STATES OF JERSEY

MILLENNIUM TOWN PARK: FUNDING FROM THE STABILISATION FUND

Lodged au Greffe on 24th August 2009
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

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

to refer to their Act dated 5th December 2006 in which they approved the establishment of a Stabilisation Fund, and –

to request the Minister for Treasury and Resources to lodge a proposition in accordance with Article 4A(2) of the Public Finances (Jersey) Law 2005 asking the States to agree to transfer £10 million from the stabilisation fund to the consolidated fund, to provide funding in 2010 for the proposed Millennium Town Park project as part of the economic stimulus package.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

This proposition puts forward appropriate means by which my first amendment to the 2010 Annual Business Plan, to restore the Millennium Town Park, may be funded.

Recent history

Early in 2008, in response to answers given by the then Chief Minister regarding funding for the Millennium Town Park (MTP) in December 2007, I lodged proposition P.1/2008: Millennium Town Park: Funding from Strategic Reserve, which appears in the Annex to this proposition, along with the comments of the then Minister for Treasury and Resources.

At the time, whilst there was a political commitment to a start on the MTP, there was no funding in place. My intention was to put in place a "Plan B" to ensure that at last, and especially during the run-up to an election year, the political promises were transformed into real commitment to the MTP in the form of funding.

Faced with the possibility of being forced into a debate on the Town Park using the funding mechanism I was suggesting, the Council of Ministers agreed that funding appeared in the 2009 Business Plan, lodged on 15th July 2008, as follows –

> **5.2 Changes from 2009 – 2013 Previously Advised Programme**
>
> The capital programme has been reprioritised to accommodate revised spending pressures and high priority issues. The key changes between the proposed programme for 2009 – 2013 and that included in last year's Annual Business Plan are:
>
> - A consequence of funding the proposed replacement EfW Plant from the Consolidated Fund in 2008 is to remove the requirement to provide future allocations, previously set at £7 million per annum, to finance external borrowing. The allocations of £7 million approved in principle for 2010 – 2013 have been deleted from the revised Capital Programme allocation, having the effect of reducing the call from the Consolidated Fund in these, and subsequent, years:
>
> - **The £2 million allocation for the Town Park development has been moved from 2009 to the 2010 – 2013 period, and a further tranche of funding of £5 million has been included, to align with the current project plan.**

This appeared in Table 5.2 of the 2009 Business Plan thus –

Table 5.2 Reconciliation of movements from previous capital programme 2009 – 2013

Capital Project	Previous Programme 2009 - 2013 £000s	Current Programme 2009 - 2013 £000s	Increase/ (Decrease) £000s
Transport & Technical Services			
Town Park (Additional Funding)	2,500	7,500	5,000

And in the Annex to the Business Plan the MTP funding appeared in TTS Capital expenditure 2009–13 and given the clear start date of 2010. The plan was that a start would be made in 2010 and the Town Park could be completed by the end of 2011.

On the basis that funding had been provisionally allocated along with appropriate a start and completion dates, I withdrew my proposition later in the year. Of course no commitment could be extracted from the new Council of Ministers following the elections in 2008 that capital spending for 2010 which was provisionally allocated in the 2009 Plan would be made real in the 2010 Plan. Clearly, the States of Jersey cannot commit funding more than a year in advance. It came as no real surprise then that, come the finalization of the 2010 Business Plan, all the political commitment to the MTP should dissipate like morning mist in the sunlight; the funding disappeared with the following words:

> **7.2 Changes from 2010 – 2013 Previously Advised Programme**
>
> The capital programme has been reprioritised to accommodate revised spending pressures and align expenditure to annual budgets. The key changes between the proposed programme for 2010 – 2013 and that included in last year's Annual Business Plan are:
>
> Amendments
>
> - **Deletion of the remaining funding of £7.5 million for the Town Park.** Funds of £2.618 million have been allocated to the Town Park project to develop a strategy for remediation of ground contamination. The Council of Ministers considers that the balance of funding required to action the remediation strategy and develop the park can be achieved through planning gain resulting from the outcome of the North of St. Helier master planning process.

