

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

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 numerous 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.