

STATES OF JERSEY



DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – FOURTH ADDENDUM – INTERIM UPDATE ON STATES INCOME FORECASTS

**Presented to the States on 22nd September 2016
by the Council of Ministers**

STATES GREFFE

4th Addendum to MTFP Addition – Interim Update on States Income Forecasts (September 2016)

1. Purpose

Following the issue of the Fiscal Policy Panel's Annual Report, this Addendum is provided to inform the debate of the MTFP Addition 2017-2019 (P68-2016). The additional information provides:

- an interim update of the States income forecasts ahead of those to be produced for the draft Budget 2017 in October 2016.
- an explanation of the impact of the interim States income forecasts on the overall financial position for the MTFP Addition.
- The draft proposals from the Council of Ministers to address the change in financial position.

2. Background

The draft MTFP Addition 2017-2019 (P68/2016) was prepared on the basis of States income forecasts from the Income Forecasting Group (IFG), which drew from the economic assumptions endorsed by the Fiscal Policy Panel (FPP) of March 2016.

The next revision of States income forecasts would normally be for the draft Budget 2017 in October 2016. However, as a result of the UK Referendum decision to leave the EU and the implied impact on the UK and Jersey's economic prospects the Minister for Treasury and Resources asked the FPP to provide an economic update ahead of its Annual Report for 2016.

The FPP produced an economic update for all States members in July and stated that a sensible approach would be to maintain the current course until there are clearer indications of how the Jersey economy is being affected, and to not make ad hoc changes to the path set out by the Medium Term Financial Plan Addition.

The FPP has now presented its Annual Report for 2016, including revised economic assumptions, and these form the basis of the interim update to the States income forecasts.

The Council of Ministers are committed to ensuring that States members have the most up to date information and are presenting this Addendum in advance of the MTFP Addition debate.

3. FPP Annual Report and Revised Economic Assumptions

The updated FPP endorsed assumptions are shown at **Figure 1** and have been used in the update of the States income forecasts. The economic assumptions were published on 30 August 2016.

When compared to the previous (March 2016) assumptions, the main changes are:

1. **Outturn data** – there have been a number of new data:
 - a. Financial services profits for 2015 were lower than forecast.
 - b. FTE Employment growth in 2015 was higher than forecast.
 - c. Finance sector compensation of employees grew by 9 per cent (nominal) in 2015; leading to a higher expectation for compensation of employees overall.
 - d. Average earnings growth for 2015 was 0.7 percentage points lower than forecast.

2. **Financial services profit growth** – growth expected to be slower in 2016 and 2017.
3. **Non-finance profit growth** expected to be slower in 2017.
4. **Inflation** – expectations for 2016-2017 are higher than previously.
5. **Average earnings** – 2017 expected to be slightly higher (in nominal terms, due to higher inflation).
6. **Employment growth** – is now expected to be slower in 2017.
7. **UK policy interest rates** – are now expected to be lower throughout the forecast period.

The changes in these assumptions have had knock-on effects on the nominal and real economic growth (GVA) assumptions, with real growth expected to be slower in 2015-2017. The fall in real growth in 2015 is primarily due to the lower outturn for financial services GVA (1 per cent lower than expected) while the lower forecasts for 2016 and 2017 are primarily due to higher expected inflation (due to the depreciation of sterling).

No change has been made to the assumptions for GVA growth in 2018 or 2019 is in accord with the FPP view, and 2020 has now been added to the forecast range.

Figure 1 – FPP Revised Economic Assumptions for August 2016

	2014	2015	2016	2017	2018	Return to trend	
						2019	2020
Real GVA	4.9	0.9	0.4	0.0	0.0	0.0	0.0
RPI	1.6	0.6	2.2	3.3	3.0	3.3	3.3
RPIY	1.6	0.6	2.3	3.4	3.0	3.0	3.0
Nominal GVA	6.6	1.5	2.7	3.4	3.0	3.0	3.0
Company profits	12.3	-2.7	2.8	2.9	3.0	3.0	3.0
Financial services profits	19.4	-7.5	2.6	2.8	3.0	3.0	3.0
Compensation of employees	2.1	5.3	2.6	3.8	3.0	3.0	3.0
Employment	2.3	1.9	0.5	0.0	0.0	0.0	0.0
Average earnings	2.6	1.8	2.1	3.8	3.0	3.0	3.0
Interest rates (%)	0.5	0.5	0.4	0.1	0.1	0.2	0.4
House prices	3.0	4.0	4.0	3.0	3.0	3.0	3.0

