

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 9th OCTOBER 2012**

Question

Now that the Minister has received the 2012 report of the Fiscal Policy Panel, and in the light of its negative forecast for growth of between -3% to +1% for 2012 and 2013, what consideration, if any, has the Minister given to the possibility of further discretionary fiscal stimulus projects in the Medium Term Financial Plan?

Answer

It is a shame that Deputy Southern did not attend the FPP briefing for States Members on the 1st October. The Panel usefully highlighted the extent to which fiscal stimulus is already taking place. The following table, taken from the Panel's report, shows expenditure adjusted for the timing of capital expenditure, rather than its year of allocation.

Figure 2.22

	2011	2012	2013	2014	2015	
	£m	£m	£m	£m	£m	
Projected fiscal balance, adjusted for the timing of expenditure and capital expenditure rather than capital allocation						
MTFP surplus/deficit	-25	-7	1	0	0	
Add: net capital allocation	13	14	13	5	20	
Less: capital expenditure	-73	-72	-95	-95	-82	
Carry forward adjustment	0	-25	7	-3	0	
Adjusted surplus/deficit	-85	-90	-74	-93	-62	
Source: States of Jersey Treasury; Panel calculations	% of GVA	-2.3%	-2.5%	-2.1%	-2.6%	-1.7%

The revisions to the FPP forecasts were largely expected in the light of the continuing economic difficulties in the UK and Eurozone. The MTFP already includes significant discretionary fiscal support to the economy in the steps we have taken to identify and fund an ambitious capital programme over the next 3 years. This is combined with the measures we have taken to provide additional funding for housing schemes in 2012 and 2013 and the Parish of Trinity, which are vital infrastructure projects that also provide a timely and much needed injection into the local economy.

States departments have already been asked to make rapid progress on tendering the capital schemes that have been funded in 2012 and 2013 so as to inject this spending into the local economy in a timely manner. This will help the local economy and deliver better value for money as prices are keen. We will also be reviewing other aspects of expenditure, such as repairs and maintenance for social housing to ensure that these projects are being completed in as timely a manner as possible. The jobs market has also been helped by the additional funding provided in 2012 for Back to Work schemes in a joint initiative between Economic Development and Social Security. However, in response to the FPP advice we will review our current position with colleagues and consider the options for us to go further in the way that the Panel suggests.

Bringing forward capital allocations from 2014 and 2015 may not be possible unless the States were willing to borrow or use reserves in order to finance projects early. The Treasury review of funding, as previously announced, should be designed to assist this.

The overall capital programme allocations were derived from departmental returns that focussed on critical projects for service delivery and careful consideration was given to the prioritisation of projects during the MTFP period. As recommended by the FPP, all of the projects during the MTFP period will be reviewed against the fiscal stimulus 'timely, temporary and targeted' principles.

The FPP report has helpfully illustrated the difficult balancing act between allocating resources to meet clearly identified spending needs in essential areas such as health, social care and job creation, supporting the economy in the short-term, and protecting the competitive system of taxation upon which our Island depends.