

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2022– 2025 (P.90/2021): SEVENTH AMENDMENT

REDUCE FISCAL STIMULUS FUND BORROWING

Lodged au Greffe on 29th November 2021
by Corporate Services Scrutiny Panel

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2022–2025 (P.90/2021): SEVENTH
AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

After the words “revised approvals” insert the words –

“, except that, in Summary Table 3, for the row entitled “Fiscal Stimulus, including Refinancing”, in the column headed “Change to Approval” there shall be inserted the figure “-20,359” and, in each of the columns headed 2022, 2023, 2024 and 2025, the figure “50,000” shall be replaced with “29,641”.

CORPORATE SERVICES SCRUTINY PANEL

Note: After this amendment, the proposition would read as follows –

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

to receive the Government Plan 2022 – 2025 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- a. to approve the estimate of total States income to be paid into the Consolidated Fund in 2022 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;
- b. to approve the Changes to Approval for financing/borrowing for 2022, as shown in Appendix 2 – Summary Table 3 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals, **except that, in Summary Table 3, for the row entitled “Fiscal Stimulus, including Refinancing”, in the column headed “Change to Approval” there shall be inserted the figure “-20,359” and, in each of the columns headed 2022, 2023, 2024 and 2025, the figure “50,000” shall be replaced with “29,641”;**
- c. to approve the transfers from one States fund to another for 2022 of up to and including the amounts set in Appendix 2 – Summary table 2 to the Report, noting that the transfer from the Consolidated Fund to the Technology Fund is subject to the Assembly’s approval of a proposition to create such a Fund in 2022, in line with Article 9(2)(b) of the Law;
- d. to approve each major project that is to be started or continued in 2022 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved

Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

- e. to endorse the efficiencies and other re-balancing measures for 2022 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i):
- f. to approve the proposed amount to be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;
- g. to approve up to £480 million to be appropriated from the Consolidated Fund for the Past Service Pension Liabilities Refinancing head of expenditure, subject to the availability of funding, which may include, in full or in part, use of the borrowing/financing referred in paragraph (b);
- h. to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2022 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- i. to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2022 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report;
- j. to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2022 as set out in Appendix 2 – Summary Table 9 to the Report;
- k. to approve an amendment to the policy of the Strategic Reserve Fund to enable that Fund to be used as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required; and
- l. to approve, in accordance with Article 9(1) of the Law, the Government Plan 2022-2025, as set out at Appendix 3 to the Report.

REPORT

Introduction

1. The Corporate Services Scrutiny Panel (the Panel) has been scrutinising the Fiscal Stimulus Fund (the Fund) throughout its inception and implementation. During this time, it has expressed a number of concerns in respect of the implementation and success of the Fund not being appropriately timely, targeted and temporary. Many of these concerns remain.
2. The Panel proposes through this amendment that the Fund should not receive any more monies from borrowing facilities past those already allocated., This follows the Minister for Treasury and Resources (the Minister) indicating that no further allocations from the Fund are likely, after those projects already successful in the first two tranches of application.
3. Although it is noted that flexibility is needed to meet the uncertainty of the ongoing pandemic, the Panel highlights that it is in the power of the Minister to bring forward further propositions to the Assembly to amend the Government Plan borrowing, should this need arise in 2022.

Fiscal Stimulus Fund Background

4. The Fund was established by the States of Jersey through [P.128/2020](#), debated and approved on 18 November 2020, with the intention of assisting the economy to recover from the impact of COVID-19. This was to be achieved via two Tranches of £25 million, using funding of £50 million from the Revolving Credit Facility.
5. The Panel presented comments at that time,¹ which highlighted concerns such as the Minister's ability to ensure major infrastructure projects were timely, targeted and temporary and that Government projects should be excluded, as well as how the Fund would assist a range of sectors.
6. At the time the panel noted:
“The Government has stated that any fiscal stimulus should be timely, targeted and temporary, as such the Corporate Services Scrutiny Panel (the Panel) is pleased to see that bids for grants from the Fund will only be awarded to projects that will be completed no later than December 2021. The allocation of the Fund will take place in two tranches of £25 million, which will be available from November 2020 and February 2021”
7. As stated in the Fund's proposition, poorly timed fiscal stimulus can exacerbate rather than mitigate the business cycle, if stimulus is enacted too slowly it may fail to prevent output and incomes falling further and may arrive after the economy has returned to full capacity.²

¹ [wP.128/2020 Com.](#)

² [P.128/2020, page 4](#)