Figure 2 – Variations in FPP Economic Assumptions from August 2016 to March 2016

	2014	2015	2016	2017	2018	Return to trend	
						2019	2020
Real GVA	0.0	-1.4	-1.0	-1.4	0.0	0.0	0.0
RPI	-0.0	0.0	0.4	0.7	-0.3	0.0	0.0
RPIY	-0.0	0.0	0.5	1.0	0.0	0.0	0.0
Nominal GVA	0.0	-1.4	-0.5	-0.4	0.0	0.0	0.0
Company profits	1.8	-5.2	-0.3	-0.5	0.0	0.0	0.0
Financial services profits	0.0	-9.6	-0.5	-0.5	0.0	0.0	0.0
Compensation of employees(a)	-2.8	2.0	-0.7	-0.3	0.0	0.0	0.0
Employment	0.0	0.4	0.0	-0.5	0.0	0.0	0.0
Average Earnings	0.0	0.0	-0.7	0.2	0.0	0.0	0.0
Interest rates (%)	0.0	0.0	-0.1	-0.6	-0.8	-1.3	-1.1
House prices	-0.0	-0.2	0.0	-2.0	0.0	0.0	0.0

4. Interim Update of States Income forecasts from IFG

Before the UK EU Referendum outcome was known the Income Forecasting Group (IFG) were due to be meeting in September to produce revised income forecasts for the draft Budget 2017 in October 2016. As a result of the likely change of economic assumptions in the FPP Annual Report and to ensure that States members receive the latest information in advance of the MTFP Addition debate, the IFG have held an additional meeting to provide an interim update of the States income forecasts.

IFG will complete its work and produce a full and formal report to Council of Ministers in early October and for inclusion in the draft Budget 2017. The figures in this interim update are not expected to change in the formal report and were presented to the Council of Ministers and the Corporate Services Scrutiny Panel on Wednesday 7th September and Thursday 8th September respectively.

The interim forecasts are based on the revised economic assumptions for August 2016 and the latest “in-year” 2016 information from each of the States income areas.

Income Tax

The new forecast suggests that income in 2016 will be £4m higher than previously expected, due to improvements in the in-year corporate tax data from the Taxes Office.

However, the lower earnings growth forecast for 2016 will result in £3m lower personal tax in 2017, while data from the Taxes Office suggests that corporate tax may also be £3m lower in 2017 - than previously forecast.

Further downgrades mean that personal tax is expected to be £6m lower in 2018, rising to a £9m downgrade by 2020. Corporate tax is relatively unchanged over 2017-2019 as the lower economic assumption is offset by in-year data from the Taxes Office. The net impact is that the income tax forecast in 2019 is now expected to be £6m lower than the MTFP Addition forecast.

Figure 4 – Summary of Interim Income Tax Forecast (September 2016)

£m	2015 outturn	2016	2017	2018	2019	2020
Personal tax						
MTFP Addition forecast	361	375	395	420	441	465
New FPP economic assumptions ¹		0	-3	-6	-7	-9
Tax collectable	361	375	392	414	435	456
Corporate tax						
MTFP Addition forecast	91	87	87	90	93	96
New FPP economic assumptions			0	-1	-1	-1
In year Taxes Office information		4	-3	1	1	1
Tax collectable²	91	91	84	90	93	96
Bad debts	-1	-2	-2	-3	-3	-3
Provisional updated income tax forecast	451	464	474	501	525	549
CYB adjustment (unchanged from MTFP Addition)	7	7	7	7	7	7
Total provisional updated income tax forecast	458	471	481	508	532	556
MTFP Addition forecast (including CYB adjustment)	458	468	487	514	538	565
Overall difference to MTFP Addition forecast		4	-6	-6	-6	-9

Some columns may not sum due to rounding

GST, ISE Fees and Import GST

The current in-year data shows all areas in line with the MTFP Addition forecast and in respect of ISE fees these are now largely complete for 2016.

The reduction in the FPP's real GVA forecast in 2017 causes a small downward adjustment to the level of increase in future GST revenues based on forecast trends agreed by IFG.

