

3.6 Deputy J.H. Young of the Minister for Treasury and Resources regarding the variances reported by the States Income Monitoring Reports for July and August 2014:

Will the Minister disclose the variances reported by the States Income Monitoring Reports for July and August 2014 and confirm whether these reports confirm the opinion of the Comptroller of Income Tax and his staff, which were reported to C.I.P.F.A. on 1st August 2014 - and that is recorded in paragraph 4.14 of the Scrutiny report on the Budget - which stated that the tax yield would be even worse than the established forecast position for 2014?

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

This is largely the same territory. Monthly reports are created for internal use. Quarterly reports are reported to the Council of Ministers, and the Assembly gets a 6-month report which is published. The latest information is that there has been a slight improvement in August, as I explained in the last answer, and we will not know what the impact is going to be. I just would refer the Deputy to the previous track record of the Treasury that is also criticised because the forecasts are normally beaten when the actual comes in. I do not know whether that is going to be the case. I suspect it will not be this year, but what I should say to the Deputy is we should not be deflected. The world is focused on short-termism and we should be focused on medium-term and long-term planning. These small adjustments do not change and should not change this Assembly's policies of getting people back to work and getting the economy moving.

3.6.1 Deputy J.H. Young:

The Minister for Treasury and Resources in all of his answers on this subject has emphasised the importance of these income forecasting systems. Would he not accept that the public are right to pose questions as to how it is, for example, that we have a scrutiny report that says that in May there was going to be a forecast variance of £34 million and by June that had gone to £39 million, and who, when we hear of our professional staff who, according to report, only meet once a year to come up with these figures, make comments like this? Are we not entitled to have concern about the reliability of our income forecasts, particularly that our Medium-Term Financial Plan now is blown out of the water as a result of these figures?

Senator P.F.C. Ozouf:

Sometimes it is said, I think, that sons turn into their parents and I was reading the tribute that was given to my late father. I recall that the then Presiding Officer quoted him and said something that was not parliamentary but it was something along the lines of: "What a load of - expletive - nonsense." Deputy Young is speaking absolute nonsense, if I may say. There is no issue with the forecasts. It is not a problem. It is not a criticism that the forecasts have turned out to be different. We have faced financial contagion. We have faced job losses. We have faced a very difficult situation. That is why income is down. People have not made the income that they have previously. Businesses have been under stress because of the international conditions. What we have been doing is doing everything about it. We have been absolutely transparent with Members on this position, but we should not be deflected. The M.T.F.P. (Medium-Term Financial Plan) is not in tatters. The M.T.F.P. is in good shape and this Assembly today is going to do the last thing of approving the measures and the policies in the M.T.F.P., which is designed to put the Island in the best possible position to get future income, not compromise it. I regret repeated suggestions that somehow plans are in tatters, there is a problem. There is not. We have responded. Like a good farmer with a forecast, we have worked and now we are growing the income. That is why I despair with these negative, inaccurate statements which are being constantly made. They are just not reflective of the truth and they are nonsense.

3.6.2 Deputy J.A.N. Le Fondré:

Just as an aside, I would note that I think some of those comments have been confirmed by C.I.P.F.A. The question I would like to ask the Minister for Treasury and Resources is, given he has just confirmed that the up-to-date figure is that the income is going to be a further £4 million down, if we apply that number to the Consolidated Fund balances being projected for the end of 2015, without any further amendments what will the balance on that fund be for the unallocated money?

Senator P.F.C. Ozouf:

The last question and this one said is it right to have a debate about this: absolutely right. Debate means he has also said in his question do I agree with the C.I.P.F.A. report. No, I do not agree with some aspects of the C.I.P.F.A. report. I think they have it wrong. There is always going to be, however, a diverse opinion and the Income Tax Forecasting Group, as many Members of this Assembly know, were not unanimous about the forecasts. I have to bring that matter to a head, which is one of the underlying issues which I have had to be dealing with in the recent weeks. There is not a problem with the consolidated unallocated amount irrespective of that. My legal obligation, upon advice, is to present a budget which balances the Consolidated Fund, but I also want to take the advice of the F.P.P., which says do not be constrained by the unallocated balance on the Consolidated Fund; use all available resources. That is what we are doing.

[10:30]

If there were to be a situation where there would be an undershoot in terms of income over and above that £4 million, then there are, of course, contingency matters that are available within the Council of Ministers and the Treasury to deal with it, which are not subject to States Assembly approval. However, there has been absolute transparency in terms of all of these forecasts. I will finally say, in terms of transparency, one of the continuing themes of these questions has been no information provided to Members... and I wish to say on record and draw to Members attention the email that I sent on 29th October last year which had those forecasts in, once and for all. I have put it in my written answer and I hope that this suggestion of lack of transparency is once and for all going to be withdrawn. I will be asking for the matter to be dealt with under privilege if this continues.

Deputy J.A.N. Le Fondré:

Can I just clarify, was it October or November?

The Bailiff:

October he said.

Senator P.F.C. Ozouf:

Sorry, no, I beg your pardon, November, 29th November 2013, 16:59. I have the email here and it is in Members questions. I hope it draws a line under this ridiculous line of questioning that I have been subjected to.

3.6.3 Deputy J.H. Young:

The Minister in his answers said I was talking rubbish about the M.T.F.P., in my shorthand calling it “in tatters.” Would he not accept that the Scrutiny report is full of very serious criticisms about our approach to the last M.T.F.P. and that there is a need for the future Medium-Term Financial Plan to effectively adjust and change more accurately and reliably to provide a firmer basis? Also, finally, I notice in his written answer he is telling us that the forecasts for interest rates, which are fundamental to these ...

The Bailiff:

Sorry, this is getting a very long question, Deputy. What are you asking?

Deputy J.H. Young:

I am asking can he confirm that the interest rates in his written answer of 0.9 and 1.7 per cent, which is a substantial increase, are really realistic and will he be revising the M.T.F.P. system for the future?

Senator P.F.C. Ozouf:

The M.T.F.P. and the changes in the Public Finances Law, which has been a massively positive revolution in the way that we do business and the way we set budgets, was the first. Those will always need to be adjusted in the light of experience. As far as the Assistant Minister, myself, the Chief Minister and Ministerial colleagues, we are combining and doing a note on further improvements to the M.T.F.P. So, yes, I agree with the Deputy and I agree that further improvements can be made. That is life. You always improve. You learn from your experience. In relation to this M.T.F.P. and this Budget, is it in tatters and should we have done anything different? If anything, I have to say that we should have done more to support the economy in that second year than we did. We should have done more and we should have acted earlier with financial services in terms of putting it back on track and we should have dealt with the other non-financial services' anaemic growth, which has now led to these lower forecasts. That does not mean to say you spend less; you spend more. If anything, history is now being rewritten as though the M.T.F.P. has been a failure. On the contrary, it has worked, is working and is securing Jersey's economic recovery. Of course, as far as interest rates, I do not know how many times I have to say this. Deputy Noel and I do not sit there with a pencil putting in interest rate forecasts. They are not ours. They are independent forecasts done by the Independent Forecasting Group, the Economics Unit, and even they do not do it with their own pencils. They take the international forecasts that are done by the I.M.F. (International Monetary Fund), the Office of Budget Responsibility, *et cetera*. To cast this as me doing them is wrong and, no, I will not change proper independent advice done by our experts, not here but elsewhere as well.