STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2011 (P.99/2010): SEVENTH AMENDMENT (P.99/2010 Amd.(7)) – COMMENTS

Presented to the States on 13th September 2010
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes this amendment.

Senator Shenton proposes that –

Parts 1 & 25

> the net revenue expenditure for Overseas Aid shall be decreased by £402,800 in relation to the grant in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 2, 3, 4, 5, 6 & 7, 26, 27, 28, 29, 30 & 31

> the net revenue expenditure of the Economic Development Department shall be decreased by £1,695,400 in relation to Tourism Marketing Budget, Jersey Enterprise, Finance Sector (JFL and JFSC), Regulation of Undertakings, Rural Sector and Rural Initiative Schemes in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 8, 9, 10, 11, 12, & 13, 32, 33, 34, 35, 36 & 37

> the net revenue expenditure of the Education, Sport and Culture Department shall be decreased by £626,322 in relation to Pre-school, Secondary and Fee Paying (Provided and Non-Provided) Schools Education, Instrumental Music Service, Higher Education Student Finance in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 14 & 38

> the net revenue expenditure of the Education, Sport and Culture Department shall be increased by £50,000 in relation to Jersey Archive Service in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 15 &39

> the net revenue expenditure of the Health and Social Services Department shall be decreased by £145,600 in relation to Patient Transport in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 16, 17, 18 & 19, 40, 41, 42, & 43

> the net revenue expenditure of the Home Affairs Department shall be decreased by £983,724 in relation to Specialist and Financial Crime Investigations, funding for Fire and Rescue and H.M. Prison in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 20 & 44

> the net revenue expenditure of the Planning and Environment Department shall be decreased by £500,000 in relation to reducing level of grants available; and

Parts 21 & 45

the net revenue expenditure of the Social Security Department shall be decreased by £1,822,000 in relation to Income Support in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 22 & 46

the net revenue expenditure of the Treasury and Resources Department shall be decreased by £191,400 in relation to Architects in 2011 and with appropriate inflation for 2012 and 2013; and

Parts 23 & 47

the net revenue expenditure of the States Assembly shall be decreased by £44,400 in relation to freezing Members Remuneration in 2011 and along with appropriate inflation for 2012 and 2013, reducing States Members by 10 members; and

Part 24

the gross revenue expenditure of Harbours Department shall be decreased by £226,000 and Income shall be increased by £226,000.

Comment in summary

The Council of Ministers recognises that Senator Shenton has tabled a number of amendments to the Annual Business Plan and would like to reassure him that although the Council is opposing the individual components of the amendment, the Council is fully supportive of the spirit of his overall objective; to reduce public expenditure further and to target higher savings over the medium-term.

The Council of Ministers has set out a process for the Comprehensive Spending Review. Firstly targeting 2% savings for this 2011 Business Plan, secondly, targeting a total of £50 million savings to be delivered by 2013.

The Council is in the process of evaluating all of the options submitted by departments to save 10% across the States by 2013. In the immediate period after the States debate of the Business Plan, the Council will begin its assessment of savings, and proposals will be announced in advance of the Budget debate at the end of October.

The Council is optimistic that further savings can be achieved and once agreement and proposals have been finalised for the second stage of the Comprehensive Spending Review and following the States debate in December, it is anticipated that there will be the opportunity of bringing forward proposals originally set for 2012 and 2013.

The Council will also evaluate the options for saving over and above the £50 million.

Many of the suggested proposals, by a number of members, and some suggested in this amendment by Senator Shenton, potentially could be featuring in the second stage of the Comprehensive Spending Review.

The Council feels strongly that the second stage of the Comprehensive Spending Review should be allowed to run its course when all options will be properly considered.

The Council undertakes to consider each one of the suggestions made by Senator Shenton in the context of the second stage of the Comprehensive Spending Review. The Council expresses the hope that members will take these comments into account when deciding upon the individual parts of this amendment.

Detailed Comments to the Individual Department Amendments

Parts 1 & 25

Comment from the Chief Minister on behalf of Jersey Overseas Aid Commission –

The Jersey Overseas Aid Commission (JOAC) has established non-political criteria for reviewing grant applications which takes into consideration the long-term sustainability of a project and the number of people who will benefit, either directly or indirectly, from the grant. The grants which are given to non governmental agencies and charities are ring fenced for the agreed project and reports are received from the organisations on completion of the project. Any change in spend has to be approved by the Commission.