Impôts Duties

The current in-year data suggests a small increase in duty revenues for 2016 and the increased FPP inflation assumptions for 2016 and 2017 increase the expected revenues for future years.

Stamp Duty

The FPP have revised downward the forecast for house price inflation in 2017 and when this is applied in the stamp duty model to all transactions below £2 million it results in a small decrease in income in each forecast year.

The volume of activity in the first half of the year is slightly down on forecast and as a result the 2016 forecast is reduced. Due to the volatility of the property market this reduction is not yet carried forward in the base until the full 2016 position is clearer.

Island Rate

The variance on Island Rate is attributable to the FPP's increased assumptions for inflation.

Other Income

There is one significant adjustment in relation to the delay in the receipt of an anticipated £5.5m dividend from SoJDC on the completion of the College Gardens development from 2018 to 2019. There are other less significant adjustments of a reduction in the Jersey Post dividend and Andium return.

A summary of the variations to the MTFP Addition forecast are shown in **Figure 5** and **Appendix A** provides a full revised States Income forecast for 2016-2020.

Figure 5 – Interim Update of States Income Forecasts – Variance to MTFP Addition

	Variations in Interim Income Forecasts to MTFP Addition				
	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000
<u>States General Revenues Income</u>					
- Income Tax	4,000	(6,000)	(6,000)	(6,000)	(9,000)
- GST	-	(848)	(855)	(862)	(869)
- Impôt Duties	681	806	1,028	935	932
- Stamp Duty	(822)	(405)	(438)	(451)	(464)
- Island Wide Rate	-	85	87	129	173
- Other Income	(332)	(34)	(5,410)	5,221	(213)
States General Revenues before Proposed Mechanisms	3,526	(6,396)	(11,587)	(1,028)	(9,441)
Cumulative effect...		(2,870)	(14,457)	(15,485)	(24,927)

Uncertainties and range of forecast

The income forecast update is considered as the central scenario within a range for 2016-2020.

The FPP have advised that uncertainty around the economic assumptions has increased. The IFG's view is that the balance of risks to the financial forecasts remains on the downside, but less so than at the time of the previous forecast. The IFG view reflects the fact that some of the uncertainty regarding BREXIT is now factored into the FPP's latest economic assumptions. The FPP and IFG have intimated that there are also business opportunities within these areas of uncertainty.

The IFG would emphasis certain factors which reflect uncertainty in the outlook:

- income tax from shareholder income;
- impact of UK banking sector reforms on banking profits;
- combined impact of future changes in fiscal policy such as public sector reform and future capital expenditure;
- impact on business decisions of UK referendum on its future relationship with the EU;
- prospects for the global economy, loss of momentum in advanced economies, transition in China and risks to emerging economies.
- impact of current and proposed EU and OECD international tax initiatives.
- impact of proposed changes to UK tax policy and anti-avoidance measures.

The IFG will include a recommendation in the final report to CoM that, in light of the continuing uncertainties in the outlook, that it is imperative that the Council of Ministers continues to maintain sufficient flexibility in the plans for the draft MTFP Addition 2017-2019.

5. Updated Financial Position

The Council of Ministers has presented the MTFP Addition (P68/2016) with a financial position that showed a return to balanced budgets by 2019 and also maintained a target £20 million working balance or contingency in the Consolidated Fund over the MTFP period.

The impact of the update to the income forecasts in overall terms is that the financial position is forecast to have worsened slightly by £6 - £7 million pounds per year in 2017 – 2019. The revised financial forecast for 2016-2019 is shown at **Figure 6** and at **Appendix B**.

Figure 6 – Updated Financial Forecast for the MTFP Addition 2017-2019 (September 2016)

