

STATES OF JERSEY



MEDIUM TERM FINANCIAL PLAN 2013 – 2015 (P.69/2012): SECOND AMENDMENT (P.69/2012 Amd.(2)) – COMMENTS

**Presented to the States on 5th November 2012
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy J.H. Young of St. Brelade proposes that total States net revenue expenditure and the net revenue expenditure of the Environment Department shall be increased by £300,000 in each of the years 2013 and 2014 in order to provide additional funding for Countryside Infrastructure, Island Plan 2011 Implementation and strengthening the protection and regulation of the Island's Environment. This will have the effect of reducing the surplus in 2013 to £407,000 and putting the States in deficit by £241,000 and £102,000 in 2014 and 2015 respectively.

The Council of Ministers believes there is an alternative way in which the objectives of Deputy Young's proposals can be delivered, through a combination of funding routes including the central planning vote, allocations for 'back to work' and employment initiatives, and the opportunity to carry forward 2012 underspends. The Council of Ministers would also like to draw Deputy Young's attention to the Ecology Fund, against which further bids could be made. The Council of Ministers are therefore hopeful that a compromise solution has been reached.

However, the Council of Ministers opposes the amendment in its original form.

Department Comments

The Deputy's suggestions in relation to environmental pressures are understood, and the importance of environmental work to the Island is acknowledged. It is however considered that instead of increasing the spending limit, a more flexible use of existing resources within the Medium Term Financial Plan envelope could be undertaken to deliver similar outcomes. In this regard, the 'Back to Work' programme is in discussions with Transport and Technical Services and the Environment Department about developing schemes which benefit candidates and the wider community through targeted programmes of environmental work.

It is intended that these schemes will run from the start of 2013, and an initial pilot is currently being developed. The scheme will be a complementary part of the Coastal National Park management plan, which in itself will start to co-ordinate actions in the countryside across key landowners, including the States. In addition to environmental benefits, such work also delivers enhancements for active living, heritage and tourism.

Within the 'Back to Work' Medium Term Financial Plan bids there is £1.4 million allocated for Employment Projects (2013 – £300,000, 2014 – £550,000 and 2015 – £550,000). This funding will provide for activities to improve the employability of those with barriers to employment. This will be used with existing Medium Term Financial Plan capital bids from the Environment Department to ensure that equipment, materials, supervision and training are provided.

In addition, a further small sum of £50,000 will be identified from within existing resources to allow capital spend in the countryside by the Environment Department in 2013 which will further supplement the 'Back to Work' initiative and the Coastal National Park work.

Existing resources from the Central Planning Vote will also be utilised to enable the Environment Department to bring forward important masterplans and/or Island Plan amendments which can deliver economic growth and confidence. Such work could

include working with the Parishes in relation to smaller-scale rural projects and area plans, as well as major masterplans for parts of St. Helier.

It is also considered that work to further increase our knowledge of our water environment is a pre-requisite to longer-term capital planning for liquid waste, countryside management and the marine and aquaculture industry. Therefore it is proposed that a one-off fund of £200,000 is created in 2013 (using 2012 underspends) to allow environmental research by the Environment Department into water quality issues.

Council of Ministers' Key Themes

Key Theme – Growth

The States approved initial growth allocations in the 2012 Business Plan of £6 million in 2013 and £16 million in 2014. As part of the initial work on the Medium Term Financial Plan and the resource statement in the States Strategic Plan, a level of £26 million was proposed for growth in 2015 as part of the total States spending limits for the Medium Term Financial Plan.

Against these original growth allocations, Council of Ministers received growth requests from departments amounting to almost £35 million. The growth requests also proposed that a higher level of growth was required in 2013 to address the immediate priorities of Getting People Back to Work, Economic Growth and Reform of Health and Social Services. In addition to the main growth bids, initiatives for 'Back to Work' and Employment projects (which may not be permanent and recurring) of £7 million by 2015 were also proposed.

