

2016.03.22

**3.10 Deputy S.Y. Mézec of the Chief Minister regarding alternative plans to eliminate any public spending deficit following public sector redundancies:**

What work, if any, has the Council of Ministers done to develop alternative plans to eliminate any public spending deficit in the event that tax receipts do not match current projections as a result of further public sector redundancies and reduced economic growth?

**Senator I.J. Gorst (The Chief Minister):**

We were clear in our Medium Term Financial Plan that there were significant global uncertainties that could affect our economy; economic power shifting, rapidly changing technology affecting businesses and government, population ageing. The plan sets out how Jersey should respond to these challenges and of course it follows the advice of our independent economic experts. Their plan is flexible, a balance of £20 million in our current account; adequate central contingencies, growth in capital spending allocated annually so we can adapt to changing circumstances. The plan addresses the challenges ahead and enables us to invest in our priority areas without changing the fundamental building blocks of our tax system.

**3.10.1 Deputy S.Y. Mézec:**

Following up from that answer, can we then take it that if circumstances do arise where projections are not met as were envisaged under the M.T.F.P. that it is therefore possible in future that we could see further spending cuts than are already planned and further tax rises that are already planned if it does transpire that economic growth is not as predicted?

**Senator I.J. Gorst:**

The Deputy will have seen, I hope, the updated letter from the independent economic experts and it reiterates that we need to maintain flexibility in both directions and that is what the plan does, as I have just explained, maintains £20 million in the Consolidated Fund to give flexibility, it maintains central contingencies, and the Minister for Treasury and Resources and myself have been clear in this Assembly and before Scrutiny that we are allocating growth on an annual basis which also gives flexibility.

[10:45]

**3.10.2 Deputy G.P. Southern:**

Can the Chief Minister point to anywhere in the economic advice that he has been given that cutting the staffing of the public sector is a way to maintain or improve growth in our economy?

**Senator I.J. Gorst:**

The Deputy will never agree with government policy in this regard; I understand that. He takes a wholly different political view that controlling government expenditure, limiting the growth of people employed by the Government is not a policy that he would pursue. I do not accept that. I think a part of preparing ourselves for the future is reforming the public sector, is trying to limit the future growth of the spend that we make on behalf of the public and is reducing employment in some areas that we can employ in other areas. The plan is not simply about overall reduction of staff, as the Deputy well knows. It is about employing more people in Health and Social Services, it is about employing more people in Education, it is about delivering services differently with technology. It is just one part of a plan. The Deputy also seems to forget, and the questioner seems to forget, that an important part of the plan is also growing the economy which gives further upside flexibility which is not currently factored-in to the M.T.F.P.

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

Will the Chief Minister answer the question? What advice has he received from economists - this is an economic question, not a political question - that cutting public expenditure will grow the economy? Where has he got that from?

#### **Senator I.J. Gorst:**

Once again, because people have said it, it has been reported in the media, and the Deputy keeps saying it, that we are cutting public expenditure. When he looks at the actual numbers, he will see that public expenditure in 2019 will have slightly grown in actual cash terms than it was in 2015. What we are doing is reprioritising and trying to restrain the growth in public expenditure that we have seen in previous years.

### **3.10.4 Deputy T.A. Vallois of St. John:**

Should there be a downturn during this term of office, would the Chief Minister reconsider the Council of Ministers' aim to balance budgets by 2019?

#### **Senator I.J. Gorst:**

If things should worsen, the first thing that we would do is have our own economists look at it, and they are extremely capable individuals in a unit. The second thing we would do is ask for advice from the independent economists and we would probably factor what we did largely on the advice of those 2 bodies of economists. If we look at what they have advised us in the past, then we might suspect that their advice would be along the lines that the Deputy is suggesting.

### **3.10.5 Deputy M.R. Higgins:**

Talking of the Fiscal Policy Panel, the Fiscal Policy Panel is constrained in the advice that they give the Government by the terms of the Fiscal Policy Panel. The policy reinforces the fact of a low tax environment and if that remains in there, they will never be able to give proper advice about if there is a need to raise the taxes. Will the Chief Minister change the terms of reference for the Fiscal Policy Panel so they can make their recommendations on the economy without reference to low tax?

#### **Senator I.J. Gorst:**

The Deputy knows that the remit that the Fiscal Policy Panel works to is now a statutory remit and I think that is important. It was more informal previously but it is important that this Assembly has input into what that remit is. Again, we come to a political difference. We believe in growing the economy to help everyone. We believe in creating jobs for all members of our community to improve their lot. We do not believe in necessarily that simply increasing expenditure, increasing taxes is the best way to prepare our Island for the future.

### **3.10.6 Deputy M.R. Higgins:**

A supplementary? The Chief Minister is the one who is making the political points. I am just pointing out that if you have advisers and you want them to give correct advice ...