Outturn	Financial Forecast	Forecast (Sept 2016)	Update for MTFP Addition (September 2016)		
2015 £'000		2016 £'000	2017 £'000	2018 £'000	2019 £'000
	States Income				
457,583	Income Tax	471,000	481,000	508,000	532,000
85,042	Goods and Services Tax	83,334	84,120	84,924	85,747
54,147	Impôts Duty	56,787	56,390	56,366	56,267
29,032	Stamp Duty	25,394	27,563	29,066	29,664
11,928	Island Wide Rate	12,142	12,543	12,919	13,346
14,023	Other Income (Dividends)	11,149	8,703	9,017	14,937
12,506	Other Income (Non-Dividends)	9,710	10,151	9,697	10,284
27,483	Other Income (Return from Andium and Housing Trusts)	27,784	28,337	29,264	30,186
	Proposed Budget Measures		-	-	-
691,744	States Income	697,301	708,807	739,253	772,431
-	Proposed mechanism to offset States Payment of Rates	-	-	900	900
-	Proposed sustainable funding mechanism for Health	-	-	7,500	15,000
691,744	Total States Income - incl: Proposed Health Charge	697,301	708,807	747,653	788,331
	States Expenditure (per MTFP as proposed)				
697,031	Departmental Net Revenue Expenditure	697,377	700,637	697,627	686,100
	Central Contingency Allocations	42,940	23,650	25,904	28,212
	Central Growth Allocations	-	-	10,424	20,533
697,031	Total Net Revenue Expenditure (excl: Depn)	740,317	724,287	733,955	734,845
(5,287)	Forecast Operating Surplus/(Deficit) for the year	(43,016)	(15,480)	13,698	53,486
44,676	Departmental Depreciation	44,800	40,600	45,500	53,000
(49,963)	Surplus/(Deficit) of General Revenue Expenditure over Income	(87,816)	(56,080)	(31,802)	486
	MTFP Addition 2017-2019 (as proposed June 2016)				
(49,963)	Surplus/(Deficit) of General Revenue Expenditure over Income	(91,343)	(49,684)	(20,215)	1,515

The only revision to the financial forecast is in respect of States income – all expenditure figures remain as proposed in the MTFP Addition (June 2016). The figures include a £5.5m adjustment for the slippage of the anticipated SoJDC dividend on completion of the College Gardens development from 2018 to 2019.

The revised financial forecast at **Figure 6** shows that the financial position is still broadly balanced and based on the latest advice from the FPP in its Annual Report for 2016, to maintain the current approach and package of proposals, no change to spending plans or revenue raising measures is proposed based on the change to the financial position.

The further impact of the slight worsening of the income forecasts is the cumulative effect on the balance of the Consolidated Fund. In **Figure 5** this can be seen to be a reduction of £15-£16 million by 2019.

A revised summary Consolidated Fund forecast for 2016-2019 is shown at **Figure 7**, where the forecast closing balance in both 2018 and 2019 fall below the targeted £20 million working balance or contingency.

Figure 7 – Updated Consolidated Fund Forecast (September 2016)

Summary Forecast Consolidated Fund Balance	Forecast	Forecast	Forecast	Forecast
	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Opening Balance brought forward	64,654	54,638	25,157	4,855
Forecast Operating Surplus/(Deficit)	(43,016)	(15,480)	13,698	53,486
Funding for Capital Programme	(26,691)	(65,273)	(43,233)	(32,975)
Proposed Transfers from Strategic Reserve	56,691	55,273		
Proposed Transfers to Strategic Reserve		(5,000)		(20,000)
Proposed Asset Disposals	3,000	1,000	1,000	1,000
Proposed Transfer from Criminal Offences Confiscation Fund			8,233	
Forecast Closing Balance carried forward (September 2016)	54,638	25,157	4,855	6,366
MTFP Addition				
Forecast Closing Balance carried forward (June 2016)	51,111	28,027	19,312	21,852

6. Proposed Response of the Council of Ministers and Revised Financial Position

The Council of Ministers has considered the updated income forecasts and the impact on the States financial position for the MTFP Addition. If the updated income forecast had caused the forecast of the Consolidated Fund to be overdrawn at any point the Council of Ministers would be required to take corrective action and if necessary bring back any required decisions to the States.

The updated forecast at **Figure 7** shows that the Consolidated Fund would remain in surplus over the period of the MTFP but the Council of Ministers is conscious of the FPP advice and recommendations to maintain sufficient flexibility in the MTFP given the uncertainties in the economic outlook. The Council of Ministers would propose to take measures to maintain a target balance of £20 million in the Consolidated Fund over the period and this would require additional proposals for 2018 if the current forecasts prevail.

The Council of Ministers has also considered the advice and recommendation of the FPP to draw more from reserves rather than to implement additional fiscal tightening (beyond that which is already planned).