8. However, the Panel soon became concerned with aspects of the implementation of the Fund, corresponding with the Minister on a number of occasions to highlight delays, poor targeting of the fiscal stimulus and increased risk of financing projects that should have appeared in the Government Plan.
9. The Panel provided recommendations on Tranche 1 allocations on the 26 March 2021, following a focused review of recommendations made to the Minister by the Fiscal Stimulus Oversight Group.³
10. The Panel held a public and private hearing with the Minister on 26 May 2021 to discuss these concerns and progress of the Fund⁴, highlighting its views on Tranche 2 allocations in a letter of 28 May 2021.⁵
11. The Minister confirmed in a letter of 22 July 2021 that it was her intention to allow the completion deadline for projects to continue into March 2022.⁶ The Panel expressed concern that this risked breaking the timely, targeted and temporary expectation of the Assembly when establishing the Fund. The Minister indicated that in the wider economic context the timely criteria for the projects has been met and the matter does not require any notification to the States Assembly.
12. The Panel highlights that its concerns have come to fruition in this respect. By way of example, the impact of delays to planning application processes (such as Oakfield sports facility amongst others) has caused projects to miss timeframe targets.

Fiscal Stimulus Fund Future

13. It was confirmed in a public hearing with the Minister that under current legislation there would be no further allocations from the Fund.⁷ It was also confirmed at that time by the Minister that any future use would require an amendment of the original proposition for the Fund.
14. The Panel finds it concerning that the Minister has not brought forward an amendment to the Fund to allow the Assembly to decide if the Fund should be continued as it is clear that the Fund risks failing to meet the objectives (timely, targeted and temporary) of the Assembly when it was established. The Panel has considered lodging an amendment to reduce borrowing ability for the Fund further to ensure that projects that fail to achieve their original business cases

³ [Letter - Minister for Treasury and Resources to Corporate Services Scrutiny Panel Re Fiscal Stimulus Fund - 26 March 2021](#)

⁴ [Transcript – COVID-19 Response and Recovery Review – Minister for Treasury and Resources – 18 May 2020](#)

⁵ [Letter - Minister for Treasury and Resources to Corporate Services Scrutiny Panel Re Fiscal Stimulus Fund Tranche 2 Recommendations- 28 May 2021](#)

⁶ [Letter - Minister for Treasury and Resources to Corporate Services Scrutiny Panel Re Fiscal Stimulus Fund - 22 July 2021](#)

⁷ [Transcript - Quarterly Hearing with the Minister for Treasury and Resources - 12 July 2021](#)

do not receive further funding, however, has decided against this course of action at this time.

15. Should the Minister wish to make further allocations from the Fund, or make further use of the Revolving Credit Facility or other borrowing, the Assembly should have the ability to decide on that course of action.
16. Indeed the Panel's adviser, to its Government Plan 2022-25 Review, has highlighted that having energetically engaged in a fiscal stimulus with the support of the Fiscal Policy Panel the Government should interrogate its success to inform the future management of the economy when there is adverse shock. This should include exploration of whether the stimulus met the test of being Timely, Targeted and Temporary, what leakage of local stimulus was there, and how Jersey can use learnings to form policy in addressing an adverse shock to its economy in the future. The Panel suggests that the Minister should provide this information before asking the assembly to allow further borrowing for the Fund and future fiscal stimulus.
17. The Panel questions the ability of the Fund to now meet its original aims. As the Island heads into 2022 the Panel suggests that those projects yet to be completed fail to be timely, temporary and targeted and believes the Minister should take actions to ensure any such projects are not allocated any further funds. However, it is the ambition of this specific amendment to simply enable the Government of Jersey to borrow the amount already committed to projects, but no more, ensuring the Assembly retains reasonable control of that Fund.
18. The Panel is mindful that the Fiscal Policy Panel has recommended that the Government of Jersey retain flexibility in regards to fiscal stimulus over the course of this Government Plan.⁸ The Panel agrees in principle with this aim, however, highlights that the ability for the Minister to borrow further amounts during 2022 and beyond can be introduced during the year if needed as illustrated in P.80/2021.

Conclusion

19. The Panel believes that allowing the Government to borrow a further £20 million for the Fiscal Stimulus Fund is unjustified and recommends that it is not accepted by the Assembly when approving the Government Plan 2022-25.

Financial and manpower implications

Adoption of this amendment will reduce the Government of Jersey's ability to borrow for the Fiscal Stimulus Fund by £20,359,000.

There are no manpower implications.

⁸ [Fiscal Policy Panel 2021 Annual Report, page 47](#)