

Funding the Future

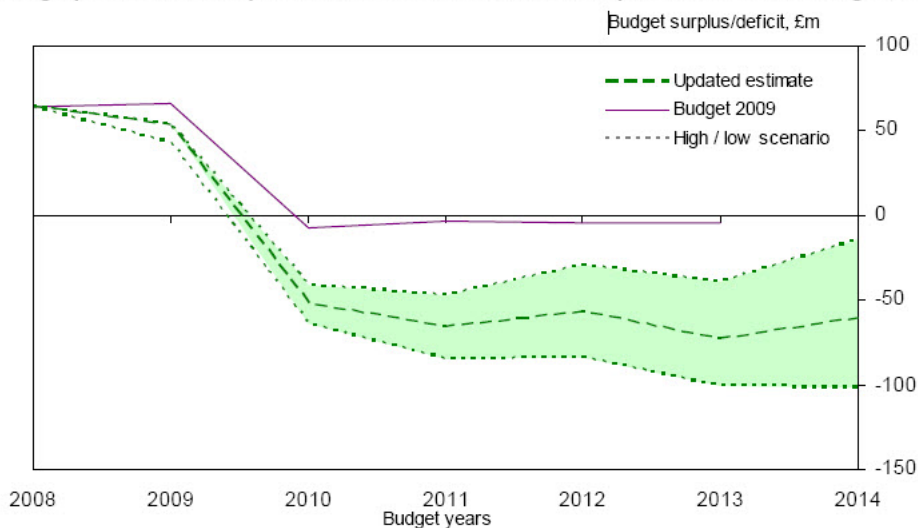
Jersey â€œ I hate to say it, but I told you so

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Sorry to brag — but I’ve just read the [Jersey Business Plan for 2010](#). And this is where it now forecasts its finance will be over the next few years:

Figure 3.2

The graph shows a comparison with the forecast financial position from the Budget 2009



Back in 2007 when Jersey published its business plan for 2008 [I said its predictions were ludicrous](#). They claimed the following at that time:

Actual 2006	Probable 2007	Forecasts				
£m	£m	2008	2009	2010	2011	2012
States Income						
398	440	460	480	495	515	535
-	-	-	(9)	(77)	(82)	(87)
Income Tax 0/10% Corporate Tax Structure						
-	-	30	45	46	47	48
Goods and Services Tax						
53	52	52	52	52	52	52
Impôts Duty						
23	26	27	28	29	29	30
-	-	1	1	1	1	1
Stamp Duty Tax/Stamp Duty on Share Transfer						
42	34	33	32	28	25	24
Other Income						
9	10	10	11	11	11	11
Island Rate						
525	562	613	640	585	598	614
States Income						
States Expenditure						
465	482	505	525	546	565	583
Net Revenue Expenditure						
39	42	40	38	39	39	40
Net Capital Expenditure Allocation						
504	524	545	563	585	604	623
Total States Net Expenditure						
-	-	10	6	4	2	1
One-off expenditure Income Support - Transitional relief						
21	38	58	71	(4)	(8)	(10)
Revised Forecast Surplus/(Deficit)						

This is pretty much the red line noted above.

I said the following was much more likely (the second column headed 2008 should read 2009 — apologies):

	2006 £m	2007 £m	2008 £m	2008 £m	2010 £m	2011 £m	2012 £m
Income tax per Jersey budget	398	440	460	480	495	515	535
If grows at 1.5% instead	398	440	447	453	460	467	474
Gap	0	0	-13	-27	-35	-48	-61
Revenue loss per Jersey	0	0	0	9	72	82	87
Likely revenue loss per Tax Research	0	0	0	30	118	130	145
Additional loss	0	0	0	15	15	15	15
Extra loss	0	0	0	-36	-61	-63	-73
Total gap	0	0	-13	-63	-96	-111	-134

So, OK, I forecast the decline would be faster than it has actually been. But I note I was a lot closer, a lot sooner, to the true likely long term picture than the States of Jersey were.

Respectfully, their forecasts never did make sense — and I remain quite convinced they will be at the bottom range of their current forecast.

Tow final thoughts: first they can find only £6 million of cuts in response to this — about 1% of spending. And apparently this includes such things as cutting baby milk in their maternity unit! I think this a significant indicator of what will happen in the UK — talk of 15% cuts is ludicrous — they just aren't there to be had. Second, they are saying the obvious response is new taxes and charges. Sorry to brag again, but I told them that in face to face discussion with Senator Le Sueur — their first minister — way back in 2005.

They didn't listen then. I don't suppose they will now. But it might have paid them to do so. they'd be a lot better off if they had.

As it is, I confidently predict that my other prediction - that Jersey is heading to go bust - remains likely.