

STATES OF JERSEY



DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – TENTH AMENDMENT (P.68/2016 Amd.(10)) – COMMENTS

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

STATES GREFFE

COMMENTS

Senator S.C. Ferguson proposes that –

- the net revenue expenditure of the Department of Environment shall be increased by £100,000 in 2017 to fund the production of a Long-Term Development Plan for St. Brelade's Bay and the net revenue expenditure of the Economic Development, Tourism, Sport and Culture Department shall be reduced by £50,000 in 2017 and the allocation to Contingency expenditure in 2017 shall be reduced by £50,000.

The Council of Ministers opposes this Amendment and urges States Members to reject it.

Summary of Council of Ministers' Comments

- The Minister for, and Department of, the Environment are already committed to developing Supplementary Planning Guidance ("SPG") for St. Brelade's Bay from within existing resources. The context for this is provided in the Island Plan: Proposal 16.
- This work will be funded from within the proposed Department of the Environment expenditure limits, and it is expected the SPG will be adopted during this MTFP period.
- The additional funding proposed by the Senator is not required.
- This Amendment is one of a number that reduce Contingency expenditure. Taken together, they would reduce the flexibility needed to respond to changes in economic and financial outlook, associated expenditure pressures, and to deal with the scale of change and reform needed.

Detailed Comments

- The Department of the Environment is already committed to developing a planning framework in the form of Supplementary Planning Guidance for St. Brelade's Bay. The context for this is provided in the Island Plan: Proposal 16.
- The scope of the SPG will be determined by the Minister for the Environment, and will complement the existing planning policy framework provided in the States' approved Island Plan.
- The SPG will identify important characteristics of the Bay and set out guidelines to protect and enhance those characteristics.
- The purpose of the SPG will not be to control the detailed architectural design, nor to provide a 'straight jacket' for development but to –
 - provide a set of simple principles to protect and enhance genuinely significant local characteristics
 - give architects and developers flexibility to respond in a positive way to local context

- create conditions that encourage the development of sensitive and creative outcomes
- improve communication and participation among developers, designers, planners and residents in the development process.
- The local community will be engaged in the development of the SPG, and the outcome will be subject to the normal Scrutiny review process. Once adopted, the SPG will help to determine planning applications.
- The development of the SPG will be resourced from existing department cash limits and it is expected the SPG will be adopted during this MTFP period.

Proposed use of Contingency

The Senator's proposal would reduce the allocation to Central Contingency expenditure by £50,000 in 2017, and the same arguments must be considered as for all other proposals to reduce Contingency:

Contingency Provisions

- The Council would highlight that although the provision for Contingency expenditure 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 balance of the Contingency expenditure allocation is made up of provisions specifically 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.
- These additional provisions for restructuring and redundancy, economic and productivity growth and initiatives to support vulnerable children are proposed as part of the Contingency Expenditure Allocation, only to provide appropriate governance and control over the allocation of this funding.

Principles of Contingencies

- The £7 million annual Contingencies provide an important part of the flexibility within the MTFP.
- These annual Contingencies should provide short-term resources for unforeseen and unexpected one-off events.
- 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 and manage, and 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. The allocation process is part of Financial Directions.
- 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, and encouraged the States to maintain that flexibility going forward.
- The individual Amendments proposed from Contingencies within the MTFP Addition are not all large reductions, but taken together could remove a significant sum from Contingencies over the period of the MTFP Addition.
- This would leave department expenditure and social security benefits (AME) significantly more at risk during the MTFP period. Depending on the level of Amendments adopted, this 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.

Financial and manpower implications

If the Amendment is approved, the net revenue expenditure of the Department of the Environment would be increased by £100,000 in 2017, and the net revenue expenditure of the Economic Development, Tourism, Sport and Culture Department would be reduced £50,000 in 2017, and the allocation to Contingency expenditure in 2017 would also be reduced by £50,000.

The reduction in the contingency allocation reduces the essential flexibility within the MTFP 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.

Taken alone, this Amendment may not seem significant, but together with similar proposed Amendments, the impact on central Contingency would be very significant.

This would leave department expenditure and social security benefits (AME) significantly more at risk during the MTFP period. It could also mean that progress on restructuring, public sector reform, economic and productivity initiatives, and the important support for vulnerable children, are not possible.

There are no manpower implications.

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.