

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 6th OCTOBER 2015

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[9:30]

The Roll was called and the Dean led the Assembly in Prayer

The Very Reverend R.F. Key, B.A., The Dean of Jersey:

Before we start, may I just say that today marks my completing 10 years as Dean of this Island, and I just wanted to thank [Approbation] Members for their welcome and their endurance.

The Bailiff:

I am sure I speak for all of us, Dean, in congratulating you and thanking you for your service to the Island.

PUBLIC BUSINESS

1. Medium Term Financial Plan 2016-2019 (P.72/2015)

The Bailiff:

The first item of Public Business is the Medium Term Financial Plan 2016-2019, P.72, and I will ask the Greffier to read the amended proposition, taking into account the decision of the States in relation to Ports of Jersey.

The Greffier of the States:

THE STATES are asked to decide whether they are of opinion – to receive the Medium Term Financial Plan 2016 – 2019 and, in accordance with the provisions of Articles 8 and 8A of the Public Finances (Jersey) Law 2005 – (a) to approve – (i) the intended total sum of States income for each of the financial years 2016–2019, as set out in Summary Table A and being the central forecast of the States income forecast range for 2016–2019 as shown in figure 18, (ii) the total amount of States net expenditure for each of the financial years 2016–2019, being the total net revenue expenditure and the total net capital allocations, as set out in Summary Table B, in order to deliver a balanced budget by 2019; (b) to approve the following amounts (not exceeding the aggregate the total amount set out in paragraph (a)(ii) above) – (i) the appropriation of an amount to a revenue head of expenditure for each States funded body (other than the States trading operations) being the body's total revenue expenditure less its estimated income for the financial year 2016 as set out in Summary Table C, (ii) the amount to be allocated to Contingency for the financial year 2016 as set out in Summary Table D, (iii) the total amounts set out in Summary Table F that in a Budget for the financial years 2016–2019 may be appropriated to capital heads of expenditure, being an amount that is net of any proposed capital receipts, noting that the sum of up to £1 million of the 2016 allocation, up to £39 million of the 2017 allocation and up to £8,233,000 of the 2018 allocation will be subject to the States' approval of the intended transfer of funds from the Strategic Reserve Fund detailed in paragraph (f), and the use of funding from the Criminal Offences Confiscation Fund subject to the requirements of the Proceeds of Crime (Jersey) Law 1999, and noting that future amendments to the Medium Term Financial Plan and appropriate legislation, as necessary, will be brought forward for approval to facilitate the funding of the office consolidation project and a future hospital provision; (c) to approve the total estimated non-cash revenue expenditure for depreciation for States funded bodies (other than the States trading operations) for the financial year 2016 as set out in Summary Table C; (d) to approve the following, as set out in revised Summary Table G, as set out on page 5 of the amendment to the Council of Ministers dated 18th September 2015, in respect of each States trading operation for the financial year 2016 – (i) its estimated income; (ii) its estimated expenditure; (iii) its estimated minimum contribution to be

made to the Consolidated Fund, if any; (e) to approve, in respect of each States trading operation, the total cost of the capital projects that each is scheduled to start during the financial years 2016–2019 as set out in revised Summary Table H on page 5 of the amendment to the Council of Ministers dated 18th September 2015; (f) to agree, in principle, that the use of the Strategic Reserve Fund income, over and above that required to maintain the real value of the Fund (namely, in accordance with their Act dated 23rd September 2014, its value at 31st December 2012 uprated in line with increases in Jersey R.P.I.(Y)), to be available to transfer to the Consolidated Fund and to be allocated for the measures identified in Summary Table J, and that withdrawals should be made from the Consolidated Fund in 2017 and 2019 to replenish the Strategic Reserve Fund and to request the Minister for Treasury and Resources to bring forward for approval the necessary report and proposition to enable the use of the aforesaid additional income of the Strategic Reserve Fund and the intended funds transfers.

The Bailiff:

Although the proposition has now been read, I propose to say something briefly which is not addressed to the proposition at all, but the Chief Minister has kindly pointed out to me that in the excitement of the Dean’s announcement, I have overlooked to welcome His Excellency, and I am very pleased to do that now. **[Approbation]** Chief Minister.

1.1 Senator I.J. Gorst (The Chief Minister):

This debate is an important one for our Island. The decisions the Assembly makes this week will set the direction of the Island’s public finances for the next 4 years and it is vital that we get it right. Now that we can see the economy recovering, we are turning our attention to investing more in priority areas: health, education and infrastructure. Departments are working to modernise essential services as we strive for maximum efficiency across the public sector. We are continuing to do all we can to boost our economy, as it becomes increasingly competitive, innovative and technology-driven, striving to provide the extra revenue that will help us balance our budgets by 2019. Our decisions this week will determine how effectively the Island manages the challenges and seizes the exciting opportunities that are emerging across the world. Economic power is shifting from traditional developed economies to the new emerging powerhouses in Asia, Africa and elsewhere. Rapidly changing technology is having an impact on every business and every government, however small. The population is ageing and working people are having to shoulder an increased burden. This Medium Term Financial Plan proposes how Jersey should respond to these challenges and it follows, of course, the advice of economic experts who say we should support the economy in the early stages of recovery, while also ensuring we balance the books at the right time. We want to keep Government costs under control. The Corporate Services Scrutiny Panel added sustainable finances to the Strategic Plan and therefore to the strategic priorities, and Ministers fully support that. At the same time, we need to invest in health, in education, in infrastructure and in economic growth. We want to regenerate our capital, St. Helier. That is why we are reprioritising, finding efficiencies, making sure our organisation is working as well as it can for our long-term future. Every department does important work, every department is doing its bit for Jersey and her citizens. We have a new housing strategy out to consultation and we have a new scheme to protect tenants’ deposits. These measures help to improve the lives of our most vulnerable Islanders. In Home Affairs, the latest report on the States of Jersey Police shows another 2 per cent drop in the overall level of recorded crime.

[9:45]

Our Customs officers continue to protect our borders in ever-uncertain times, our borders here and in the U.K. (United Kingdom) and beyond. Social Security is getting Islanders back into work with the jobs fest, the Community Jobs Fund and industry training schemes. T.T.S. (Transport and

Technical Services) is investing in a new sewage treatment works, as the existing plant is old and in constant need of repair. The Minister for Planning and Environment is reducing planning restrictions. That is what reform means, and each Minister and each department is taking its place in reforming the institutions of Government and I thank them for the work that they are undertaking. We are making changes, doing things more efficiently so that we can use that money to save, that we save to invest in priority areas. That of course is where the money should go, on frontline services for Islanders, not on out-of-date, inefficient processes and backroom duplication. We are refocusing the work of the public sector to improve services for Islanders and to do more for less. We do not want to undermine our strong public finances by employing any more people than we need or by spending unnecessarily, because we are mindful that someone has to pay for the services we provide. I, and I am sure Members of this Assembly, do not want that burden to fall on future generations, so we are using technology, reducing staff, looking after our infrastructure and putting funds, as I have said, into education, health, economic growth and essential infrastructure. With a lean, nimble Government, we will and we can deliver more for less and I believe that is what taxpayers want. We should not be doing it slower or doing less of it. I believe that most Members of this Assembly want us to do more to drive out inefficiency and want us to do it faster. That is what all the Scrutiny reviews show us. We of course employ a panel of world-class economic advisers. The members of that panel have advised other international institutions: the Bank of England on monetary policy, they have held senior positions in the European Commission, and as I have said before, they advised us to keep 4 principles in mind when developing our long-term plan for Jersey. They were: balance the budget over the economic cycle; aim for long-term fiscal sustainability; be realistic in assuming future income and expenditure and plan spending, but at the same time be flexible. We believe that is what this plan does and they have agreed with us. It is this kind of financial prudence that led to Jersey receiving one of the best possible credit ratings from Standard & Poor's, a AA+ with a stable outlook. Our global reputation is built on a history of making the right long-term decisions and therefore we must continue to plan ahead, aiming to return to balanced books at the pace that best suits our economy. But it is not all about money. One of our main priorities in this plan is health and social care. We are living longer, and as the Minister for Health often says, that is great news. We all want to remain healthy throughout our lives, but as the working population is not growing as fast as our older population, that comes with a substantial cost. That is why we are choosing to allocate £96 million worth of extra funding for health and social services over the 4 years of this plan. Ministers ask Members to make that choice too in the best interests of the community we serve. That £96 million includes £46 million to meet rising costs of drugs, improve standards and ageing demographics. It includes £11 million on early intervention services for children, absolutely fundamental to setting the firm foundations for our future community and our future generation. We have said in this place before that we, in hindsight, should be ashamed of the amount of money over time that we have put into children's services. Great work was started with the previous Minister sorting that service out, bringing in experts to look at where it should go. In this M.T.F.P. (Medium Term Financial Plan) we are allocating money to deal with the issues that have been found, and I for one absolutely believe it is the right thing to do. It shows that at our fundamental core we will protect the most vulnerable members of our community. **[Approbation]** I went slightly off-script there. £850,000 on healthy lifestyle programmes, investing to reduce spending further down the line; £4 million to improve mental health services; £15 million on community health care, keeping people in their own homes for as long as possible; £20 million on acute services, keeping hospital treatment safe and sustainable as more older people need these vital services. This spending of course is in addition to more than £60 million additional investment agreed in the first Medium Term Financial Plan. When we debated the proposals for restructuring health services in 2012, the Assembly then recognised that this level of investment would need a new funding mechanism, and as the economy is beginning to recover and we are planning sustainable finance measures, we are now proposing a

