

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY J.A.N. LE FONDRE OF ST. LAWRENCE
ANSWER TO BE TABLED ON TUESDAY 18th FEBRUARY 2014**

Question

Further to the remarks made by the Fiscal Policy Panel in recommendation 6 which appears on printed page 7 of their Annual report published on 5th November 2013 (and available on the 2013 Treasury and Resources reports and documents page of www.gov.je), would the Minister provide the following:

- a) a financial forecast for the current and next 3 years including updated income projections;
- b) proposed movements and projected year end balances on the Consolidated Fund, Stabilisation Fund and Strategic Reserve for the current year and next 3 years;
- c) data which shows what happened to these funds in the last 3 years; and,
- d) a financial forecast showing the surpluses and deficits adjusted to recognise the economic impacts?

Answer

Part a) a financial forecast for the current and next 3 years including updated income projections;

The financial forecast represents the MTFP forecasts updated for the 2013 and 2014 Budget and the Update to the MTFP Department Annex for 2014 (R8/2014).

Outturn		MTFP Forecasts (following 2014 Budget)		
		2013 £'000	2014 £'000	2015 £'000
	States Income			
430,460	Income Tax	454,965	474,965	499,475
79,559	Goods and Services Tax	79,761	81,955	84,508
54,236	Impôts Duty	54,534	54,903	55,012
21,172	Stamp Duty	24,529	27,402	28,961
30,926	Other Income	20,545	21,926	24,764
11,380	Island Rate	11,670	12,032	12,453
627,733	States Income	646,004	673,183	705,173
	States Expenditure			
600,644	Departmental Net Revenue Expenditure	626,224	661,966	673,194
	Central Allocations	7,547	7,633	17,963
600,644	Total States Net Revenue Expenditure (excl: Depreciation)	633,771	669,599	691,157
27,089	Forecast Surplus/(Deficit) for the year	12,233	3,584	14,016
15,910	Net Capital Expenditure Allocation	12,566	2,049	11,062
11,179	Forecast Surplus/(Deficit) for the year after Capital	(333)	1,535	2,954

The financial forecast will be revised for the 2015 Budget and will include the Outturn figures for 2013.

Part b) proposed movements and projected year end balances on the Consolidated Fund, Stabilisation Fund and Strategic Reserve for the current year and next 3 years:

The Fund Movements and estimated balances represent the forecasts following the 2014 Budget.

Outturn		MTFP Forecasts (following 2014 Budget)		
		2013 £'000	2014 £'000	2015 £'000
2012 £'000	Consolidated Fund			
47,176	Estimated Opening Balance	31,160	12,099	5,421
(27,100)	Proposed Capital Expenditure Allocation - Housing Schemes			
	Other Fund Adjustments - Return of Housing Capital		27,000	
	Other Fund Adjustments - Allocation to Capital Programme		(26,472)	(528)
20,000	Repayment of JT Preference Dividends			
	Other Fund Adjustments - Allocation to Capital Programme	(8,500)	(4,743)	(1,757)
	Other Fund Adjustments - Allocation to Innovation Fund	(5,000)		
7,000	Other Fund Adjustment - Earmarked Carry Forward from 2012 to Fund Capital	(7,000)		
	Other Fund Adjustment - Earmarked Carry Forward from 2013 to Fund Capital	3,300	(3,300)	
	Other Fund Adjustment - Jersey Post Special Dividend 2012 to Fund Capital	(1,528)	(698)	
	Other Fund Adjustment - Apply Strategic Reserve contribution to Hospital Replacement Project Phase 1		(10,200)	
	Other Fund Adjustment - Apply Currency Fund contribution to Liquid Waste Strategy Phase 1		(3,000)	
(27,095)	Other Fund Adjustments	-	-	-
11,179	Financial Forecast Surplus/Deficit for the year	(333)	1,535	2,954
	Agreed Transfer from Strategic Reserve	-	10,200	-
	Agreed Transfer from Currency Fund		3,000	
	Proposed Transfer from Strategic Reserve (Note 1)			22,700
	Proposed Funding for Hospital Replacement Project Phase 2 (Note 1)			(22,700)
31,160	Estimated Consolidated Fund Closing Balance	12,099	5,421	6,090
Outturn		MTFP Forecasts (following 2014 Budget)		
2012 £'000	Stabilisation Fund	2013 £'000	2014 £'000	2015 £'000
1,006	Estimated Opening Balance	1,050	1,096	1,142
44	Net Investment Income	46	46	46
	Transfers to/from Consolidated Fund			
1,050	Estimated Stabilisation Fund Closing Balance	1,096	1,142	1,188
Outturn		Forecasts assuming a 5% investment return		
2012 £'000	Strategic Reserve	2013 £'000	2014 £'000	2015 £'000
594,354	Estimated Opening Balance	651,216	738,016	764,416
56,862	Net Investment Income	86,800	36,600	37,700
	Agreed Transfers to/from Consolidated Fund (Budget 2014)	0	(10,200)	
	Proposed Transfers to/from Consolidated Fund (Note 1)			(22,700)
651,216	Estimated Strategic Reserve Fund Closing Balance	738,016	764,416	779,416
Note 1	At the time of the Budget 2014 the proposed drawdown required from the Strategic Reserve for the Hospital Replacement Project Phase 2 was £22.7 million. Further work is being done in preparation for the 2015 Budget and 2015 Capital Programme which will determine whether a transfer is required in 2015.			