In other words the Assembly, instead of finally showing its commitment to the Millennium Town Park project that is already 11 years behind schedule, is asked to put its faith in a nebulous "planning gain" that may be obtained through a masterplan which has yet to be seen by, let alone come before, the States for approval.

The end result of this, a further turn on the merry-go-round that is the history of the MTP, is that we are back to the beginning. We have a political commitment to the Millennium Town Park but no funding; except that one thing has changed. We have an Economic Stimulus Plan to see us through the recession.

Whereas 2 years ago I only had the Strategic Reserve to call on to provide the funding required for the MTP, today we have the Stabilisation Fund which can do so, as I intend to show, far more appropriately.

The Fund has been topped up by the prudent actions of the current Minister for Treasury and Resources and his predecessor to the tune of £156 million; £44 million of which is in the process of being allocated to various projects to stimulate the economy. £112 million is currently held in reserve towards dealing with the automatic economic stabilizers. This proposition will add £10 million to the £44 million discretionary spend.

As repeated in many of the statements of the Minister, actions taken under the Economic Stimulus Policy should be subject to the test of the "3Ts", as follows –

> It is important to get the timing and content of any discretionary policy right. Although the cyclical impact of the downturn on the States finances will fall mainly in 2010 and 2011, the time to act is now.
>
> **Policy options**
>
> The key criteria that should be applied in determining discretionary actions are, as you mentioned in your letter, the 3Ts. That is, policy should be:
>
> - **Timely.** Action should start immediately to have an impact as quickly as possible and ideally within the next 6 to 9months.
> - **Targeted.** Policy should hit the intended target whether it is to support activity and employment in the Island, support those most adversely affected by the downturn or implement projects which have intrinsic benefit.
> - **Temporary.** There should be no negative long term implications for the public finances, i.e. no long term damage to the tax base and no long term spending commitments.

Expanding further on the criteria for discretionary spending, the Chairman of the Fiscal Policy Panel had the following to say on this category of stimulus –

> **5. Additional infrastructure/maintenance expenditure**
>
> If these options are to meet the timely criteria, then it is vital that projects are identified that are ready to go in the next few months i.e. are 'shovel ready'.
>
> The most likely projects to meet this requirement are maintenance expenditure. Such measures should also meet the targeting criterion since maintenance projects are likely to utilise local labour. The scale is dependent on the amount of spare capacity in the local construction sector. It is important to avoid excess demand pushing up prices. Making sure maintenance of the infrastructure (including public housing stock, schools, and hospitals) is up to date and bringing forward maintenance scheduled for the near future does not increase the overall cost to public finances, and so meets the temporary criterion.
>
> Large infrastructure projects may struggle to be timely. They score better on the targeting criterion as it should be possible to target such spending on supporting local employment in the Island and the scale of the intervention should consider the amount of spare capacity in the local construction sector. Any such interventions should be designed to be temporary, and each policy should be assessed for any future expenditure commitments such as ongoing maintenance or further investment.
>
> As maintenance and infrastructure investment leads to improvements in the stock of States assets, it can be considered as an investment in the supply-side

> of the economy that will bring returns beyond the life of this downturn. The basic question to address is do the projects have intrinsic merit?
>
> (JFPP, Annual Report 2009, pp. 37-38)

It seems to me that a project that, until recently, had £7.5 million allocated to it, and was due to commence in 2010 and is due for completion in 2011, passes the timely test with flying colours. It certainly is clearly targeted to support local activity, although there will be some leakage to the decontamination experts required from the U.K. or elsewhere. It certainly has intrinsic benefit, recognized for over a decade. Equally it fits the temporary category perfectly.

Financial and manpower implications

This proposition transfers £10 million from the Stabilisation Fund to the Consolidated Fund. There are no manpower costs associated with this action.