new health charge. We plan to introduce it from 2018, by which time our economy will be more robust. Of course Members know that the detail of this charge will come to the Assembly for debate alongside the M.T.F.P. addition in June 2016. What we are asking people and Members for today is agreement on the principle that extra revenue will need to be found to invest in health if we are to agree this growth. If Members cannot agree that extra income is required, the extra funding we are proposing for health will not be sustainable into the future and I cannot think that there is any Member in this Assembly that is going to stand up and say that that list of funding ... they may disagree with some of the processes, but I do not think one of them would disagree with that list of funding for those absolutely necessary services. Investing in education has been one of our main priorities since our Strategic Plan was launched. Even so, all departments are looking for efficiencies. We can always improve the way we do things and every area of the public sector is contributing to our reform programme, and therefore education is no exception, but over the 4 years of the plan, education will receive an extra £27 million, that is £14 million to raise standards and fund the I.C.T. (Information & Communication Technology) strategy, £13 million to cater for the predicted increase in school-age children, and as well as that £27 million there is an extra £55 million for capital investment, £40 million for Les Quennevais School and £15 million for Grainville and St. Mary. Who could disagree that the work in capital investment that Education and Property Holdings have done is nothing short of marvellous when they look at the new school in St. Martin? All the investments we are making will support the economy through the associated economic activity and through the benefits that come from the investments. On top of that, we have set aside an extra £20 million for specific projects that boost economic growth and productivity. Economic growth touches all areas of our economy, for instance, skills development provides qualified employees for our main industries and helps our young people into high-quality jobs. Our financial services industry continues to lead the way among international finance centres in the global move towards greater co-operation and transparency. Only on Sunday we saw a similar small jurisdiction announcing that they would follow our model of register for beneficial ownership. We are setting the standard and we should be proud of that. We enjoy close working relations with all the major international bodies, such as the O.E.C.D. (Organisation for Economic Co-operation and Development), and I raise that this morning because Members will have received an email overnight about the B.E.P.S. (Base Erosion and Profit Shifting) issue which the O.E.C.D. produced yesterday. We do not need to be afraid of that. In fact, we have been involved in the process of change and we have been informed and knew what those announcements were going to be before they were made yesterday. As I said, it gives us no undue concern for the future success of our increasingly diverse finance industry. Members will know that it is due to be discussed in Lima later this week. Members may also know that the Assistant Chief Minister will be party to those discussions, as he leaves us to go to Lima this evening. My department worked closely with Economic Development and External Relations to attract new business and to encourage innovation in our existing firms. The first £5 million of the £20 million provision is proposed in 2016. The funding will support initiatives that will generate extra tax revenues in the future and contribute to our priority of sustainable finances. It will be closely managed, using similar governance to that used successfully for fiscal stimulus. As well as investing in health, education and economic growth, we are setting aside £168 million for capital projects over the term of this plan. As I have said, that includes £55 million for school building; £43 million for sewage works; £21 million for I.T. (Information Technology) systems; £8 million for the prison and £41 million on a number of other important projects. There can be no doubt that our investment in new and refurbished housing is transforming areas of St. Helier. Through Andium, more than £200 million is planned for the coming years, much of it in St. Helier, and of course the Jersey Development Company has plans to continue its work of investing over this period as well. To manage this investment, we are redesigning services, maximising efficiency, making savings and reprioritising spending. This work has involved looking carefully at the benefit system. I understand that for some these

proposals are emotive, but it is right that we promote financial independence, that we target benefits on those who most need them and minimise the impact of any changes on individuals. But we are keeping the interests of older people at the forefront of our thinking.

[10:00]

That is what the ageing population is all about. In fact, we are investing in services. Effective health services are essential for an older population. Social Security will be providing more funding for the 65-plus health scheme and we are maintaining our benefits budget at the 2015 level throughout the 4-year period. It is right that every area of public spending makes a contribution to our long-term plan for Jersey. One of the most important aspects of this financial plan is its vision. It proposes our overall finances for 4 years, setting the spending limits for 2017, 2018 and 2019, as well as the detail for 2016. This is a sensible way to approach public finances. It maintains the important principles of medium term financial planning and avoids a return to annual budget and short-term thinking. It is vitally important that we have time to work with departments - as I have said, that work has already started - to develop a detailed plan for 2017 and beyond. It is also important that we have time to assess those detailed plans, their distributional impacts and their impact on public services. That is why we will present detailed departmental plans in the M.T.F.P. addition next June, but today or tomorrow or the day after we are asking the Assembly to agree caps on spending for 2017, 2018 and 2019 so that we can maintain control of our finances. We are not asking for approval to spend these funds. This is not a blank cheque. In fact, to use that analogy, the cheque has not even been signed. The decision on how to spend and allocate those funds will come in June next year, but to go back to the F.P.P. (Fiscal Policy Panel), in line with their advice, they said we must present balanced budgets. We are committed to delivering a balanced budget. We are committed to sustainable public finances and I believe that this Assembly wants to make those long-term decisions in the best interests of our Island. This plan addresses the challenges ahead without changing the fundamental building blocks of our tax system. We want to maintain our internationally competitive personal income tax regime, a corporate tax regime which delivers tax neutrality in a transparent and internationally-acceptable manner, and a low, broad and simple G.S.T. (Goods and Services Tax) regime. Maintaining these key building blocks creates the stability and certainty that business, especially the financial services sector, needs in order to continue to invest in our Island. Attracting new businesses and keeping existing businesses should result in greater employment and correspondingly greater tax revenues. We know we need to increase our income to tackle the growing costs of health care for an ageing population. We have been open about how we propose to raise an extra £35 million per year by proposing a new health charge. In this and all our proposals, we will be guided by the long-term tax policy principles that were agreed by the States as part of the Strategic Plan debate. In conclusion, I think this is right plan; Ministers think this is the right plan; our independent economic experts think this is the right plan. We have recognised the strategic challenges we face, that income is rising at a slower rate than in the past, that we must today start to address the effects that the ageing population is going to have upon our spending and upon our community. We must continue to be mindful of the after-effects of the global recession. This plan proposes sustainable long-term solutions, it aims to deliver a balanced package of measures and it encourages independence, ensuring that people are always better off in work than on benefits. It enables us to invest in priority areas of health and education. It will encourage us to deliver a modern efficient public sector fit for the future. It will support economic growth and it will achieve balanced budgets by 2019. This is the right plan for Jersey's long-term economic and social future and I commend it to the Assembly. **[Approbation]**

1.2 Medium Term Financial Plan 2016-2019 (P.72/2015): fifth amendment (P.72/2015 Amd.(5))

The Bailiff:

We now come to the first amendment, which is that of the Corporate Service Scrutiny Panel, and I ask the Greffier to read the amendment.

The Greffier of the States:

Amendment 5, page 2, paragraph (a) – for sub-paragraph (a)(i) substitute the following sub-paragraphs – “(i) the intended total amount of States income for 2016, as set out in Summary Table A and being the central forecast of the States income forecast range for 2016 as shown in Figure 18, (ii) the intended total amount of States income for 2017, as set out in Summary Table A and being the central forecast of the States income forecast range for 2017 as shown in Figure 18, (iii) the intended total amount of States income for 2018, as set out in Summary Table A and being the central forecast of the States income forecast range for 2018 as shown in Figure 18, (iv) the intended total amount of States income for 2019, as set out in Summary Table A and being the central forecast of the States income forecast range for 2019 as shown in Figure 18.”.

Senator P.F. Routier:

Does the plan need seconding?

The Bailiff:

I suppose it probably does. [Laughter]

Senator P.F. Routier:

I would like to propose we second it, Sir.

The Bailiff:

I am very grateful, Senator. Deputy Le Fondré.

1.2.1 Deputy J.A.N. Le Fondré of St. Lawrence (Chairman, Corporate Services Scrutiny Panel):

Just by way of starting, I suppose, depending whether Members have read our report on the Medium Term Financial Plan, they will note at the very front there is a table with some numbers on it. I may make reference to it briefly during my speech, but as people go on, they may wish to look at it because it does, in our view, summarise the position that we are being asked to approve, which is the important matter in terms of the first 2 parts of this proposition, (a)(i) and (a)(ii). In relation to the amendments that we are debating now, in theory it should be a very straightforward amendment. That is always the kiss of death, is it not? All we are asking at this stage for this amendment is to allow the Assembly to vote on each year separately. That is it. In theory, there is no reason why everyone in this Chamber should not be able to press pour for this amendment. The crucial decision is at the end of the debate when, if we have agreed this amendment which allows Members to vote on each individual year, as to which years Members approve. I do not think that is the attitude of the Council of Ministers from their comments, but in theory, this should be in itself an acceptable amendment and it gives States Members the opportunity to listen to the debate as we are going on over the few days and then make their final decision when we vote on the Medium Term Financial Plan and all of the amendments. However, I think it is appropriate to say why we think that this is necessary to suggest to the Assembly they should have that ability. I would like to make, I think, 2 points initially and then obviously go into the main parts of the speech. I draw to Members' attention, because the Chief Minister said, I believe, that they are not seeking approval of certain items, which was income and expenditure. There was certainly not approval in the latter half of his speech. Part (a) of the proposition starts: “To approve.” Part (i) is: “The intended total amount of States income for each of the financial years” of the whole period, and that is as laid out in what was referred to as summary table A. Summary table A, as I am sure Members all know, is this: it is not all the words. What Members are being asked to approve as we