#### **The Deputy Bailiff:**

No, Deputy, could you just make this a question, please? We have a number of other people who wish to ask ...

#### **Deputy M.R. Higgins:**

Will the Chief Minister change the terms of reference for the Fiscal Policy Panel so they can recommend anything that it is in the interest of this Island and not be constrained to the political dogma of the Chief Minister?

**Senator I.J. Gorst:**

The Deputy, I hope - I hope; I cannot recall exactly but I am pretty sure he has - has met the eminent economists that sit on the Fiscal Policy Panel. It is slightly disingenuous of him to suggest that those eminent individuals would be constrained from giving advice if they felt that the right thing for our economy was to raise taxes in the way that the Deputy is suggesting. In the past I have known them, when I was Minister for Social Security, to make comments about areas that were not strictly within their remit but were within my remit at Social Security. They did not feel constrained in any way whatsoever from making recommendations about those areas that were not directly in their remit, so I see no reason why all of a sudden, because the Deputy suggests, they should feel constrained. I do not believe they are.

**3.10.7 Deputy M. Tadier:**

The Chief Minister talked about these cuts helping everybody but does he not recognise that this austerity programme most affects the vulnerable, the disabled? Will he not, as a good self-confessed English Tory, perhaps take a leaf out of the book of his political counterparts in the U.K. where even some of those most hard-nosed and well-known austerity proponents have reneged or done a U-turn on some of those pernicious cuts, particularly those which affect disability and the most vulnerable on Social Security?

**Senator I.J. Gorst:**

I was looking forward to that question. I am not sure how at all it relates to the opening question, just like, Sir, when you ruled and asked me to sit down from answering a question about B.E.P.S. Every single question arising after that was about central registers, nothing to do with B.E.P.S., but there we are. Let us be quite clear, the changes that we have made in the Social Security system are about restraining and maintaining the level of the budgeted spend throughout the period and not cuts, as the Deputy is suggesting. It is wholly, wholly inappropriate to even start to suggest that the changes that the U.K. Government have made to their system bears any correlation to the restraint of growth in expenditure, of income support that the Minister for Social Security and department and Council of Ministers have brought forward. It is not correct. If anything - if anything - the former Secretary of State for Work and Pensions, one of the points he has made, anyone who has listened to his interviews since Friday evening, was that he wants to move more firmly to a system like ours. His whole political career has been based upon creating a one-stop benefit system like we have in Jersey. He is saying that he has not been able to do that because of some of the changes proposed by the Treasury. We have a system that we can be proud of. We cannot let it continue to grow, it has to be managed appropriately, and that means you have to restrain the growth in the cost of benefits and that is exactly what the Minister for Social Security is doing.

**3.10.8 Deputy S.Y. Mézec:**

I thank the Chief Minister for his answer there. I will be going back to my constituents on L.T.I.A. (long-term incapacity allowance) who are now over £600 a year worse off because of his cuts and telling them that they are imagining it, there are no cuts. But following on from the Deputy of St. John's question, I would like to ask the Chief Minister - and since he said that there is flexibility then he will have thought about this and will presumably have an answer ready for it - in the event that the projections are not met, in the event that the appropriate savings that they are looking for cannot be found, what is his ... I do not know why I am even bothering to ask if he is not listening. Is

he listening now? Can I go? Is that fine? Thank you. In the event that the savings are not able to be made or an economic downturn which means the projections are not reached, what is his political preference? Is it to accept that we continue to run deficits for several years longer and take a slower approach to restoring public finances or would he prefer then to cut deeper and raise even more taxes on middle-earners? Which is his political preference in that event?

**Senator I.J. Gorst:**

I am pleased he got to the question at the end, that is why I was not listening earlier. It is quite clear that this Council of Ministers - this Council of Ministers - will listen to the best eminent economic advice and that is what we have done in bringing forward the Medium Term Financial Plan and that is what we will continue to do. We cannot second-guess what they will recommend but, as I said in answer to the Deputy of St. John, if we look at their previous recommendations during economic downturn and difficulty, they have recommended that we support the economy and that we continue to support the economy as we are doing in the Medium Term Financial Plan. The Deputy tries to say that there is this great big political ideology that is driving us, but he forgets that even during the term of the M.T.F.P. we are taking money out of reserves to support the economy in line with the best economic advice. I see no reason why we would not continue to accept that best economic advice in the way that we have done in the past. Alongside all of that - alongside all of that - we are putting £20 million into growing the economy. Some of the questions that Senator Ozouf has been answering about competition, about innovation, even this morning, are fundamental to making sure that we have got markets that are working so that people feel that they have more money in their pockets as the effect of good competition, and that we are looking at new innovative products and new areas that we can market ourselves to so that we grow our economy to everyone's benefit. It is not an either/or.