The Commission reviews its policies and procedures from time to time and has recently requested charities to indicate on the application grant forms the HDI (Human Development Index) of the country for which a grant is being requested. In this context India is 126 of 177 countries on the HDI index. Irrespective of the growth in India's GDP, it is one of the most disaster prone countries in the world. 57% of land is vulnerable to earthquake, 68% to drought and 12% to floods. Floods and droughts affect 50 million people on an annual basis. JOAC spent 3.5% of its budget on Indian projects in 2009. International aid to India has been scaled back and JOAC is also reviewing with care any grant applications received from India. The majority of countries supported by JOAC are low on the HDI index and have unstable climates which exacerbate the already severe socio-economic issues due to lack of education, poor sanitation and sub-standard health facilities.

The current States policy is for the grant to Jersey Overseas Aid to be increased by 5% every year and this is achieved by reducing departmental budgets by the same amount. If this part of the amendment is successful department contributions to this worthy cause will be lost, becoming just another slice off their budget.

With regards to the Gift Aid proposal, it appears that the proposal only extends to local charities which benefit the local community. Local charities already benefit if a donor completes a tax form or enters into a covenant and what happens if a donation is made to Oxfam or Christian Aid or one of the smaller charities set up to benefit overseas communities? To allow tax benefits to charities working within the local community and not to local charities working with overseas communities is discrimatory and fails to recognise the efforts of those people who help overseas communities.

Gift Aid would only enable a donor to choose his charity and not select how his donation was spent.

Financial implications

This part of the amendment would reduce net revenue expenditure by £402,800 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 2 & 26

The Tourism Department has already been subject to funding cuts in the CSR proposals put forward by Economic Development and a further cut would directly result in a reduction to the £226 million that is spent by visitors to the island.

During 2010 a Marketing Advisory Panel was appointed, following the Nolan principles for non-executive voluntary appointments. This panel is made up of private sector business leaders representing transport, accommodation, major tour operators, the Jersey Hospitality Association and an independent professional marketer. This group has now been meeting for 5 months and supported the Jersey Tourism team during the application for fiscal stimulus funding and are now contributing towards the 2011 tourism marketing plans. This private sector input is key to our marketing development.

Tourism is not an insignificant value to our economy. In 2009 nearly 700,000 people visited Jersey, 350,000 were staying holiday visitors and 58,000 were on business. 6,000 jobs are provided by the hospitality sector offering 3.3 million bed nights per year. Jersey has a fantastic tourism product, with significant private sector investment, however it needs ongoing States support. The benefit of tourism to our economy is far reaching, taxis, restaurants, buses, produce suppliers, food and beverage suppliers, Jersey Dairy, our beautiful monuments and castles, all depend on visitor spend to remain viable and thus available for the use of the local population.

Financial implications

This part of the amendment would reduce net revenue expenditure by £198,600 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 3 & 27

Grants offered by Jersey Enterprise (JE) are wide ranging, from export development and innovation, to supporting employers for training apprentices and offering opportunities for undergraduates in summer work placements, thus ensuring that Island businesses continue to invest in the skills of the Island's future workforce offering opportunities likely to provide highly talented individuals who go off-Island to gain higher qualifications future employment.

Reducing, or even taking away grants for skills and training will potentially encourage inward migration to deliver the types of trades/crafts covered by the apprenticeship training and at a higher level the Island potentially could become a net exporter of expensively educated university graduates, and a net importer of high level skills from overseas – something contrary to the Migration Policy.

Businesses wishing to access one of a number of grant aided initiatives are required to submit strong business cases as to why they are eligible to apply for the particular fund. In an environment where companies are increasingly finding it difficult to obtain access to finance from banks and other traditional sources owing to credit restrictions, it is important that the States continue to provide whatever support is appropriate in order to retain viable, high-growth local businesses.

The proposed £500,000 reduction in the Jersey Enterprise budget appears to be justified based on the £7 million grants made by Economic Development. In fact 2/3rd of the grants quoted in the report are not directly related to activities, products or services provided by Jersey Enterprise and therefore the case for making the cut appears flawed and badly targeted.

Financial implications

This part of the amendment would reduce net revenue expenditure by £500,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied and would reduce the Jersey Enterprise budget for 2011 by almost 25%. This will result in a number of initiatives folding and/or potential staff losses.