went through in our presentation yesterday is this very bottom line. That is on our crib sheet, as it were, at the front of the report. That is £2.9 billion. As we said, and I do not want to stray too much off the actual amendment per se, but this is just outlining what overall we are debating: part (a)(ii) is to approve the total amount of States expenditure. That is what is laid out in summary table B that is over the page. That is what is on our crib sheet, for want of a better expression, which is £3.1 billion of expenditure. The quick mathematicians may or may not have noticed that £3.1 billion of expenditure is bigger than £2.9 billion of income. Therefore your next position from 1st January of next year ... or, sorry, compared to 1st January next year to the end of the period is down £165 million. Yes, in 2019, if the Council of Ministers' plans go as they hope, there is a slight surplus in that one year. The net position is that we will be £165 million worse off. I thought that might hopefully get somebody's attention. That is why, and in the context certainly for the expenditure side, where there is no detail for 3 of the 4 years we are being asked to approve, that the Corporate Service Scrutiny Panel felt it was appropriate - and again, this is our opinion, but it also based on the opinion of our advisers - to suggest to the Assembly firstly that they might wish to have the ability to approve each individual year, and that secondly we should suggest to the Council of Ministers and to the Assembly: "Yes, start your plans, approve 2016, but before we approve the other years, come back with your full plans." It is in the hands of the Council of Ministers how quickly they come back. They have said no later than 30th June. It is in their powers to do it in January or before Christmas or whatever. It is in their hands. I now wish to switch to this particular amendment, which as I said focuses on the income side, and specifically we have got, I think, probably 2 major concerns. One is that we do consider, and again, this is supported by the advisers, that the income forecast is too optimistic. Do not forget we are, as a panel - and there is a corporate memory to the panel, as it were - obviously sensitive to the income forecast, given the experiences of the last Medium Term Financial Plan, when income forecasts were far too optimistic and the spending plans matched those income forecasts. Scrutiny of the day raised this as an issue. The usual excuses were run out, including the F.P.P. reports: "We have got our experts. They are telling us we are right" and all the rest. It was held out by Ministers that the forecasts were robust. One Minister: "I have personally assessed these to be robust." As we all know, it turned out that the predictions of the Corporate Services Scrutiny Panel were far closer than the prediction to reality in the predictions of the Council of Ministers. We are now living with the consequences of those over-ambitious spending plans. Our concern is that income tax forecast specifically - and there is a difference between income tax and tax, obviously - are showing increases of 4.5 per cent, 5.3 per cent, 5.6 per cent and 4.1 per cent for the next 4 years, in our view, significantly above cost of living. We and our advisers, and that is the same advisers who assisted the previous panel last time around, are strongly recommending caution at this time on such forecasts, particularly where they are used to inform spending plans. So it is caution. The second issue is going back to what are we being asked to approve? As I indicated before, it is summary table A, it is the bottom line. That means on summary table A that we will be approving having a mechanism to raise £35 million a year, a total of £50 million in the period of the plan for health care.

[10:15]

That may well be fine, but there is no detail whatsoever as to what that will be, what it will look like, what it will cost to run, who will be charged, *et cetera, et cetera*. We have absolutely no idea as to the impact on households. Our very basic calculation suggests it is over £1,000 a year for each and every household. To quote C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy), our advisers, who have significant experience in these types of areas and plans, it is our view that a number of key assumptions principally around income tax and saving targets, including the £70 million of people savings, invite an unacceptable level of risk. The introduction of a health charge and user-pays strategy scheduled to bring a combined additional income of £45

million per annum in 2019, that is £35 million health care, £10 million user pays, including the sewerage charge, is considered to be insufficiently developed at this stage to validly incorporate within a meaningful plan designed to eliminate the structural deficit. That is obviously accountancy speak, it is a bit of a mouthful, but in other words, in their public professional opinion, it is not fit for purpose at this stage to be presented to this Assembly for approval. Now, I know there will be an argument that says: "This is what the States signed up to when it approved the amendment to the Public Finances (Jersey) Law." We as a panel supported the change in recognition of the gravity of the situation with which we as an Island and as an Assembly are faced and concluded that provided there was a sunset clause incorporated into the proposed changes, then it could support the amendment to the law as a one-off strictly time-limited amendment. Now, concerns were expressed generally, but it was quite a last minute proposal that came through, and the problem was at the time we did not have the M.T.F.P. in front of us, like all other Members, and we did not know what it would contain. We said at the time: "The panel recognises that extraordinary decisions will need to be made during this difficult time to help address this problem and acknowledges the necessity for the Minister for Treasury and Resources to bring these draft regulations. Our advice from our adviser does result in a number of issues. From interview evidence, we are led to believe that the level of transformation change is so significant that at the point in time that the M.T.F.P. is expected to be lodged, planning work to restructure services will be insufficiently advanced to enable meaningful working [*et cetera, et cetera*] to be introduced to a recalibrated M.T.F.P. While such an approach appears to be expedient, we would be concerned that the unintended consequences of the amendment may prevent adequate scrutiny of financial strategy." That is the point. So we insisted on a sunset clause, and despite our disagreements, we continue to recognise the difficulties that the Minister for Treasury and Resources and the Treasurer have inherited, just to be clear there. But also, as we said yesterday, we have a duty to this Assembly to report on what it is being asked to approve. That is the problem. We and our advisers do not believe that overall Members have enough information to know what they are signing up to and to what they are approving. **[Approbation]** All we are asking for generally is sound data upon which to make a decision. That is what you would normally expect in a Medium Term Financial Plan, to look and understand the whole package, because do not forget, this is approval. It is not in principle, it is not noting, you are approving some very significant sums of money, it is billions. As our advisers noted at the time of the Public Finances (Jersey) Law, it has been suggested to the panel that the amendment that the Minister for Treasury and Resources brought to the law will provide vital breathing space to allow the construction of a robust departmental estimate reconfigured for both service delivery change structures and critical consequential cost reductions. That is what we are recommending. Let us approve 2016. Give yourselves, Council of Ministers, time to get the package right and then present it to us properly. That does not say stop to any of the wonderful things that the Chief Minister laid out in his speech. It is saying: "Let us see the package. Let us understand the impact" because at this point, I do not think we know. That is let us understand the impact before we approve it, not after. If the Council of Ministers are going to do this before June, then do so, because there is nothing preventing that from happening. Indeed, I will say our advisers are of the view it should have been possible, based on their experiences of a number of authorities in the U.K., to do this before Christmas. Obviously that was their opinion back in April/May time. If we do not know what the impact is on Islanders, if we do not know how acceptable that will be when we see the detail, if we do not know what the extra income is going to be spent on, because bear in mind it is just an addition to the total income line - for example, there is no detail on the corresponding expenditure line that we are being asked to approve - then how can we rationally approve those years? Remember, it is £1,000 per household per year. I want to make a very quick quote from the Medium Term Financial Plan itself, where it suggests that: "Some of the funding should come from a pensioner population that is on average better-off than its preceding cohort." That is a direct quote from the M.T.F.P., by the way. That will be, of course,

the same cohort that we are taking the Christmas bonus from and the free T.V. (television) licences, and of course all of these comments without knowing what is coming down in the budget. Also bear in mind, by the way, that next year long-term care doubles from 0.5 per cent to 1 per cent. That is intended to increase to 3 per cent in the relatively near future. How much are we taxing Islanders? What is the impact? We simply do not know, but we are told that all of this will be no later than June of next year. As we have said, it is in the Council of Ministers' hands to bring it earlier if they have got the ability to do so, so why should we be approving 2017, 2018 or 2019 until we have that information? I am sure Members will hear this all the way through various speeches: I have had a variety of emails last night. I had one that struck a chord. I will try and anonymise it slightly: "We have in total a large number of rooms, all ensuite with kitchens, laundries, staff toilets and showers. Any waste water charges will have a major impact upon our budget. We are a charity providing excellent care at very reasonable rates." They also raise the point: "How will that charge impact, for example, the hotel industry?" This is obviously about user pays charges and surcharges: "Much has been said about boosting tourism. This will not help. The Island is already losing the Shakespeare, the Samarès Coast, the Metropole and the Old Court House Hotel already this year. Apart from Premier Inn, which is not [they do not think] aimed at the tourism trade, no one is adding any capacity." Again, it is not just individuals who are going to be impacted by some of these measures. If we do not know what those impacts are and therefore somebody comes and says: "We will exempt the hotels. We will exempt the restaurants" as soon as you start diluting, it means the impact falls on a smaller part of the population. As I have said, what, for example, is the impact going to be on the elderly? Why should we be approving something that the Chartered Institute of Public Finance and Accountancy is saying is not in a fit state to be used in a Medium Term Financial Plan? It is not fit to be approved by this Assembly. The answer, in the opinion of the Corporate Services Scrutiny Panel and its advisers, is that we should not be at this stage. I keep emphasising, it is at this stage. It is not never, it is not stop, it is saying: "Give us the proper information." As I said, in concluding on this speech, pull us right back to what this amendment does. This amendment is simply to allow this Assembly to have a direct vote on each individual year. I hope I have explained our rationale as to why, but at this stage in the debate, there is no reason why everyone in this Assembly should not be capable of supporting the amendment. Very naturally, when people get to vote on the consequences of that amendment in a couple of days' time, I am sure it will be completely different, but there is no reason at this stage that Members could not support this amendment as it is worded. There will be slightly different arguments on the expenditure side, I shall keep them for that debate, but I propose the amendment.

The Bailiff:

Is the amendment seconded? **[Seconded]** Does any Member wish to speak?

