slip into such serious decline. At present, cash is in short supply, but the problems that have now been identified have not emerged over a few weeks, months or even years.

It is reasonably clear that they have developed over a very lengthy period – including times when funds were readily available – as a result of a chronic lack of investment and, perhaps, complacent attitudes at both the political and executive level”¹

¹ Read more: <http://www.thisisjersey.com/2011/08/03/major-surgery-required/#ixzz1XjQ4ruVw>

ITEM 3 – CLINIQUE PINEL

Press Release re Clinique Pinel

Clinique Pinel provides assessment and treatment units for people over the age of 65 who suffer from mental illnesses, but the current facilities are not considered to be fit for purpose. The design of the building is not conducive to modern mental health care standards and there are limited bathing facilities with no showers and small, dormitory-style bedrooms.

“I (i.e. Senator Ozouf) recently visited Clinique Pinel and it was apparent from my visit that this work cannot be delayed and is absolutely essential in order to bring conditions for residents up to a minimum acceptable standard.”

The Minister for Health and Social Services, Deputy Pryke, said: “This funding will be used to meet the cost of a capital project that has been outstanding for a number of years.”

ITEM 4 – CLINIQUE PINEL – written question

1240/5(6531)

**WRITTEN QUESTION TO THE MINISTER FOR HEALTH AND SOCIAL SERVICES
BY THE DEPUTY OF ST. MARY
ANSWER TO BE TABLED ON MONDAY 12th SEPTEMBER 2011**

Question

In order to provide members with the background to the request for additional funding for Clinique Pinel in the draft Annual Business Plan 2012 and in Amendment (10) to the Plan, would the Minister give members a brief complete year-by-year timeline of reports, assessments and evaluations of Clinique Pinel since its construction, together with a list of funding bids, to which bodies these bids were made, and how they were dealt with?

Would the Minister please give precise references to any documents or bids and state whether members can access them and, if so, where?

Can the Minister confirm whether the head of mental health services stated, in August 2009 when economic stimulus money was allocated for improving conditions for elderly dementia patients, that the state of the facilities was not affecting the level of care?

Answer

1998 – Health & Social Services Committee considered a report dated 24th November 1997 requesting planning votes for a number of projects including Clinique Pinel refurbishment. This was approved 7th January 1998 – Advanced planning votes 38/1/3/12(31)

1998 – Health & Social Services Committee approve report and proposition for £859,000 Capital project for Clinique Pinel upgrade on 16th November 1998. This was lodged “au Greffe” with the States and subsequently approved.

2000 – Building contract subsequently awarded and signed 1st August 2000 and works carried out and completed by June 2001 (Work consisted of internal alterations/redecorating, replacement of windows and roof covering plus new insulated cladding to external walls of building.)

2000 – Strategic brief produced for expansion of Clinique Pinel approved by Health & Social Services Committee requesting feasibility funding of £20,000 to produce bid for capital funding for 2005. Scope of work to be extension to provide space for 20 additional patients and refurbishment of existing building not upgraded in 2000 project.

2004 – Health & Social Services Committee make request to Finance & Economics Committee for funding in 2009 Capital Programme (Request approved by H&SS Committee in its Act No. A12 dated 4th February 2004.)

Scope of proposed project “An extension to Clinique Pinel at St. Saviour’s Hospital site to cater for the projected demographic increase in elderly mental health patients. The extension will provide an additional 22 beds with all necessary washing, toilet and lounge facilities. The existing kitchen will also be upgraded.” Estimated total cost of project £3,630,000.

2005 – 2009 States of Jersey Resource Plan (page 22) included the Clinique Pinel Extension to take place in 2009 with an allocated sum of £4,556,000.

2006 – 2010 States of Jersey Business Plan (page 32) H&SS committee deferred the Rosewood House and Clinique Pinel Projects beyond 2010 for other H&SS projects following a fundamental review of H&SS capital requirements.

2007 – Survey carried out to identify potential legionella risks. Tender for remedial works issued August 2007 and works completed March 2009 (Approx value £30,000)

2008 – Infection control report September 2008 identified risks due to flooring, bathroom tiling, fixtures and fittings.

2009 – Present Minister for Health and Social Services invited the Minister of Treasury and Resources to visit St. Saviour's Hospital in July 2009 and requests that proposal be put forward for refurbishment of Rosewood House and Clinique Pinel as a fiscal stimulus project

Scope of works produced and fiscal stimulus project for Rosewood House agreed and this work is currently in progress (included in this project was use of McKinstry ward at Overdale Hospital as a patient decant area).

Clinique Pinel refurbishment became ineligible for fiscal stimulus funding as the work could not be commenced until late 2011/early 2012 due to the need to use McKinstry ward as a decant ward. McKinstry was not available due to work on Rosewood House.

2011 – Capital bid for essential safety works only made by Health & Social Services Department on 23rd March 2011. Bid for work to be carried out in Clinique Pinel during 2012 includes:

- Improved fire safety by installing sprinklers, fire doors, and improved fire escape stairs at both ends of the building.
- Improved infection control by replacing ceilings and flooring throughout the building to comply with infection control standards.
- Increase the number of bathrooms and shower facilities as currently each of the wards only have one bathroom and no showers for their patient group.

Members may approach the Service Manager for Older People who will be able to arrange for them to view the above documents.

In 2009 the Directorate Manager of Mental Health stated that “although the care offered at the wards (Beech and Cedar) is of a high standard, the building needs work”. He went on to say “we are able to provide good nursing care within a safe environment, however the environment does not provide the best possible standards that we should be striving for. Patients are not at risk here at this moment in time.”

