

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY, 7th NOVEMBER 2006

Question

Would the Minister state from where he anticipates sourcing the additional £40 - £70 million to build up the proposed Stabilisation Fund to the target level set out in P.133/2006 when the current financial forecasts show predicted revenue deficits in the coming years?

Answer

The guideline in the new fiscal framework is to build the Stabilisation Fund up to 15-20% of annual expenditure in the medium term. This can be achieved in a number of different ways.

Firstly, there may be a possibility to transfer money from the Consolidated Fund. The financial forecasts show that the Consolidated Fund will rise to £112m by 2009 and there may be scope to transfer some of that money into the Stabilisation Fund depending on how the forecasts for 2010 onwards look nearer the time and advice from the new Fiscal Policy Panel.

Secondly, there is also the possibility that if the States sells certain investments in coming years that some of the proceeds could be transferred to the Stabilisation Fund.

Thirdly, where States revenue comes in higher than expected, for example as a result of a better than expected economic performance or one-off exceptional receipts as in 2006, then there will be the possibility of transferring those additional tax receipts into the Stabilisation Fund.

Finally, the new Fiscal Framework proposes that when the economy is performing strongly it will be necessary to adjust States revenue and expenditure so that the States runs a surplus and is able to transfer the funds into the Stabilisation Fund. This is something that the Fiscal Policy Panel will advise on in due course.

The current financial forecasts only project significant deficits for the years 2010 and 2011 and there is a high degree of uncertainty surrounding these figures. However, should it be clear nearer the time that such deficits are likely to arise and the economy is still performing strongly then the sensible economic approach will be to adjust States income and expenditure accordingly so that payments can be made into the Stabilisation Fund.