ANNEX 1

STATES OF JERSEY

MILLENNIUM TOWN PARK: FUNDING FROM STRATEGIC RESERVE

Lodged au Greffe on 3rd January 2008
by Deputy G.P. Southern of St. Helier

STATES GREFFE

2008	Price code: B	P.1

PROPOSITION

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

to request the Minister for Treasury and Resources to lodge a proposition in accordance with Article 4(3) of the Public Finances (Jersey) Law 2005 asking the States to agree to transfer £10 million from the interest on the Strategic Reserve Fund to the Consolidated Fund so that the States can then be requested, during the debate on a future Annual Business Plan, to allocate these funds to meet the capital cost of creating the Millennium Town Park.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Background

In 1998, the States adopted a proposition (P.190/97) to create a public town park for the benefit and enjoyment of local residents. The proposition was carried by 45 votes to 2 and specified that –

(a) the Town Park was to be created on the Talman and Gasworks sites;

(b) the Town Park would be known as the Millennium Town Park;

(c) the park would be for the benefit of all Islanders and future generations;

(d) the land should not be used for a multi-storey car park or any other use in a way that would preclude the creation of a public park.

On 11th April 2000 the Planning and Environment Committee presented a report to the States which set out 3 options and made a recommendation for a full-size park and 3-storey underground parking for 826 vehicles.

This ambitious plan, which was costed at around £30 million, served only to delay progress on the Millennium Town Park (MTP) as debate raged about what was required; a green park in isolation or in combination with a car park, whether under- or over-ground, some commercial building on part of the site or not, and other variations too numerous to mention.

Since that time, the economic climate changed and the resources available for capital projects were drastically reduced in response first to an economic downturn and subsequently to tax changes due in 2010. In 2005, Deputy R.C. Duhamel lodged a proposition (P.169/2005) for the formation of a Trust to enable the MTP, then to include 3 storeys of underground parking, to be progressed using private funding. This proposition was rejected.

Wide support

Throughout this time however, there remained a strong public desire to develop the site to provide a valuable community facility for the residents of St. Helier and the Island as a whole. This public desire was, and still remains, reflected in the position of the vast majority of States members.

Thus in comments on P.169/2005 we find –

> *"The Policy and Resources Committee strongly supports the development of a Town Park on the Gasworks/Talman site, and it accepts that the delays in development have been unfortunate. The Committee believes that the project should be given a high priority and brought forward as soon as realistically possible."*

and from the then Environment and Public Services Committee –

> *"The Committee supports the development of a Town Park and has devoted a considerable amount of time to exam how a development on the Talman and Gasworks sites could be achieved within the funds available."*

The Town Park project has remained high on the list of priorities in the minds of the public and in the States. It survives in both the Strategic Plan and the States Business Plan 2006 – 11 under Transport and Technical Services Objective 4.2.3 –

> *"Develop a viable proposal in 2006 to provide a new town park for St. Helier within 3 to 4 years."*

Commitment

Yet Hansard reveals that the Minister for Transport and Technical Services could not commit himself to the delivery of the MTP despite the optimism demonstrated by Deputy Hilton over the issue as recently as 22nd November –

> **2.14.4 Deputy J.A. Hilton of St. Helier:**
> Would it be fair to say that the Town Park Project is on track, subject to funding, and should be delivered in 2010/2011 as indicated in the strategic plan?
>
> **Deputy G.W.J. de Faye:**
> Yes, it might be fair to say that, Sir, but clearly the Millennium Town Park project is not on track. It is already 7 years out of date.
>
> **2.14.5 Deputy J.A. Hilton:**
> That may well be, Sir, but will the Minister confirm that subject to the additional funding, which hopefully will be confirmed by the Council of Ministers, that the Town Park will be delivered as laid out in the Strategic Plan?
>
> **Deputy G.W.J. de Faye:**
> I am not prepared to make a commitment, Sir, on the delivery of the Town Park, to a set date at this time.
>
> Members will note I am sure the key phrase, upon which all else depends "subject to funding".

Subsequently the MTP was discussed at the Council of Ministers meeting of 29th November 2007. The minutes are reproduced below –

A5. Town Park: update

The Council considered a progress report submitted by the Town Park Project Management Group (TPPMG).