ITEM 5 – THE PRISON - HMIP REPORT EXTRACTS

Last Inspection by Her Majesty's Inspectorate of Prisons, July 2005

Anne Owers September 2005
HM Chief Inspector of Prisons

(my emphasis throughout)

“La Moye prison needs to fulfil the functions of an entire prison system. As the only prison in Jersey, it holds men, women and children charged or convicted across a wide range of criminal offences.

“This inspection found some serious deficits in the processes and procedures needed to support that varied group of prisoners. Few of the recommendations in our previous report in 2001 had been actioned four years later. As a consequence, the safety and security of prisoners and staff, and the likelihood of prisoners’ rehabilitation, were compromised. However, we also found examples of extremely good relationships between prisoners and staff, some of whom went out of their way to try to make good some of the systemic deficiencies.

“Safety and security are key issues for prisons. **La Moye lacked proper first night or induction procedures, and a large proportion of men and women felt unsafe on their first night. Prisoners told us that bullying was a serious problem, yet there were no systems to deal with it, other than to remove victims to a succession of separate areas, including an unstaffed and unsupervised unit which was little more than a collection of cupboards. This was used as an escape route from the vulnerable prisoners’ unit, which was itself a location for bullying. Staff supervision of prisoners in some areas was poor, and there was no proper monitoring of incidents, assaults and complaints.** Suicide and self-harm procedures were in place, though they relied too much on healthcare staff, and there was inappropriate use of strip-conditions for those at risk of self-harm.

“Systems to support physical security were also weak. **Potential weapons and escape equipment were lying around the prison. Night security was of particular concern, with unlocking procedures that placed both staff and prisoners at risk. Crucially, the prison had no reliable prisoner database. As a result, it was unable to assess prisoners’ needs or seek to meet them.** This was a particular issue in relation to black and minority ethnic and foreign national prisoners. La Moye held a number of Madeiran Portuguese-speaking prisoners, nearly all of whom were located on the vulnerable prisoners’ unit. There were no race relations or foreign national policies or procedures: indeed the resignation of the race relations liaison officer two years previously had not even been noted by the prison until our pre-inspection visit. Although many black and minority ethnic prisoners reported good relationships with staff, a quarter of young adults said they had been victimised by other prisoners because of their race.

“Most living units lacked integral sanitation, and some prisoners needed to slop out in the mornings. However, we were impressed, in most areas of the prison, by the proactive relationships between staff and prisoners: most prisoners told us they knew their personal officer, and had a member of staff to whom they could turn. Healthcare was also well delivered, though there was need for better mental health provision.

Food was better than we normally see.

“Prisoners were rarely locked in their cells. However, there was not enough for them to do. **There was very little by way of education or training, to try to provide prisoners with the skills they might need to gain employment on release, and to reduce the likelihood of reoffending. Education amounted to 25 hours of one teacher’s time; there was little full-time employment, and what there was was mundane or domestic.** This meant that prisoners entering La Moye were likely to leave without experiencing the positive interventions that might make it less likely that they would reoffend. Nor had the prison yet addressed prisoners’ resettlement needs. **There were no policies, little sentence planning and very little, other than limited drug rehabilitation, to help prisoners address their offending behaviour, or prepare them for release.** Very few prisoners, compared to other prisons we have inspected, knew where to get help in finding housing, employment or other support.

“The prison held two discrete populations: women and children. **The physical environment for the women was poor, and the work opportunities limited. Access to sanitation was unsatisfactory, and until the week of the inspection there had been no proper reception procedures for them. They were effectively out of the line of sight of prison managers. Their accommodation and opportunities needed urgently to be improved.**

“**We did not consider La Moye to be an appropriate place to hold children. Very little education was available, and child protection arrangements and staff training were inadequate. No risk or vulnerability assessments of children were carried out.** La Moye is a complex establishment, with a diverse mix of prisoners. It has had to increase its capacity over the last five years, as more men and women have been sentenced to prison, and for longer periods. One of our main recommendations is that its complexity is reduced, by holding all juveniles separately, in the purpose-built unit now being constructed on Jersey. Having done that, there is an urgent need to put in place some of the infrastructure and resources that the prison needs to carry out its core task.

“Both prison managers and those responsible for custodial provision in Jersey are aware of the need to tackle the underlying issues at La Moye, in order to ensure that the prison plays an effective part in crime reduction and public protection. Their task will be to retain the positives in the prison – particularly its good staff–prisoner relationships – while putting in place the systems and procedures that can ensure safety and help reduce reoffending. This needs to be done as a planned package, so that strengthened processes run hand in hand with increased opportunities for prisoners. Our second main recommendation, therefore, is that a performance improvement plan, including time-bound targets and costings, should be agreed between the prison and the Home Affairs Committee. We hope that this report, and our recommendations, will assist in that process.”

Anne Owers September 2005
HM Chief Inspector of Prisons

ITEM 5A – THE PRISON – REACTION OF THE STATES

from the 2006 Financial Report and Accounts,

page iv

“Expenditure in the year included £4.3 million on Phase 1a of the Le Squez housing redevelopment; £3.9 million on the Day Surgery Unit at the General Hospital; **£3.7 million on the new Prison Cell Block** (*my emphasis*) and £3.3 million each on St Clements and Les Chene Schools.”