Parts 4 & 28

Reduction in Jersey Finance Limited Grant of £400,000

Tax revenue and employment provided by the financial services sector is fundamental to the success of the Jersey economy and the health of the public finances.

Benefits derived from JFL activity in promoting and developing the finance sector are realised by all Island residents and not simply the JFL membership – put simply, a flourishing financial services sector is good for Jersey. This is the premise on which EDD funding for JFL is based .

JFL is a successful organisation, a statement that is based, in no small part, on an overwhelming body of feedback from the finance industry, both in Jersey and overseas. EDD's 2011 business plan seeks to support the further development of Jersey's financial services through the further development of activity undertaken by JFL.

The proposition and accompanying report, in seeking to reduce the EDD grant to JFL, fails to recognise -

1. **The true nature of the finance sector financial contribution to JFL activity**

   The finance sector contributes to JFL activity in two ways:

   - Membership subscriptions, event revenue etc.
   - Participation in industry working groups including, but not limited to, technical working groups on the development of legislation. This

contribution is provided *pro bono* and represents a very significant financial value.

The table below details the true split of government and industry contributions to JFL activity. Based on this more accurate analysis it can be seen that the total industry contribution has exceeded the EDD grant in the period 2007 to 2010 and will continue to do so in 2011 based on an EDD grant of £2.2 million.

Year	**States**	**JFL Members Cash Subscription**	**JFL Members *Pro Bono* Contribution**	**% JFL Members Contribution**
2007	£1,000,000	£420,000	£1,000,000	58.68%
2008	£1,400,000	£450,000	£1,500,000	58.21%
2009	£1,800,000	£480,000	£2,000,000	57.94%
2010	£1,800,000	£600,000	£2,000,000	59.09%
2011	£2,200,000	£600,000*	£2,000,000*	54.14%

* estimated

2. The true return on investment for the tax payer of the EDD grant to JFL

In contrast a significantly higher grant is made to agriculture and tourism which contribute a much smaller amount to the economy. Based on 2009 GVA: 53% finance, 3% tourism (as measured by “hotels, restaurants and bars”) and 1% agriculture.

Whilst the grant to Jersey Finance in cash terms is a material figure, in relative terms it is modest when related to the contribution of the finance industry to the Jersey economy.

Any further reduction in this figure would be interpreted by the finance industry both at home and abroad as a signal of a reduction in support and priority for this key industry, and could well affect investment decisions. It would also be exploited by competitors and by Jersey’s detractors.

3. The impact of the proposed reduction of JFL activity

It should be noted that the annual grant support for JFL is based on detailed business plans and objectives which are specific, measurable, attainable, and relevant. These are subject to constant scrutiny, review, monitoring and reporting by States officers on the JFL Board and through EDD’s grant monitoring process.

The draft 2011 JFL business plan shows that levels of expenditure on staff, marketing activity and office accommodation in Jersey, the UK and Hong Kong have been held at 2010 levels. Increases that have been applied in 2011 are wholly consistent with the key objectives of JFL in that they develop both products (e.g. pensions) and markets for Jersey’s financial services sector and broaden the emphasis of JFL activity from attracting **more business** for existing financial services companies to include financial services inward investment to attract **new businesses** to the Island. As this has a direct benefit to the employment and tax base of the Island it is appropriate for this incremental activity to be funded by government.

If the proposed amendment were to be successful product development, market development and inward investment activity which are pivotal to fulfilling JFL's strategic objectives would have to stop.

Remove increased funding for the Jersey Financial Services Commission (JFSC) for non-financial services Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT) Unit

It is entirely appropriate that the JFSC extend their regulation of anti-money laundering/countering the financing of terrorism (AML/CFT) to non-financial service entities who deal in high value goods as they were requested by Government to do so in order to meet international standards for the IMF visit 2 years ago. It is important for Jersey to meet international standards to combat money laundering and the financing of terrorist organisations.

It was proposed that the JFSC take on this role as they have the greatest expertise in this area, because there is a presumption against creating additional agencies, and because no other suitable existing body was identified. The IMF requirement to regulate this sector was explained to States Members in briefings on 19th October 2007.

Following consultation in February 2010 costs have been allocated appropriately between the new sectors regulated, the finance industry (who gain some benefit from Jersey complying with international standards), and an agreed contribution from Government (as the island as a whole benefits from the regulation of this sector and complying with international standards).

If government do not fund part of the costs, then Jersey risks not complying with international standards.

