

STATES OF JERSEY



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010): NINTH AMENDMENT

**Lodged au Greffe on 23rd November 2010
by the Deputy of St. Mary**

STATES GREFFE

EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET
STATEMENT 2011 (P.157/2010): NINTH AMENDMENT

PAGE 2, PARAGRAPH (a) –

In paragraph (a), for the figure “£694,200,000” substitute the figure “£710,700,000”; for the figure “£688,300,000” substitute the figure “£704,800,000”, and for the figure “£65,000,000” substitute the figure “£32,000,000”.

DEPUTY OF ST. MARY

REPORT

This Amendment retains the efficiency savings element of paragraph (a) of P.157/2010, but removes the spending cuts element as being divisive, economically risky, socially risky, driven by ideology and spin rather than a rational appraisal of options, undemocratic, unnecessary, deceptive and damaging to the welfare of the people of Jersey.

Paragraph (a) of P.157/2010 sets an indicative spending envelope for the 2 years following the Budget year of 2011. The Minister for Treasury and Resources has set this envelope to include £65 million of “savings proposals”. These are a mixture of spending cuts, efficiency savings and ‘user pays’.

This Amendment reduces the “savings proposals” figure from the Council of Ministers of £65 million to £32 million, on the basis that £20 million is a reasonable figure for genuine and achievable efficiency savings which will not damage the provision of amenities and services to Islanders, and £12 million is the sum that has already been agreed for 2011.

Efficiency savings

The sum of £20 million is made up of estimates for the areas of procurement (£6.5 million); management restructuring (£3.5 million); staff costs (£3 million); and departmental savings including energy (£7 million).

These figures are estimates based on the work done for the CSR, the views of experienced members who insist that in certain areas empires and managerial pyramids have been allowed to grow which can be pruned without harm, and other sources.

The important thing to make absolutely clear is that the cut, cut, cut option being put forward by the Council of Ministers and their friends from the Jersey Tea Party is just that – an option. It is presented as being inevitable, when it is not.

A further important thing to make clear is that in common with other members, I do believe that there are savings to be made. It is just that I do not go on from this to propose sweeping, unnecessary and damaging cuts.

The cuts are not inevitable, indeed they are unnecessary

Jersey spends a lower proportion of its overall wealth on its public services and amenities than almost all other jurisdictions in the OECD. It is therefore ludicrous to suggest that “we cannot afford” to spend a bit more on our public sector, if we (the public and the members of the States) deem this to be desirable.

It is also argued that if we raise the overall tax burden in order to find the money to pay for our public services and amenities, then there will be an exodus of our finest, brightest, and most highly-paid people to other jurisdictions and this will have an adverse effect on the Island as a whole.

On the face of it this is highly unlikely. As virtually all other jurisdictions spend more on the public sector than we do, just where is it that they will flee to? Somewhere without good schools, clean seas, effective policing, good medical care, perhaps? No comparison of overall tax take from individuals across jurisdictions and of overall quality of life has ever been offered in support of this assertion.

The cuts are divisive

Public services and amenities bring us all together. It is entirely appropriate that they are called “the social wage” – things that we could not provide for ourselves as individuals. Hospital care, the rule of law, environmental protection, the cliff paths, pleasant public spaces, the roads network: they exist for the benefit of us all, and because of this they promote equality and reduce division.

They are funded by taxation, and act to redistribute wealth, a principle which is generally accepted and itself is based on the notion of the equality of all human beings and the need to ensure equality of opportunity.

Expenditure on the Town Park, to take one example, brings to the doorsteps of town residents the pleasures of green spaces and the outdoors. It reduces the division between living standards and opportunities out in the country and living standards and opportunities in our main urban area.

The cuts are economically risky

We are in deep recession. The Minister for Treasury and Resources’ line is that by 2012 and 2013 we will be climbing out of this recession. However, there is no shortage of voices who say that the danger of double-dip is very real, and this danger is of course heightened if we take money out of the economy via spending cuts.