NB the total vote for this project at the Prison was £6.9 million

Page 27

Prison

“Although the prison was underspent against the budget in 2006, this gives a misleading picture of its true financial position. Uncertainty surrounding the budget for future years led to the inability to recruit to vacancies of key staff which was the main reason for the underspend. The underlying budget remains inadequate and considerable work has been undertaken to identify how the shortfall can be met in the future.”

Page 30

“Following the HMI inspection of the Prison in 2005 a Performance Improvement Plan (PIP) has been developed using the detailed recommendations in the report and setting priorities and timed targets for action. The key elements of the PIP have been accepted by the Council of Ministers **leading to an increase in funding for 2007 and future years**. Providing this increase in budget is matched with the ability to recruit the necessary staff, **the overall performance of the prison should reach acceptable international standards in the coming years**. Notwithstanding these difficulties, the prison has successfully opened a new accommodation block for up to 62 additional prisoners and a new kitchen with training facilities.”

ITEM 6 – STAFFING ISSUES AT PROBATION

***From: JERSEY PROBATION AND AFTER-CARE SERVICE
Annual Report for 2010 and Business Plan 2011***

“The enactment of the Sex Offenders (Jersey) Law in January 2011 is another development which will give the Probation Service yet further administrative and management problems to be addressed and will place even more strain on already stretched services.

“Whilst some new resources have been made available, the Comprehensive Spending Review is having, and will continue to have, a heavy impact on the efficiency and innovation that has been the hallmark of the service. As a result of its competences, even greater workloads are taken on by a dedicated team who already work beyond reasonable limits. Whilst it is fair to say that there is now a better political understanding of the wide range of work that the Probation Service does and its value to the community, that does not detract from the difficulty of motivating and retaining staff in an atmosphere of financial uncertainty.”

ITEM 7 – STAFFING ISSUES AT ENVIRONMENT

From Submissions by Environmental protection, Planning And Environment Department to the Environment Scrutiny Panel Review into Protecting Our Marine Environment

Section headed: Resources of Environmental Protection

“Executive summary

- The budget and manpower of Environmental Protection is stretched.
- Environmental Protection frequently reviews and prioritises activity to account for incoming work and to provide the best level of protection possible for the environment.
- Any further activities placed on the section will require further workload rationalisation.
- The high work load is a constraint on officers updating themselves on best practise elsewhere and maintaining Continuing Professional Development (CPD) qualifications for chartered status.
- Despite these constraints Environmental Protection achieves and promotes a high level of environmental protection in the Island.

“Manpower and budget resources in Environmental Protection are extremely stretched - they have not increased over recent years and have not benefited from a recent assessment of the resources, given the expansion of the remit.

“Funding for the recent additional initiatives undertaken by Environmental Protection to safeguard the environment, such as the Diffuse Pollution Pilot Project, the profiling of bathing water catchments and administering complex discharge permits has had to be delivered using existing resources.

“To tackle this, Environmental Protection::

- i. review expenditure and priority areas
- ii. review and rationalise activities (for example monitoring programs) to ensure that value for money is attained
- iii. utilise States of Jersey internship student to undertake required projects
- iv. look for lower cost solutions, such as involving and mobilising the industry (for example oil distributors and plumbers, farmers)
- v. prioritise resources toward longer term objective of education around pollution prevention.

.....

“Constraints

The budget for Environmental Protection is presently fully accounted for and needs to be closely monitored to prevent potential overspends. Any additional work would require additional funding or existing activities to be stopped.

Only one officer is available to administer the Waste Management (Jersey) Law 2005. The work and remit is extensive and necessitates issuing waste management licenses in order to derive the license income. The under resourcing in the is area has led to a reduced forecast in income leading to budget reallocation from other expenditure lines within Environmental Protection.

Current workloads are preventing officers from keeping abreast of developments elsewhere and indeed CPD requirements to maintain Chartered status (as required by the job description). This is particularly the case as officers are required to work at professional levels in all of the Environmental Protection areas (unlike the UK Environmental Agency where officers specialise in one area). Environmental Protection have tried to counter these problems by officers spending time at the Environmental Agency. This has heightened information exchange and enabled Environmental Protection to maintain best practise.

The duty rota puts additional unscheduled pressure on daily workloads of officers, who may be required to attend pollution incidents at short notice, at any time.”

ITEM 8 – JERSEY ARCHIVE

R59/2011

REPORT OF THE JERSEY HERITAGE TRUST AND THE STATES ARCHIVIST DURING 2010

“The Jersey Archive currently holds over 300,000 public records, 65% of which are fully catalogued and accessible for members of the public to research. The remaining 35% are waiting to be catalogued before they can be made available to the public. With current staffing levels, this represents a 25.3 year cataloguing backlog, an increase of 3.4 years on the backlog of 2009.” *(my emphasis)*

ITEM 9 – TOURISM DEVELOPMENT FUND

R53/2011 Tourism Development Fund Annual Report 2010, page 3

.....

“In December 2001 the States of Jersey agreed in principle that the sum of £10 million be set aside over the following 5 years for a new Tourism Development Fund set up to replace the old Tourism Investment Fund.

The aim of the Fund is to stimulate investment in the tourism product and tourism infrastructure in order to improve Jersey’s competitiveness and to sustain a flourishing tourism industry as a valuable contributor to the economy and the social fabric of the Island.

In 2003, £1,200,000 was transferred to the Fund. In 2004 and 2005, no funds were transferred and in 2006, £1,000,000 was transferred to the Fund. The Panel members remain concerned that to date so little of the agreed £10,000,000 has been provided to the Fund.”

