

# STATES OF JERSEY



## **DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – SECOND AMENDMENT (P.68/2016 Amd.(2)) – COMMENTS**

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**Presented to the States on 26th September 2016  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

Deputy G.P. Southern of St. Helier proposes that –

- the net revenue expenditure of the Chief Minister’s Department shall be increased by £84,000 in 2019 by not making the proposed savings in the Statistics Unit and the allocation to Contingency in 2019 shall be reduced by the same amount.

**The Council of Ministers believes this Amendment is unnecessary, as its aims can be delivered without the amendment, and asks States Members to reject it.**

### Summary of Council of Ministers’ Comments

- The Council of Ministers has undertaken an extensive re-prioritisation and re-allocation process requiring significant efficiencies to re-invest in the strategic priorities of Health and Education, and also to fund important capital projects and to invest in economic growth and improving productivity.
- As part of this, the Chief Minister’s Department proposed savings in the Statistics Unit, with the aim of achieving this by efficiencies, including bringing statistical teams together, reviewing releases and methods of statistical production and dissemination. In particular, £40,000 of savings can be identified by merging the Health intelligence Unit into the Statistics Unit.
- At the same time, official, independent and high-quality statistics are essential to the policy formulation and decision-making, and demands on the Statistics Unit are sizeable. As such, the Council of Ministers recognises that the level of savings in the Statistics Unit should be moderated. Specifically, the savings should be reduced from £84,000 to £40,000. This will enable the Business Tendency Survey to recommence, and the work on the e-census to proceed.
- To achieve this, the Chief Minister’s Department will also re-prioritise its budgets by 2019, so that the additional funding proposed by the Deputy would not be required.
- The Council of Ministers cannot support the Deputy’s proposal to reduce Central Contingencies for the purpose of this Amendment, not least because additional funding is now not required.
- Contingencies provide the flexibility needed to react to future uncertainties, changes in economic and financial outlook and associated expenditure pressures, and importantly the scale of change and reform that is needed.

### Detailed Comments

The Council of Ministers understands and strongly supports the need for high-quality and independent statistics, covering our economy, community, and environment, and providing information on people’s views and experiences. This supports good policy formulation, and is necessary for the decisions we make, now more than ever, with Brexit, the ageing society, fiscal pressures, the need to drive productivity, and issues such as climate change, income equality, and migration.

However, the Public Sector must live within its means, reducing costs wherever possible. This is important, as we prioritise more of our resources toward Health and Education. To deliver this investment, we must make savings elsewhere. In the Statistics Unit we are bringing teams together and exploring new ways of working. The Health Intelligence Unit has moved to Cyril Le Marquand House under the management of the Chief Statistician. This is expected to deliver £40,000 of savings by 2019 by re-structuring the management function, while also providing the necessary time for the Chief Statistician to review the production of statistical releases.

Alongside this, the wider range of releases – their frequency, their manner, and their form – is being reviewed. More information can be uploaded as “data tables” rather than as a traditional statistical release; and as “open data” which can be downloaded and analysed. People increasingly want information in this form. Information can also be disseminated in an accessible graphic form (“infographics”) and some statistics may not need to be gathered so frequently. The Chief Statistician and his team are exploring these options, and increasingly using these methods.

At the same time, new demands are being placed on the Statistics Unit. The Council of Ministers wish to support the development of an e-census to provide more data on migration and population. There is also a need for more information to support economic and productivity growth. Indeed, there is a desire for more information, not less, and this is increasingly manifesting itself in departments asking the Statistics Unit to undertake additional work.

While the Council of Ministers continues to believe that it is right to deliver savings by consolidating statistical functions, in particular, the Health Intelligence Unit, and by exploring other means of reducing costs, they also believe that the level of savings proposed in the MTFP Addition should be moderated. Accordingly, they will reduce the proposed savings in the Statistics Unit from £84,000 in 2018 to £40,000 in 2019, with the difference to be identified within the existing budget of the Chief Minister’s Department, and by working with other departments on the joint funding of any additional work they may wish the Statistics Unit to undertake.