If we restore the £45 million of government spend as proposed in this amendment, and the economy moves into growth, then we can avoid overheating by funding the plans via tax increases. If the economy stays in the doldrums, then we will have to consider funding the spending one way or another from the strategic reserve, i.e. put fresh money into the economy. This is what we have been doing, via the Fiscal Stimulus package, for the last 2 years anyway, so the principle is not new.

The cuts are socially risky

Too often in the States I have watched as we put right past disasters. Too often we fail to spend on prevention and then reap the whirlwind in the form of increased expenditure later.

Some examples: We spent well over a million pounds on putting right the Family X situation. We put some emphasis on health promotion but it is too slow. The costs of an ageing population who are also unfit and unhealthy do not bear thinking about. In fact they are quite simply unaffordable. We have been found by a recent inspection of our justice system to be failing those in our care at the Prison.

The cuts are driven by ideology and spin rather than a rational appraisal of options

How can it seriously be said that the cuts are underpinned by proper analysis when from one day to the next £15 million of cuts were added by the Council of Ministers at the prompting of the members of the Jersey Tea Party inside and outside of the Assembly?

At no time were the public engaged in a proper discussion of alternative ways forward based on an accurate portrayal of the issues facing Jersey. Instead, the public have been blasted by a barrage of spin whose purpose was to bypass debate. One has to ask: what is the Minister afraid of?

It seems to be an article of faith that if government gets smaller then the economy prospers. There are 2 points to be made in response. First, public expenditure underpins economic growth – education, the rule of law, infrastructure like roads and harbours, all are essential.

The second point is that the mantra ignores the fact that life is not about economic growth. The goal of a mature democracy should be the happiness and fulfilment of its citizens, and the research shows that once a certain level of consumption is reached, happiness does not correlate with wealth.

The cuts are deceptive

The case for the cuts has been based on half-truths or worse. For example, the Minister in his budget statement writes (page 52): “It (the Fiscal Strategy Review public consultation on personal taxation) highlighted that the fall in tax revenues as a result of the global recession, combined with **the States inability to bring spending under control**” (my emphasis).

The Interim report of the Fiscal Policy panel makes quite clear that the increases in expenditure were extremely modest from 2001 and 2007 (1% per year in real terms – page 6), whilst the larger increases from 2008 to present were due to a number of factors.

I quote the words of the FPP below (page 10) for members to see that the phrase “**the States inability to bring spending under control**” is less than accurate –

“Of the £84 million increase in expenditure for 2011 between the 2006 Strategic Plan and the 2011 Draft Business Plan, approximately £12m is due to amendments to Business Plans lodged in the States. (DW’s Note – the MTP £10 million, respite care £500,000) £24 million is due to a £48m gross increase in Department allocations suggested by the Council of Ministers in Business Plans, offset by £24m of savings, of which £12m is a consequence of the CSR. £12.6 million is due to pay and price changes and around £12m to additional income support payments as a consequence of the economic downturn and the uprating of benefits. The introduction of contingency funds is responsible for £9m (Figure 9).”

On the following page they go into the detail. It is again worth quoting to make absolutely clear to members that the pressures to increase spending are not random acts of God, the wishes of some maverick body called “the States” but are very real and indeed inescapable –

“Figure 10 breaks down the net rise in expenditure above plan by department (the sum of the sections labelled ‘growth’, ‘savings’ and ‘amendments’ in Figure 9). A large proportion of the extra expenditure was allocated to the Health and Social Services (HSS) department (£16.5m net by 2011). £7m of this was to fund 2% real terms growth in the HSS budget, £3.5m was to replace the Reciprocal Health Agreement with the UK, and £3m was to fund the States’ response to the Williamson review of Children’s Services.