ITEM 9 – GROWTH IN STATES SPENDING – CAG

From: States' Expenditure Forecasts: Further evidence submitted by the Comptroller Auditor General to the Finance Sub-Panel of the Corporate Services Scrutiny Panel, February 2010

Actual spending growth

8. Although the rate of growth in spending² has varied over the past ten years, in recent years, it has exceeded 6% per annum.

<i>Year of account</i>	<i>Actual</i>	<i>Annual increase %</i>
2001	417	
2002	410	-1.68
2003	443	8.05
2004	460	3.84
2005	484	5.22
2006	504	4.13
2007	522	3.57
2008	562 **	7.66
2009	598 *	6.41

* *Estimated*
** *Excludes £103 million Energy from Waste plant*

² In this paper, figures for spending reflect 'Total Spending' by the States which includes both Net Revenue Expenditure (i.e. current expenditure) and the Capital Expenditure Allocation (i.e. capital expenditure). This is the figure that was forecast by the States in the 2010 Budget Report.

ITEM 10 – GROWTH IN STATES SPENDING – Corporate Services Scrutiny panel

In their report to Amendment 9 to the ABP 2011, lodged on 27th August 2010 (P99/2010) the Corporate Services Scrutiny panel use the CAG's "facts" as reproduced below:

Over recent years there has been considerable public disquiet about the increase in States' spending, a perception of considerable wastage and a growing appetite for a determined attempt to bring this under control. The report of the Comptroller and Auditor General – "States Expenditure Forecasts: updated evidence submitted by the Comptroller and Auditor General to the Finance Sub-Panel of the Corporate Services Scrutiny Panel – December 2009" in February 2010 (page 7) includes the table below outlining the growth in actual spend since 2001. The table illustrates that the rise in spending since 2001 has been significant. It must be brought under control.

<i>Year of account</i>	<i>Actual</i>	<i>Annual increase %</i>
2001	417	
2002	410	-1.68
2003	443	8.05
2004	460	3.84
2005	484	5.22
2006	504	4.13
2007	522	3.57
2008	562**	7.66
2009	598*	6.41

* *Estimated*
** *Excludes £103 million Energy from Waste plant*

ITEM 11 – GROWTH IN STATES SPENDING – PAC

From Chairman's Foreword, States Spending Review, PAC2/2010

"In fact, a previous Fundamental Spending Review, undertaken in 2004 to a fanfare of 'we will cut spending' was in some respects an abject failure. Expenditure increased significantly in the following years, despite the rhetoric."

ITEM 12– GROWTH IN STATES SPENDING – the “Small Society” group

From “The BIG solution for a Small Society” by the Small Society group, page 5, opening words:

Executive Summary

During the last 10 years, the States of Jersey’s net revenue expenditure¹ has increased by almost 75% (£324 million in 2000 to £565 million² in 2009), and today our government is spending more than ever before.

ITEM 13 – GROWTH IN STATES SPENDING – “Small Society” group member

From letter sent to all States members, September 2010 by a member of Small Society, acting in his private capacity:

“The effect has been that States spending has doubled in ten years, far outstripping inflation . . . ”

ITEM 14 – GROWTH IN STATES SPENDING – Senator Ozouf

Extract from Hansard, March 9th 2010

Oral Questions without notice, Minister for T&R

“No, I am afraid the Deputy is wrong and I would ask him to review the documents already in the public domain in relation to the Business Plan and Budget where there is a structural deficit which is expected on the latest information that we have from income which is going to be recurring. That is a function of the fact that States spending has risen above that of which the income ... **States spending has risen by 30 per cent over the last 5 years, 6.7 per cent in 2009, a further 6 per cent in 2010**” (*my emphasis*)

ITEM 15 – THE TRUTH ABOUT STATES SPENDING

Chart showing States income and expenditure between 1998 and 2010 in real terms – is at the back of the Addendum, as it is printed in colour

ITEM 15A – THE TRUTH ABOUT STATES SPENDING

Written Question to Senator Ozouf about his claim in the States that “States spending has risen by 30 per cent”

1240/5(5310)

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY THE DEPUTY OF ST. MARY
ANSWER TO BE TABLED ON TUESDAY 20th APRIL 2010

Question

“In the interests of helping members understand better the trends in public expenditure over the recent past, will the Minister give members a complete and accurate breakdown of the oft-referred to “30% increase in public expenditure over the last 5 years” to show members and the public exactly what the increase is due to, including, but not restricted to, such factors as inflation and increases in pay, the Historic Child Abuse Inquiry, the flu pandemic and Williamson, and will he undertake to publicise this breakdown with the same prominence that he has given to the 30% increase claim?”

Answer

The increase in public expenditure over the last 5 years is broken down as follows:

£m	%	
42	10%	Pay awards as allocated in the Annual Business Plans
18	4%	Non-Pay inflation as allocated in the Annual Business Plans
42	10% ¹	Increases in the Social Security service provision made up of: <ul style="list-style-type: none">• • £10.8m transfer of Parish welfare to Social Security• • £6.8m protection against GST• • £8.2m uprating of benefits• • £1.5m growth in residential care• • £5.6m increase in cost of supplementation• • £6.7m transitional relief• • £2.4m economic downturn funding of Social Security
18	4% ¹	Annual Business Plan allocations made up of: <ul style="list-style-type: none">• • £9.5m Health and Social Services growth• • £0.5m Privileges and Procedures growth• • £1.8m Education demographic growth and social inclusion costs• • £2m Overseas aid• • £3.2m Home Affairs growth• • £1m Housing rent rebate growth

4	1% ¹	Other service changes agreed in the Annual Business Plans, principally as a result of the Fundamental Spending Review and Strategic Plan funding, net of efficiency savings
13	3%	Transfer of capital budgets to revenue budgets
1.4	0.3%	Pandemic Flu costs ²
4.2	1%	HCAE costs (2009) ²
1.4	0.3%	Economic Stimulus funding ²
2.6	0.6%	Cessation of the Reciprocal Health Agreement ²
0.3	0.1%	Williamson report implementation ²
146.9	34.3%	

¹ 15% of the increase is due to changes in services.