Alternatively if fees are increased on non-financial services entities who are being regulated then it is considered that the much higher fees would be disproportionate to the benefit that non-financial services entities receive from AML/CFT oversight. Fees might also cause financial hardship.

Financial implications

This part of the amendment would reduce net revenue expenditure by £762,900 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 5 & 29

Regulation of Undertakings regulates businesses in Jersey, including their ability to commence and to employ staff, and requires them to make 6 monthly staffing returns. There are 6,000 undertakings in Jersey, making 4,000 applications per year. This is why Regulation of Undertakings costs what it does.

Introduction of the proposed new Migration Law will result in a need for the Population Office to restructure internally to accommodate early effective delivery. The planned 2011 budget increase of £21,000 represents a relatively modest increase, and is mainly due to an increase in allocated overheads. This will involve a limited amount of additional expenditure initially, however ultimately will result in overall cost savings for the Department.

Financial implications

This part of the amendment would reduce net revenue expenditure by £21,500 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 6 & 30

The amendment proposes a decrease of £112,400 in support to the Rural Sector, which would remove the only element of budget growth designed to cover both the costs of policy and regulatory development and proposed additional funding to allow increased working hours at the abattoir.

The EDD 2011 CSR proposals in fact produce an overall saving of £461,000 for the Rural Sector which has already reduced grants and subsidies, from £4.38 million in 2005 to £2.8 million in 2010 and with further reductions proposed for 2011 already outlined in the Departments CSR submission.

Past reductions have been made on the basis that they are sustainable for rural businesses, as they restructure to face the market rather than relying on high levels of public support.

In other words, the transitional arrangements needed to move the rural economy from high to low levels of subsidy are critical and need to be considered strategically, hence the RES review process.

Financial implications

This part of the amendment would reduce net revenue expenditure by £112,400 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 7 & 31

The establishment of a Rural Initiative Scheme (RIS) was consistent with the objectives of the 2005 Economic Growth Plan to encourage enterprise and growth in the rural economy. This has been and continues to be achieved. Grant applications are made to a panel and scored against set criteria including, profitability and the need for public funding (i.e. a degree of means testing). Successful applicants are subsequently monitored to ensure that they are compliant with the conditions associated with the offer of a grant.

The aim of agricultural support is not to provide additional income rather the aim of agricultural support is to purchase social benefits, such as environmental stewardship of the countryside and to underpin the activity that forms the rural landscape on a per vergée basis. Agricultural support should be and is conditional on achieving these social benefits (e.g. only paid if environmental conditions have been met by farms).

Financial implications

This part of the amendment would reduce net revenue expenditure by £100,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 8 & 32

The increase between the 2010 Estimate and 2011 Estimate for Pre-School Education included in the 2011 Annual Business Plan (ABP) is due to three factors, demographics, staff inflation and non-staff inflation. Provision for the increase in numbers was agreed by the States as part of the 2009 ABP process.

The 30 hours currently provided free within school nurseries was existing Departmental policy and pre-dates the States decision to support the current Early Years Strategy which removed the major inequity between public and private sector provision.

The Department is conscious that some inequity still exists but it is already addressing the reduction in Pre-School Education costs as part of the CSR process .

Financial implications

This part of the amendment would reduce net revenue expenditure by an additional £120,800 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

As this area is already under consideration, the effect of this amendment would be that the department would be required to deliver additional savings over and above the 2% target for 2011. This is considered unachievable in the short-term.

Parts 9 & 33

The increase between the 2010 Estimate and 2011 Estimate for Secondary Education included in the 2011 Annual Business Plan (ABP) is primarily due to an increase in the number of pupils within Key Stages 3 and 4 and an increase in the number of students staying on to do A-levels. As schools are funded on the basis of pupil numbers, this means that any increase in pupils has to be matched by an increase in budget. This has been met from within the department's overall cash limit. The balance of the increase is due to pay awards, a change in the date for settling pay awards and inflation on non-staff costs.

Whilst reducing the budget to schools may be seen as a way to reduce costs, until such time as a school can match a reduction in funding to an actual reduction in staff numbers there is no immediate cashable saving. Structural reform, which is not possible in the short term, would be required to achieve this. This reduction would therefore increase the risk of individual schools running into deficit in order to deliver the statutory requirements of the Jersey Curriculum.

Furthermore, the savings identified in the amendment appear to have been based on an incorrect assumption that the whole of the Schools and Colleges CSR saving of £298k, allocated as overheads across all schools, applies solely to secondary education. Excluding overheads, the actual increase in the budget for secondary education amounts to 2.9%.