1.2.2 Deputy T.A. Vallois of St. John:

As the M.T.F.P. establishes not only an overall resource envelope, but also allocations to departments, it impedes adaptability and responsiveness, a significant disadvantage in a period of both retrenchment and reform. As the Assembly are fully aware, the latest forecast for the period 2016 to 2019 shows that income will remain significantly below previously estimated levels and therefore we are required to make substantial sustainable changes in the way in which the States is administered in order to live within these revised income levels. The Council of Ministers is conscious that although there is an improvement in the longer-term economic outlook, there still remains significant uncertainty in the economic outlook for the Island and income forecast for the period up to and beyond 2019. Therefore, they require time to make difficult decisions on significant levels of efficiencies, reductions in services and benefits, and where there is a well-proven fully-justified case, the need for additional funding. It is for these justifiable reasons that

the Council of Ministers is not in a position now to propose detailed departmental revenue spending limits for the period 2017 to 2019. What I just said there was exactly an extract of the exact words spoken to seek the States support in approving the amendment to the Public Finance (Jersey) Law on 16th June this year. When I brought forward P.42/2015 earlier this year, I emphasised the need for us to learn from the first M.T.F.P. and also from the vagaries of the dynamic financial and economic world we live in and the implications, both positive and negative, that financial changes at this level can have on the long-term finances of the States in a very short timeframe. The Council has been open and honest throughout the development of this M.T.F.P. and has worked with the previous recommendations of Scrutiny, the Comptroller and Auditor General and with those of the Fiscal Policy Panel to ensure that it has produced a plan to place Jersey on a path to fiscal balance and short, medium and longer-term economic stability. Perhaps most importantly, the Council of Ministers is proposing a plan with the aim of addressing the structural deficit by 2019, which is in line with advice from the F.P.P, and more importantly, in accordance with the States Sustainable Public Finances Strategic Policy agreed in April this year. Throughout 2015, the Council has notified States Members of a reduction in income forecasts and a potential deficit in 2015 and future years. As the Assembly is already fully aware, the forecast for the period 2016 to 2019 has shown that income will remain significantly below estimated levels from 2014. We have formalised the Income Forecasting Group, whose purpose is to act as an advisory function on the forecasts of all States income derived from taxation, duty and social security contributions. This was from a recommendation based on the previous Corporate Services Scrutiny Panel. The role of this group is further strengthened by the fact that the F.P.P. must now either endorse or produce the economic assumptions used by the group for the income forecasting model used to produce the income figures used in the M.T.F.P. and includes external membership for the first time. More detail on the States income forecasts is included in the M.T.F.P. and the full Income Forecasting Group report has previously been circulated to States Members in July as an addendum to the M.T.F.P. As a further means of illustrating that we have learned from the past, the latest economic assumptions provide a range of assumptions for income higher, lower and central. The draft M.T.F.P. is prepared on the central line. The Council is acutely aware that there are still risks on the down side of the central scenario, the response to which will depend on the scale of any downside, but the Council has identified contingency plans which are identified in section 14 of the M.T.F.P., which can be seen on page 95. These income forecasts include provision to support sustainable mechanisms to fund the States payment of rates approved in the Strategic Plan and also to fund the additional health costs reflected in the States support of P.82/2012.

[10:30]

The Council of Ministers wishes to make it clear that it will bring these initiatives back to the Assembly for consideration prior to any implementation. I think it is important for me to remind States Members that they are not being asked to approve anything different from what was brought forward in the 2013-2015 M.T.F.P. As is the normal process, detailed proposals for changes in taxation will be brought forward by the Minister for Treasury and Resources as part of the States annual Budget debate. States Members will continue to have the opportunity to debate new taxation proposals in the 2016, 2017, 2018 and 2019 Budget debates. I ask all States Members to support the Council of Ministers to continue to support the Medium Term Financial planning framework and to reject the Corporate Services' fifth amendment. **[Approbation]**

1.2.3 Deputy S.M. Brée of St. Clement:

This amendment is totally logical, totally sensible and very prudent. This amendment is not asking you to throw out any income forecasts. This amendment is merely asking you to split apart the years. What is wrong with that? Why is the Council of Ministers fearful of that? While the Corporate Service Scrutiny Panel may be concerned that the income forecasts are over-optimistic,

that is irrelevant to this amendment. All this amendment is saying is that it is designing this debate so that Members can vote on each individual year. Do not get swayed by the arguments that if you approve this amendment you are disagreeing with all of the income forecasts that the M.T.F.P. has in it; do not get swayed by the argument that: "This is what we have always done." The previous M.T.F.P. had the detail in it for the years. This one does not. As the chairman of the panel stated, a rough estimate - and it is a rough estimate - is that the additional charges on households will be £1,000 per year per household, but there is no detail on that for the years that those charges will become applicable. The amendment itself is merely saying: "Let us be sensible, let us be logical and let us be prudent and look at each year so for 2016 we have the detail, we can make an informed decision on that." Then it is up to each individual Member of this Assembly to decide for themselves what they feel about 2017, what they feel about 2018 and what they feel about 2019. That is all this amendment is seeking to achieve. On that basis, I would urge every single Member to vote for logic, to vote for sense and to vote for prudence.

1.2.4 Connétable C.H. Taylor of St. John:

This amendment is terribly simple and it comes right to the heart of why we all are here in this Assembly. The one thing we wish to protect more than anything else is our right of choice, our right of freedom. When you get up in the morning, you have the freedom to choose whether you are going to have cereal or bacon and eggs, whether you are going to have tea or coffee. It is the right to choose. All this amendment seeks to do is to give you the option to choose whether you want to vote for just the first year, or just the first and second year, or the first, second and third year, or all 4 years, as proposed by the Council of Ministers. But it is that very simple and vital thing that we all hold so dear, our own freedom of choice, no more than that. You can vote for all 4 in 2 or 3 days' time when it comes. This will not make any difference to our proposition. It is simply giving you the option to say at the end of the debate, when you have heard over the 2 or 3 days or however long it is going to take, when you have heard all the arguments, you will be able to make your choice of whether you support one, 2, 3 or 4 years, but to narrow that choice down now and say: "No, we are only going to go for all 4 votes" without having heard all the arguments is defeating the very reason why you are in this Assembly. I must urge all Members to support this amendment.

1.2.5 Deputy J.A. Martin of St. Helier:

Sorry, I thought you said, Maçon. I did look, but he is not here. Yes, I wondered why ... and I am always interested in listening to the Deputy of St. John and she had a great speech, but she did not make a speech anything to do with this amendment. It is a very simple amendment. When it was explained to me the other day, I said: "Surely the Council are going to accept that, because it does not tell anybody which way they are going to vote on those 4 years, it just gives them the option." "Oh, I doubt it." Then of course out comes the comments over the weekend: "Oh, strongly opposes", it goes into absolute detail. Changing something we have done for ever? No, this is the second M.T.F.P. They changed the rules. They decided just to bring the detail for 2016. Now I do not know even now which way I would vote yet, because there is a big debate to come, but I am absolutely amazed, I want to know what the Council are scared of. If they are absolutely sure, they have convinced everybody that years 2016, 2017, 2018 and 2019 are the best thing since sliced bread, why would you not want everyone to vote on it individually? There is nothing stopping it. I really think this is just a step too far. This is the Council again telling us: "We will not give you an inch." If I was bringing a proposition as a Back-Bencher and I was asked to do it in parts, if I said: "No, I will not let you vote on it in parts because it is my proposition" people would vote against me just for the principle of not letting people vote for the bits they like and bits they do not like. But no, this is exactly all this amendment is about: give us a choice. At the end of the day, we will have 4 votes instead of one, we will do each year as it goes. The Council are so convinced and so

is the Assistant Minister for Treasury: “This is the best thing.” It is them who must convince us over the next few days that you are going to vote for every year. If you vote this amendment out, you might as well go home.

1.2.6 Deputy M.R. Higgins:

I will be very brief. One of my criticisms of this Assembly has been its failure to look at the evidence, get the information, and on many issues the Assembly has voted for things where people did not even understand what they were voting on. Let me just give one example: the French language. We have had different things that have come up in French and not all Members speak and read French and yet they have voted for the legislation, not having a clue what they were doing. We are dealing with masses of figures, masses of data on this particular one, and if this Assembly just votes in the same way that the Council of Ministers want them to do without looking at any sort of detail, then you are abdicating your responsibility. In fact, you should not even be here, because the public outside this Assembly hold us in not very high repute, in fact, I do not know where we come on the scale, whether we are above lawyers and the media or below, but the point is we know that we are not well-considered in the Island. If States Members are not prepared to look at the evidence - and there is no evidence obviously for the 3 years after 2016 at this present time, or information - and we have already heard from the chairman of the Corporate Services Scrutiny Panel there could be implications, for example, the elderly and others, which if we are not aware of what changes are coming, then we should not be supporting the Council of Ministers on that. I believe in evidence, information, and if it is not there, I will not support it. I hope that Members will go along with the Corporate Services Scrutiny Panel, because what they are asking is totally reasonable. Give us the information when it comes and then we will decide. I am asking you to support the Corporate Services Scrutiny Panel.

The Bailiff:

Deputy, members of the public listening to that speech might be under the impression that when legislation which is drafted in French is put before Members for adoption, Members vote for it without understanding what they are voting for. My experience is that whenever a French-drafted piece of legislation is put before the Assembly, there is an English translation with it. I just thought it was important to make that point. **[Approbation]**

Deputy M.R. Higgins:

With respect, Sir, that is not the case. There is at least one occasion when there was not.

1.2.7 Deputy A.D. Lewis of St. Helier:

I would just like to make a couple of observations which may be helpful to Members with this particular proposition. One needs to bear in mind that if you were to split all these years down, we would not have a plan, it would not be an M.T.F.P. any more, if indeed that is what people voted for, they would have the choice. I really do resonate with what Deputy Martin was saying in that this gives Members the choice and we remain to be convinced by the Executive, those that need to be convinced, that this is the right thing to do and I hope we will have a fascinatingly interesting debate over the next few days and be convinced. But it is quite interesting that both sides of this argument have had very good advice from very competent professional people. The F.P.P. has given advice; C.I.P.F.A. have given advice. These are credible organisations, and in other words, they are both right, so it is up to us to decide as to whether, what is right is right for Jersey, that both these organisations are right. One of the frustrations that I have, and it is articulated in the report that my committee published yesterday, is of course the speed of public sector reform, which is a debate that I guess we will have during the course of the M.T.F.P. It is painfully slow and has also been very slow in bringing forward information for the M.T.F.P. This has been worked on, a

huge amount of work put in by the Treasury staff and others and accounting officers across the States to create this document, but it does not have all the information that some Members were expecting. If they are going to provide that information and it is going to be June, maybe that is too long. If, as I understand it, some departments are ready with this information now, present it as soon as possible. Maybe the Executive can say: "We can insist that departments do provide us with information by February." If Members knew that, then they may be more convinced that the information will be there and we can have further debate in the future with the information about to come our way. I would just like to pick up on something that Deputy Le Fondré mentioned, for example, sewerage charges. I am sure we will get into this later on as the debate heats up, but just an observation: Ireland, for example, does not have a water charge. All water is free in Ireland. To us, we would think that was barmy, bizarre, but they do have sewerage charges, as they do across the rest of U.K. and America and so on. There is a reason for having these charges in different countries. As bizarre as it may seem to us not to pay for water, they do not pay for it in Ireland; bizarre as it is in Scotland where they pay for sewerage and we do not. They probably think that we should. But the big difference here is detail. Deputy Le Fondré mentioned a hotel or a care home perhaps - he was anonymous in his example - but in Scotland they have exemptions for care homes in the third sector for their service charge. That is detail that will be brought forward at some stage later, but why is it not there now? I had a quick look back through the points about the service charge and on page 78 it simply says: "Chief among these will be charges for solid and liquid waste. In many jurisdictions, charges are commonplace and go some way to encourage recycling." That is it. That is all there is. Now, that is an example of lack of detail. I am sure the T.T.S. Department have been thinking about this for a long time, so surely there has been an opportunity to give up some detail about exemptions for care homes, for example, exemptions for the third sector. They could have been in there, as could lots of other information. That is not necessarily numeric detail, as such, that the Deputy also asked for, but it is detail that is missing that could have been there. I think that is what Members are concerned about and I think if we have the opportunity of voting in the way that is being suggested by the panel that we will have a more informed debate.