In light of this advice the Council of Ministers is proposing that should the revised forecast at the time of the draft Budget 2018, in Autumn 2017, continue to show a Consolidated Fund balance of less than £20 million then additional drawdowns from the Strategic Reserve (£16 million on the basis of the

current forecast) would be proposed by the Minister for Treasury and Resources in the draft Budget 2018.

In the event of a further downturn in States income forecasts, the Council of Ministers would also consider at that time, and again in advance of the draft Budget 2019, whether it was still appropriate to propose the planned £20 million repayment to the Strategic Reserve in 2020. The decisions around this repayment provide a further £20 million flexibility over the MTFP period.

At each juncture the Minister for Treasury and Resources and Council of Ministers would also give consideration to any change to the economic position and the advice of the FPP in relation to whether use of reserves remained the appropriate fiscal adjustment.

The impact of the proposed drawdown from the Strategic Reserve in 2018 on the updated summary forecast is illustrated at **Figure 8** and shows that the Consolidated Fund forecast balance would be maintained at the targeted £20 million working balance over the period of the MTFP. A revised full Consolidated Fund Forecast is included at **Appendix C**

Figure 8 – Updated Summary Consolidated Fund Forecast for MTFP Addition (September 2016)

Summary Forecast Consolidated Fund Balance	Forecast	Forecast	Forecast	Forecast
	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Opening Balance brought forward	64,654	54,638	25,157	20,855
Forecast Operating Surplus/(Deficit)	(43,016)	(15,480)	13,698	53,486
Funding for Capital Programme	(26,691)	(65,273)	(43,233)	(32,975)
Proposed Transfers from Strategic Reserve	56,691	55,273	16,000	
Proposed Transfers to Strategic Reserve		(5,000)		(20,000)
Proposed Asset Disposals	3,000	1,000	1,000	1,000
Proposed Transfer from Criminal Offences Confiscation Fund			8,233	
Forecast Closing Balance carried forward (September 2016)	54,638	25,157	20,855	22,366
MTFP Addition				
Forecast Closing Balance carried forward (June 2016)	51,111	28,027	19,312	21,852

Note: including impact of updated income forecasts (September 2016) and proposed additional Strategic Reserve drawdown of £16 million in Budget 2018.

Revised Strategic Reserve forecast

The Strategic Reserve forecast has also been revised to show the impact of the proposed additional drawdown of £16 million in 2018 and to illustrate the forecast balance on the excess return.

The forecast at **Figure 9**, and at **Appendix D**, also provides an update on the improved return on the Strategic Reserve in 2016. Taking account of the current position at July 2016 and allowing for the proposed additional drawdown in 2018 the excess return is projected to increase from £68 million in 2019 in the MTFP Addition to £85 million in the latest interim update.

Figure 9 – Updated Strategic Reserve forecast for MTFP Addition (September 2016)

Strategic Reserve - MTFP Addition (September 2016)	2015 Actual £'000	2016 Forecast £'000	2017 Forecast £'000	2018 Forecast £'000	2019 Forecast £'000
Strategic Reserve - Protected Capital Value ²	678,917	694,532	718,147	739,691	761,882
Strategic Reserve - Accumulated Excess Return ¹	92,465	87,732	47,159	47,479	85,147
Strategic Reserve - Estimated Fund balance	771,382	782,265	765,305	787,170	847,029

¹ The excess return is based on the latest in-year forecast return for 2016 (July 2016), the forecast return for 2017 and an assumed return of 2% above RPIY in future years.

² the protected capital value is based on the 2012 Strategic Reserve value increased by RPIY

Update on States Investment returns

The Treasury and Resources Department improved its management of a number of States funds by pooling them together and minimising administration costs under a Common Investment Fund (CIF) structure. Significant Funds managed in this way include the Strategic Reserve and the Social Security Reserve. The performance of the CIF is monitored on a monthly basis and reported to the Corporate Management Board and the Council of Ministers on a quarterly basis.

During the year to 31st July 2016, the value of the CIF has increased by £304 million; £67.6 million of that is attributable to the value of the Strategic Reserve and £185.5m to the Social Security Reserve. The gains are largely as a result of the depreciation of Sterling (significant investment holdings are in global equities and therefore high in dollars), plus market improvements in July. It must be recognised, however, that these gains are not realised at this time and values can go down as well as up depending on how the market performs.