Financial implications

This part of the amendment would reduce net revenue expenditure by an additional £70,884 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

As this area is already under consideration, the effect of this amendment would be that the department would be required to deliver additional savings over and above the 2% target for 2011. This is considered unachievable in the short-term.

Parts 10 & 34

The increase in the 2010 Estimate and 2011 Estimate for Fee Paying Education (Provided Schools) included in the 2011 Annual Business Plan (ABP) already includes a reduction of £80,000 to begin to address the Comptroller and Auditor General's proposals to reflect property costs incurred. Further reductions are planned for 2012 and 2013. This is detailed in the Reconciliation of Net Revenue Expenditure on page 37 of the ABP. The increase reflects the net impact of inflation after allocating overheads.

Financial implications

This part of the amendment would reduce net revenue expenditure by £9,800 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

As this area is already under consideration, the effect of this amendment would be that the department would be required to deliver additional savings over and above the 2% target for 2011.

Parts 11 & 35

All schools are formula funded on the basis of the age and number of pupils. This provides a uniform method of funding and reflects the cost of educating pupils at different key stages. Fee-paying primary schools are awarded 25% of the cost of educating a pupil in the non-fee paying States sector and fee-paying secondary schools are awarded 50% of the cost of educating a pupil in a non-fee paying States secondary school.

As the academic year is different from the financial year and the business planning process begins in February, it is not possible to predict actual numbers with certainty.

In 2010 pupil numbers in the fee-paying sector were higher than predicted. The budget increase for 2011 therefore represents a more realistic estimate of pupil numbers.

Financial implications

This part of the amendment would reduce net revenue expenditure by an additional £188,438 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied. This amendment would also distort the relationships between pupil numbers and school funding and the relativity between the fee-paying and non fee-paying sector. This would effectively distort the formula used to fund schools and will lead to an unstructured funding mechanism which would affect the department's ability to deliver structural efficiencies as pupil numbers fall.

This amendment would also have the effect of funding fee-paying provided schools more generously than fee-paying non-provided schools.

Parts 12 & 36

The amendment refers to the saving included in the Comptroller and Auditor General's report of 2008 which represents a charge of £100 per annum per instrument. The department's view is that it would be more appropriate to introduce charges for instrumental tuition. This is being considered as part of the CSR process.

Financial implications

This part of the amendment would reduce net revenue expenditure by £19,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

As this area is already under consideration, the effect of this amendment would be that the department would be required to deliver additional savings over and above the 2% target for 2011. This is considered unachievable in the short-term.

Parts 13 & 37

The cost of Higher Education fluctuates annually depending on the number of students, course fees and the income of parents in each cohort. In 2009, the cost of Higher Education Awards totalled £8.2 million. In 2010 the cost could be as much as £8.8 million due primarily to the fact that parental incomes appear to have reduced because of the recession. The actual impact will not be known until November 2010. Any reduction would create further pressure on an already tight budget.

The increase between the 2010 Estimate and 2011 Estimate for Higher Education included in the 2011 Annual Business Plan (ABP) is non-staff inflation which ensures that the real value of the grant scheme is maintained and that increased costs imposed by increases in fees charged by UK based Universities can be met.

The relative value of States financial support to students has diminished to the extent that a 30% uplift would be required to restore 2001 levels. Currently the level of support provided to students in higher education by the States does not compare favourably with other Island jurisdictions and has reduced to a level which challenges parent's ability to pay.

The Minister for Education, Sport and Culture intends to publish a white paper on Higher Education in the very near future.

Financial implications

This part of the amendment would reduce net revenue expenditure by £217,400 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 14 & 38

It is recognised that there are unresolved issues in relation to the Archive and the Minister for Education Sport and Culture has committed to bringing forward a plan to tackle these including investigating the proposal that the budget shortfall should be met from a recharge to all States departments that make use of the service for the storage of documents.

Financial implications

This part of the amendment would increase net revenue expenditure by £50,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 15 & 39

The Guernsey model is one where 70% of the service (which includes the emergency service) is funded by the States of Guernsey. There is a user pays element but the service is experiencing an all time high in the increasing numbers of bad debts and payments that have been transferred to the Social Security Department.

