

2014.09.09

**Deputy J.H. Young of St. Brelade of the Chief Minister regarding the downturn in States revenue income compared to earlier forecasts:**

Will the Chief Minister inform the Assembly when, and in what circumstance, he first became aware of the downturn in States revenue income compared to earlier forecasts; whether he considers that his recent public statement that the Island running a year on year deficit in revenue expenditure is nothing to worry about was appropriate; and whether he plans to do anything about it, and if so, what?

**Senator I.J. Gorst (The Chief Minister):**

Planned deficits while the economy was weak is what was advised by the Independent Fiscal Policy Panel to support the economy and to keep Islanders in work. That fiscal stimulus has provided investment in infrastructure for health, for education, for social housing and for our emerging digital industry, and they continue to advise the same. So we have proposed contingency measures to deal with reduced income in 2014 and 2015, which have now been incorporated into the Draft Budget 2015. I personally was advised of the revised income forecasts immediately before the Council of Ministers' consideration at its meeting on 11th June, and now the M.T.F.P. in the next stage will incorporate lower income forecasts.

**3.7.1 Deputy J.H. Young:**

The Chief Minister has advised us that he knew first on 11th June and that is also recorded in his written answer number 23. Could he provide us with an explanation why, if the Minister for Treasury and Resources has told us in his answers that this information was in fact available at the time of the 2014 Budget, 3rd December 2013... and I have checked the records, the information was put in on the paper in the States on the same day as the Budget debate, and that the record also shows that these figures were reported in 2013 to the Income Tax Forecasting Group having been produced in March 2013? Can he not see that ... can he explain why it has taken over a year for this information to come to light and have contingency plans for it?

**Senator I.J. Gorst:**

Sadly, it appears to me the Deputy is getting confused between 2 different yearly forecasts but it is difficult in an oral question to get into detail of what it is that he is referring to where he thinks there is a discrepancy. The Income Tax Forecasting Group make their best estimates, as the Minister for Treasury and Resources has said, then they get in returns from individual taxpayers and then there may need to be some adjustments in light of those returns. That is exactly what we have done, and I stand by my previous comments; when things change we need to change what we do and how we provide our services. That is the fundamental issue of being a politician; when circumstances change we must change accordingly.

**The Deputy Bailiff:**

This is a matter which clearly is of great interest to everyone. Can I remind Members that we have a full Budget debate coming up next week and the purpose of question time is to gain information rather than to have a pre-run of the arguments? Deputy Vallois.

**3.7.2 Deputy T.A. Vallois of St. Saviour:**

Can I ask the Chief Minister whether he has had sight of the long-term revenue plan and whether he thinks it is satisfactory that States Members have not seen sight of this even

though it was repeatedly mentioned in previous Budgets and this Budget, only 2 weeks before a Budget which everybody seems extremely concerned about?

**Senator I.J. Gorst:**

My understanding is that the Members will have sight of a long-term revenue issues paper on Monday in advance of the Budget. This deals with next year. We need to deal with next year. We all know that next year, whoever is returned to this Assembly, will then need to deal with Medium-Term Financial Plan 2, which will cover the years 2016, 2017 and 2018. Members cannot always look into the future. Sorry, perhaps 2019 as well because of the change in electoral term. We have to deal with 2015. This is a Budget that we can support, it deals with the reduced income tax forecast. It is not an easy Budget but it is the right Budget so that we can move forward and then we will concentrate next year on the next Medium-Term Financial Plan.

**3.7.3 Senator S.C. Ferguson:**

If the Chief Minister only knew about the reduced income forecast in May/June, did he not notice the income forecast that the Minister for Treasury and Resources has referred to that was made in 2013 and apparently supplied to this Assembly before last year's Budget?

**Senator I.J. Gorst:**

Members do wish, I suppose, to confuse issues. If we go back to the original M.T.F.P., we knew then that we were predicting or trying to predict the future - and I stand by everything the Minister for Treasury and Resources has said - that when circumstances change, when the experts that we employ to look at these things tell us that perhaps it is not going to ... reality is not going to be as predicted, then we need to amend our course of action accordingly. So we have seen years of income lines over-estimation and now we see one where income line is tight compared to estimation. We adjust accordingly and we carry on, and it seems to me that some Members would like to create a crisis where there is no crisis and would like to create confusion where I do not believe there is confusion.