Appendix A – Updated States Income Forecast for MTFP Addition (September 2016)

(This replaces **Figure 19** on page 50 of the MTFP Addition P68/2016)

Outturn	States Income	Forecast	Updated MTFP Addition Forecast			Forecast
		(Sept 2016)	(September 2016)			(Sept 2016)
2015 £'000		2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
	Income Tax					
370,806	Personal Income Tax	382,000	399,000	421,000	442,000	463,000
89,437	Companies	91,000	84,000	90,000	93,000	96,000
(2,660)	Provision for Bad Debt	(2,000)	(2,000)	(3,000)	(3,000)	(3,000)
	Proposed Budget Measures					
457,583		471,000	481,000	508,000	532,000	556,000
	Goods and Services Tax (GST)					
71,687	Goods and Services Tax (GST)	70,647	71,212	71,782	72,356	72,935
4,154	Import GST	3,687	3,908	4,142	4,391	4,654
9,201	ISE Fees	9,000	9,000	9,000	9,000	9,000
85,042		83,334	84,120	84,924	85,747	86,589
	Impôts Duties					
4,529	Impôts Duties Spirits	4,899	4,807	4,767	4,714	4,638
7,638	Impôts Duties Wine	7,876	8,050	8,317	8,565	8,779
1,003	Impôts Duties Cider	1,082	1,126	1,187	1,247	1,304
5,078	Impôts Duties Beer	5,376	5,330	5,340	5,335	5,305
13,606	Impôts Duties Tobacco	13,915	13,511	13,259	12,974	12,633
21,406	Impôts Duties Fuel	22,045	22,045	22,045	22,045	22,045
144	Impôts Duties Goods (Customs)	145	145	145	145	145
743	Vehicle Emissions Duty (VED)	1,449	1,376	1,306	1,242	1,242
	Proposed Budget Measures					
54,147		56,787	56,390	56,366	56,267	56,091
	Stamp Duty					
25,821	Stamp Duty	21,817	23,740	25,119	25,668	26,233
1,883	Probate	2,168	2,300	2,300	2,300	2,300
1,328	Stamp Duty on Share Transfer (LTT)	1,408	1,523	1,647	1,697	1,748
	Proposed Budget Measures					
29,032		25,394	27,563	29,066	29,664	30,281
625,804	Total Taxation Revenue	636,515	649,073	678,356	703,678	728,961
11,928	Island Rate Income from Parishes	12,142	12,543	12,919	13,346	13,786
14,023	Other States Income - Dividends	11,149	8,703	9,017	14,937	9,872
12,506	Other States Income - Non Dividends	9,710	10,151	9,697	10,284	11,330
27,483	Other States Income - return from Andium Homes	27,784	28,337	29,264	30,186	31,215
65,940	Total Other States Income	60,786	59,733	60,897	68,753	66,204
691,744	Total States Income	697,301	708,807	739,253	772,431	795,164
	<i>% increase on previous year</i>	<i>0.8%</i>	<i>1.7%</i>	<i>4.3%</i>	<i>4.5%</i>	<i>2.9%</i>
-	Proposed Mechanism to offset States Payment of Rates	-	-	900	900	900
-	Proposed Sustainable Funding Mechanism for Health	-	-	7,500	15,000	15,000
691,744	Total States Income - including additional proposals	697,301	708,807	747,653	788,331	811,064
	MTFP Addition 2017-2019 (as proposed)					
691,744	Total States Income - including additional proposals	693,774	715,203	759,240	789,360	820,506

Appendix B – Updated States Financial Forecast for MTFP Addition (September 2016)
 (This replaces **Figure 15** on page 44 of the MTFP Addition P68/2016)