This approach will secure the immediate re-instatement of the Business Tendency Survey, and enable the work on the e-census to continue, without having to resort to contingencies or increasing the cash limit of the Chief Minister’s Department. As such, the amendment is now unnecessary.

#### Proposed use of Contingency

The Deputy’s proposal would reduce the allocation to Central Contingency expenditure by £240,000 and £480,000 in 2018 and 2019 respectively. The same arguments apply as for all other proposals to reduce Contingency:

#### Contingency Provisions

- Although the provision for Contingency spending may appear significant, it is very clear from the MTFP Addition Report (Section 8) that this includes a number of specific allocations.
- The provision for the actual annual contingency is only £7 million, made up of –
  - £5 million or 1% for total States general department expenditure, and
  - £2 million or 2% for Social Security benefits.

- The rest of the money set aside for Contingency expenditure includes provision for –
  - pay, workforce modernisation, and pensions proposals
  - restructuring projects and redundancy funding to support Public Sector reform and deliver the planned savings in this MTFP period and beyond
  - economic and productivity growth initiatives
  - important initiatives to support vulnerable children.
- Any amounts above the £7 million annual Contingency are actually earmarked for restructuring and redundancy, economic and productivity growth and supporting vulnerable children. These amounts are only included in the Contingency Expenditure Allocation to provide appropriate governance over their allocation.

### Principles of Contingencies

- The £7 million annual Contingencies provide an important part of the flexibility within the MTFP.
- They are to enable departments to respond to unforeseen and unexpected one-off events.
- A fundamental principle of Contingencies is that they should not be used to fund recurring spending, but only to provide temporary funding until a permanent re-allocation of funding is agreed.
- The annual Contingencies also provide an important buffer for more volatile areas of spending, such as social security benefits. These areas, termed annually managed expenditure (“AME”), are extremely difficult for departments to forecast, so central contingencies are provided in addition to those held in departments.
- Allocation of all contingency funding is closely managed through approval by the Council of Ministers and Minister for Treasury and Resources. All allocations follow tight governance processes.
- Adequate annual contingency provisions are an important part of the overall flexibility in the MTFP to –
  - help deal with the scale of change and reform that is needed, and
  - react to the uncertainties and changes in economic and financial outlook and associated expenditure pressures.
- The Fiscal Policy Panel has emphasized in its Annual Report the importance of flexibility in the MTFP Addition to deal with uncertainties in the economic and financial outlook. These expert economists have encouraged the States to maintain that flexibility.
- The Amendments that propose to take funds from Contingencies are not all large reductions individually, but taken together could remove a significant and recurring sum from Contingencies over the period of the MTFP Addition.

### **Financial implications**

The financial implications of this Amendment are primarily a reduction in the contingency allocation. The Chief Minister’s Department net revenue expenditure for 2019 would increase by £84,000 in 2019, and would be met by reducing the allocation to Contingency in 2019 by an identical amount. This reduces flexibility to react to any

future uncertainties, changes in economic and financial outlook and associated expenditure pressures, and importantly the scale of change and reform that is needed.

Taken alone, this Amendment may not seem substantial, but together with similar proposed Amendments, the impact on central Contingency would be significant. This would leave department expenditure and social security benefits and the services they fund at risk during the MTFP period, and could also mean that progress on restructuring, public sector reform, economic and productivity initiatives and the important initiatives to support vulnerable children are not possible. Funding recurring expenditure from Contingency now will also add to the solutions required to balance budgets in the next MTFP.

It is in this context that the Council of Ministers' approach is preferable: the budget of the Statistics Unit would not reduce by £84,000 as proposed in the MTFP Addition, it will instead reduce by £40,000 through the merging of statistical teams, with the difference being identified from elsewhere within the Chief Minister's Department. While this is challenging, it is achievable by 2019 by re-profiling budgets, and protects the important flexibility in central Contingency.

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**Statement under Standing Order 37A [Presentation of comment relating to a proposition]**

These comments were received by the States Greffe after the deadline set out in Standing Order 37A because the Council of Ministers wanted to ascertain the views of members and to ensure proper consideration was given to the Amendments and the later Amendments to Amendments, to provide the latest information ahead of the debate.