

STATES OF JERSEY



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010): AMENDMENT (P.157/2010 Amd.) – AMENDMENT (P.157/2010 Amd.Amd.) – COMMENTS

**Presented to the States on 6th December 2010
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this amendment.

If accepted, this amendment would result in the deficit increasing from £55 million to £71 million in 2011: this increase could only be achieved by reducing the Strategic Reserve by £15 million.

Members are asked to reject this amendment for the following reasons –

- While it is true that a larger sum has been used from the Stabilisation Fund and supporting the economy through the downturn, that is the stated purpose of the Stabilisation Fund. In contrast, the Strategic Reserve is set aside for significant structural change, not temporary, cyclical events.
- The Connétable's views on use of the Strategic Reserve are not in line with States agreed policy and ignore the advice from the FPP that they do not recommend using the Strategic reserve or borrowing at this stage.
- The risks with taking such an approach to the use of the Strategic Reserve are that £15 million is never returned to the Strategic Reserve, leaving it permanently lower.
- Further, while there was an economic justification for using the Stabilisation Fund to support the economy through the downturn, the case for delaying a rise in GST now is weak. GST is not set to rise until June 2011, by which time the economy is expected to be growing again.
- The Fiscal Policy Panel (FPP) state in their 2010 Annual Report that the fiscal consolidation proposed in the draft Budget 2011 "is broadly appropriate given the Panel's latest assessment of the economic outlook".
- The fact that high-street retailers face fierce competition from Internet traders cannot be used to justify a temporary postponement of an increase in GST. Moreover, taking the right decisions now to return States finances to a sound footing and allow a return to economic growth will benefit local retailers and other business sectors.
- Using the Strategic Reserve in the manner proposed by the Connétable is unsustainable and not consistent with States-agreed policy for the fiscal framework. This is true regardless of whether the delay is 12 months or 6 months.