

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
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ANSWER TO BE TABLED ON MONDAY 22nd SEPTEMBER 2014**

Question

Will the Minister provide a detailed breakdown of each of the following forecasts of General Revenue Income included in Figure 12.8 on page 64 of the draft Budget Statement 2015 together with the economic and fiscal assumptions which underlie each of these forecasts -

- (a) Forecast 2014 -£652 million
- (b) Forecast 2015 - £685 million;
- (c) Indicative Forecast 2016 - £707 million;
- (d) Indicative Forecast 2017 - £742 million;

and explain the rationale, including the economic and fiscal assumptions, for the substantial increase in the budget forecast in States income in 2016 and 2017 compared with the latest forecast for 2014? What is the degree of reliability and error evaluated by the Income Tax Forecasting Group on these forecasts and have they been reviewed by external advisers?

Answer

The breakdowns of the forecasts of General Revenue Income for 2014 – 2017 in Figure 12.8 are provided in the following table. The figures for 2013 are actuals from the Financial Report and Accounts and the figures for 2014 and 2015 are based on the forecasts as lodged in the draft Budget 2015 in July. The figures for 2016 and 2017 are an extract from those provided in Figure 1 of the Long Term Revenue Planning Review progress report R136/2014 in September.

	draft Budget 2015		LTRP Forecasts		
	Outturn	(as lodged July 2014)		(Indicative July 2014)	
	2013	2014	2015	2016	2017
	£'000	£'000	£'000	£'000	£'000
States Income					
- Income Tax	451,660	444,000	455,000	475,000	499,000
- GST	77,603	79,107	80,650	82,584	84,571
- Impôt Duties	54,320	55,613	55,012	54,950	54,921
- Stamp Duty	17,370	22,730	23,878	25,645	27,803
- Island Wide Rate	11,641	11,956	12,219	12,549	12,888
- Other Income (Dividends)	11,127	8,284	10,503	9,264	12,974
- Other Income (Non-Dividends)	12,966	16,724	17,200	15,789	16,713
- Other Income - return from Andium Homes		13,834	29,472	29,574	30,653
- Other Income - proposed return from Ports Incorporation				1,227	1,980
Total States Income before budget measures	636,687	652,248	683,934	706,582	741,503
<i>draft Budget 2015 - additional income from proposed measures</i>			962	2,662	2,662
Total States Income after budget measures	636,687	652,248	684,896		

The forecasts from the Long Term Revenue Planning period 2016 and 2017 are based on the latest ITFG forecasts and latest forecasts of other States Income. The 2016 and 2017 forecasts do not yet include the financial impact of the tax and duty proposals in the draft Budget 2015 on the basis they are not yet approved.

The economic assumptions underpinning the forecast out to 2017 are shown in the table below. All figures are percentages.

	May 2014					
	2012	2013	2014	2015	2016	2017
Real GVA	-3.9	0.2	0.3	1.3	2.0	2.3
RPI	3.2	1.5	2.2	3.0	3.3	3.3
RPIY	3.0	1.5	2.2	2.7	2.7	2.7
Nominal GVA	-0.9	1.7	2.5	4.0	4.7	5.0
Company profits	-0.7	1.8	2.6	4.6	4.6	4.9
Financial services profits	-2.1	1.0	2.0	6.0	6.0	6.0
Compensation of employees	-1.1	1.6	2.5	3.5	4.7	5.0
Employment	-0.4	-0.5	0.0	0.5	1.0	1.0
Average Earnings	1.5	2.2	2.5	3.0	3.7	4.0
Interest rates (%)	0.5	0.5	0.5	0.9	1.7	2.5
House prices	-1.4	-1.3	0.0	2.0	3.0	4.0

OUTTURNS

The ITFG only advise on the Income Tax forecasts to 2017. As explained on numerous occasions there is significant uncertainty around the forecasts which should be borne in mind when using them. As a result officers advise the use of a range with upper and lower levels based on 5% either side of the central forecast and therefore a total range of 10%.

The forecasts in the Long Term Revenue Planning Review progress report (R136/2014) have been extended out to 2020. These include even further uncertainty and would require an even wider range.

The full ITFG paper explaining the assumptions and forecasts out to 2017 was shared with the FPP in preparation of their July 2014 Annual Report and with the advisers to the Corporate Services Scrutiny Panel for their review of the Draft Budget 2015. It has been provided to States Members by the Chief Minister on 12th September 2014.

Note: these forecasts are not Ministerial figures, they are compiled by officers only, as explained above.