The difference in estimates for the service quoted in the Draft 2010 Business Plan Annex and those given in the 2010 Estimate Budgets in the 2011 Annex are due to the reversal in the decision to significantly reduce Patient Transport Services which was made after the Draft 2010 Business Plan Annex was published..

The service is to be the subject of an in depth review as part of the 2012, 2013 CSR savings proposals.

Financial implications

This part of the amendment would reduce net revenue expenditure by £145,600 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 16 & 40

As part of the CSR process, expenditure previously funded from the COCF (Court and Case Costs and the Criminal Injuries Compensation Scheme) has been included in Departments' 2011 Cash Limits.

An amount of £850,000 has been included in the Home Affairs Department's cash limit for Court and Case Costs of which £700,000 is attributable to the police which has been allocated across all police services areas.

This additional budget added to funding for the Offenders Management Unit (Sex Offenders legislation), which was allocated to a different service area in 2010, accounts for the majority of the increase in budget on this service area between 2010 and 2011.

Financial implications

This part of the amendment would reduce net revenue expenditure by £300,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 17 & 41

As part of the CSR process growth requests were prioritised by the Council of Ministers and only requests deemed to be essential and necessary to address current under-funded areas were approved.

Additional funding of £510,000 has been included in the Department's 2011 Cash Limit to provide for additional staff in the Joint Financial Crimes Unit in order to ensure IMF compliance and strengthen the Island's reputation. The proposer states that "no case has been made for this"; however, the growth bid is a direct result of the recommendations made in the IMF inspection report.

The Council of Ministers is proposing that this growth could be funded from an increase in company fees as detailed in Appendix A, CSR Summary Proposals, of the Draft ABP 2011.

Financial implications

This part of the amendment would reduce net revenue expenditure by £250,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 18 & 42

The increase over 2% is mainly due to additional funds of £62,000 agreed as part of the CSR process for the cost of incremental increases (described as the impact of filling essential staff vacancies in the Service Analysis).

In the amendment the proposer refers to three issues regarding the Jersey Fire and Rescue Service (JFRS).

Remuneration

The Minister for Home Affairs has no influence over the pay and conditions of all JFRS staff as they are agreed by the States Employment Board, as are all States employees.

For information, operational personnel in Jersey perform a wider range of technical/professional functions than their UK counterparts. Wholetime Fire-fighters in a busy metropolitan station in the UK (similar to Jersey's HQ) may perform one or two specialist functions alongside the standard fire response. In Jersey, all Wholetime personnel perform eight specialist functions in addition to standard fire response activity.

Duplication of Sea Rescue Services

Whilst the operational function is the same as that provided by the RNLI, the speed of the Service's response meets a specific need which, at this time, is not covered by other agencies.

The fact that the Service response utilises on-duty, ‘standing’ resources (which must be available for minimum fire cover purposes anyway) guarantees an immediate response with a launch time of no longer than 20 minutes anywhere in Jersey's coastal waters; the rescue boat can be ‘at sea’ in St. Helier within 5-10 minutes of mobilising.

The on-call, ‘standby’ nature of the RNLI response and the fact that, at this time, launches can only be made from the two lifeboat stations, mean that the JFRS response is the most suitable and beneficial in risk-critical situations in certain locations.

Jersey Coastguard - as the mobilising and search and rescue coordinating authority – has a ‘bank’ of resources to deploy which include both the RNLI and JFRS. Jersey Coastguard continues to select the JFRS response on around 20-25 occasions per annum because, in those situations, it is considered the most appropriate resource.

Each year, the JFRS's Inshore Rescue Boat rescues around 10 people from life threatening situations.

Closure of the Western Fire Station

This issue has been raised before with the Minister and the PAC has requested that the option of closing the Western Fire Station be fully costed and re-presented.

The Department has sought a quote for an independent and objective evaluation of the costs of the Western Fire Station (WFS) in order to determine if the operation of the WFS should continue from a financial perspective, or if the closure would result in financial savings which could be better utilised elsewhere within the States of Jersey.

The Chief Fire Officer is of the view that the proposal would not be operationally robust because of the safety implications implicit in the Island Risk Profile. The WFS is considered to be operationally beneficial for the following reasons –

- It is located in the `high risk’ area of the Island Risk Profile, St. Helier and St. Saviour being the only other two which are more easily covered by the Town station.