[10:45]

The Executive will have plenty of opportunity in the next few days to convince us that this is the right thing to do, as the Assistant Minister for Treasury eloquently tried to a few moments ago; many more speeches like that, I am sure, to come. Let us have them, but have the opportunity at the end of it to vote on the bits that we want to vote on. We do this all the time with pieces of legislation and vote on sections and there is already sections within the M.T.F.P. that will be taken as such, so why not have this? I cannot see the harm and I would urge Members to seriously consider it as an option for the rest of the debate. I think we will have a better debate as a result.

1.2.8 Deputy P.D. McLinton of St. Saviour:

At the risk of dragging this debate back to the subject we are on at the moment, dividing the years, splitting them and voting on them separately, where is the harm? Let us get on with it.
[Approbation]

1.2.9 Deputy G.P. Southern of St. Helier:

The Corporate Services Scrutiny Panel have rightly focused on what is, I believe, quite dangerous practice in such an important debate, which will control the next 4 years, so a significant debate. That we should be offered a pig in a poke, as the Irish have it, is not tenable. I for one certainly cannot bring myself to vote for a health tax, a health charge - not even a tax, as far as I know, a health charge - that I have not seen either shape nor form nor anything, absolutely no detail. There is a vast difference between a charge payable at the point of delivery and something that may be

collected, like social security, with an ability to pay involved in there, like income tax, a vast difference between the one and the other. I am being asked to accept in principle that we will come along with something appropriate that I can support. The fact is that I have been in this House now for some 13-plus years, and the number of times I have been asked to vote in principle and recognised when it finally came to the detail there was absolutely nothing I could do about what was brought forward has been numerous. The reality is voting in principle for something, you will end up being given something that you cannot influence, which you may consider to be completely wrong. I cannot do that, and equally nor can I, at this stage, vote in favour of a sewerage charge on the same grounds. But my worries go even further than that in terms of this Medium Term Financial Plan and it is because of the Fiscal Policy Panel and their report in September 2015. I have yet to see - I have never seen - a report from the Fiscal Policy Panel so full of risks and dangers and: "Watch out for this. Can you do this? Is this feasible?" I will just take Members through a few of these and suggest that what we should be doing is we should not be coming with this vote when we do not know what we are getting. On page 8 it talks about the financial services sector, and I heard the Chief Minister, when he introduced the whole M.T.F.P., twice refer to: "The economy is growing." Nice smile on his face, so everything is all right. I wonder how often I have heard that before? Quite a few times as well, I think. Suddenly the economy starts growing just before serious decisions are made, everything is hunky-dory. However, the Fiscal Policy Panel says otherwise: "The survey of financial institutions reported that profits increased by more than 20 per cent in 2014. This was primarily due to significant changes for a small number of large banks due to the end of some restructuring exercises. This is therefore likely to be a one-off movement in profits, though the panel will continue to monitor future movements in this volatile component of G.V.A. (Gross Value Added) and its implications for a wider economy." Their suspicion is that this is a one-off, the economy is not growing and that will return to the norm fairly shortly. I think that is dangerous, because we are talking about fresh estimates of revenue produced by this so-called growing economy. But then further on in section 2.9 there is a whole couple of pages - and I will just cover some of them - of risks to achieving this M.T.F.P. The first one: "There are several risks to successfully delivering the draft M.T.F.P. over the next 4 years: (1) controlling expenditure. First, the plans essentially limit total net revenue expenditure at 2015 levels until 2019 represent a challenging target. The plan proposes just 1 per cent growth in total expenditure in nominal terms over the next 4 years compared to 12 per cent growth between 2011 and 2015, for example. Bearing in mind inflation, the plan's proposed total expenditure in 2019, that is 9 per cent lower in real terms than in 2015." This is an austerity budget, an austerity plan. That is what is happening. Nobody grows an economy by making cuts. Nobody grows an economy by producing 9 per cent lower expenditure than previously.

The Bailiff:

Deputy, can I ask you to come to the amendment, please, which is whether to take these matters ...

[Approbation]

Deputy G.P. Southern:

I am outlining why I will support the Corporate Services Panel, Sir, if I may be allowed to do so.

The Bailiff:

It is really a very straightforward issue for the Members, but very well.

Deputy G.P. Southern:

The second reservation of the F.P.P. says that: "Departmental expenditure plans not outlined for 2017 and 2019. This is not ideal." It says: "There is clearly a risk that departments will not be able to develop achievable plans within the overall envelope set out in the draft M.T.F.P." The final

risk, and the one which is significant for me: “Proposed changes may not be sustainable. There is also a risk that the changes proposed in the draft M.T.F.P. may not be sustainable. The draft M.T.F.P. does not describe the distributional consequences of the proposed measures to address the funding shortfall, so there is a risk that these changes may not seem to be fair, particularly if the distributional consequences are that some groups in society face a larger share of the burden than others. As details of the proposed package of measures to meet the 2016 M.T.F.P. addition are developed, attention should be given to ensure that they are sustainable, including the potential distributional impact.” That is the reason, because I do not believe we have had a distributional impact and I do not believe this Council of Ministers knows what impact these measures will have. Certainly we do not. Therefore I will be supporting the Scrutiny Panel in this particular proposition.

1.2.10 Senator A.J.H. Maclean:

I understand why Members find this particular amendment difficult and the position that the Council of Ministers are taking to be difficult as well. My Assistant Minister has already pointed out in an excellent speech, but also previously when the amendment was brought before this Assembly, some of the issues that we have to consider. We were surprised, I have to say, with the amendment from the Corporate Services Scrutiny Panel for a number of reasons, not least that they agreed with our approach to split the Medium Term Financial Plan in only June of this year. They agreed to support our amendment to the Public Finances (Jersey) Law, indeed making some very helpful suggestions themselves, which we accepted by way of their amendment, to allow us to make the Medium Term Financial Plan in 2 parts, as it is presented to Members today. The panel’s support is clearly recorded on Hansard, when the chairman, Deputy Le Fondré, addressed this Assembly to confirm his panel’s support for the approach that we were taking and the reasons behind it. My Assistant Minister made it clear in her speech to Members in June why we were proposing this unusual but necessary move. Let me be clear, is it ideal to be taking the Medium Term Financial Plan in 2 parts in this way? Absolutely not. But we found ourselves in extraordinary circumstances. Income had fallen even from levels forecast at the previous year’s budget. It was clear that the scale of the challenge we faced was going to take time to address. A potential funding shortfall of £145 million by 2019 emerged. As Members are more than aware, this shortfall also includes significant investment of £63 million in key areas like health and education, or rather, £50 million of it is in key areas like health and education. But to balance budgets by 2019 and allow for such investment, it is not surprising that significant change is required to the way that we run public services, a fundamental rethink about how to reform the public sector at a scale and speed not previously envisaged. A lot of good work has been done on the Reform agenda in recent years, an agenda that has set a solid foundation for change, to modernise public services, delivering more for less, and that programme must and is accelerating. A change of course is difficult for everyone, and if it is going to be done properly and if it is going to be done sustainably it is even more important that we take our time and do it properly. But as my Assistant Minister pointed out in her speech in June when amending the Public Finance (Jersey) Law to allow this Medium Term Financial Plan split, she informed Members that departments were being asked to make such significant changes to live within revised lower income forecast while still prioritising growth that such a scale of change would take time, especially developing detailed plans that would be sustainable. At the heart of this amendment appears to be trust, but that, if I may say, is not the point. It is simply a matter of timing. I believe the split in this Medium Term Financial Plan has been misunderstood. The Corporate Services Scrutiny Panel make the point that Members are being asked to approve approximately £3.1 billion in expenditure over the whole period of 2016 to 2019 and that there is no detail beyond 2016. Of course they ask how can Members blindly support the years 2017 to 2019? We have heard Members repeat exactly that point. There is concern and I understand that, but if I could clarify some points. I do not believe,

first of all, the interpretation is correct. In fact, it is not correct, that that is what we are asking Members to do today. To be absolutely clear, the only expenditure being approved in this Medium Term Financial Plan is in respect of 2016. The years 2017 to 2019 only contain total expenditure, a total expenditure cap, in effect. Therefore, for no other year, 2017 to 2019, is the Council of Ministers proposing cash limits for departments and is therefore not seeking the agreement of Members at this stage to spend any amount. No departmental cash limits are provided for in the Medium Term Financial Plan for 2017 to 2019 and therefore no Minister or accounting officer can spend funds for that period, between 2017 and 2019.

The Bailiff:

Minister, if I may say so, the amendment is about income forecasts and not about expenditure.

