

2024.10.01

3.4 Deputy S.M. Ahier of St. Helier North of the Minister for Treasury and Resources regarding the implementations of the recommendations contained in the Jersey's Fiscal Policy Panel 2024 Annual Report (OQ.179/2024):

Will the Minister advise whether she intends to implement all of the recommendations contained in the Jersey's Fiscal Policy Panel 2024 Annual Report, and if not, will she indicate which will not be progressed and explain why?

Deputy M.M.E. Millar of St. John, St. Lawrence and Trinity (The Minister for Treasury and Resources):

The F.P.P. (Fiscal Policy Panel) report was only issued on 24th September, a week ago today. It is important that the recommendations are properly considered and deliverability assessed before I can make any firm commitments. I think it is fair to say that we have set out strategies in our current Budget to address some of those recommendations and the panel have welcomed some of the approaches taken in this Budget. Some of the recommendations however will have to be implemented through future Budgets. So, while I might recommend them, it is a matter for the Council of Ministers, and indeed the wider Assembly and possibly future Assemblies. For example, the F.P.P. recommends restraint in current spending and the Council of Ministers has clearly stated our ambition to curb the growth in public service expenditure. However, all Members have a part to play in this. Our efforts to constrain expenditure would be undermined by amendments to the Budget that result in greater expenditure and greater deficits. We are extremely fortunate to have individuals of such high calibre on the Fiscal Policy Panel and I would emphasise the value that I put on their advice. I would like to take this opportunity to thank the panel again for their ongoing work and, in particular, for this report.

3.4.1 Deputy S.M. Ahier:

The Minister in her response did not mention inflation. The F.P.P. report states that: "... there are emerging signs that domestically-generated inflation may become more entrenched. A Budget that increases the growth in day-to-day spending is likely to push up inflation ..." What actions is the Minister taking to slow her expansionary fiscal policy over the coming year, and will she be addressing this in her final Budget next year?

Deputy M.E. Millar:

I do not agree that the Budget is in any way expansionary. The Council of Ministers and the Government have set out a clear ambition to curb growth in the public sector. We have a clear plan to do that. It must be balanced against immediate pressures and we are absolutely cognisant of the impact of additional spending on inflation, and that is why we are trying to reduce it.

3.4.2 Deputy I. Gardiner of St. Helier North:

I have compared a Government Plan that we voted here in December 2023, an allocation to transfer to Central Reserve that we decided to do in 2025. That time we voted for a £62,188 million to transfer to Central Reserve. What has happened with the new Budget that has been lodged? The Council of Ministers are asking to transfer £34 million, which is a reduction of 45 per cent of transfer to Central Reserve, compared to what we decided a year ago. Would the Minister consider to bring in an amendment and to increase transfer to Central Reserve based on the latest report of F.P.P.?

Deputy M.E. Millar:

I do not have the Budget in front of me. I cannot remember that particular point.

[10:15]

The Central Reserve covers a number of things. If it is reduced, it is again in line with trying to reduce spending and addressing a prudent approach. If she would like to confirm the detail, I can respond to

her separately, but I do not have the Budget in front of me and I do not have a photographic memory of it.

3.4.3 Deputy I. Gardiner:

I would welcome clarification as to why our transfer to the Central Reserve would be reduced by 45 per cent. But what steps, if any, would the Minister consider to take in 2025 to increase our Central Reserve?

Deputy M.E. Millar:

We already have. Our Budget for this year will set out transfers to the Central Reserve. That is our Budget for 2025. Further reserves for future years will be considered over the course of next year. I am afraid that I am struggling to understand the question. The Central Reserve is, I believe, a reserve to meet inflation and central costs. It is not the Strategic Reserve and Stabilisation Fund, which I believe is the focus of the F.P.P. work.

3.4.4 Deputy M.B. Andrews of St. Helier North:

If the Government is not deploying fiscally expansionary policies, is the Government deploying fiscally contractionary policies?

Deputy M.E. Millar:

No, I do not believe that we are. The message is very clear from the public, and indeed now from the F.P.P., that we must try to limit current spending. That is a difficult thing to do because everybody wants us to spend money. Ministers have focused very clearly in the 2025 Budget on C.S.P. (Common Strategic Policy) and delivering things that will have an immediate impact. We have reprioritised other spending and departments have been asked to prioritise the matters that are most important to them. We are not withdrawing services; we are continuing to focus on the important services that the public need.

3.4.5 Deputy M.B. Andrews:

Is the focus on maintaining the size of the Government, or is it about seeing a reduction in the size of the public sector?

Deputy M. M.E. Millar:

I think we are confusing several elements. We are focused on reducing the size of the public sector. We have been clear about that. This is now turning into a question about the Budget and not the F.P.P. report, but we have been very clear that we are trying to reduce the amount of reliance on consultants, for example. We are reducing extraneous layers of management. We have already discussed that. We have a recruitment freeze to try and stop additional recruitment. We have cancelled a large number of jobs that are sitting there unfilled and unfunded, so we are trying to reduce spend while still providing essential services.