**3.7.4 Senator S.C. Ferguson:**

Supplementary, Sir. But then if the forecasts were down last year, why did we not adjust last year's Budget?

**Senator I.J. Gorst:**

As I say, it is very difficult for me to go back to refer to individual documents and what was known when. I support everything that the Minister for Treasury and Resources has said and anything that I have said today is in complete alignment with what he said earlier.

**Senator P.F.C. Ozouf:**

May I make a point of clarification because this is at the heart of a number of points that a number of Members have made?

**The Deputy Bailiff:**

Well, it is question time.

**Senator P.F.C. Ozouf:**

Yes, but it is a point of clarification on some ...

**The Deputy Bailiff:**

If it is question time and it is not questions to you, then ...

**Senator P.F.C. Ozouf:**

Well, it may be a point of order then in terms of getting facts out in the Assembly. It is just fact, Sir. There is simply a misunderstanding.

**The Deputy Bailiff:**

It is question time. Deputy Southern and then we will have the final supplementary. The debate is going to take place next week, I remind Members.

**3.7.5 Deputy G.P. Southern:**

In the 2014 Budget, when did the Chief Minister become aware of the potential for £48 million shortfall, and is he still content with that shortfall in the sense that he then further approved reducing the marginal rate from 27 per cent to 26 per cent, costing another £7 million to the revenue input?

**Senator I.J. Gorst:**

It is important that in this Assembly we listen to independent economic advice, and I ask Members to consider which of the measures that we have taken, which of the fiscal stimulus items that we have delivered into the economy, which of funding measures that we have put into social housing, into getting people into work, into education, into training, which of those measures would any Member in this Assembly say we should not have done when the independent economic advice said that we needed to stimulate our economy and we needed to help get it back on track and we needed to plan for deficits? Any Member that says that they would have done anything different, in my view, would have been irresponsible in not putting the best interests of Jersey and getting economic growth right. We did make adjustments and I stand by the reduction in the marginal rate, putting money back into the economy, back into people's pockets, and I am surprised that the Deputy himself appears now not to. These have been difficult times. We have brought forward the right measures for those difficult times and I stand by them. The Income Tax Forecasting Group say now that we ... what is now expected needs to be adjusted slightly. That is what we are doing. That is why this Budget is the right Budget for today, it is the right Budget for 2015 and it is the right Budget for Jersey's long-term interests.

**Deputy J.A.N. Le Fondré:**

Point of order?

**The Deputy Bailiff:**

Final supplementary. A point of order?

**Deputy J.A.N. Le Fondré:**

I think it is a point of order. The point is that the Chief Minister said they listened to the economic advice. The economic advice in the F.P.P. was not supportive of the reduction in the marginal rate tax.

**The Deputy Bailiff:**

What Standing Order are you referring to for the ruling which I must make on that point of order? Final supplementary.

**3.7.6 Deputy J.H. Young:**

I will try and focus my final supplementary on the question. The Chief Minister, in his answer, I think, suggests to my questions and a number of other Members, that we were mixing things up somehow. To be clear, my question concerns the reduction of States

income forecast from £713 million to £679 million which was contained in a document dated September 2013 which did not get presented to States Members until 3rd December 2013, the same day that we approved the 2014 Budget. So my question is, that is my issue and I still am looking for an explanation why it was that that information did not get discussed at the top table, the very Council of Ministers, until June 2014? And the question, if we ... one final word. Would the Chief Minister not accept that if we were a private company we would at the very least have had to issue a profit forecast warning against that very big change which is new for Jersey?

**Senator I.J. Gorst:**

I do not accept that at all. No, we would not have had to do such a thing. Ministers have seen all those documents. It is when the Income Tax Forecasting Group start to look at the returns and the returns indicate that we may need to revise down again, and that is what we have done in this instance. It is looking at the forecast, it is then going out to looking at individual returns. Treasury then undertook a number of weeks' work to go out to potential large taxpayers and then, after they had all that evidence in front of them, Ministers took the decision that they needed to adjust accordingly. That is exactly as it should be.