The Council was advised that on 17th May 2007, Deputy J.A. Hilton had met with the Minister for Housing, Deputy J.A.N. Le Fondré and with officers from the Housing, Property Holdings and Transport and Technical Services Departments to discuss the scenarios for delivery of the project. The TPPMG, which was comprised of officers from the above 3 departments, had subsequently been formed to drive the project forward.

It was explained that the TPPMG endorsed the conclusions of the EDAW report on the future regeneration of St. Helier. On that basis it was recommended that existing residents of properties at Ann Court, St. Helier be relocated in existing vacant housing units in order to facilitate the construction of a new 4 – 5 storey multi-storey public car park on the site. Replacement of the homes with a newly constructed car park would provide sufficient capacity for vehicles using the Gas Place car park and the adjacent Talman site. In turn the relocation of parking spaces would allow for ground remediation at Gas Place and the Talman site to proceed. Ann Court residents had been informed of and consulted regarding the proposals, both by the Minister for Housing and by Housing Department officers.

An outline timetable for the project had been determined. The Council was advised that construction of the new car park by December 2010 and completion of the Town Park by December 2011 would be achievable; however, it would be necessary to take a number of key decisions in early course in order to have a realistic chance of meeting the 2011 deadline. Provision of sufficient funding over the life of the project, together with completion of certain property transfers, would be necessary to facilitate the ground remediation works and to achieve delivery of the new car park, the Town Park, and new States housing. Timely progression of the new car park would be key to delivering the Town Park before 2012. It was believed that all costs arising from the design and construction of the car park could be borne by the Car Park Trading Account; however, this could not be confirmed until such time as consultants had been appointed and design work had commenced.

The Council endorsed the progress report and agreed that consultants should be appointed to commence work on a new multi-storey car park on the existing Ann Court site. It further recommended that the Minister for Planning and Environment liaise with the Ministers for Housing and for Transport and Technical Services regarding planning solutions for the site, particularly in respect of those residential properties on the site which had been listed as Buildings of Local Interest. The Council instructed the TPPMG to continue its work and to produce a further progress report for consideration by the Council within 3 months.

Deputy G.W.J. de Faye requested that his dissent to the above decision be recorded.

Funding

The MTP has recently received full backing from the Chief Minister and from the Council of Ministers. What is does not yet have is funding. Hansard records the following statements on funding from Question Time on 4th December 2007 –

> **4.9 Deputy G.P. Southern:**
> In discussions of the Millennium Town Park project, can the Minister clarify how much has been allocated to fund the town park currently and from where these funds are coming and when those funds will be delivered.
>
> **Senator F.H. Walker:**
> I think the Deputy full well knows the answer to his own question, but nevertheless the Deputy is, I am sure, aware, or he should be as the Deputy of St. Helier for that part of St. Helier, that over £4 million is available through the now somewhat historic Millennium Fund. He should also be aware that the cost of decontamination is very considerably higher than was originally anticipated, but that is now a fact of life, and he will be aware of the statement, the commitment made by the Council of Ministers last week, which Deputy Hilton put into the public arena, that the money will be found in 2010 and 2011, subject to the express wishes of this House, of course, to fund the entire town park, including all the remediation work.
>
> **Deputy G.P. Southern:**
> Where will that money be coming from?
>
> **Senator F.H. Walker:**
> Subject to the wishes of this House, my guess is that it will come, and the proposal I believe, will be that it will come from the capital programme.
>
> **4.10 Deputy S.C. Ferguson:**
> Given that by 2010/2011, we shall be heading into a structural deficit position, how can the Chief Minister justify that this money will be available?
>
> **Senator F.H. Walker:**
> I said it would come from the capital programme. I did not say it would add to the capital programme.

The situation is clearly set out in the above extracts; in summary –

- The Millennium Town Project will be expensive; decontamination costs will be high.
- There is £4 million in the car park trading fund.
- The car park trading fund can support development and building costs of the Ann Street car park.
- On funding the MTP, all are silent, but
- The MTP will have to compete for funds with other capital spending projects.

No wonder that the Minister for Transport and Technical Services dissented from the decision. He is required to deliver the MTP by 2012 with no funding having been identified.