² Additional one-off costs incurred in 2009 are included in the total increase. One-off costs in prior year do not contribute to the overall rise between 2004 and 2009.

This breakdown shows that the primary cause of increases in costs over the last five years is changes to services agreed by the Assembly in the Annual Business Plan (15% of the 34%). This is coupled with the fact that no contingencies are allocated, resulting in one-off expenditure of £12 million in 2009 alone. These increases in costs are unsustainable and I am committed to find a way to reduce the overall budget and introduce an allowance for contingencies, as part of the Comprehensive Spending Review which is currently in progress.

Notes on the analysis provided

1. 1. The breakdown above is compiled principally from the Annual Business Plans for the years from 2004 to 2009. The actual expenditure for each line item may vary from the numbers outlined above due to issues such as timing differences between planned and actual spend. To review the previous 5 years to identify any variances would be extremely time consuming and would require involvement from departments. The above provides a breakdown that was achievable in the limited time available. Nonetheless the analysis does provide a clear and accurate assessment of how the significant increase in public spending over the past five years has been allocated.
2. 2. The pay award increase for the period as allocated in the Annual Business Plans (and adjusting for the pay freeze in 2009) was £42 million. The increase in actual pay over the period was approximately £70 million. The difference is due to a number of issues such as changes in service provision (meaning that some additional staff costs are incurred in years over and above the annual pay award) and incremental increases in pay due to promotions over and above the pay award. Departments have consistently delivered their services at or below the budget set in the Annual Business Plan.
3. 3. £13 million of the additional costs relates to transfers between capital and revenue expenditure. This means the costs are now recorded in revenue, as dictated by the appropriate accounting standards but the budget was originally allocated in capital so there has been a commensurate reduction in the cost of capital projects.

ITEMS 16 & 17 – LARGE GOVERNMENT = WEAK ECONOMY?

From “The BIG solution” by the Small Society group, page 4

“THE AIM: We urgently want to instil an awareness that the time has come to reconsider the size and nature of the public sector in Jersey. **Our Island can no longer support continued growth in government spending and at the same time remain competitive and successful. If the economy is jeopardised** *(my emphasis)* the security and benefits we all enjoy will be lost.”

This is another myth, a bit less often trumpeted as the one that says that States spending is “out of control,” but nonetheless it underlies the thinking of our ruling group. If we spend too much on public goods and services, then the economy will suffer, and if the economy suffers, then we all suffer, so runs the argument. But is it true?

If it were true, then economies which spend more of their wealth on public goods and services would fare worse economically than low-spend jurisdictions like Jersey.

This is counter-intuitive. Germany is no pauper country, neither is France, neither are the Scandinavian countries, all have government spending higher than we do.

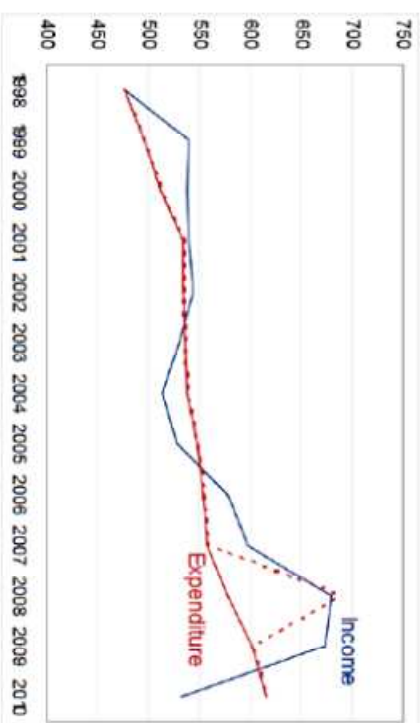
So here are the facts, from as good sources as I can find
(Please see the relevant charts at the back of the Addendum, as they are printed in colour)

ITEM 18 – THE AMENDMENT IN FIGURES

	£
NET REVENUE DEPARTMENT	
1 ALLOCATION 2012	655,920,000
2 ADD INFLATION AT 2.5%	1.025
3 = (1x2)	672,318,000
4 PROPOSED BY COM in ABP FOR 2013	657,516,200
5 so increase proposed by COM (4 less 1)	1,596,200
additional increase proposed by	
6 Amendment 14	14,801,800

ITEM 15 – GROWTH IN STATES SPENDING – in real terms
 Jersey's Fiscal Policy Panel Annual Report: July 2011, page 24

Figure 2.3
Real income and expenditure
 £m, 2009 prices
 Source: States of Jersey Treasury



Note: Expenditure is net revenue expenditure (excluding capital/servicing depreciation) plus capital allocations. Broken red line includes EFW expenditure (as allocated). Solid red line excludes it.

Figure 2.3 shows States' income and expenditure between 1998 and 2010. Between 2001 and 2007 expenditure increased by less than 1% a year in real terms, while income exhibited cyclical fluctuations. Since 2007 expenditure has grown more rapidly, even excluding Energy from Waste, rising at around 3.3% a year in real terms between 2007 and 2010.

