

STATES OF JERSEY



MEDIUM TERM FINANCIAL PLAN 2016 – 2019 (P.72/2015): FOURTEENTH AMENDMENT (P.72/2015 Amd.(14)) – COMMENTS

**Presented to the States on 5th October 2015
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy J.M. Maçon of St. Saviour proposes that –

the States capital expenditure be increased by £300,000 in 2016 and the allocation to Contingency for 2016 be reduced by an identical amount, in order to fund road improvements in St. Saviour.

The Council of Ministers strongly opposes this Amendment and urges States members to oppose it.

Summary of Council of Ministers' Comments

The Council of Ministers opposes this Amendment for the following reasons –

- The Capital Programme for all departments has undergone a thorough prioritisation process within the resources available and in line with strategic priorities.
- Works designed to have the same effect as the Deputy's Amendment are planned for 2018 (subject to funding being agreed in the MTFP by the States).
- TTS has a list of projects that need to be undertaken in the coming years. This would be prioritising this project above others, which would not be fair or in the public interest.
- The Minister for Transport and Technical Services and the Department do not support the Amendment.
- The Council of Ministers cannot support reducing Central Contingencies for the purpose of this Amendment.
- Contingencies provide an essential buffer to volatile areas of expenditure such as Social Security benefits and other department expenditure, and over the period of the MTFP also provide part of the important flexibility needed in the Plan.

Detailed Comments

While Longueville Road safety improvements are worthwhile in their own right (and the Minister for TTS is supportive of them in principle), they are not the highest priority within the Department's list of planned work.

Across the Island, TTS has various planned road safety projects which it proposes to progress over the coming years, subject to funding, and in a prioritised way.

For example, there is a significant ongoing project in St. Saviour already to improve safety and traffic issues around the schools. This is obviously a high priority project, it concerns vulnerable road-users and it affects a significant percentage of the population on an almost daily basis. The scheme is phased and elements will be undertaken in 2016, 2017 and 2018.

A proposed budget provision has been allocated for improvements to Longueville Road within the Department's currently forecast budgets for 2018, although the exact

elements of the scheme are yet to be decided on with parish officials. Opportunities may also arise through planning gains to support the scheme.

To promote the Longueville Road scheme would mean that other planned higher priority schemes would suffer.

General Comments

Principles of Contingencies

The Deputy proposes that £300,000 is removed from Central Contingencies in 2016 –

- Contingencies provide an important part of the flexibility within the MTFP. They provide short-term resource for unexpected events.
- Contingencies should not be used to fund recurring spending, only to provide temporary funding until a permanent re-allocation of funding is agreed.
- Contingencies also provide a buffer for more volatile areas of spending such as Social Security benefits. These areas, termed annually managed expenditure (A.M.E.), are extremely difficult for departments to forecast and manage, and so central contingencies are provided in addition to those held in departments.
- Allocation of contingency funding is closely managed through the Council of Ministers and Minister for Treasury and Resources' approval. The allocation process is part of Financial Directions.
- Adequate 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.
- A fundamental principle of contingencies is that they should not be used to permanently fund recurring items of expenditure, but be used primarily for one-off unforeseen events.
- The proposed Amendments to the MTFP seek to remove almost £3 million in 2016 from Contingencies, which if assumed to continue for the period of the MTFP, could amount to over £11 million.

Contingency Provisions

- The Council would highlight that, although the 2016 provision for Contingencies amounts to £37 million, it is very clear from the MTFP Report (Section 9) that this includes a number of specific allocations.
- The provision for the actual annual contingency is only £7 million. This is made up of –
 - £5 million or 1% for total States general department expenditure, and
 - £2 million or 2% for Social Security benefits.
- The balance of the £37 million is made up of –
 - £10 million for Redundancies,
 - £5 million for Economic and Productivity Growth initiatives,
 - £7 million for Restructuring projects to support Public Sector Reform,
 - £4 million for Committee of Inquiry, and
 - £4 million provision for pay and pensions proposals.

- These additional provisions for Committee of Inquiry, Redundancy and Economic and Productivity Growth initiatives are proposed as part of the Contingency Allocation only to provide appropriate governance and control over the allocation of this funding.
- The Council of Ministers would also want to highlight that these additional provisions are primarily funded in 2016 from transfers from the Strategic Reserve, and does not therefore believe it would be appropriate to use this funding for the purposes proposed by this and other amendments affecting Central Contingencies.

Financial implications

The States' capital expenditure for 2016 would increase by £300,000 and would be met by reducing the allocation to Contingency in 2016 by an identical amount.

The Council of Ministers has explained in the detail of the Comment that the principle of taking funds from central contingency would have a significant effect on flexibility and provision for risks on expenditure in 2016.

A proposed budget provision has been allocated in TTS's Capital Programme for improvements to Longueville Road within the TTS currently forecast budgets for 2018.