QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS COMMITTEE ON TUESDAY 24th JUNE 2003, BY DEPUTY G.P. SOUTHERN OF ST. HELIER

Question

On 20th May 2003, the Committee announced that a £12 million surplus, which replaced the predicted deficit of £7 million on the 2002 accounts, ‘has already been fully accounted for in the most up-to-date forecasts, so does not represent additional funds for future expenditure.’

Will the President explain to members in what way this has been fully accounted for?

Answer

As reported in the 2002 Accounts, the major contributions towards the £12 million surplus arising as opposed to the £7 million deficit originally forecast are as follows:-

Income

£5 million more than forecast in the 2002 Budget, the major constituent of this being in respect of Income Tax receipts.

Employment and Social Security net revenue expenditure

The cost of supplementing the Social Security Fund was £2 million less than budgeted and there was a further £4 million of underspends on benefits and other expenses. As reported, these underspends were the result of rising wage levels and restructuring in the traditional low pay sectors.

General Reserve

As a result of increased financial discipline exercised over these funds, only £8 million of the £14 million voted for the year was required.

The improved income tax revenues have been built into forecasts of States income for 2003 and beyond. Similarly the reduced uptake in Employment and Social Security costs have been factored into future spending plans.

The reduction in calls on the General Reserve has also led to the Committee proposing a reduced annual allocation to the General Reserve for next year.

The surplus of £12 million in 2002 was a one-off windfall, which will provide an additional buffer in this uncertain financial climate. It does not allow the States a reprieve from tackling urgently the underlying trend of higher rates of growth in expenditure over that forecast for income tax in the coming years, as despite all the above amendments to forecasts the Committee would still be forecasting a deficit of £19 million in 2004, which would increase by about £10 million each year, were it not for the revisions proposed in the course of the Fundamental Spending Review.

This is clearly unsustainable so the Committee will be bringing forward proposals in this year’s Resource Plan to bring States’ spending back in line with its income.