1240/5(9125)

WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G. P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON MONDAY 14th DECEMBER 2015

Question

What justification does the Chief Minister offer for the low levels of spending as a proportion of GDP on the Council of Ministers' 'priority' services of education (2.5%) and health (3.5%) in comparison with the OECD averages (6.2% and 9% respectively)?

What further explanation does he have for figures from Standard and Poor which suggest that total government spending will reduce from 18.4% of GDP to just 17.3% by 2018?

Does he consider that such low levels will inevitably damage the level and quality of public services essential to maintain the quality of life of residents and reduce the Island to third world standards?

Answer

Comparing government spending on particular services as a share of GDP needs to be carefully interpreted. In economies like Jersey, where GDP per head is high, this does not mean that spending is lower or that the services are of lower quality. In addition, it does not necessarily reflect what society spends on these services because it does not include spending in the private and third sectors.

The Innovation Review, published by Tera Allas, highlighted that government spending on education in Jersey was 2.5% of GDP. This percentage is not that different from Switzerland and Luxembourg, which are also successful economies with high GDP per head. The conclusion of that review was not to set an arbitrary target level of education spending as a share of GDP, but rather that the Education Department should work with businesses to raise standards and align the curriculum with future skills requirements of innovative businesses.

This is one of the key focuses of the Medium Term Financial Plan (MTFP). Jersey's economy is globally competitive and needs a highly skilled workforce so we are focusing on standards and skills. Stronger links between schools and businesses are being established so head teachers have the autonomy to lead creatively and inspire their students, and so young people leave school with an understanding of the world of employment, a good grasp of technology and a 'ready for work' approach.

Over the four years of the plan Education will receive an extra £27 million. That's £14 million to raise standards and fund the ICT strategy and £13million to cater for the predicted increase in school age children. As well as that £27million there's an extra £55m for capital investment – £40m for Les Quennevais, and £15m for Grainville and St Mary.

It is not clear how the Deputy has calculated that health spending as share of GDP in Jersey is 3.5%. The MTFP shows that net revenue spending by health and social services in 2016 will be £204 million. If the economy performs in line with the assumptions of the Fiscal Policy Panel this would amount to 5% of GDP. Such a figure has all the caveats mentioned above and does not include government spending on health through the Health Insurance Fund.

Council of Ministers recognises the importance of health spending and that is why the MTFP has allocated a total of £96 million of extra funding for health and social services over the 4 years of the plan. That includes £46million to meet rising costs of drugs, improved standards and ageing demographics; £11million on early intervention services for children – improving the life chances of our youngest and most vulnerable islanders; £850,000 on healthy lifestyle programmes – investing to reduce spending further down the line;

£4million to improve mental health services; £15million on community healthcare – keeping people in their own homes for as long as possible and £20million on acute services, keeping hospital treatment safe and sustainable as more older people need these vital services

The Council of Ministers' intention is that through the reallocation of funding from savings in other areas to important services such as health and education that overall revenue spending will remain flat in nominal terms over the course of the MTFP.

Given that the economy is expected to grow over the life of the MTFP this would lead to a fall in revenue spending as share of GDP, but does not include the significant capital investment we will make over the period.

A growing economy where we get the best from the resources government spends shows we are adapting to the challenges we face. This is a far cry from reducing the Island to the status of a developing country.