

3.5 Deputy J.A.N. Le Fondré of the Minister for Treasury and Resources regarding whether there had been a deficit in the public finances when the Minister had taken office at the end of 2014: [1(299)]

Will the Minister advise whether there was, or was not, a deficit in the public finances when he took office at the end of 2014?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

In setting our fiscal strategy we seek the advice of the Fiscal Policy Panel. In recent years that advice has been to run deficits and support the economy until it returns to capacity. To answer the Deputy's question as to the financial position for autumn 2014, when I took office, I refer to the 2015 Budget agreed by the States in September 2014. With the measures approved in that Budget the forecast was for an operating deficit before depreciation of £31 million in 2014 and £42 million in 2015, which took us to the end of the first M.T.F.P. (Medium Term Financial Plan) period. The actual results for 2014 were an operating deficit of £17 million and after depreciation £76 million. The results for my first full year in office 2015 improved to an operating deficit of £5 million and after depreciation to £50 million. In early June, I will present to Members the outturn for 2016 and the current forecast for the period 2017 to 2021. Those will show that while 2016 has been an outstanding year for public finances the headwinds and uncertainties remain. Nevertheless we remain on track to achieve our aim of balancing the books over the M.T.F.P. period.

3.5.1 Deputy J.A.N. Le Fondré:

I thank the Minister for his response, or the clarity of his response. Were the earlier income forecasts too optimistic leading to higher expenditure and a deficit during that first M.T.F.P. period, in the Minister's opinion?

Senator A.J.H. Maclean:

Income forecasts have proven to be optimistic for that period of 2013 to 2015 but of course hindsight is a great thing. Since I took office we have spent some time in reconstituting the Income Forecasting Group and ensuring that external members are added to that group and indeed making great emphasis on ensuring that forecasts for the future are prudent. I should say that I have no doubt that I will have criticism in the future as we generate some surpluses as a result, and I think the outturn from 2016 will prove the point. So in many respects, one cannot win. But, yes, to answer the question, I think they were at that stage on the optimistic side.

3.5.2 Deputy M.R. Higgins:

I am trying to wrack my brain to remember if at any time the Minister for Treasury and Resources told us of the improved figures and the reduction in the deficit because from my recollection we have been told there has been a deficit, we have always been in deficit, we are going to be in a deficit and so on. Did the Minister at any time update the States with an updated assessment showing it was not as bad as expected to be?

Senator A.J.H. Maclean:

Yes, in fact the States accounts, which are published and available, gave the position for 2015, to which I have just alluded. With regard to 2016, which is going to show further improvements, those accounts have yet to be published but I am expecting them to be so within the next week and that will give an updated position for the Deputy and Members.

3.5.3 Deputy J.A.N. Le Fondré:

Just if the Minister could confirm as a matter of fact that in the 2015 Medium Term Financial Plan that the word “deficit” is used on a number of occasions. So, for example, it refers to a place in Jersey on a part fiscal balance and addressing any structural deficits. It refers to graphs and charts, which show that the current budget including depreciation will move from a deficit of £90 million. This suggests the net fiscal position moves from one of moderate deficits to one of significant deficits throughout the 2015 to 2018 period. Accepting the comments he has made that things have obviously changed, could he just confirm that the word “deficit” does appear on a number of occasions throughout that document?

Senator A.J.H. Maclean:

Yes, it does. I think I made that perhaps clear at the beginning. We have been running deficits and indeed that is following the advice of the Fiscal Policy Panel to so do. All I can say to Members is that the financial position has improved. We are broadly on target, on track, to achieve balanced budgets by 2019, that is the end of the M.T.F.P. period. That largely is as a result of a very good outturn from 2016. We should not however get carried away by that outturn on the basis that a significant amount of the gains there as a result of, dare I say it, Brexit and the depreciation of sterling, because our investment returns have performed particularly well as a result of that, which has had a slightly skewing effect on the numbers. We have also seen some increased income tax numbers, some of which we believe possibly could be one-offs, but further analysis is being undertaken. So good news, but there are still clearly some headwinds which we face, which we need to manage as we go forward.