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WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 19th OCTOBER 2010

Question

Will the Minister inform members what his new target of £65m in public service reductions, along with reductions in capital spending represents in GDP (or GNI) terms? Will he further inform members what risk analysis, if any, he has conducted on the impact of such cuts on economic recovery?

Answer

The total Comprehensive Spending Review savings of £65m represent about 1.8% of GVA. Given the fact that these savings are very small relative to the size of the economy and will be phased over 3 years there is little reason to think they pose a risk to economic recovery. This is especially the case given that we will exhaust all the £156m in the Stabilisation Fund by supporting the economy this year and next and will still run a deficit of £50m next year after the impact of both the Fiscal Strategy Review and Comprehensive Spending Review. The Minister has taken economic advice during the development of the Comprehensive Spending Review and Fiscal Strategy Review proposals. That advice has been that if the programmes are phased in over three years, expenditure savings delivered through efficiencies and without impact on key frontline services and if any tax increases minimise the impact on competitiveness, then there is little risk to the economy. Moreover, by having a credible and clear strategy for dealing with the deficit and returning finances to a sound medium-term footing - as suggested by the Fiscal Policy Panel - this will give Islanders and businesses the confidence to plan ahead for recovery.

There is no reduction in capital expenditure proposed over the next three years. However, the gross expenditure is offset by property sales – both Housing and other – and this has reduced the net capital expenditure allocation particularly in 2011 and 2012 which appears to suggest a decline in spending. This is not the case.