- The east of the island does not present the same risk profile.
- Without the WFS, the one remaining station would have a cover area of 45 square miles. This compares to 31.5 square miles for the Isle of Mann (7 stations) and 14.5 square miles for the Isle of Wight (10 stations). With the WFS, the cover area reduces to 22.5 square miles.
- Activity rates for the Town station are high at around 900 a year. Calls per station for large county services range from 122 to 225 a year. For busier metropolitan services, from 478 to 988. On this basis, having the WFS is not an extravagance.
- The running costs of the WFS are around £7,000 a year.
- It is manned by retained crews, not whole-time firefighters.
- In 2009, a detailed study was carried out into the feasibility of a joint facility with the Airport Rescue and Fire-Fighting Service based at the Airport. It was decided not to pursue this based upon –
  - Limited finance gains balanced against losses.
  - Financial sustainability – loss of income to SJFRS which currently funds Western Fire Station.
  - Space requirement – not able to be housed at the Airport.
  - Security constraints would lead to facility operating as two separate stations in all practical senses.
  - Concern about movement of Western Fire Station away from its main risk area.

Financial implications

This part of the amendment would reduce net revenue expenditure by £75,524 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 19 & 43

The figure of £358,000 represents an increase in the budget for Residential Accommodation at the Prison yet the net budget increase for the Prison between 2010 and 2011 is £241,800. Due to a redistribution of the budget in 2011 the service area `Residential Accommodation' has increased whereas `Prisoner Activity' and `Operations and Administration' has decreased (reasons for this increase included: rise in utility costs due to increased number of buildings, floor space occupied and machinery used, and new roster – reallocation of staff costs). The net increase of £241,800 is due to pay award provision, non-staff inflation, and growth for incremental rises.

The Prison will be making savings of £165,000 in 2011 as part of the CSR process.

In the report the proposer refers to four issues regarding the Prison Service –

Pay and Conditions
The Minister for Home Affairs has no influence over the pay and conditions of all prison staff as they are agreed by the States Employment Board, as are all States employees.

Repatriation of Prisoners
This is one of the Minister's top priorities; a first draft of the Law has just been produced. Savings resulting from the repatriation of prisoners have been included in the Department's submission to Part 2 of the CSR process for 2013 – in order to allow for the passing of the necessary legislation and the negotiation of agreements with countries to which prisoners would be repatriated.

Privatisation of the Prison
For such a proposal to proceed it ought to be part of a States-wide policy on privatisation / outsourcing / alternative service provision. If such a policy were in place there are more appropriate areas to look at first in any case (such as sports facilities where there are already private sector providers in the Jersey market).

Other compelling reasons to maintain the Prison under public sector control are the complexity of the Prison (there isn't a real parallel anywhere in the UK), the staff considerations, and the poor condition of some parts of the estate. The CSR Steering Group decided, on the strength of this, that the idea would not be progressed at this time.

Prisoner Transport
Changes in service provision are being considered by the Police for inclusion in the Department's submission to Part 2 of the CSR process.

Financial implications

This part of the amendment would reduce net revenue expenditure by £358,200 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 20 & 44

In 2010 the department provided £1.43 million in grants. This is made up of £1.0 million for the Energy Efficiency Services, £0.4 million for the Countryside Renewal Scheme, and £0.03 million for the Historic buildings grant. The Ecology Trust Fund does not form part of the States expenditure and the Planning and Environment department does not control its expenditure.

This amendment would result in a disproportionate impact on these areas of spend and will result in high levels of impact in the community.

The energy efficiency service delivers energy improvement to households. This is primarily in the form of insulation, low energy lighting and other energy controls. Reducing the level of grants by £500K will have a significant impact on this service, on the local construction market who deliver the scheme, and on the environmental and health benefits that are being witnessed.

The Countryside Renewal Scheme provides vital support for environmental benefit in the rural area. This has included a slurry store programme to increase water quality and reduce nitrates, increases in biodiversity and countryside access, support to the organic farming sector, to name but a few. The scheme operate on a forward funding model tied to the Rural Economy Strategy and commitments in the programme already existing will make it very difficult to reduce spend in this area in 2011.

The historic buildings grant is used flexibly to spend on historic buildings work. Its removal in 2011 will result in less money being available to support the review of the listings system for historic buildings applied across the Island.

Financial implications

This part of the amendment would reduce net revenue expenditure by £500,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 21 & 45

The Council of Ministers wishes to remind members that P.77/2010 – the income support uprate for 2011 – was unanimously approved by the States on 20th July. A reversal of this decision within 2 months would be highly irresponsible.