The next largest contributors were income support and supplementation – annually managed expenditure that is largely rules-based and that the States cannot control from year to year. The other two areas that received significant extra funds were Property Holdings (£2.6m, mainly to pay for structural under funding of maintenance) and Home Affairs (£2.8m net of

savings, most of which was for La Moye Prison to increase staffing levels and other necessary revenue expenditure).”

In a similar way, the famous “States spending has gone up by 30% over the last 5 years” in early 2010 claim was found to be thoroughly misleading, in that inflation accounted for half the increase, and unexpected but essential items like pandemic flu, Williamson and the Haut de la Garenne Inquiry were included.

I am happy for a proper engagement with the public to take place. This must include hard-to-reach groups as well as those who shout the loudest. If the consensus is for a thinned-down public sector – longer hospital waiting lists, roads full of potholes, unaffordable dentistry, higher airport passenger charges, crumbling schools replaced “later”, a culture scene starved of funds, etc. – then so be it. But the process must be conducted on an honest basis, not on the basis of distortions and spin.

Another aspect of honesty is to come clean with the public on the extent of the items which will have to be funded, one way or another. There is a huge backlog, dating back decades, and the fact is that we have to fund the necessary expenditure – on our buildings, on our roads, on our elderly, on our health, on our social services, on our sewage system.

The cuts are damaging to the welfare of the people of Jersey

We have already seen what 2% cuts look like. £33,000 saved by stopping the funding which allows schoolchildren to visit Durrell, an institution based in Jersey which is famous the world over. £50,000 cut from the Customs budget which knocked out the lynchpin of the efforts to stop drugs from coming into the Island.

So what might 3%, and then on top of that 5%, look like? Actually put forward in the CSR Workshop document were cuts to activity and education and rehabilitation for inmates at La Moye, respite services for old people and children, the youth service, culture, alternative curriculum sport. We are, we are being told, too poor to fund these things.

One thing is for sure. In an atmosphere of cuts, a negative atmosphere, every aspect of government spending is under threat, and morale in the public sector must be increasingly hard to maintain. It is very hard to get at the detail of what is actually happening, for example the answer to Deputy Higgins’ question in the States on 16th September about the VR programme was utterly uninformative.

The cuts represent a complete lack of vision

The cuts we have seen so far (three paragraphs above) are literally incredible in one of the richest places in the world. In addition –

- We do not have the resource to produce our Air Quality Strategy to protect the health of Islanders on time.
- We do not have the resource to enable Fort Regent to realise its full potential, to turn into the jewel which it so easily could become.
- The Town Park, desired by so many Islanders, and so obviously the right thing to do, bogged down for years.
- Waiting lists way above those of the UK with no commitment, so far as I know, to bring them into line.

And in so many areas we should invest to save – but it seems we lack the vision and the intelligence to do so.

Summary

By proposing a different envelope for spending in 2012 and 2013, I am opening the door to a proper mature debate about how citizens and the States should work together to provide for our needs. It is an indicative figure, in the same way that the figure from the Minister for Treasury and Resources is indicative. To emphasize this point, imagine what will happen if the 0/10 tax system turns out to be non-compliant with the Code.

Financial and manpower implications

As this amendment concerns indicative figures for 2012 and 2013, there are none in the strict sense of the term.

Much of the expenditure which we need to make comes into the category of “invest to save” – whether it is investing in looking in from the outside at management and processes in order to rationalise them and achieve savings, or whether it is investing in healthy lifestyle promotion which will save millions in the long run, or whether it is investing in sustainable transport which will release millions of pounds-worth of developable land in our capital or whether it is investing in energy saving.

I would suggest that such expenditure can properly come from the strategic reserve to where the savings can be returned to be recycled for other money-saving projects. Otherwise we are trapped in the paralysis which comes from the perception of “we have no money” when we have £500,000,000 in the bank and when we badly need to make those savings and realise those assets.

There are other sources of revenue also as has been demonstrated by other amendments in this debate.