

## **2.6 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the growth in public spending over the past 5 years:**

Will the Minister set the growth in public spending over the past 5 years in the context of the parallel growth in the economy over the same period?

### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

Over the last 5 years net revenue expenditure has remained constant as a share of our economy or G.V.A. (Gross Value Added). The share amounted to 13 per cent of G.V.A. in 2005 and taking the latest estimate of net revenue expenditure or N.R.E., it is estimated to have amounted to 12.9 per cent in 2009. However, I would say to the Deputy that comparing expenditure over a short period when the economy has largely been going through positive growth does not necessarily tell a picture of the whole story. A better comparison is to review trends over the whole of the economic cycle. For example, in 2000 when the economy was at a peak of economic growth, it amounted to 10.6 per cent of G.V.A. and in 2008 when the economy looks likely to have reached another peak it is estimated to have risen to 12.1 per cent of G.V.A. This is also consistent with the picture of net revenue expenditure compared to inflation. Over the last 10 years inflation has risen by 30 per cent while net revenue expenditure has risen by over twice that rate by 70 per cent. Whatever the statistics say, it is clear that we have invested in public services in recent years and that public services have shared in the proceeds of growth. However, this potentially does not make the point that it is also important that there should be improving efficiency. It is not just about spend. We have embarked upon the comprehensive spending review in order to respond to pressures on public spending and to ensure that historic pattern of year-on-year spending increases does not continue. The process is proposing tough targets for savings and if delivered will reduce structural deficits.

### **The Deputy Bailiff:**

Minister, can I remind you that question time is about questions as well as answers.

### **2.6.1 Deputy G.P. Southern:**

If I may, apart from being blinded by numbers, but I will have a look at those later, does the Minister not accept that the 30 per cent rise in public spending over the past 5 years, which he has made such a fuss about, is proportionate and within budget and should not be used as an excuse for panic cuts in public spending, as he is doing?

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

There are no panic cuts. What I have clearly indicated is that while the structural deficit for 2010 and 2011 can be funded from cash - unlike most other places, from the Stabilisation Fund - there is an issue about a structural deficit from 2012 and 2013 and that needs to be dealt with. I am not proposing the deeper and faster cuts that the Public Accounts Committee is proposing.

### **2.6.2 Deputy G.P. Southern:**

That is madness. If I may, supplementary. Does the Minister not accept that the structural deficit of which he talks amounts to something like 1.7 per cent of G.D.P. (Gross Domestic Product) compared to the U.K.'s 12 per cent and that we should not be panicking at all at this stage?

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

There is no panic. There is long-term thinking, balancing the books, and yes, the Deputy is absolutely right, if I had the U.K. exchequer figures we would be facing a deficit this year of about £600 million against the pile of debt of £4 billion. I do not think for one moment that the Deputy is proposing that that sort of economic policy is right for Jersey.

### **2.6.3 The Deputy of St. Mary:**

The Minister has made great play of this 30 per cent increase in public spending over the last 5 years but we learned from the answer to the written question of Deputy Southern today that inflation has been running in that same period at 17.7 per cent, earnings 22 per cent. There has been the historic child abuse inquiry which is, I hope, a one-off, the flu pandemic and Williamson. Would the Minister agree to do a new calculation and give it equal publicity in the media to his 30 per cent increase, a new calculation taking all those factors into account?

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

I am more than happy to do more calculations but I would say to the Deputy that there is no hiding place from the problem. There is in 2012 and 2013 an expectation of a gap in public finances; £50 million. There is no hiding place for the Minister for Treasury and Resources in either having to deal with that on expenditure or in terms of increased taxes. What I have also signalled is the Deputy is quite right to say that there are items which are always unforeseen and I want to ensure that we budget an appropriate contingency amount in order to build into our public finances. That is why we need the comprehensive spending review to deal with the structural deficit and we need to consider - and we will have to consider - taxes for investment in the services that he cares about and the rest of the Assembly cares about too, such as health.

### **2.6.4 The Deputy of St. Mary:**

May I ask a supplementary? The question was not answered. The problem is that the Minister has put about that there has been a 30 per cent massive uncontrolled increase in expenditure over the last 5 years. The fact is that it is almost entirely, if not entirely, accounted for by special factors, by inflation and by the rise in earnings. Will he give a new figure and give equal publicity to it which will show the rise in the last 5 years has been nearly zero?

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

It is all very well saying it has got to be accounted for, the money has got to be found. I can construct any sort of figure, which is based upon the facts, which shows that public expenditure is rising and has risen, I am afraid to say to the Deputy, to unsustainable levels. I would repeat the figure that I put in the answer today. Public expenditure has risen in the last 10 years by 70 per cent while inflation has risen by 30 per cent. That is a real growth in public spending and we have got to do something about it.

### **2.6.5 Deputy M. Tadier:**

Would the Minister consider looking at the waste that occurs at Parish level when we consider that rates effectively, when you are a ratepayer, is another form of tax and that the duplication which occurs 11 times over in such things as waste collection could be centralised and therefore the money be put to better use in that way?

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

I welcome Deputy Tadier and indeed any other Members' suggestions for making the public sector more efficient. If that means opportunities of working with the Parishes then that is a good thing. But what I would say to the Deputy is that if we are going to meet the challenge of finding £50 million worth of savings and, yes, service cuts, we need to be concentrating on the large areas of expenditure realistically. I need to ask the Health Department and Home Affairs and Education about how they can deliver their services more efficiently. Yes, there are opportunities at the end of the Parishes perhaps but that is not decisions made by this Assembly, we need to, however, concentrate on the big areas of public spending.

**2.6.6 Deputy G.P. Southern:**

Does the Minister accept that the structural element as distinct from the cyclical element of the deficit is caused, by and large, by the foolish policy of Zero/Ten?

[10:30]

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

The first thing I would like to say to Deputy Southern, if I may, is that I do wish he would attend the briefings where we go through in detail the numbers.  
**[Approbation]**

**Deputy G.P. Southern:**

Will the Minister please answer the question?

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

I think it would help the Deputy in understanding some of the difference between structural deficits and cyclical. We spend a great deal of time in trying to explain and give justification for Members for the policies and I would willingly have him in the Treasury for a few hours to explain some of the background of the numbers.