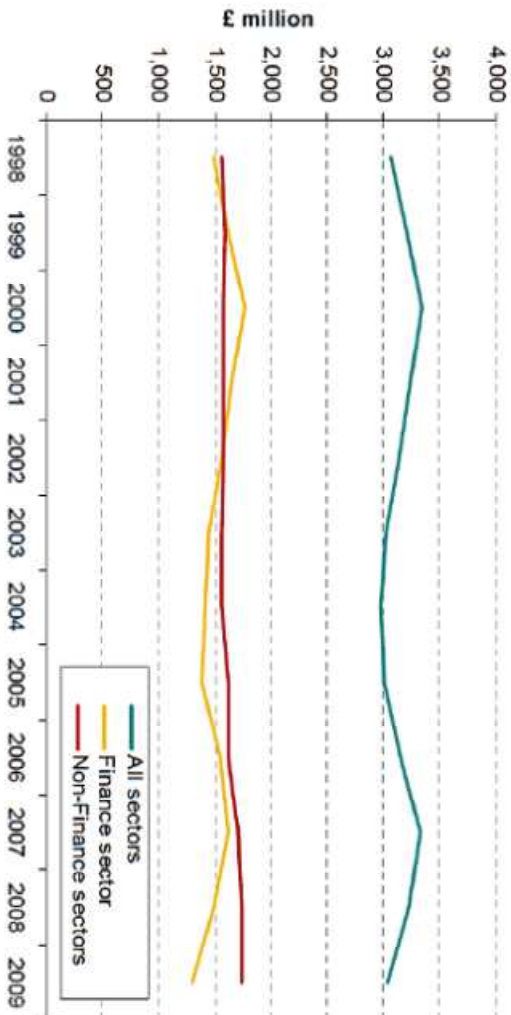
ITEM 15A

Because of the complete and utter discrepancy between what this chart shows and what the CAG, Corporate services, PAC and the Treasury Minister are all telling us, I asked the Treasury for the figures underlying the chart, as they are given as the source by the FPP. I was provided with the figures, by the Economics Unit, who had prepared them from treasury documents.

Year <i>(a)</i>	GRI <i>(b)</i>	HRE <i>(c)</i>	capital allocation <i>(d)</i>	HRE+capital <i>(e)=(c)+(d)</i>	RPI deflator <i>(f)</i>	GRI 2009 prices <i>(g)=(b)/(f)</i>	HRE+capital 2009 prices <i>(h)=(e)/(f)</i>
1999	380	294	55	349	0.704	540	496
2000	398	324	55	379	0.740	538	512
2001	415	356	55	411	0.769	539	534
2002	436	379	49	428	0.802	543	533
2003	444	399	50	449	0.838	530	536
2004	445	418	48	466	0.867	514	538
2005	469	442	43	485	0.887	529	547
2006	526	465	39	504	0.911	577	553
2007	559	480	42	522	0.935	598	558
2008	660	522	145	667	0.970	680	688
2009	674	565	38	603	1.000	674	603
2010	546	599	32	631	1.025	533	616

ITEM 16 – LARGE GOVERNMENT = WEAK ECONOMY? – JERSEY GVA IN REAL TERMS
 Jersey Economic Trends 2010, Statistics Unit, page 7

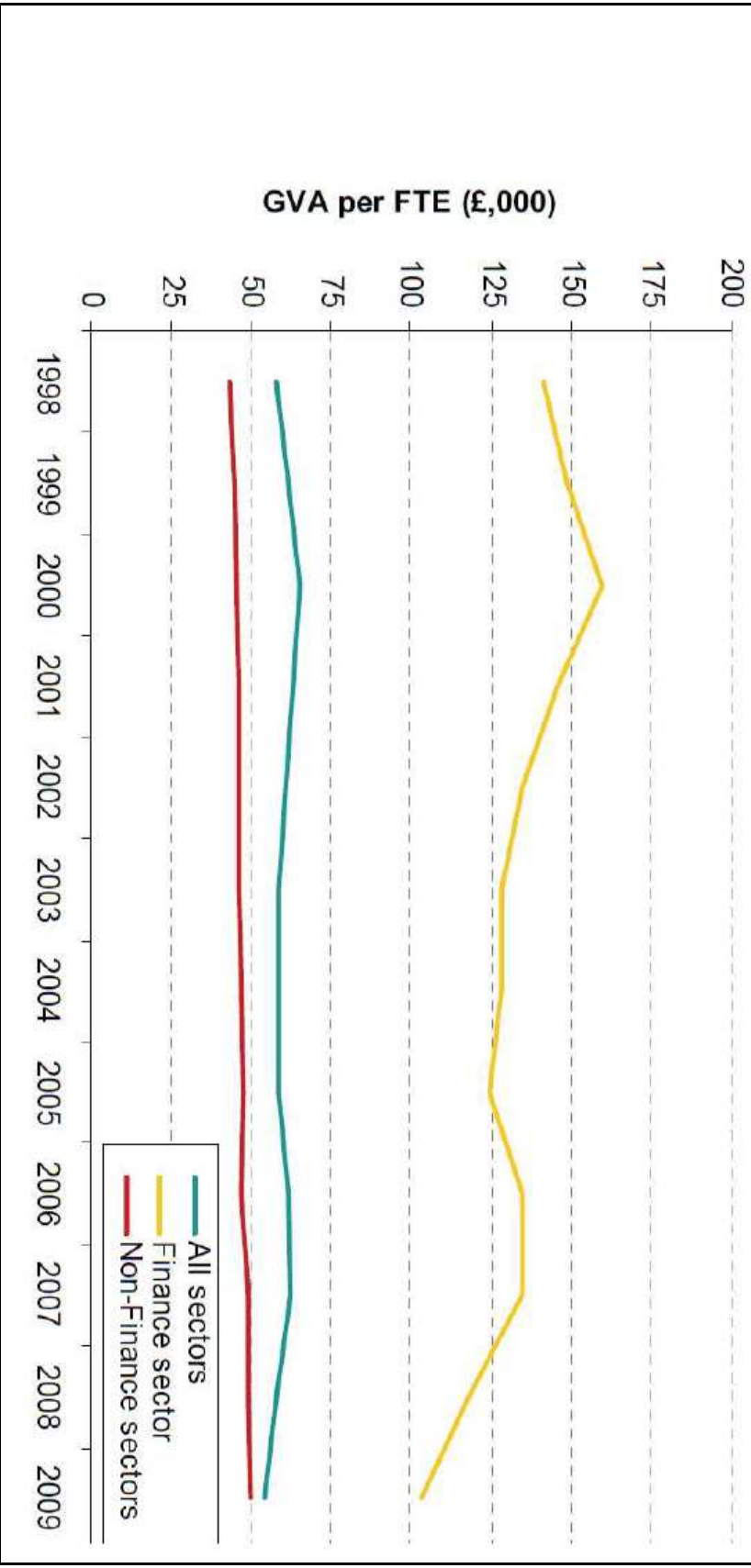
Figure 1.3. Gross Value Added in real terms: constant (2003) prices



