

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 26th JUNE 2018**

Question

Further to her statement on 7th June 2018 that she would seek to ‘balance the books’ each and every year, and not just over the economic cycle, will the Minister –

- (a) explain how, if at all, such a policy takes into account economic theory that governments should not simply act like households and balance the books on an annual basis;
- (b) advise whether it is her assessment that (in light of current circumstances in respect of growth, wages and inflation) it would be appropriate at this time to engage in Keynesian deficit spending to support the economy and to pay for increased health spending;
- (c) assure members that she will not seek to raise revenue in the next or any subsequent budget by freezing tax allowances; and
- (d) undertake to engage with other Ministers to ensure there is agreement on the level and quality of services the Government wishes to deliver – with tax rates then set in order to meet these targets – rather than the budget being set first with services being modified accordingly afterwards?

Answer

- (a) It is important that the States of Jersey keeps public finances on a sound and sustainable footing in the medium-term ensuring that there is no underlying structural deficit in States finances. The Treasury and Resources Minister will listen to the advice of the Fiscal Policy Panel (FPP) in terms of whether in any one year it is appropriate to run a deficit or surplus. However, the underlying principle is that the States should be aiming to ensure that its books are balanced and the latest FPP advice is that the States should maintain existing plans so that the current budget is in balance in 2019.
- (b) It is only appropriate to run deficits when the economy is weak and below capacity and the advice of the FPP is critical in determining when this is the case. Their latest advice is that it is important to prioritise delivering key capital projects on time to support the local economy in 2017 and 2018 but there is the risk that this could become pro-cyclical if the economy is above capacity in future years. However, running deficits to fund ongoing health expenditure commitments would run the risk of creating a structural deficit within States finances, something which would not be in keeping with an approach to keep those finances on a sound medium term footing.
- (c) On principle - and at this early stage in the life of the Government – the Minister for Treasury and Resources does not propose to rule out consideration of any particular kinds of revenue-raising measures. The Budgets will strive to present coherent and well-balanced packages of measures in the best interests of the whole island - and for the careful consideration of the whole Assembly according to the circumstances we face at the time.
- (d) The Minister for Treasury and Resources believes that the States already do this. Each Council of Ministers publishes a Strategic Plan for its term of office which identifies the Council’s key priorities. A Medium Term Financial Plan is proposed that explains how those priorities are to be achieved. The latest income forecasts compared to planned investment in priority areas would highlight any shortfalls or surpluses in income and a proposed solution to meeting any shortfalls forms an integral part of the Medium Term Financial Plan lodged by the Council of Ministers.