



Addendum to Draft Budget 2015

Addendum to the 2015 Draft Budget

At the conclusion of the States debate of the 2015 Draft Budget on 24 September 2014 the States had approved four amendments to the original proposition from the Minister for Treasury and Resources.

The effect of these amendments and the revisions to the proposed measures to manage the balance on the Consolidated Fund are summarised below and have been reflected in the Budget Statement 2015 (as amended).

Amendments Agreed

Second Amendment (as proposed by Deputy Young and amended by the Minister for Treasury and Resources) - First time buyer stamp duty relief

The effect of the 2nd Amendment (as amended) is to reduce the estimate of income from taxation during 2015 by £115,000 by providing further relief to first-time buyers' on stamp duty on property transactions up to £450,000 from 1st January 2015.

Fourth Amendment (as proposed by the Minister for Treasury and Resources)

Part i) of the amendment relates to the re-phasing of the Capital Project for the JDE Financial System from 2015 to 2016 and as such reducing the total capital expenditure allocation from £76,382,000 to £75,144,000 for 2015.

Part ii) of the amendment increases the proposed transfer from the DHLF to the Consolidated Fund in 2014 in paragraph (i) of the amended proposition from £2,000,000 to £6,500,000.

Both these items are part of the revised package of proposed measures to manage the balance on the Consolidated Fund.

Fifth Amendment (new paragraph (c) - as proposed by the Minister for Treasury and Resources)

This amendment proposed a transfer from the Jersey Car Parking Trading Fund in 2014 of £2.635 million to be applied to fund; the Green Street Car Park project in 2014 (£1.5 million), sustainable transport initiatives which are part of the Infrastructure Rolling Vote (£0.5 million) and the Road Safety Improvements project (£635,000) in the proposed Capital Programme for 2015.

Sixth Amendment (as proposed by the Minister for Treasury and Resources)

This amendment proposed that the extension of the higher rates of stamp duty over £1 million should only apply to residential property and that proposals for non-domestic property over £1 million is deferred, pending the drafting of a fuller set of amendments on stamp duty for commercial property, to be laid before the States for consideration in the New Year. The effect of this amendment is to reduce the additional revenue generated during 2015 from £857,000 to £607,000.

Revisions to measures proposed to manage the balance on the Consolidated Fund

The net effect of the proposed revisions to the measures to manage the balance on the Consolidated Fund would be an overall improvement of £2.821 million, which represents the projected balance at 31 December 2015 if all income and expenditure levels are as forecasted.

This is illustrated in Table 1 and also reflected in the revised Summary Table F in the main Budget 2015 report.

Table 1 – Summary of the changes to the measures proposed to manage the balance on the Consolidated Fund

	£'000
Projected 2015 Consolidated Fund balance per Figure 11.1 of Draft Budget Statement 2015 (lodged July 2014)	
- "Proposed Measures to Balance the Consolidated Fund"	-
<u>Necessary reductions to original proposed measures:</u>	
Reduce proposed Jersey Post Extraordinary Dividend from £5 million to £2 million	(3,000)
Rephase proposed Jersey Telecom Payment of deferred Gigabyte Dividend to 2015 and 2016	(3,000)
Remove Shortfall in available COCF funding	(1,100)
Reduced Forecast of Dividends and Returns in 2015	(2,000)
Remove further rephasing of capital, increased shareholder contributions and savings to be replaced with specific measures below.	(3,967)
Total reductions to proposed measures by 2015	(13,067)
<u>Compensating measures identified and agreed at debate:</u>	
4th Amendment - Rephasing of JDE capital project - reallocated to 2016	1,238
4th Amendment - Increase DHLF Transfer from £2 million to £6.5 million	4,500
5th Amendment - Transfer from JCP Trading Account to fund Car Park and Transport initiatives	2,635
Further rephasing of unspent capital balances	1,700
Utilisation of unspent balance on Restructuring Provision 2015	2,700
Reduce Contingency allocation for 2015 Pay Provision by 1%	3,480
Total Compensating measures by 2015	16,253
Projected 2015 Consolidated Fund balance after proposed changes	3,186
<u>Budget Amendments agreed to Tax and Duty Proposals:</u>	
2nd Amendment - Deputy Young - First Time Buyer Stamp Duty relief to £450k - as amended by T&R Minister	(115)
6th Amendment - T&R Minister - Defer increased Stamp Duty on non-domestic property over £1m	(250)
Projected 2015 Consolidated Fund balance after agreed Budget amendments	2,821

Reductions and timing changes to the Proposed Measures

A number of reductions and timing changes to the measures initially set out in the draft Budget 2015 are required:

Reduce Proposed Jersey Post Extraordinary Dividend

Jersey Post was originally asked for an extraordinary dividend of £5 million in 2014. After consideration, the Jersey Post Board of Directors indicated that they would only be able to approve the payment of a special dividend of £2 million in 2014.

Timing Change to Proposed Jersey Telecom Payment of deferred Gigabit Dividend

Jersey Telecom was originally asked for an increased dividend of £3 million in 2014 and 2015. Following further discussions with Jersey Telecom the proposal has now been revised to receive £3 million additional dividends in 2015 and 2016.

