

STATES OF JERSEY



ECONOMIC STIMULUS PLAN (P.55/2009) (S.R.4/2009): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 29th July 2009
by the Minister for Treasury and Resources**

STATES GREFFE

ECONOMIC STIMULUS PLAN (P.55/2009) (S.R.4/2009): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

Introduction

The Minister welcomes the report and broadly agrees with the Scrutiny Panel's findings on the need for an economic stimulus and the bids evaluation process.

Jersey has never seen such extraordinary conditions as these before, and their impacts have raised the urgent need for the States to implement a stimulus package that will help local people and businesses.

All those involved have worked hard and with flexibility to make sure that the bids contained as much of the required information as possible, and to allow the process to be adapted to make sure that the final stimulus package will be effective.

The Minister is very grateful to the Panel for working to the planned timescales which were very ambitious and challenging. They were necessary to keep the stimulus process on track to be timely, and therefore effective.

This response, although in the name of the Minister for Treasury and Resources, reflects the views of the Minister for Housing as well.

Panel's recommendation

The Minister is pleased that the idea of an in-principle approval (amber light) followed by final approval (provided the necessary conditions are met) was acceptable to the Panel. The Panel's conditions to the recommendation are in line with the Minister's own expectations of the project plans, communications and implementation process.

Comments on findings

The report identifies and discusses a number of findings relating to the evaluation and approval process. The majority of them are fully supported by the Minister. He is particularly pleased that the evaluation process has been considered by the Panel to be robust and suitable.

Key Finding 1: The Panel fully accepted that the establishment of a Stabilisation Fund was for the purpose of making fiscal policy more counter-cyclical and to create a more stable economic environment with low inflation in the Island.

The Minister agrees with this key finding.

Key Finding 2: The Panel accepted, without reservation, paragraph (a) of the proposition.

The Minister agrees with this key finding.

Key Finding 3: There was a clear endorsement for intervention by the States of Jersey and the Panel concurred with that premise.

The Minister agrees with this key finding.

Key Finding 4: *It agreed that the Stabilisation Fund was created to assist in circumstances such as those faced by Jersey at this time and is the correct tool for the job.*

The Minister agrees with this key finding.

Key Finding 5: *The Panel concurred that discretionary use of the Stabilisation Fund is appropriate at this time.*

The Minister agrees with this key finding.

Key Finding 6: *The Panel concurred with the premise to transfer money to cover the pressures on the automatic stabilisers and acknowledged that the creation of the Stabilisation Fund was due to the good work by the previous Corporate Services Scrutiny Panel, which was chaired by the then Deputy P. Ryan.*

The Minister agrees with this key finding.

Key Finding 7: *The Panel questioned the robustness of forecasts of the structural deficit, in the light of the limited data and lack of experience of such a downturn. In addition, it was concerned that, should this be correct, serious measures need to be undertaken soon to deal with the deficit.*

The priority at the moment is responding to the economic downturn. The size of the structural deficit that is being forecast is still uncertain, and whatever actions may be necessary to address this should take place once the economy has recovered. Following advice from the Fiscal Policy Panel, the Minister is forming a strategy as to how a structural deficit would be dealt with should it arise.

It is also important to remember that the aim during the next upturn should be to run budget surpluses once more to replenish the Stabilisation Fund ahead of the next downturn.

The Minister agrees with the advice of the Fiscal Policy Panel and will announce a strategy and process to deal with any structural deficit in future years in the 2010 Budget.

Key Finding 8: *The Panel concurred with the process proposed for the allocation of funds to departments from the Consolidation Fund.*

The Minister is pleased and agrees with this key finding.

Key Finding 9: *The questions structured by the Panel remained unanswered within the documentation and Hearings with the Ministers.*

The Minister agrees with this finding but would like to make it clear that the “amber/green light” approach means that projects will only get the final go-ahead after the questions have been answered.

Key Finding 10: *Large sections of the workforce were not included.*

The Minister does not agree with this finding. The stimulus is designed to affect the whole economy and all sections of the workforce are targeted either directly or indirectly by the proposed bids. Bids involving construction, for example, will support employment generally in the Island through the multiplier effects, and other bids should help those that need training or become unemployed, irrespective of the industry they work in.

Departments have been pursuing other measures, such as boosting finance industry support, Jersey Enterprise work and additional tourism advertising, that have been running alongside the fiscal stimulus and together will cover the whole economy as best we can.

Key Finding 11: *There are no robust employment or unemployment figures in the Island.*

The Minister does not agree with this finding, but understands that there would ideally have been more timely and detailed unemployment figures available. This is being looked at with the Statistics Unit and Social Security, who are already publishing some new unemployment information.

There is robust employment and unemployment data in the Island, particularly through the labour market survey produced by the Statistics Unit. The information gained from the data available from Social Security and the Statistics Unit was of some use to help us to understand what is happening to employment in the Island at the moment.

Key Finding 12: *The bids and evaluation documents failed to address concerns relating to the workforce and contained large holes in the information required to be successful.*

The Minister agrees with this finding, though all of the bids provided sufficient information to allow an “amber light” decision to be made. Further details are being provided by bidders to justify a “green light”.

Key Finding 13: *There was a lack of private bids.*

The Minister agrees that there was a lack of private bids. There have been 2 private bids to date and any that should come forward would be considered.

Key Finding 14: *At the conclusion of the Public Hearings on the 28th May 2009, the Panel were minded not support the bids based on the incomplete process. Evidence received subsequently changed this view.*

The Minister is pleased that the evidence received meant that the Panel could support the bids.

Key Finding 15: *The Panel approved of a central fund for access to drawing down funds for the successful bids on final approval.*

The Minister is pleased with this finding.

Key Finding 16: *Dangerously tight timescales for the whole project had created unrealistic pressures within the resources available at the Treasury Department.*

The Minister agrees that the timescales were tight for the project, but this was necessary to make sure that the stimulus to the economy will be timely and so as effective as possible.

Key Finding 17: *Scrutiny Panels should maintain their own timeline.*

The Minister agrees with this finding and is very grateful that the Panel was flexible for such an urgent issue.

Key Finding 18: *The Minister's 'Amber/Green light' process moved the goalposts.*

The Minister agrees with this finding. It is important that the policy has been flexible to allow it to meet its objectives.

Key Finding 19: *Reports containing fundamental information were being produced very late in the process.*

The Minister agrees with this finding. It was inevitable given the tight timescales and deadlines that were necessary.

Key Finding 20: *The Panel agreed that the plan should continue forward subject to the amber and green decision stages and the formation of an answerable co-ordinating body.*

The Minister is pleased with this finding.

Key Finding 21: *The Panel observed that this was perhaps Scrutiny at its best, where Scrutiny detected shortcomings in a process used by the Minister and the Minister responded immediately to rectify the process.*

The Minister is in agreement and is pleased with this finding.