

## **2.14 Deputy G.P. Southern of the Minister for Treasury and Resources regarding changes to the Medium Term Financial Plan:**

In the light of the advice given in the latest Fiscal Policy Panel report what changes, if any, to the Medium-Term Financial Plan does the Minister have under consideration and when will he reveal any such changes to the States?

### **Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):**

The Minister and I welcome the panel's report and are not surprised by any issues it raises. However, it is too early to say whether any changes will be made to the M.T.F.P. I would refer Deputy Southern to the Minister's written answer to him at the sitting, which shows the extent of the fiscal stimulus which is taking place. The F.P.P.'s report helpfully illustrates the difficult balancing act between allocating resources to meet clearly identified spending needs in essential areas like Health and Social Care, job creation, supporting the economy in the short term and protecting the competitive system of our taxation upon which our Island depends. The panel's assessment of the scale of the economic downturn is helpful. The Minister needs to discuss the panel's recommendation with the Council of Ministers and if there are any significant actions which arise from these discussions, I would anticipate that they will be announced on October 16th when the budget is lodged and presented to States Members. However, I can say that one initiative that the Minister has already announced he will consider is a starter home deposit scheme and further details will be coming forward shortly.

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

Does the Assistant Minister not accept that the report suggested that estimates for growth were over-estimates and does he not accept that it called for additional fiscal stimulation to take place as soon as possible? What steps will he take to introduce additional fiscal stimulus?

### **Deputy E.J. Noel:**

Treasury and the other departments are looking at their capital programme over the next 3 years to see what projects can be brought forward on a timely basis to comply with the 3Ts.

### **2.14.2 Deputy R.G. Le Hérissier:**

Would the Assistant Minister not concede that the real psychological issue is that the Minister for Treasury and Resources keeps magicking out sums of money from all sorts of sources to help all sorts of services while running a very aggressive cutback programme at the same time. Would he not agree this is leading to considerable mental confusion on the part of the population?

### **Deputy E.J. Noel:**

I do not believe we have been carrying out extensive cutback programmes. We were, by this Assembly, given the task of finding £65 million of savings over a 3-year period. We have done a little bit shy of that, around £61 million over a longer period. Those are not austerity measures, that represented some 10 per cent of cash limits set at the time, which is not too onerous spread over a 3 to 5 year period.

### **2.14.3 Deputy R.G. Le Hérissier:**

The Assistant Minister did not answer the other half. Would he confirm whether or not there remain vast, untapped sums of capital monies which the Minister for Treasury and Resources will be announcing on a regular basis?

### **Deputy E.J. Noel:**

All of the States' assets, some net £3.6 billion, are included in our annual published account.

### **2.14.4 Deputy J.A. Martin:**

Could the Assistant Minister answer the question to do with this in the written question, it says: "States Departments have been asked to make rapid progress on tendering the capital schemes that have been funded in 2012 and 2013", i.e. injecting cash into the community and for local builders. Does the tendering come first or the capital into the departments' budgets? Which one comes first? Because I am hearing that some departments are waiting to tender and they are waiting for the Treasury to put the money into their capital for that department.

**Deputy E.J. Noel:**

The departments already have their money for 2012, so they should be proceeding as quickly as they can in the tendering process. Monies for 2013, 2014, and 2015 as Members will well know are yet to be decided upon and will be debated in the M.T.F.P.

**2.14.5 Deputy M. Tadier:**

Does the Assistant Minister accept that one of the best forms of fiscal stimulus is allowing as many people as possible to keep as much of their own money as possible and therefore perhaps spend it in the economy? Does he accept that our current system is becoming increasingly punitive with taxation, direct and indirect, and social security contributions on most normal individuals, where some wealthy individuals and particularly companies are getting away with paying negligible or no tax at all? Does the Assistant Minister accept that this is a problem and that we need to have a fairer distribution of the tax burden so that we can have proper fiscal stimulus without the interference from Government?

**Deputy E.J. Noel:**

I do not agree with Deputy Tadier's synopsis of our tax system. I believe our tax system is fair, it is broad based and it is appropriate for a jurisdiction such as ours. That is all I need to say.

**2.14.6 Deputy G.P. Southern:**

Does the Assistant Minister accept, as the Fiscal Policy Panel accepts, that a proper pay rise for the public sector would lead to a boost to the economy because that money would be spent in the economy?

**Deputy E.J. Noel:**

Unfortunately not, and I believe that Deputy Southern is incorrect in his synopsis of what the Fiscal Policy Panel says. A pay rise to public service workers over and above what has already been offered on the table does not comply with the 3Ts because it is not temporary.