3.4.6 Deputy P.F.C. Ozouf of St. Saviour:

Remaining strictly within the oral question that Deputy Ahier asked, the Minister was not entirely clear. Is she planning to produce a report on the Fiscal Policy Panel's 2024 annual report and can she confirm - and again I have asked this and other Members have asked this - will she explain and provide a detail of the reports that are going to come out before the Budget, including the F.P.P. ... any amendments or reports?

Deputy M.E. Millar:

We will respond to the F.P.P. report, but I am not anticipating issuing any further reports. I have said again that if the Deputy would like me to direct him to the reports that he feels previous Governments have issued that we have not, we will consider that. But I am not going to create reports where none have previously been issued.

3.4.7 Deputy P.F.C. Ozouf:

Could the Minister kindly say when she will be providing, or the Council of Ministers will be providing, their report on the F.P.P. 2024 annual report? When will it be provided?

Deputy M.E. Millar:

No, I do not have a timescale for that just at the moment.

3.4.8 Deputy K.L. Moore of St. Mary, St. Ouen and St. Peter:

The Minister balks somewhat at Deputy Ahier's description of the Budget as an expansionary Budget. But if I could quote from the F.P.P.'s analysis of the Budget that we are to consider in November, they say that there is a 3 per cent increase in expenditure of £103 million over 2025 to 2027 compared to the Government Plan of 2024. This is net of a proposed saving programme worth £47 million per annum. Does the Minister disagree with this finding of the F.P.P.?

Deputy M.E. Millar:

I believe that our spending is less. There is an increase, of course, but my recollection is - again, I do not have the number in front of me - the increase in spending is about 5.4 per cent and the previous Government Plan was, I think, 9.4 per cent.

3.4.9 Deputy K.L. Moore:

How will the Minister deal with this position where she is at odds with the findings of the F.P.P., who say very clearly that there is a 3 per cent increase on the previous Government Plan?

Deputy M.E. Millar:

I do not recall the previous Government having a great deal of ... it did not necessarily respond fully to previous F.P.P. reports. We produced a Budget before the F.P.P. report, we have tried to get that in early. Our response to the F.P.P. report, which covers some very high-level issues, will be developed over the next year and the year after.

3.4.10 Deputy J. Renouf of St. Brelade:

Recommendation 3 of the F.P.P. report says: "The panel recommends that further immediate action be taken to improve the balance of the Stabilisation Fund. That could take the form of a commitment to investing a proportion of cyclical tax revenues into the Stabilisation Fund, as well as a commitment to invest a proportion of upside Pillar Two revenues." Will she commit the Government to following that course of action?

Deputy M.E. Millar:

I am not going to make a commitment here, but the F.P.P. have recognised our efforts to increase the Stabilisation Fund. They have welcomed that we have an intention to invest £41.6 million of our base case Pillar Two revenues into the Stabilisation Fund, but the Stabilisation Fund cannot be increased overnight unless we did a significant cut in the delivery of public services. We have also said that we will invest surpluses of up to £25 million from the Consolidated Fund, and we will consider further investment of further revenues in due course as we see how Pillar Two evolves.

3.4.11 Deputy J. Renouf:

I note that the panel says that it recommends further immediate action to improve the balance of the Stabilisation Fund. Can the Minister for Treasury and Resources confirm that she is rejecting that recommendation?

Deputy M.E. Millar:

No, I am not rejecting it. We have set out a plan. We will consider further what we can do and all those Members who are keen to curb ... I am hoping therefore that all Members who are so keen on us building that fund and investing funds will not be bringing forward amendments to require further spending to this Budget.

3.4.12 Deputy P.M. Bailhache of St. Clement:

Does the Minister consider that plundering £20 million from the Social Security Fund to assist with the introduction of the living wage is consistent with the recommendations of the Fiscal Policy Panel?

Deputy M.E. Millar:

The Deputy will know that I disagree with his characterisation of ‘plunder’. There is no money being taken from that fund. The Fiscal Policy Panel did not discuss the Social Security Fund, they discussed the Strategic Reserve and the Stabilisation Fund, which are quite different.

3.4.13 Deputy S.M. Ahier:

The panel highlights concerns about the economic growth, concerns about productivity, concerns about inflation, concerns about house prices in the housing market generally, concerns about the labour market, concerns about Strategic Reserves and the Stabilisation Fund. What will the Minister do to assuage the F.P.P.’s concerns, and does she have any other concerns about our economic outlook herself that they may have missed?

Deputy M.E. Millar:

I do not think anybody is particularly surprised by the things that the F.P.P. have said. We all know that we have to reduce spending, and that is what the Budget of 2025 is aiming to do. It has set out a plan to increase our Strategic Reserve, and it has set out a plan to increase our Stabilisation Fund. Also, in the context of Pillar Two, the F.P.P. have indeed welcomed this Government’s approach to the handling of future Pillar Two funds. and it is important that we continue to deal with that money carefully and cautiously and not as a windfall that is there for the grabbing for any particular purpose that Members have in mind. We must deal with that carefully, and that is part of our ongoing strategy of using those funds wisely to invest specifically in the ongoing economic productivity and competitiveness of this Island. It is very important that, going forward, we continue to work on competitiveness of the Island, and we again have set out a plan to utilise a significant proportion of our base case Pillar Two funding that we anticipate on competitiveness of our Island so that people know Jersey is open for business and is ready to grow.