

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 4TH JULY 2017**

Question

Does the Chief Minister consider that the £24 million additional tax revenue revealed in the Financial Report and Accounts 2016 (R.67/2017) is sustainable in the short to medium term? If so, for what reasons has the Chief Minister sought to make a below-inflation pay offer to public sector employees rather than engage in a less constrained negotiation? If not, what factors does he consider are in play to suggest that such a revenue boost is merely temporary?

Can the Chief Minister point to research undertaken by his advisors or others which suggests that the imposition of wage restraint on the public sector will raise economic growth?

Answer

The revised income forecasts for March 2017 show that the £24 million additional tax revenues in 2016 are not sustainable, but reduce to only £5 million in 2017 and £2 million by 2019, when compared to the Budget 2017 forecasts.

This is due to a significant drop in company tax revenues from 2017 and there was also a windfall of £5 million on stamp duty in 2016 from high value property

Maintaining pay restraint over the period 2015-2019 remains an important part of the package of measures agreed to enable the essential investment in strategic priorities while still achieving the objective of broadly balanced budgets by the end of this MTFP.

The Fiscal Policy Panel (FPP) and Income Forecasting Group (IFG) identify local and global economic uncertainties and the improvement in the 2016 Accounts will provide greater flexibility to address these uncertainties in the short and medium term.

However, there are still a number of measures to be implemented, including non-domestic waste charges and additional revenue raising measures to replace the health charge, these are still required if we are to follow the advice of the FPP to stick to our plans and achieve the objective set by the Assembly of a balanced budget by the end of 2019. In March, after assessing the latest economic outlook for the Island the FPP were clear that rapid progress in achieving structural balance was still important and that it was imperative to deliver the same degree of fiscal tightening as set out in the MTFP Addition.

The States Employment Board remains in active negotiations with Trade Unions over the implementation of Workforce modernisation, which has significant investment to create a revised reward, terms and conditions framework for the c 5000 employees in scope. These negotiations have taken place over the last sixteen months and constructive progress has been and is being made. The Trade Unions, at their request, will be meeting the States Employment Board on 11th July as part of that process.