Reduced Funds available in the Criminal Offences Confiscation Fund (COCF)

Since the draft Budget 2015, further bids to the COCF from departments have reduced the available balance by £1.1 million from £6.4 million to £5.3 million. Importantly, this still leaves a balance of £2 million as a contingency against any exceptional court and case costs.

It should also be noted that the Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014, which came into effect on 4th August 2014, repealed the Drug Trafficking Offences (Jersey) Law 1988 and prescribed that any monies remaining in the DTCF should be transferred to the COCF.

The transfer of the balance on the Drug Trafficking Confiscation Fund (DTCF) to the COCF will mean that there will be no available transfer from the DTCF in 2015. However, this will be compensated by an additional transfer being available from the COCF of £1.1 million and the overall effect will be neutral.

Reduce forecast for Dividends and Returns in 2015

The 2015 schedule of Dividends and Returns is reduced by £2 million to reflect the review of the current position.

Remove further rephasing of capital, increased shareholder contributions and savings

The draft Budget 2015 included a balancing figure with no specific measures developed in the original proposals. Specific compensating measures have now been identified and are described in the following section, however work will continue to identify further measures should they be required in 2014 or 2015.

Compensating measures required to manage the balance on the Consolidated Fund

Re-phasing of Unspent Capital Approvals

Further work has been carried out to review with departments when capital allocations will actually be spent. Capital funding for the JDE Development and Upgrade project has been identified as not now required until 2016 (originally deferred from 2014 to 2015). The T&R Minister lodged P129/2014 Amd (4) which was agreed by the States to request approval to reduce the 2015 Capital Programme accordingly.

Special Funds and other Fund balances

Part (h) of the Draft 2015 Budget recommended the States to approve a transfer of up to £2,000,000 of the Dwelling Houses Loan Fund (DHLF) to the Consolidated Fund.

The Treasury and Resources Minister lodged an amendment which was agreed by the States, P129/2014 Amd.(4), to increase this amount by a further £4,500,000 revising the transfer amount to £6,500,000. This represents unallocated balances which are not required and can be used to assist in the funding of future planned capital and infrastructure long term projects.

The rationale for the increase is that after a review of the Fund's balance sheet it was identified that all available surplus cash balances and investment balances could be released.

Increased transfer from Jersey Car Parking (JCP) Trading Account to fund Transport initiatives

The Treasury and Resources Minister lodged an amendment P129/2014 Amd.(5), which was agreed by the States, to transfer £2,635,000 from the Jersey Car Parking Trading Fund to the Consolidated Fund in 2014. This will be used to fund £1.5 million towards the Green Street Car Park project in 2014, £500,000 for sustainable transport initiatives within the Infrastructure Rolling Vote, plus the £635,000 capital allocation to the Road Safety Improvements project in 2015. In 2010 a budget amendment was passed by the States to fund the Eastern Cycle Track from the JCP Trading Fund, recognising that using reserves from JCP for sustainable transport initiatives was justifiable. This proposal recognises that States decision and makes further use of available reserves in the Trading Fund to maintain capital expenditure plans and stimulate the economy in accordance with FPP advice.

Further return and re-phasing of unspent capital balances

The review of unspent capital approvals identified a number of capital votes where funding was either not required or will not be spent until future years. A £1,000,000 allocation can be returned from the Liquid Waste Strategy capital budget and there is an available balance on the Planning Vote of £700,000 which can now be released following the completion of the associated projects.

Utilisation of unspent balances on Restructuring Provision 2015

A review of the Restructuring Provision identified that after taking account of all approved projects, the unallocated balance on the Restructuring Provision at the end of 2015 would be £2.7 million. This assumes that the MTFP allocation of £7.17 million is maintained in 2015 and the full carry forward of unspent balances from 2014 is permitted.

The available balance of £2.7 million maintains all approved bids to date including £7.2 million for e-Government and £1.9 million for Public Sector Reform approved by CoM in June for Workforce Management, Leadership Training, Lean, Engagement and Project Management Office.

Reduce Contingency allocation for 2015 Pay Award by 1%

During discussions with the Corporate Management Board the view was that the provision in Central Contingencies for a 2015 pay provision should be reduced by 1%, from 2.5% to 1.5%, and this approach has also been acknowledged by the States' Employment Board (SEB).

Other changes

A further change was requested by the Corporate Management Board (CMB) in relation to the allocation of the 2% department savings for 2015 in the original proposals. This proposed change is neutral to the financial position and reflects a more appropriate allocation of the proposed £12 million savings.

Departmental contributions towards the forecasted reduced income levels

During discussion of the proposed savings from all departments of 2% base budgets in 2015 at the CMB, Chief Officers expressed a preference to be given a total quantum of savings to meet in 2015, rather than for the savings to be prescribed as staff or non-staff. It is important that these savings should be considered as recurring but it is accepted that in 2015 one-off measures may be required to fulfil any temporary shortfall in recurring savings.

CMB also requested that internal recharges should be excluded as levying savings on these transactions does not provide a real saving to the States and in fact penalises those Departments with large numbers of recharges. The allocation has therefore been adjusted to reflect this position.

Summary

Following the approved amendments and as a result of revisions to the proposed measures the projected closing balance on the Consolidated Fund in 2015 is £2,821,000.