Examination of the Capital Programme reveals that the MTP is competing with essential spending over the period 2007-2010 of £17 million from Education, £25 million from Health and £25 million from Home Affairs, mainly on the Police and the Prison. Transport and Technical Services is allocated £53 million, mainly on the Energy from Waste plant. A total of £42 million is allocated for 2011, with some £103 million of unsuccessful bids for 2011, including £15 million for the General Hospital Phase 2 extension and over £50 million of TTS capital expenditure bids.

It seems to me to be highly unlikely that despite the continued support from all quarters for the principle of the Millennium Town Park, that funding will be found in the timescale envisaged given the competing bids for essential spending.

Use of the Strategic Reserve

Although the Minister for Treasury and Resources has tightened the rules around the use of the Strategic Reserve in P.133/2006, Establishment of a Stabilisation Fund and Policy for Strategic Reserve, as follows –

> *"to agree that the Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, should be a permanent reserve, where* ***the capital value*** *is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster."* (my emphasis),

he has protected the capital whilst retaining the flexibility to use the interest on the Strategic Reserve as he sees fit.

The Strategic Reserve, or 'rainy day fund' as it is known, stood at £456 million in 2005 when it grew from net realised income of £24.5 million (unrealised profit on investment was £13.4 million). It currently stands at £516 million.

Support for this proposition will mean that the Minister for Treasury and Resources will have to find the funding for the Millennium Town Park. It will mean that a decade of promises from States members can become reality. Without a clear direction from members, there is a severe risk that once again the Town Park will fail to become any more substantial than a mirage in the desert.

The financial costs are set out in the proposition. There are no additional staffing costs.

STATES OF JERSEY

MILLENNIUM TOWN PARK: FUNDING FROM STRATEGIC RESERVE (P.1/2008) – COMMENTS

Presented to the States on 26th February 2008
by the Minister for Treasury and Resources

STATES GREFFE

2008 Price code: A P.1 Com.

COMMENTS

The Minister for Treasury and Resources is strongly opposed to this proposition for a number of reasons:

The States' approved Policy for the Strategic Reserve (P.133/2006) states: "Over the medium and long-term continue to grow the Strategic Reserve (as a proportion of government spending and GDP) through reinvesting the return on the reserve and where possible paying in part or all of fiscal surpluses from the Consolidated Fund." This proposition is clearly not in accord with the States' express wish.

The Policy also states the "capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster". Whilst it is appreciated that this proposition seeks to use interest as opposed to capital, how in future would we consider and prioritise other such requests – which would no doubt be swiftly and numerously forthcoming.

The approval of additional funding outside of the Annual Business Plan process is inflationary and is discouraged by the Comptroller and Auditor General. Whilst this proposition would remove any additional impact on the consolidated fund balance, it would still further increase States expenditure at a time when there is significant pressure to contain such rises.

There is a clear process for States approval of capital expenditure. This proposition seeks to circumvent that Annual Business Plan process which currently includes an element of funding for the Town Park. The Transport and Technical Services Department has submitted a bid for the remainder of the capital funding needed as part of the 2009 Business Plan process. Regardless of whether this is put forward to the States by the Council of Ministers, it is open to any States Member to bring an amendment at the appropriate time.

The proposition omits a number of financial implications. Revenue funding of £665,000 in 2011 and £505,000 from 2012 onwards will be required. £3 million will be required in 2014 for the Housing Development Fund to enable the write-off of costs associated with the Sunshine and Salisbury Crescent site to be transferred to Housing. Consideration of this matter as part of the Annual Business Plan process will enable all associated revenue and capital implications to be taken into consideration holistically. Consideration in isolation would create significant uncertainties and constraints on the Annual Business Plan process and debate.

The States decision to adopt P.133/2006 ("Establishment of a Stabilisation Fund and Policy for Strategic Reserve") gave clear endorsement to the establishment of a Fiscal Policy panel to provide strategic advice. This proposition would represent taking a decision on the use of the Strategic Reserve before that Panel has even published its first report.

Members are urged to reject this proposition.