STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): TWELFTH AMENDMENT (P.123/2011 Amd.(12)) – COMMENTS

Presented to the States on 12th September 2011
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes the amendment.

The Deputy of St. Mary proposes that the net revenue expenditure of the Economic Development Department shall be increased by £88,357 with respect to the "Joint Marketing", "Destination Marketing and Communication" and "Events" lines in the Department's service analysis (page 26 of the Annex), in order to maintain the value of funding for Tourism in accordance with the Minister's pledge not to cut the Tourism budget in 2012, and the net revenue expenditure of the Treasury and Resources Department (Provision for Central Reserves) shall be decreased by the same amount in 2012.

Comment

The amendment calls for an increase of £88,357 to the "Joint Marketing", "Destination Marketing and Communication" and "Events" lines in the Department's service analysis (page 26 of the Annex) and suggests that such an increase is necessary, in order to maintain the value of funding for Tourism for 2012.

The Minister has committed to protect the Marketing spend for Jersey Tourism in real terms and the Deputy's figures can be explained as follows –

- The budget for the 3 service lines does indeed include provision for 2.5% inflation;

- The budget includes an allocation for the Department's overheads and support services and the reduction identified by the Deputy of St. Mary is mainly due to the CSR savings on these indirect service areas, not the Tourism budget, amounting to some £63,800; and

- In addition, there was also a transfer of £55,125 to the Department's Corporate budget, from the Tourism budget, pending the outcome of a review on grant payments. However, this will be allocated in the most effective way to support Tourism in 2012.

The Council of Ministers recognise the intention of the Deputy of St Mary's amendment but are satisfied that the commitment of the Minister for Economic Development is sustained within the department's proposals for the 2012 Business Plan and therefore opposes the Amendment.

Financial implications

The amendment proposes that the financial implications are neutral and this is achieved by reducing the Provision for Central Reserves held by Treasury and Resources.

At the start of the CSR process, the Council of Ministers invited senior UK Treasury and IMF advisors to brief them on the merits of longer-term financial planning, and were strongly advised that central reserves and contingencies were an essential part of any such framework.

The States has supported the principle of central reserves or contingencies as part of the 2011 Business Plan and also as a fundamental principle of P.97/2011 (Draft Public Finances (Amendment No. 3) (Jersey) Law 201-), which amended the Public Finances (Jersey) Law 2005.

The Council of Ministers is proposing central reserves of £13 million for 2012. This represents a provision of £9 million, similar to that agreed in the 2011 Business Plan, for a One-Off, DEL and AME Reserve, and with part of the One-Off reserve also earmarked to provide a Smoothing Fund for exceptional court and case costs.

In addition, there are a number of significant emerging items that are almost certain to require funding in 2012 and beyond, but for which the costings and timing are still uncertain. The Council of Ministers is proposing an additional provision of £4 million from 2012 to address these emerging items, which include: a Committee of inquiry (HCAE), Freedom of Information and potential changes to Legal Aid. The Council of Ministers has also taken account of the risks around the forecasts of funding of Higher Education, Nurses Retention and Recruitment and senior Medical Staff replacements when proposing this additional provision.

The principle of central reserves is to provide flexibility within spending limits to be able to manage urgent and unforeseen items without returning to the States for further expenditure allocations. It can be seen that there are already a number of significant potential calls on the central reserves, and reducing the level of the provision for central reserves any further by offsetting savings as proposed in a number of Business Plan Amendments will reduce the flexibility that this provision is intended to provide.