The forecast of fund movements and fund balances will be revised for the 2015 Budget and will include the Outturn figures for 2013.

Part c) data which shows what happened to these funds in the last 3 years;

The following tables illustrate the movement in balances on the Consolidated Fund, Stabilisation Fund and Strategic Reserve for the last 3 years.

	Summarised from Financial Report and Accounts		
Consolidated Fund	2010 £'000	2011 £'000	2012 £'000
Estimated Opening Balance	51,312	40,625	47,176
Other Fund Movements	(34,911)	(14,611)	(27,195)
Transfer to/from Stabilisation Fund	68,000	46,000	-
Surplus/Deficit for the year from General Revenues	(43,776)	(24,838)	11,179
Estimated Consolidated Fund Closing Balance	40,625	47,176	31,160
	Summarised from Financial Report and Accounts		
Stabilisation Fund	2010 £'000	2011 £'000	2012 £'000
Estimated Opening Balance	113,699	46,997	1,006
Net Investment Income	1,298	9	44
Transfers to/from Consolidated Fund	(68,000)	(46,000)	
Estimated Stabilisation Fund Closing Balance	46,997	1,006	1,050
	Summarised from Financial Report and Accounts		
Strategic Reserve	2010 £'000	2011 £'000	2012 £'000
Estimated Opening Balance	549,915	586,779	594,354
Net Investment Income	36,864	7,575	56,862
Transfers to/from Consolidated Fund			
Estimated Strategic Reserve Closing Balance	586,779	594,354	651,216

d) a financial forecast showing the surpluses and deficits adjusted to recognise the economic impacts?

The work to produce a financial forecast with adjustments estimating the economic impacts was initially undertaken as a result of a recommendation from the 2012 Fiscal Policy Panel report. This work was discussed with the Panel in advance of this year's report and updated as a result of the Panel's initial comments.

The work to adjust for the estimated economic impacts has been to:

- Replace the budgeted capital allocations with an estimate from departments of the expected cash flow profile for all capital projects in the future programme.
- Include in the forecast of capital cash flows from departments how the balance of unspent capital at 31st December 2012.
- Reflect other timing variances between budgeted allocations and actual expenditure in relation to known carry forwards.
- Include adjustments to reflect planned movements in the Trading Funds of the States Trading operations, principally Jersey Airport and Jersey Harbours.

- Assess the estimated net economic impact of the other funds of the States, which are outside of the Consolidated Fund, but still affecting the economy. These adjustments are for the projected surplus or deficit of the Social Security Fund, Health Insurance Fund, Dwelling Houses Loans Fund etc.

The Treasury will continue to review the economic impact analysis to support the work in development of the LTRP and LTCP and ensure an update is available to the FPP for the next annual report. Consideration will be given to the inclusion of this analysis in the next MTFP 2016-2019.

Summary Financial Forecast with adjustments estimating the economic impact

	2011	2012	2013	2014	2015
	Actual	Actual	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Current Forecast	-25	11	0	2	3
Add back Budgeted Capital Allocations	13	14	13	2	11
Deduct: Estimated Capital Cash Flow	-64	-34	-84	-110	-138
Other Timing Adjustments	0	0	-8	-6	0
Trading Department Adjustment	3	9	-7	1	1
Estimated Economic Impact	-73	0	-86	-111	-123
Net Surplus from Other States Funds	21	22	14	14	11
Revised Estimate of Economic Impact	-52	22	-72	-97	-112