Senator A.J.H. Maclean:

Indeed, Sir. I will deal with that as well, if I may.

The Bailiff:

That is what the amendment is about.

Senator A.J.H. Maclean:

Yes, Sir. Therefore they will not be able to deal with the second part of this Medium Term Financial Plan by this Assembly next year, as the details come back. In all respects, the details will come back next year, when we return. The addition to the Medium Term Financial Plan for the period 2017 to 2019, with all the detail, will be presented to this Assembly by 30th June 2016 for debate in September 2016.

[11:00]

For the avoidance of any doubt, the detailed departmental allocations as well will be included in that particular period. The Council of Ministers is effectively asking the Assembly to agree to a maximum cap to ensure departments have to focus on redesigning services and delivering their efficiencies. It is important that that discipline is absolutely clear in every respect. I would ask and urge Members to give very careful consideration with this particular amendment and to ensure that when considering it in some depth, as the Council of Ministers have done, they bear in mind that confidence is important. There is a clear plan laid out, as far as the Medium Term Financial Plan is concerned, to ultimately return to balance budgets at the end of the period by 2019. As such, it is clear that we must stick, in my view, and in the view of the Council of Ministers, to the plan as laid out. By varying that plan, it makes it extraordinarily difficult to have the necessary discipline within departments, to be able to have certainty for the future and the confidence that we need in managing our public finances. I therefore strongly urge Members to reject this amendment.

1.2.11 Senator L.J. Farnham:

I just wanted to remind Members that if we do not agree with the amendment, we come back in 2016 with the detail. If the Assembly does adopt the amendment, we come back in 2016 with the detail, but without the spending limits being capped. Now, given the extraordinary situation we find ourselves in ...

The Bailiff:

Senator, if I may say so, this amendment ...

Deputy J.A. Martin:

Could somebody interrupt the Senator and put him on the right path and discuss the amendment we are discussing, please?

The Bailiff:

Thank you, Deputy. Senator, the amendment is about whether or not to take the vote on income for each year separately. That is what the vote is about.

Senator L.J. Farnham:

Without the income levels being agreed I suggest that leaves us in a very difficult position. There is absolutely nothing prudent about that whatsoever. As for the details and principles relating to the potential charges, the Chief Minister made it absolutely clear in his opening remarks that the opportunity for Members to discuss those and agree and debate them and amend them accordingly will arise next year when all the detail is brought back. I would remind Members of the Minister for Treasury and Resources' remarks that we do face extraordinary challenges that require extraordinary solutions. I do urge Members to reject the amendment because moving forward without any ideas of what we are going to agree our income levels are going to be will severely compromise the Council of Ministers' ability to deliver the plan we need quickly.

1.2.12 Deputy J.A. Hilton of St. Helier:

Just very briefly, I do have a certain amount of sympathy for the public listening to this debate. I think the last 2 speeches probably did not assist at all. **[Approbation]** I really rise just to say that I support all the comments that were made by Deputy Andrew Lewis and Deputy Judy Martin. This is purely about choice and if Members agree to support the Corporate Services Scrutiny Panel, all it is doing is giving them choice at the end of the debate on how they vote after they have heard the debate. That is all it is about at the end of the day, so I would urge Members to support this amendment. **[Approbation]**

1.2.13 Senator Z.A. Cameron:

I believe that income forecasts in the current climate are extremely difficult to predict and we would be abdicating our democratic responsibility by approving 3 years' spending at this time.

1.2.14 Senator P.F.C. Ozouf:

I heard earlier in the debate that voting in favour of effectively single-year agreements or single-year votes was prudent. My simple position is this. This is a Medium Term Financial Plan debate. If we effectively turn our attention, as the consequence of this amendment would lead us, to be in a position that we would only approve one year, then effectively we no longer have a Medium Term Financial Plan. In fact, it should really be renamed a short-term financial plan because it looks nothing more than the return to the days of a business plan. That is really at the heart of this issue. Members are being asked to approve and not support the amendment. They are asked not to approve individual heads of expenditure for departments. We have heard comments about allocations being made and spending decisions being made. Not a penny, not a pound of money is being spent or given to a department as a consequence of later decisions for any year apart from 2016. What the Assembly is being asked to do is being asked to achieve a total, a maximum level of expenditure, which will then in subsequent years be coming back and then effectively an income issue. Now, I know, Sir, you are going to say that we want to have a separate debate on each year, but what I cannot understand is how we can possibly have a debate ... you are looking troubled, Sir.

The Bailiff:

I am just hoping you are going to come to the amendment shortly. **[Approbation]**

Senator P.F.C. Ozouf:

The amendment allows us to have individual votes on individual years, so where does that lead us?

The Bailiff:

Income.

Senator P.F.C. Ozouf:

On income, so individual items on individual income years. Where does that lead us? Do we agree 2018 and not agree 2016? Do we agree 2019 only and leave the 2 years in between? It would make a complete farce. I am sorry if some Members are shaking their heads and being rather uncomfortable, but that is exactly what this amendment would allow us to do. There has been comment about previous income estimates and I just would reflect on the fact that it is important to make remarks in relation to previous estimates because the concern is we do not have enough confidence on the estimates of forecasts going forward and so we want more ... it is prudent, I think the use of the word was; it is prudent not to agree the income forecasts. Well, I think it is prudent not to agree them ... it is prudent that we do not have income forecasts to agree. How else are we supposed to go for an amount of money that we are to raise? Because I know Members will want to come later to the spending objectives. Now, as far as my responsibilities are concerned, I think the Chief Minister has asked Senator Farnham and myself to do everything we can in our departments to raise that income and ensure that income is met. If you do not have a target - and this is always the problem with life and the world - where are you going? I want a target. I want a target that has been reasonably based, properly assessed, properly looked at by experts such as the F.P.P. Let us not in his concluding remarks, if I may, have an observation that the previous estimates were different at different times. The previous M.T.F.P. of course had different income forecasts or different actuals as time went on. That is because the economy did a downturn and the result of it was that we should spend more, not spend less. The argument was, in fact, made that if we would not have put the income forecasts in, then, in fact, we would have spent less and we would not be in the position we are in now. That is completely wrong. In fact, the countercyclical economic arguments would have suggested that you spend even more. So, I do not understand how it is possible to disaggregate an income forecast debate. I think that this Assembly should hold the feet of the Council of Ministers and the income-generating Ministers who are responsible for creating the ecosystem and the climate to get business in and the Minister for Treasury and Resources and his excellent Tax Department to the fire to collect that revenue. That is what we need because we need the revenue. We need to meet these targets of revenue in order to fund our spending that we know is going to be required. We can have a debate about that later. It is a complete nonsense to start breaking this up and to end up with a position that we could have one year approved and one not. The final thing I will say is these income targets, no matter what people like to say and like to speculate, they are not just income forecasts that were ever simply jotted down by a previous Finance and Economics Committee or a previous Minister for Treasury and Resources with a pencil trying to work out what the spending plan should be. They are rigorous and, in fact, in this jurisdiction we have some of the most broken-down and detailed income forecast assessments that can be seen. Every line item is set out: house price indexes, inflation numbers, earnings growth, the whole lot is set out. I would say to Members respectfully please hold the Council of Ministers' feet to the fire. We need these income numbers. We need these income targets to be reached on what is now clear is a rising tide. We are not in the position that we were in 2012 when we had an M.T.F.P. and then the world went into recession. Yes, there are outside factors, but certainly as far as our main markets are concerned there is not a single economic commentator I think saying that in the areas where we are now getting our resources and our growing financial services sector that we are somehow going to see some tanking of an economic downturn. Is it prudent not to agree revenue amounts? We need to agree revenue amounts. They need to be taken together as a package and each year and not to have the nonsense of a pick and mix, effectively one year approved, one year not. No, I ask Members to hold the Council of Ministers' feet to the fire. Let us do the work necessary to get these income targets on what is clearly a rising economic tide. I urge Members to vote against the amendment.

The Connétable of St. John:

On a point of order, the Assistant Minister said that the world economy dropped after 2012. It fell in 2009, went into recession in 2009.

The Bailiff:

Thank you, Connétable. I am not sure that is a point of order. I cannot think of anything in Standing Orders that enables me to rule on the world's economy. [Laughter]

Senator P.F.C. Ozouf:

If it is a shot at an attempt to say that the economy did not change in 2012, then it did tank in 2009, then it was expected to rise in 2012. Then if the Connétable would look at the numbers, it then went down again and that is the difficulty that we find ourselves in. So I would ask the Connétable to look at his own historic economic books because they will tell him the facts of what happened. That is why we are having the debate about income forecasts that were not met, not pencils not adding up properly.

The Bailiff:

Well, you have both now had your say on that. [Laughter] Can I remind Members that this is really quite a straightforward amendment and that it should be possible to bring the debate on this amendment to an early conclusion because I very much doubt whether there is much more to be said that has not been said already. Now, does any other Member wish to speak? The Connétable of St. Helier.

1.2.15 Connétable A.S. Crowcroft of St. Helier:

I would have more sympathy with the previous speaker's remarks were there not a degree of haziness attached to the income forecasts of the years that we are looking at. Deputy Southern has already mentioned his worries about health charges coming in. I have a particular worry that we are talking about an income envelope which depends on discussions about a waste charge, which we have not even had the first meeting yet. I am reluctant not to have the choice to vote for individual years by the end of this debate, when I hope we will have more clarity. I go back to what Deputy Hilton said. Give Members the chance to vote on whether this is indeed a short-term or a medium-term plan once they have had the debate on many of the items that are going to be brought forward by Members and by Scrutiny in the course of the debate. Do not tie our hands now. This is not a bellwether debate. If you vote for Scrutiny now, it does not mean you are going to support all the Back-Benchers and all the Scrutiny items that are coming forward. It simply gives you the choice at the end of the debate how you view the plan going forward.

