STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): SECOND AMENDMENT (P.123/2011 Amd.(2)) – COMMENTS

Presented to the States on 9th September 2011
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes both parts of this amendment.

Part 1
Senator B.E. Shenton proposes that the net revenue expenditure of the Treasury and Resources Department shall be decreased by £120,000.

AND

Part 2
Senator Shenton proposes that the net revenue expenditure of the Health and Social Services Department shall be increased by £100,000 in order to increase funding for the Alcohol and Drugs Service.

Comment

The Council of Ministers notes the concerns registered by Senator Shenton regarding the justification and funding for the post of Third Sector Co-ordinator.

To be clear, the commitment to this funding is £120,000 for 3 years, broadly representing £40,000 per annum. The funding is from a balance of carried forward monies from the Treasury and Resources Department, which is being re-allocated by the Minister to the Health and Social Services Department for this purpose.

This funding is not part of the Treasury and Resources cash limit proposed as part of the Draft Annual Business Plan 2012.

Consequently, the proposal to reduce Treasury and Resources net revenue expenditure by £120,000 in 2012 is a further cut in addition to the £201,000 savings already identified for the department in 2012.

Part 1

The Senator refers to the increase in the Treasury Department budget between 2011 and 2012 of £827,100.

A more detailed analysis of the Treasury budget shows that the majority of the increase, almost £600,000, relates to a strengthening of tax policy and collection and shareholder monitoring. This resource is expected to generate additional revenues to the States which will more than offset the costs. The Department is also preparing for the introduction of International Financial Reporting Standards (IFRS) and £200,000 is provided for valuations and additional financial support.

The figures are also inflated for transfers of staff into Treasury, including the Director of International Tax and Property Finance staff, amounting to over £200,000.

The Department is already delivering over £200,000 of service cuts in 2012, and imposing a further cut on the Treasury and Resources Department will detract from the strengthening of the financial management and control functions and would be short-sighted in terms of the benefit that the recent investment in resources will deliver for the States as a whole.

The specific savings are –

- Loss of a post in Shared services;
- Reduction in temporary resource to develop performance reporting;
- Restructuring of management accounting support;
- Reduction in contract audit days.

The Comptroller and Auditor General has made several references to strengthening the Treasury –

- In the June 2009 report "Financial Management in the States", he recommended that an appropriate framework for financial management be introduced;
- He also expressed concern at the ability of the States to control increases in expenditure within the 2005 Public Finances (Jersey) Law; and
- He also commented that the general framework for financial accountability may not have made adequate provision for quasi-commercial activities.

In response to these and other comments, the Minister for Treasury and Resources has taken steps to address these areas and, further cuts beyond those agreed in the CSR would make it difficult for Treasury to bring about this planned improvement and change.

<u>Increase in total States expenditure</u>

The Senator also refers to the increase in total States expenditure between 2012 and 2014 of £40 million. However, there is actually a very small increase between 2012 and 2013 of some £4 million or 0.6%, a reduction in real terms. This reflects the period to the end of the current CSR programme in 2013, at which point it is assumed that savings equivalent to £65 million will be delivered.

The main increase is not between 2012 and 2014, but between 2013 and 2014, and the Council of Ministers was clear in its presentation of the Business Plan to States members at the Town Hall in July that the 2014 projections were indicative, and at this stage included no provision for further savings in 2014. The Council of Ministers did not feel it was appropriate to set savings targets for 2014, in advance of a new Council of Ministers, and before the current CSR programme has been completed.

The Council of Ministers would expect that this figure will be reduced by introducing a further savings target in due course, and also through the consideration of the appropriate level of Growth provision (currently £16 million in 2014). This will be considered alongside the relative position of States finances in the preparation of the Medium Term Financial Plan for 2013 – 2015 next year.

The increase over the 2 years 2012 to 2014 is around 3% per annum, which would represent no growth in real terms. This is after providing for the new Growth allocation of £16 million in 2014 and an increase in the capital allocation of £5 million over 2012, but before any savings targets are set for 2014.

The figures reflect the Council of Ministers' principles throughout the CSR programme, to target achievable savings while still providing for investment in priority service areas and maintaining our assets and infrastructure.

The Council of Ministers opposes this part of the Amendment to reduce Treasury and Resources net revenue expenditure.

Part 2 of the above amendment from Senator Shenton is requesting an increase of £100,000 to the budget of the **Alcohol and Drug Service** in 2012.

Within the amendment, Senator Shenton identifies a number of issues relating to the problem of alcohol and drugs within the Island. Senator Shenton concludes by stating that, following the loss of the Alcohol and Drug Counsellor in 2010, as part of the Comprehensive Spending Review savings, funding for the Alcohol and Drugs Service was cut by 20%. This figure is incorrect and the current funding for Alcohol and Drug Services from the Community and Social Services budget is detailed below.

The spending on the Alcohol and Drug Service has actually increased between 2010 and 2011 by £210,000. The total budget for Alcohol and Drug Services approved in the Business Plan for 2011 was £1,810,500 compared with the total budget per the Business Plan in 2010 of £1,600,000. Whilst there was a decrease of £55,000 by the removal of the Alcohol and Drug Counsellor's post in the 2011 CSR, there was a net increase in direct budget of 15% to fund Consultant Psychiatrist support for the service and an increase in alcohol and drugs grants budgets.

It is worth noting that the Alcohol and Drug budget is not the only funding source that is specifically directed at tackling the problems of substance abuse and the harm it causes. Other spending includes –

- Needle Exchange programme
- Specialist Alcohol Worker
- Health Promotion Officer
- Arrest Referral Officer
- Methadone Programme
- Residential Rehabilitation (Silkworth Lodge and Margaret House)
- Youth Work (YESS Project and Detached Youth Worker)

I would also draw the Senator's attention to the most recent Medical Officer of Health report (2009/10), which is very clear that if we are going to reduce the harm caused by alcohol, then the issue of its affordability and availability needs to be addressed. Simply investing in (alcohol) health services needs to be matched by whole population preventative measures.

The Health and Social Services Department have not requested additional funding for the Alcohol and Drugs Service as part of the 2012 Business Plan and, having taken advice from within the Department and from the Council of Ministers, is opposing this part of the Amendment.

Financial implications

The Council of Ministers is opposing both parts of this amendment. The Council recognises that each part of the amendment will be debated separately, which could result in additional expenditure of £100,000 being allocated to the Alcohol and Drugs Service in Health and Social Services, and total States net revenue expenditure increasing in 2012. However, the Council cannot support the further savings that would be required in the Treasury and Resources cash limit, and urges members to reject both parts of the proposition.