As is apparent from Figure 1.3, the key driver behind the decline of Jersey's economy since 2008 has been the performance of the Finance sector.

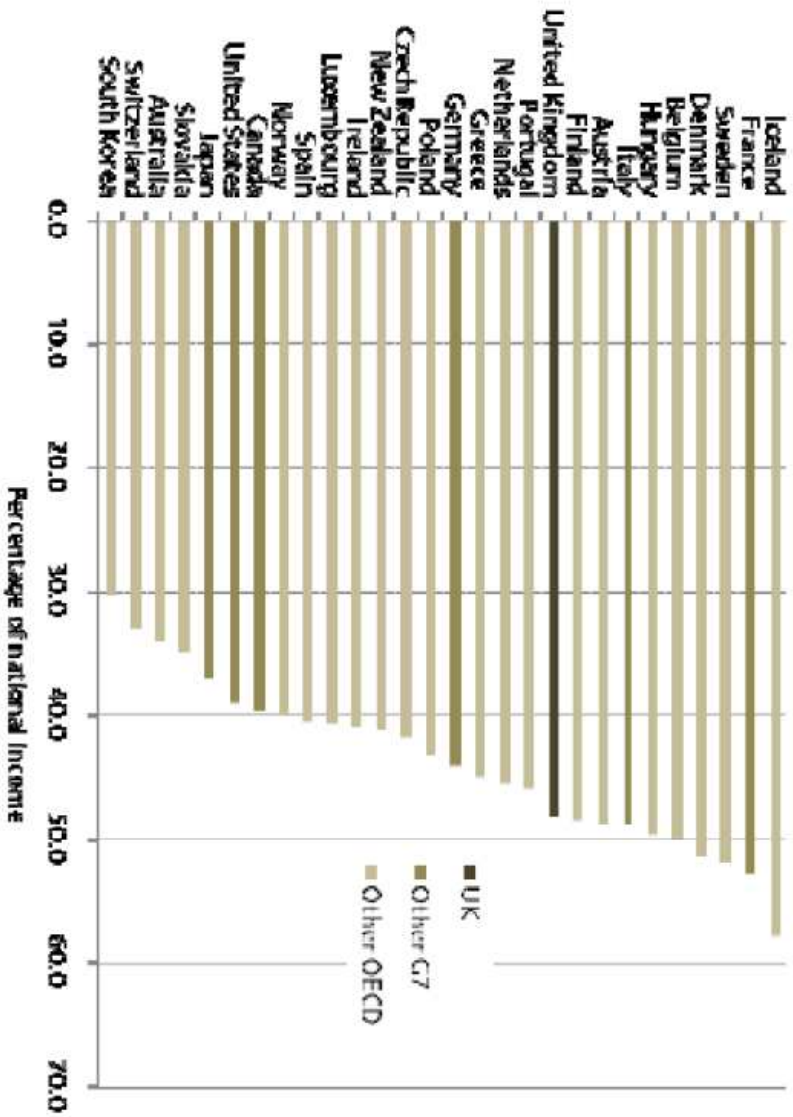
These words from the FPP Annual Report 2011, page 8 explain the chart: "GVA excluding financial services profits has been less volatile and has shown markedly different movements compared to total measured GVA. The falls in GVA in 2001, 2002, 2008 and 2009 were not apparent in GVA excluding financial services profits. In other words, the total value of compensation for employees (wages, salaries other employment costs) and profits of the other sectors continued to rise. This emphasises that looking at GVA alone may give a misleading picture of activity and economic conditions across the whole economy. Excluding financial service profits, GVA grew by 1.5% per annum in real terms over the economic cycle (2000-2007) (my emphasis)"