The Council of Ministers and Corporate Management Board conducted a significant prioritisation process with departments which attempted to reduce the requests to the level of growth funding available. The Treasury worked with departments to identify if there were other ways that the growth requests could be funded within existing spending limits. Departments were encouraged to reprioritise existing services and identify efficiency savings wherever possible.

The Council of Ministers then went through a process of 7 iterations. A fully funded package of proposals was agreed which will prioritise the growth bids, taking into account changes to resources that the Treasury could identify, to help deliver the Strategic Priorities.

The prioritisation process dovetailed with the work being carried out by a number of Ministerial Oversight Groups, for example on Health and Social Services and Housing Transformation. White Papers were due to be published, and the MTFP has been prepared to be consistent with what will be proposed, without in any way pre-empting the support of the States for the funding proposals in the MTFP.

The Council of Ministers considered that there remained a priority to find additional funding for Reforming Health Services, Getting People Back to Work and Stimulating Economic Growth, and proposed to allocate all available growth in the Medium Term Financial Plan. This was not the original plan, which would have left some growth available to allocate in future years, but the immediate funding of these initiatives in 2013 was felt to be vital to provide a stimulus to employment, the economy, and also to begin the essential reform of Health and Social Services.

The Council of Ministers was conscious of the need to provide some future flexibility, especially for 2014 and 2015, and this has been achieved, for example, through the provision of contingencies and the agreement of the £222 million capital programme on an annual basis.

The Council ultimately considered 3 final options –

- All prioritised growth bids to be included in MTFP,
- Removing selected growth bids to get closer to a fully funded position,
- Removing all 2013 growth except Health and Social Services.

One of the Council of Ministers' key resource principles is to maintain a balanced budget position and deliver affordable and sustainable public services; and this determined the final option which required a final prioritisation process to select growth bids to be removed and not funded as part of the Medium Term Financial Plan proposals. These removed or deferred growth bids amounted to £11.6 million in 2013, £7.4 million in 2014 and £5.1 million in 2015.

Key Theme – Balanced Budgets

The States endorsed a 3 part plan to address the deficits which were forecast from the move to a zero/ten tax regime and the impact of the economic downturn. The 2012 Business Plan presented proposals for a balanced budget from 2013, and this has been the basis for the States Strategic Plan and Council of Ministers' proposals for the Medium Term Financial Plan.

This 3 part plan is delivered and is working –

1. Savings have been removed from budgets to deliver over £61 million by 2016,
2. Economic growth has been boosted by a fiscal stimulus package, and
3. Taxes have been raised where necessary to close the remaining gap.

The Medium Term Financial Plan proposes balanced budgets in 2013 through to 2015, and the Council of Ministers is proposing a number of budget reductions and other measures over the next 3 years to ensure that these balanced budgets can be maintained while providing the necessary resources to deliver the agreed Strategic Priorities.

It is important to keep public sector spending under control so that the Island can remain competitive with relatively low levels of inflation. If the States is to provide sustainable services to the public, it is fundamental that we take account of the economic outlook, be prudent in our spending plans, ensure that savings and efficiencies are implemented, and not increase public spending unless it is matched by savings or additional income.

It is also important that the States endorse the proposals for balanced budgets and do not dilute the tough decisions that have been taken so far on tax and spending by accepting amendments that would not result in balanced budgets.

Balanced budgets are essential to provide certain, stability and confidence in the Island to be able to deal with uncertainty, enable the Island to be competitive internationally, and be in a position to take advantage of global economic growth when it returns.

Financial implications

The amendment proposes that the total States net expenditure increases by £300,000 in each of the years 2013 and 2014 in order to provide additional funding for Countryside Infrastructure, Island Plan 2011 Implementation and strengthening the protection and regulation of the Island's Environment. This will have the effect of reducing the surplus in 2013 to £407,000 and putting the States in deficit by £241,000 and £102,000 in 2014 and 2015 respectively.

Additional funds will be withdrawn from the Consolidated Fund in these years, leaving less flexibility available in future years.