The Income Support budget has risen from £79 million in 2009 to £99 million in 2011.

The additional £20 million includes –

- £11 million additional funding for recession - this is a temporary allocation which will be withdrawn as the impact of the recession diminishes.

- £4.5 million for residential care costs - this includes a £1 million transfer from the HSS with a corresponding reduction in HSS expenditure, and £3.5 million in additional residential care costs in respect of demographic growth.

- The Social Security Department is working on a ring fenced scheme that will provide a contributory benefit to the great majority of individuals needing long-term care. This will reduce the cost to States expenditure and ensure that individuals of all ages contribute to the increasing cost of care for the elderly.

The consequence of a £1.8 million reduction in the income support budget for 2011 would be –

- the removal of most of the benefit uprating package that the States have recently agreed (supported unanimously);
- prepare new regulations to set benefit rates lower;
- seek a States debate to reverse the recent decision;
- write to all claimants informing them of the lower rate;
- Housing dept and childcare providers would need to adjust direct debits;

- vulnerable claimants are likely to be very confused by the benefit level increasing in October and then dropping again in January;
- the dept will need to divert staff to deal with a large no of customer enquiries;
- ahead of the outcome of the ongoing income support review, due for completion in 2011, cuts would be made against all income support households, including the most vulnerable;
- small cuts in benefit can have a disproportionate effect on the poorest households.

Financial implications

This part of the amendment would reduce net revenue expenditure by £1,822,000 in 2011 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 22 & 46

The amendment refers to the change in the NET cost of the Architects Service (which includes Mechanical and Electrical design services and the Clerks of Works function).

These services recharge their costs to capital projects and in respect of works undertaken on behalf of other departments. The net cost therefore reflects the cost of operating the section and associated overhead less the income generated.

The overall net funding position for this section of Jersey Property Holdings has increased as a result of a drop in income in the order of £300k. This is being addressed as part of an overall review of the design function to meet the anticipated reduction in future level of work and is included in the CSR Part 2 proposals.

Financial implications

This part of the amendment would reduce net revenue expenditure by 191,400 with the figure increasing for 2012 and 2013 in accordance with the appropriate inflation-related increase applied.

Parts 23 & 47

The level of remuneration for States members is not a matter that falls within the remit of the Council of Ministers as it is within the terms of reference of the Privileges and Procedures Committee (PPC) in conjunction with the independent States Members Remuneration Review Body.

It is understood that PPC will be considering the amendments on this subject that have been lodged by Senator Shenton and will be presenting comments to the States.

Part 24

Jersey Harbours does not have a States allocated budget, nor receives any States grants or subsidies, and does not form a part of the overall States deficit. The deficit in the Jersey Harbours budget 2011 is due to the implementation of GAAP accounting requiring calculation and application of a depreciation charge on fixed assets owned by Jersey Harbours.

Excluding depreciation, Jersey Harbours is budgeting a surplus of £2,688,000 for 2011. The high levels of depreciation are as a result of Jersey Harbours' asset base which is particularly high due to the inclusion of heritage assets which derive little or no income.

However, the budgeted deficit will be reduced to zero by the implementation of a major cost reduction and revenue generation project currently underway termed "Project Safehaven" by 2013.

To reduce expenditure (excluding depreciation) by £226,000 would require a further saving of 2% on the current proposed budget. By removing inflationary allowances of 2% in 2011, savings of 2.6% have been made already (includes CSR and non CSR savings). Excluding the effect of growth, further savings of £238,000 in 2012 and £556,000 2013 have been proposed in Project Safehaven, an overall saving of £1.1 million (9.4%) compared to 2010 expenditure budget.

Volume increases to deliver increased revenues are not under direct control of Jersey Harbours. To increase operational revenues by £226,000 would require a tariff increase of 4.8% from 2010 levels. A substantial average increase of 3.2% (RPI+0.4% as at June 2010) has already been applied to the 2011 business plan and is currently in consultation with Port Users and Boat Owners.

This is challenging in itself, and a further increase of 1.6% would seem inappropriate in the current economic climate and a potential abuse of our monopolistic position. However, our planned CSR 'Safehaven' user pays proposals will increase operational revenues by a further £447,000 in 2012 & £376,000 in 2013, an overall increase of 9.1% on 2010 budgeted operational income.

Financial implications

There is no financial impact of this part of the amendment on the Consolidated Fund as Jersey Harbours is a Trader and does not form part of the Consolidated Fund.