Figure 1.5: GVA per FTE in constant (2003) values



ITEM 17 – LARGE GOVERNMENT = WEAK ECONOMY? – Public spending in rich countries

Figure 1: Public Spending as a Proportion of National Income in OECD Countries

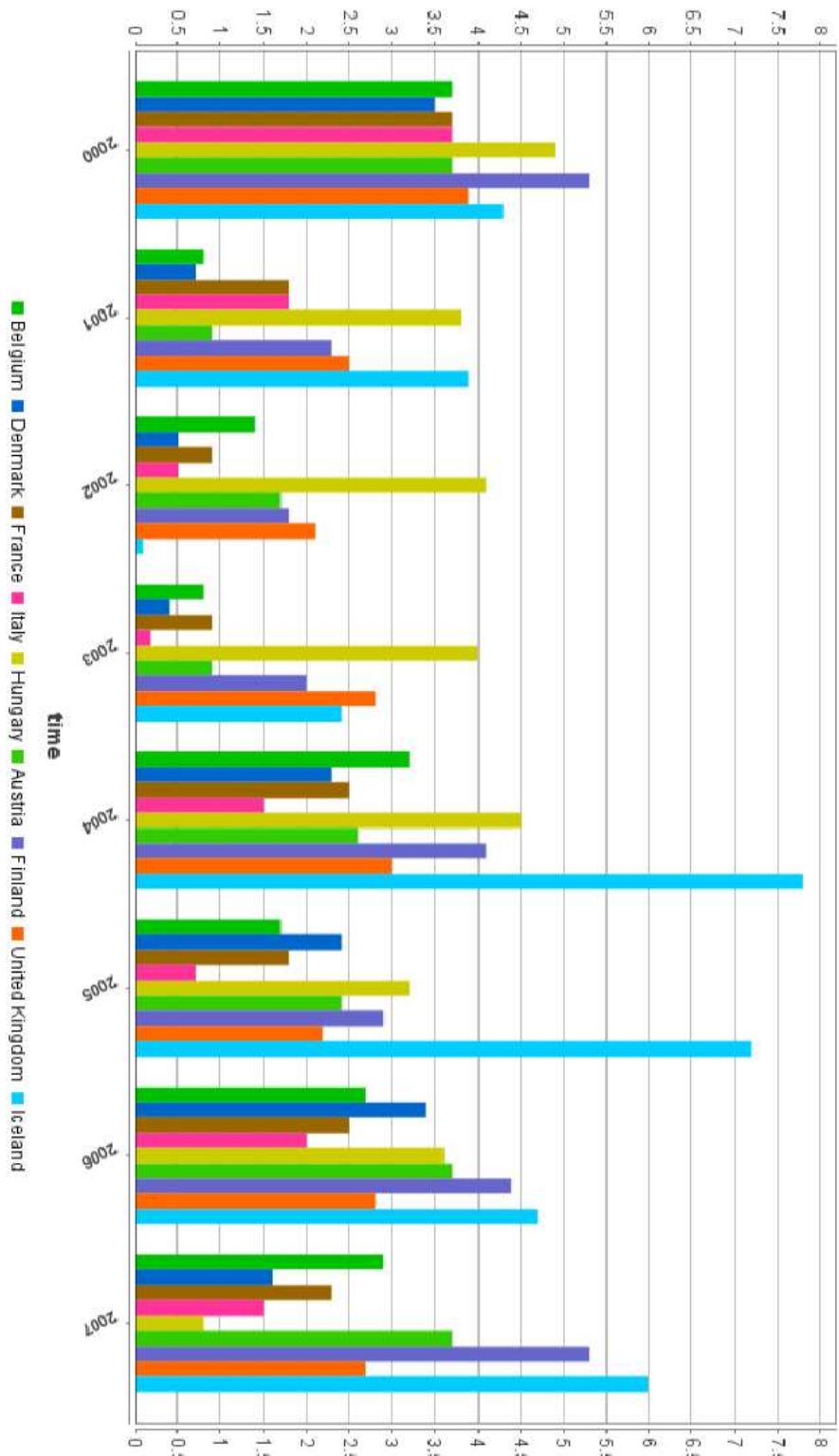


Source: OECD Economic Outlook 85, June 2009, reported in IFS BN43.

reproduced from page 91 of SR9/2010 Corporate Services “Scrutiny of the Comprehensive Spending Review, presented to the States on 31st August 2010, Appendix B by Doctor Harkness

ITEM 17A – LARGE GOVERNMENT = WEAK ECONOMY? – TOP SPENDING COUNTRIES GDP ANNUAL CHANGE IN REAL TERMS

Real GDP growth rate
Growth rate of GDP volume - percentage change on previous year



Source of Data: Eurostat

Last update: 13.09.2011

Date of extraction: 13 Sep 2011 23:55:38 MEIST

Hyperlink to the graph: <http://epp.eurostat.ec.europa.eu/tgm/xdrawGraph.do?init=1&plugin=1&language=en&pcod=tsieb020&toOlbo=legend>

Disclaimer: This graph has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible.

General Disclaimer of the EC: http://europa.eu/geninfo/legal_notices_en.htm

Short Description: Gross domestic product (GDP) is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation. The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes. For measuring the growth rate of GDP in terms of volumes, the GDP at current prices are valued in the prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate.

Code: tsieb020

ITEM 17B – LARGE GOVERNMENT = WEAK ECONOMY? – JERSEY GVA ANNUAL CHANGE IN REAL TERMS

Jersey Economic Trends 2010, Statistics Unit, page 7

Figure 1.2: Annual percentage change in Gross Value Added (real terms)