[11:15]

1.2.16 Senator I.J. Gorst:

I think you from the Chair, Sir, as well as a number of other Members have said, this is a straightforward debate. The chairman in his opening comments said that. The vice-chairman very eloquently said that and the Connétable of St. John said the same. It is quite simply an amendment to the plan which will allow Members to vote each year when we finally get to that point of voting. Of course, as is ever the case, on the one hand that is absolutely the case if we look at what is in the proposition, but the chairman himself fell into I think wishing to give an explanation, which the other Members of the panel did not. If we look at the report which is attached to the panel's amendment, we start to see that on the one hand it is a simple disaggregation of years but there is a reason for it. That reason is not simply about giving this Assembly choice. That reason is because the panel do not accept - and we read this in their subsequent Scrutiny report - the work of the Income Forecasting Group. The chairman spoke about the principle of a health charge. Other

panel members and my good friend the Connétable of St. Helier spoke about a waste charge. I understand and I will come on to those 2 items, but fundamentally the reason in the report to the amendment is that the panel do not accept the central assumption of the Income Forecasting Group. That is the reason behind this seemingly simple and innocuous amendment. That is why the Council of Ministers, rather than wanting, as some have said I think unfairly, to bully Members, issued the comment that we did because we took the report of the Corporate Services Scrutiny Panel at face value. We find ourselves in a difficult position here because on the one hand we are separating out the 2 elements that the panel wishes to do, which is income and then expenditure. So on the one hand the panel is saying to us that they do not think the income will be the central assumption, and we have answered lots of questions about what we would do if the income line is not met, and Senator Ozouf has said something about the work that he and Senator Farnham are doing on top of the income assumptions to try and deliver economic growth and strengthen that line. On the other hand, we hear - and Deputy Southern said this - that they do not believe that the savings and the efficiencies are deliverable either. So we as the Council of Ministers accept that we have to put delivering economic growth on to a different footing and we also absolutely accept that delivering savings and reform has been too slow. But we have presented a package of measures and, as I said in my opening comments, if we are going to give ... this is amendment 4, so forgive me for moving on to that but they are absolutely tied together. If we are going to give health more money, then there has to be an income stream to deliver that. That is the reality of what we are asking Members to approve in this plan. That is why we are saying please take the 4 years as a whole. We want to invest in health but we know that we need another line of income in order to be able to do that as well as delivering the efficiencies. We have had good economic advice. The economic assumptions have been looked at by independent people who have said the most likely outcome is that central assumption. We know the panel do not agree with that. Well, if the panel do not agree with that, and they do not, and Members want to agree with the panel, that can only mean one thing and that is that we will have to make greater savings and make the package that we have put forward, I would suggest, even more unpalatable. We do not want Ministers to talk about the effect that that might have on frontline services if we have to do that. This is a package which hangs together. It has some uncomfortable choices. It will have some uncomfortable choices when we bring back the detail. The other thing is that the chairman of the panel I think knows that what we are asking for here is the envelope to be agreed and I think he has accepted that. He knows that there has to be another decision, which will be next year in the addendum for the spending to take place, which will be part of the other amendment. So, I ask Members to think about approving this amendment because it seems straightforward. On the one hand it is, but if then Members went on not to agree the future years when we get to that final vote, if Members do that we will without any evidence whatsoever have moved from a long-term plan that is going to deliver a balanced budget over the 4 years, which has to be right for Jersey, investing in much needed social provision, and we will have moved to a one-year budget and that cannot be right. It sends all sorts of messages out to our community that we are not prepared to make difficult long-term decisions in their best interests. It sends out messages to the rating agency about our credibility as a decision-making body and as one of those people who sat in front of these little terriers, if I might call them that - I am not sure if that is parliamentary language; I hope there is nobody in the gallery that has worked for a rating agency - about: "What are you going to do, Chief Minister, if things do not turn out like this? How can you give us confidence that the Assembly that you sit in is always going to make the best long-term decisions for its community?" Do Members want to put us in that position? I do not for a minute believe they do. I believe that they want to continue to make long-term decisions in the best interests of this community. I argue that rather than it simply being a simple amendment to the years which it is being portrayed as - and all credit to the politics of the panel - it is a fundamental issue about whether we want to plan for the future and whether Members want to hold

the Council of Ministers' feet to the fire and show that, yes, we can make these decisions or we are going to go back to short-term thinking, which is in no one's best interest.

1.2.17 Deputy K.C. Lewis of St. Saviour:

You will be delighted to hear I will speak to the amendment and I will be extremely brief. I urge Members to support this amendment. This is purely a safety measure. It is belts and braces. It will make no difference to the main proposition whatsoever. In fact, I wish the Chief Minister would just accept it and we could move on. **[Approbation]** By June of next year, when we have the detail, we will be back on track. The amendment is common sense and it will make no difference to our credit rating. Just as an aside, people do pay for sewage disposal. It is called general taxation. **[Approbation]** I urge Members to support the amendment.

1.2.18 Senator A.K.F. Green:

I will try not to repeat anything else that anybody else has said, but it is impossible as Minister for Health and Social Services to entirely separate income from expenditure because clearly I need a sustainable funding source in order for my department to invest in services going forward. I would like Members to just think for a minute how difficult that would be. Most Members would understand the long-term lead-in to investing in services. You cannot start to invest in something one year and then not have a funding source the next year. We have been very upfront that we know that we need to invest in the health service. We need to have that sustainable income. We need to change the way we deliver services. The Fiscal Policy Panel were very clear about having a long-term plan and being prepared to work to that plan but also being prepared to be flexible. We need to provide these services for the ageing population. We need to do things differently and to do that I must have as Minister for Health and Social Services a sustainable income. What the plan does is to set some clear limits for the next 4 years. That allows me to plan going forward, some of that to take the pressure off, some of that will include using some of the funding initially as we develop the health charge coming forward later. Without that, we cannot develop a modern health service. We could take the U.K. route and ignore the ageing population and fail to plan for the future. I need a sustainable funding plan, not one year, not 2 years, but 4 years.

1.2.19 Deputy M. Tadier of St. Brelade:

Again, it will be brief and only because there needs to be points to respond to. The first point is that the time to have done this detailed package was not even now, it was before the election when the Council of Ministers were seeking election collectively. Then you give the detail of the plan. There was a specious argument from the Chief Minister saying that if we vote with the Corporate Services Scrutiny Panel on this then presumably that means we agree with them on everything else so, therefore, we have to vote with them on that, which is obviously complete nonsense. The Constable of St. Helier among others already addressed that issue. The bottom line is it is a long-term plan but without the long-term detail. That is exactly the issue and we are all, apart from 3 of us in this Assembly, independents and we are presumably put here to hold the Council of Ministers to account, hold their feet to the fire, and we are hearing arguments which are contradictory from the Council of Ministers saying: "We want you to hold our feet to the fire by not supporting this amendment and doing what we tell you because it gives us an easier ride." The way we hold the Council of Ministers' feet to the fire is to support this amendment on the individual years on their merit and let them make the individual arguments on that and that is how we hold them to account for our constituents. I think those are the only points I wanted to add.

The Bailiff:

Does any other Member wish to speak? Then I call on the chairman of the Corporate Services Scrutiny Panel to reply.

1.2.20 Deputy J.A.N. Le Fondré:

It has been an interesting debate. It has gone a little bit everywhere, has it not? So I am not going to address every point. I thank everybody who has spoken. I do I think need to just remind people where we are. There are a couple of points I think I probably need to address but I shall try and do it briefly. The what: what are we debating right now? That is purely, as has been said by a whole number of people, to give this Assembly the choice, to decide whether you want the choice, and you can make that decision hopefully sometime this week. Split those 2 positions. So right now is about giving yourselves the choice as to whether you want to vote for the individual years or not. Now, I think I do need to touch on briefly a little bit of the whys. There have been various observations made. I do not want to go too long. I remind Members the proposition, part (a), first 2 words: "To approve." No question. I remind Members again of our little crib sheet on the front. What are we approving? We are approving in the income side £2.9 billion, in the expenditure side £3.1 billion.

[11:30]

Yes, as we have said, in 2019 it comes possibly back to surplus but the net position is £165 million worse off. That is why it is important. I want to talk briefly because there have been lots of observations of other Corporate Services panels and all that sort of stuff. Well, a lot of it comes down to impact. We said it is £1,000 per year on households if these income-raising measures go through as they are without the detail and, therefore, without us understanding the impact. Oddly enough, Members will find a little magazine in the coffee room, *Connect*. A little observation here from ... well, I will not say her name but I believe she is still the chair of the Institute of Directors: "I think if we put all those charges and taxes that they are putting forward together it is a massive increase in the tax burden and while the headline tax rate is still very low, it is still expensive to live in Jersey. If the tax burden is going up significantly, then it just reduces the attractiveness of Jersey to the skilled workers we need to attract." The point about that, that is the why. Yes, we debate the why during the course of the next 2 days, but that is why at this stage it is important for us to have the choice to make that decision. I address myself very briefly to the Constables. If a Constable went to the Assembly - I was going to have 2 analogies but I will keep it to one because I want to keep it short - with proposals to spend half a million pounds in 2 years' time - and I appreciate it says "expenditure"; I was going to have an analogy for income but let us keep it short - and said to the Assembly and to the ratepayers: "I want your approval now for something I am going to spend in 2 years' time but I am not going to give you the detail until next year" what would your ratepayers say? I think they would not be very happy. Anyway, I go back to the point that this is about giving Members a choice. Now, I also make the point about the observation that has been made about whether this is a Medium Term Financial Plan, about the longer term and all that type of stuff. All I will do is address Members to a comment from C.I.P.F.A., our advisers, who obviously see a lot of this. They are not economists, which is obviously what the F.P.P. are. This is about management stuff. This is about management decisions. It is about having the right data to make decisions, and they see a lot of that in the local authorities they deal with: "We would take the view that the submission currently considered by the panel [ourselves] does not constitute a Medium Term Financial Plan which can fully inform and provide stability in the determination of financial strategy moving forward." That is about having the ability to make long-term decisions. Again, that is the why this is important. So this is about, to paraphrase some comments that have been made, giving the Council of Ministers time. It is precisely that. It is turning around and saying: "Give us the choice right now over the next 2 days to make a decision at the end of that." Our recommendation at that point is we should only look at 2016 and give the Council of Ministers the time, which they have asked for. It is the Council of Ministers that has split the Medium Term Financial Plan. It is their decision. That is how it has come. It is in their hands as to whether they