Outturn	Financial Forecast	Forecast (Sept 2016)	Update for MTFP Addition (September 2016)		
			2016 £'000	2017 £'000	2018 £'000
2015 £'000					
	States Income				
457,583	Income Tax	471,000	481,000	508,000	532,000
85,042	Goods and Services Tax	83,334	84,120	84,924	85,747
54,147	Impôts Duty	56,787	56,390	56,366	56,267
29,032	Stamp Duty	25,394	27,563	29,066	29,664
11,928	Island Wide Rate	12,142	12,543	12,919	13,346
14,023	Other Income (Dividends)	11,149	8,703	9,017	14,937
12,506	Other Income (Non-Dividends)	9,710	10,151	9,697	10,284
27,483	Other Income (Return from Andium and Housing Trusts)	27,784	28,337	29,264	30,186
	Proposed Budget Measures		-	-	-
691,744	States Income	697,301	708,807	739,253	772,431
-	Proposed mechanism to offset States Payment of Rates	-	-	900	900
-	Proposed sustainable funding mechanism for Health	-	-	7,500	15,000
691,744	Total States Income - incl: Proposed Health Charge	697,301	708,807	747,653	788,331
	States Expenditure (per MTFP as proposed)				
697,031	Departmental Net Revenue Expenditure	697,377	700,637	697,627	686,100
	Central Contingency Allocations	42,940	23,650	25,904	28,212
	Central Growth Allocations	-	-	10,424	20,533
697,031	Total Net Revenue Expenditure (excl: Depn)	740,317	724,287	733,955	734,845
(5,287)	Forecast Operating Surplus/(Deficit) for the year	(43,016)	(15,480)	13,698	53,486
44,676	Departmental Depreciation	44,800	40,600	45,500	53,000
(49,963)	Surplus/(Deficit) of General Revenue Expenditure over Income	(87,816)	(56,080)	(31,802)	486
	MTFP Addition 2017-2019 (as proposed June 2016)				
(49,963)	Surplus/(Deficit) of General Revenue Expenditure over Income	(91,343)	(49,684)	(20,215)	1,515

Appendix C – Revised Summary Table F - Updated Consolidated Fund Forecast for MTFP Addition (September 2016)

(This also replaces Figure 41 on page 111 of the MTFP Addition P68/2016)

Forecast Consolidated Fund Balance	Forecast	Forecast	Forecast	Forecast
	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Opening Balance brought forward	64,654	54,638	25,157	20,855
Forecast Operating Surplus/(Deficit)	(43,016)	(15,480)	13,698	53,486
Funding for Capital Programme				
Apply Funding for Annual Capital Programme	(25,691)	(26,273)	(35,000)	(32,975)
Other Funding proposals				
- Les Quennevais School	(1,000)	(39,000)	-	-
- Prison Improvement Phase 6	-	-	(8,233)	-
Proposed Transfers from Strategic Reserve				
- Proposed Funding for Committee of Inquiry (Col)	4,000	-	-	-
- Funding for Annual Capital Programme	25,691	16,273	-	-
- Funding for Les Quennevais School	1,000	39,000	-	-
- Funding for Economic and Productivity Growth Provision	5,000	-	-	-
- Funding for Redundancy Provision	16,000	-	-	-
- Funding for Working Balance on Consolidated Fund	5,000	-	16,000	-
	-	-	-	-
Proposed Transfers to Strategic Reserve				
- Repayment for Economic and Productivity Growth Provision	-	(5,000)	-	-
- Repayment for Redundancy Provision	-	-	-	(20,000)
- Transfer of Proceeds from asset Disposals	-	-	-	-
	-	-	-	-
Proposed Asset Disposals	3,000	1,000	1,000	1,000
	-	-	-	-
Proposed Transfer from Criminal Offences Confiscation Fund	-	-	8,233	-
Forecast Closing Balance carried forward	54,638	25,157	20,855	22,366

Appendix D – Updated Strategic Reserve Forecast for MTFP Addition (September 2016)

(This replaces Figure 40 on page 110 of the MTFP Addition P68/2016)

Strategic Reserve - MTFP Addition (September 2016)	2015 Actual £'000	2016 Forecast £'000	2017 Forecast £'000	2018 Forecast £'000	2019 Forecast £'000
Strategic Reserve - Protected Capital Value ²	678,917	694,532	718,147	739,691	761,882
Strategic Reserve - Accumulated Excess Return ¹	92,465	87,732	47,159	47,479	85,147
Strategic Reserve - Estimated Fund balance	771,382	782,265	765,305	787,170	847,029

¹ The excess return is based on the latest forecast return for 2016 (July 2016), the forecast return for 2017 and an assumed return of 2% above RPIY in future years.

² the protected capital value is based on the 2012 Strategic Reserve value increased by RPIY