

STATES OF JERSEY



STRATEGIC RESERVE FUND: FUNDING FOR INDEPENDENT JERSEY CARE INQUIRY AND TRANSFERS FROM AND TO THE CONSOLIDATED FUND

Lodged au Greffe on 14th July 2015
by the Minister for Treasury and Resources

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to refer to their Act dated 23rd September 2014 in which they agreed to note the future operation of the Strategic Reserve Fund (“The Fund”), as set out in Appendix D of the Budget Statement 2015 and agreed that the Fund balance of £651,216,000 as at 31st December 2012 should be defined as the capital value of the Fund and that, for future years, the capital value be maintained in real terms by increasing the capital value in line with increases in Jersey RPI(Y); and to their Act dated 25th March 2015 in which they agreed that up to a further £14,000,000 should be made available in order to provide additional funding in relation to the Committee of Inquiry into Historical Child Abuse (now known as ‘the Independent Jersey Care Inquiry’) and requested the Minister for Treasury and Resources, if there were insufficient funds from existing sources that could be re-allocated by the Minister for this purpose, to bring forward for approval a proposition asking the States to agree to use of the Fund and to make available up to a total £14,000,000 (in 2015 and 2016) from the Fund to meet the costs of the inquiry; and
- (i) to agree the use of income, over and above that required to maintain the capital value of the Strategic Reserve Fund in real terms (based on the Fund’s balance at 31st December 2012 uprated in line with Jersey RPI(Y) increases), to be used for the purposes of funding the Independent Jersey Care Inquiry; and
- (ii) to approve, in accordance with the provisions of Article 4(3) of the Public Finances (Jersey) Law 2005, the transfer of £10 million from the Strategic Reserve Fund to the Consolidated Fund in 2015 so as to provide for this purpose;
- (b) to refer to the debate on the Medium Term Financial Plan 2016 – 2019 in which the Minister for Treasury and Resources was requested to bring forward proposals for the use of income earned on the Strategic Reserve Fund, over and above that required to maintain the capital value of the Fund and that withdrawals should be made from the Consolidated Fund to replenish the Strategic Reserve Fund; and
- (i) to agree the use of income, over and above that required to maintain the capital value of the Strategic Reserve Fund in real terms (based on the Fund’s balance at 31st December 2012 uprated in line with Jersey RPI(Y) increases), to meet the measures identified in Table 2 of the attached Report; and

- (ii) to approve, in accordance with the provisions of Article 4(3) of the Public Finances (Jersey) Law 2005 the transfer of up to the following amounts in the year indicated from the Strategic Reserve Fund to the Consolidated Fund for the measures identified in paragraph (b)(i) above –

	<u>£'000</u>
2016	50,691
2017	80,273 ;

- (iii) to approve, in accordance with the provisions of Article 4(2) of the Public Finances (Jersey) Law 2005 the following transfers from the Consolidated Fund to the Strategic Reserve Fund in the years indicated –

	<u>£'000</u>
2017	20,000
2019	50,000 .

MINISTER FOR TREASURY AND RESOURCES

REPORT

This report has been split into 2 areas, dealing with 2 issues, which are both the result of previous States decisions about the use of the return achieved on the Strategic Reserve Fund over and above that required to maintain the value at 31st December 2012 values uplifted for Jersey RPI(Y).

Proposed funding for the Independent Jersey Care Inquiry (paragraph (a))

Background

At its Sitting commencing on 24th March 2015, the States approved (on 25th March 2015) P.20/2015, which proposed that the States be asked whether they were of opinion –

- “(a) to agree that up to a further £14,000,000 should be made available in order to provide additional funding in relation to the Committee of Inquiry into Historical Child Abuse (now known as ‘the Independent Jersey Care Inquiry’) and to request the Minister for Treasury and Resources, if there are insufficient funds from existing sources that could be re-allocated by the Minister for this purpose, to bring forward for approval a proposition asking the States to agree to amend the policy for the use of the Strategic Reserve Fund and to make available up to £14,000,000 from the Strategic Reserve Fund to fund the inquiry”.

This proposition and report implements part (a) of the States’ approval of 25th March 2015 and requests the approval of the Assembly to enable the use of additional income, over and above that required, to retain the real value of the Fund at 31st December 2012 levels (uprated in line with Jersey RPI(Y) figures), of the Strategic Reserve Fund and to withdraw £14 million from that Fund in order to ensure that the Independent Jersey Care Inquiry can complete its work.

The Council of Ministers has lodged a proposition to approve the additional expenditure of £10 million required in 2015. The remaining £4 million has been included in the funding request to use the income from the Strategic Reserve Fund included in the Medium Term Financial Plan 2016 – 2019 and will be allocated to Contingency.

Availability of alternative sources of funding

P.20/2015 outlined other funding sources which could be considered as an alternative to using real investment returns on the Strategic Reserve. This section has been reproduced below, and updated where appropriate based on the latest available information –

- Consolidated Fund – significant measures have been required to maintain a positive unallocated balance. There remains a risk that some of the proposed measures will not be achieved, which could result in insufficient funds at the end of 2015, which would give rise to further measures being required. In addition to this the revised income forecasts have necessitated further measures and these are currently being identified.

- Central Contingencies – there is currently a balance of £800,000 forecast at the end of 2015 after all existing commitments have been funded. Further funding pressures exceeding the forecast remaining balance by £1.5 million have already been identified. Existing commitments and estimates are under review.
- Criminal Offences Confiscation Fund – the remaining balance is being used to fund the Police Relocation Project (subsequent transfer of £6.4 million to Consolidated Fund and £3 million to Contingencies for the Inquiry). £2 million will be left in the Fund to cover the risk of exceptional Court and Case costs.
- Other Funds – available funds have already been identified to transfer into the Consolidated Fund as part of the Budget 2015 Measures.
- Unspent capital allocations – a total of £8.8 million has been identified in the Budget 2015 ‘Proposed Measures’ to be returned to the Consolidated Fund from projects which do not require the funding in the current year. This will be reallocated for the same projects over future years to realign approvals with the latest proposed timescales for the projects. Any additional opportunities to rephase capital expenditure approvals may be required to address the wider financial position in 2015.

Rules for the operation of the Strategic Reserve Fund

The States revised the Rules for use of the Strategic Reserve Fund (included with the draft Budget Statement 2015 (P.129/2014)).

This proposition and report proposes that the Rules are updated to allow real income returns (based on the value of the Fund being retained at 31st December 2012 levels uprated by Jersey RPI(Y)) to be used to fund the additional costs of the Independent Jersey Care Inquiry.

Table 1 – Latest financial position for the Independent Jersey Care Inquiry

The latest position for the Inquiry and States Departments is summarised below:

	Actual to 30/4/2015	Forecast 2015 (inc. contingency)	Forecast 2016	Total
Inquiry	£7,908,643	£5,050,521	£753,000	£13,712,164
Departments	£2,647,604	£2,525,794	£1,291,101	£6,464,499
Total	£10,556,247	£7,576,315	£2,044,101	£20,176,663

Full details on updated costs will be made available prior to the States debate.

Current available funding is £9 million. Forecast expenditure to the end of 2015 is £18,132,562.

Funding for measures identified in the Medium Term Financial Plan 2016 – 2019 (2016 – 2019 MTFP) (paragraph (b))

Background

The second issue in this proposition and report relates to part (f) of the proposition for the 2016 – 2019 MTFP, and this part is being lodged now so that the debate on this matter can proceed quickly if part (f) of the MTFP proposition is approved by the States. Part (f) states –

“to agree, in principle, that the use of the Strategic Reserve Fund income, over and above that required to maintain the real value of the Fund (namely, in accordance with their Act dated 23rd September 2014, its value at 31st December, 2012 uprated in line with increases in Jersey RPI(Y)), to be available to transfer to the Consolidated Fund and to be allocated for the measures identified in Summary Table J, and that withdrawals should be made from the Consolidated Fund in 2017 and 2019 to replenish the Strategic Reserve Fund and to request the Minister for Treasury and Resources to bring forward for approval the necessary report and proposition to enable the use of the aforesaid additional income of the Strategic Reserve Fund and the intended funds transfers.”.

The Minister for Treasury and Resources is proposing that –

- (a) Additional income over and above that required to maintain the value of the Fund at 31st December 2012 levels plus RPI(Y) be used for the purposes included within the Table shown below (which are those identified in Section 13 of the 2016 – 2019 MTFP – Summary Table J); and
- (b) The amounts detailed in the Table below will be allocated from the Strategic Reserve Fund to the Consolidated Fund in the years identified (these are also the same figures approved, in principle, in the 2016 – 2019 MTFP).
- (c) The amounts detailed in the Table below will be transferred from the Consolidated Fund to the Strategic Reserve Fund in 2017 and 2019 to replenish the Fund.

Full details on this matter are included in Section 13 of the draft 2016 – 2019 MTFP.

Table 2 – items requiring funding from the Strategic Reserve income 2015 onwards

Intended Transfers to/(from) Strategic Reserve	Forecast	Forecast	Forecast	Forecast	Forecast
	Movements	Movements	Movements	Movements	Movements
	2015	2016	2017	2018	2019
	£'000	£'000	£'000	£'000	£'000
Funding requirement for Committee of Inquiry	(10,000)	(4,000)	-	-	-
Funding requirement for Economic and Productivity Growth Provision	-	(5,000)	(5,000)	-	-
Transfer from Consolidated Fund	-	-	-	-	10,000
Funding requirement for Redundancy Provision	-	(10,000)	(10,000)	-	-
Transfer from Consolidated Fund	-	-	-	-	20,000
Funding for Consolidated Fund working balance	-	(5,000)	-	-	-
Les Quennevais School	-	(1,000)	(39,000)	-	-
Funding requirement for Annual Capital Programme	-	(25,691)	(26,273)	-	-
Transfer from Consolidated Fund - Asset Disposals	-	-	20,000	-	20,000
Total Intended Transfers to/(from) Strategic Reserve	(10,000)	(50,691)	(60,273)	-	50,000

Financial and manpower implications

A net transfer of £70.964 million will be made from the Strategic Reserve Fund (from additional income over and above that required to retain the real value of the Fund at 31st December 2012 as increased by Jersey RPI(Y)) to the Consolidated Fund between 2015 and 2019, and be used for the purposes identified in this proposition and report.

Part of this allocation (£20 million) will initially be used to meet the costs of the redundancy provision and the restructuring of the States of Jersey which will involve, as of yet, unspecified manpower savings across the whole spectrum of the States services.

Any balance from the amounts not required for the purposes highlighted will be returned to the Strategic Reserve Fund.