bring that data back earlier, but this decision right now is about giving us that choice. I make no apologies again for reminding Members of C.I.P.F.A.'s comments in their public professional opinion: "It is not fit for purpose at this stage to be presented for approval by this Assembly." That is reference to the healthcare charge which is being approved in the element of the proposition that we are amending here. I think I am probably about there, except I would make one other remark. There was an observation by certainly at least one Minister - I think it was the Minister for Transport and Technical Services on the radio today - which is the Council of Ministers has laid out its plans for the next 3 and a half years and that is what they intend to follow. Now, as I said, this is about giving us, this Assembly, the choice right now as to whether later in this week we want the ability to vote on separate years or not. Hopefully we have laid out the reasons why we think that is important. I think a lot of other Members have made that point as well. I think I will stop there. As I said, right now it is a simple proposition. It is a proposition to allow us to split out the years. It is not dictating how Members vote on those years later this week. On that basis, I maintain the amendment and I call for the appel.

Connétable J. Gallichan of St. Mary:

A point of order, if I may. I hope it is a point of order. I was always under the impression that the purpose of summing up was to do just that and not to introduce new elements to the speech. I do believe that the proposer when he summed up made reference to activities of Constables. He did not give us the opportunity to address ... I think he was jousting down at the wrong ...

The Bailiff:

Connétable, if I may say so, I think it was just an illustration of why the proposer thought Members ought to vote for the proposition [**Approbation**] and Members will either accept that illustration or they will not. The appel is called for. I invite Members to return to their seats. The vote is on the fifth amendment and I ask the Greffier to open the voting.

POUR: 23		CONTRE: 24		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Connétable of Grouville		Senator I.J. Gorst		
Connétable of St. John		Senator L.J. Farnham		
Deputy J.A. Martin (H)		Senator P.M. Bailhache		
Deputy G.P. Southern (H)		Senator A.K.F. Green		
Deputy of Grouville		Connétable of St. Clement		
Deputy J.A. Hilton (H)		Connétable of St. Peter		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Lawrence		
Deputy K.C. Lewis (S)		Connétable of St. Mary		
Deputy M. Tadier (B)		Connétable of St. Ouen		
Deputy M.R. Higgins (H)		Connétable of St. Brelade		
Deputy J.M. Maçon (S)		Connétable of St. Martin		
Deputy S.Y. Mézec (H)		Connétable of Trinity		
Deputy A.D. Lewis (H)		Deputy of Trinity		
Deputy L.M.C. Doublet (S)		Deputy E.J. Noel (L)		
Deputy R. Labey (H)		Deputy of St. John		
Deputy S.M. Wickenden (H)		Deputy S.J. Pinel (C)		
Deputy S.M. Bree (C)		Deputy of St. Martin		
Deputy T.A. McDonald (S)		Deputy R.G. Bryans (H)		
Deputy of St. Mary		Deputy of St. Peter		
Deputy P.D. McLinton (S)		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		

1.3 Medium Term Financial Plan 2016-2019 (P.72/2015): twelfth amendment (P.72/2015 Amd.(12))

The Bailiff:

We come to the next amendment, which is amendment number 12, lodged by the Corporate Services Scrutiny Panel, and I ask the Greffier to read the amendment.

The Greffier of the States:

Twelfth amendment, part 1, page 2, paragraph (a)(i). After the words “as shown in Figure 18” insert the words – “except that the intended total amount of States income shall be decreased by £1,000,000 in each of the years 2017 to 2019 by removing the additional proposed income to offset the payment of rates on States properties shown in Summary Table A”.

The Bailiff:

Deputy Le Fondré, do you wish to propose the amendment?

1.3.1 Deputy J.A.N. Le Fondré (Chairman, Corporate Services Scrutiny Panel):

Yes. Sorry, I am just trying to find my speech, which has disappeared in the paperwork from trying to sum up, which I do apologise for. It could be a very short speech. The purpose of this particular proposition is about the States paying rates. Within the Medium Term Financial Plan the Council of Ministers has basically agreed to pay rates on its properties to the Parishes. However, it is proposing a separate mechanism to basically charge taxpayers the equivalent amount. Essentially, we had concerns from 2 perspectives on that particular proposal. One is the general principle of essentially bringing in another measure by which to tax individuals at a time we are raising taxes in a variety of other areas as well. Certainly, again we do not know what that mechanism will look like and in the past there have certainly been observations that the impact of potentially the States having some form of mechanism - it could be a central charging mechanism on property, for example - we do not know and the potential impact that could have on the Parishes and then the subsequent consequence on the, if you like, authority of the Parishes going forward. Now, the amendment itself is split into 2. This particular part of the amendment deals with the income-raising element of it. There is a second part that comes later, which is saying in which case if we take away the income how do we fund it. In this instance, we are essentially removing the income-raising mechanism and this was meant to be a fall-back in the event that our earlier amendment was not approved. Obviously, we are now continuing with it. Why is the ability of the States to pay rates quite important? Well, this has been going on for a long time and I would like to go back to a report with a very snappy title *The Report of the Working Party to Examine Issues Relating to the States' Liability to Rates on their Properties*. I am not going to go into too much of it, but it made certain proposals. Proposal one, that the States, like other ratepayers, should be liable to both Parish rates and Island-wide rates on their properties. Why? “The States operates as a competitor of the private sector in the provision of certain services. By not including an equivalent to the rates charge met by a private sector organisation, the States’ operations are artificially subsidised.” Two: “The States should recognise the full cost of occupying properties for comparative purposes. The lack of rates charged skews comparisons with private sector providers and public sector bodies in the U.K., which are sometimes acting as a benchmark.” Three, and probably a key: “The States should recognise the full cost of occupying property to improve strategic decision making.” I go back to the point that has been around for a long time that the Assembly in about 2005 at least recommended, for example, a charging mechanism so that States departments recognised the cost of empty space that they tend to hold. The key point of that working party, proposal 2: “That the additional cost to the States in meeting their rates liability should be contained within existing

States budgets except where such costs form part of a service whose costs are recovered in the form of charges to end users”, the point being it should be maintained within existing States budgets. The reason one has to address this slightly is obviously the comments that have come through from both sides on this. Why do I cite that working party? I was chair of it and it was done in the time I was the Assistant Minister for Treasury and Resources under Senator Le Sueur. So we are going back a little bit, and the Constable of St. Helier may well recall those times because he was a member. Essentially, what the States have come back with is they have come back with it is going to take them longer to put it in place. Now, this is something that every organisation on the Island has to deal with except the States thus far, and I am fairly certain that the Parishes would be delighted to assist the States if they have a problem putting the schedule together for the properties they have to pay rates on. Then we come to the point of if you do take that income stream away, as we said, there is an impact on the Island as a whole. We do not know what it looks like. It is part of the whole process that we seem to be going through under this plan. Obviously, if one wants to maintain the principle of the States paying rates, you need to know where it comes from. This is where I was slightly disappointed with the comments from the Council of Ministers because essentially they automatically assume that the £1 million a year that has to be offset is to be offset ... we have said take it from contingency. We have not been specific, we have just identified the pot and they have automatically assumed it is going to be offset against an element of £7 million in there. That is not correct. The whole contingency pot that the States approve later on this week is £37 million a year, £148 million in total for 4 years. What we are suggesting is that, firstly, the charging should come forward into 2016 and, secondly, that it should be absorbed within existing finances. That is it. The principle is fairly sound, we consider, the principle that there is a lot of unknown amounts and unallocated amounts, according to the plans in front of us, particularly in the later years surrounding contingency. As I have said, it is a total of £148 million. That is why we do not think we are being imprudent by suggesting that the income-raising element should be removed. I think it is basically that simple. We are trying to stop - I know it is probably not parliamentary language - the dithering around that has been going on around this area for so long. Let us get some certainty in place. Let us activate it. We are saying the States on the basis of the plans that seem to be in front of us should be able to fund it out of existing resources without introducing another funding mechanism.

[11:45]

I shall stop there. As I said, this part of the amendment is about removing the mechanism for the States to raise a tax on someone to pay their rates bill. A later amendment is about just bringing it forward. I propose the amendment.

The Bailiff:

Is the amendment seconded? [**Seconded**] Does any Member wish to speak? The Connétable of St. Helier.

1.3.2 The Connétable of St. Helier:

When the proposer could not find his speech, I almost stood up and offered to make it for him. [**Laughter**] Members will have to judge whether I would have made a better job of it. To make it even simpler for Members, in the Strategic Plan I brought an amendment, the seventh amendment to the Strategic Plan, which inserted: “provide in the next millennium medium term” ... that is a Freudian slip if ever there was one: “provide in the next Medium Term Financial Plan for the payment of rates on States properties.” It was a happy day indeed when I opened the Council of Ministers’ comments on that where it simply said: “The Council of Ministers accepts this amendment.” They go on to say that the Council agrees there should be fairness between the burdens that are placed on ratepayers and taxpayers for the funding of municipal services and it

goes on to support this. The Council of Ministers will provide in the Medium Term Financial Plan for the payment of rates should this amendment be accepted. The last paragraph: “The Medium Term Financial Plan will also include additional income to support this payment.” Well, of course, we know what happened to that and I have already referred earlier this morning to some haziness about certain income-raising proposals. The fact that it would be “contingent on the identification and approval of the income stream” that, of course, has not happened. I am not aware of any work on that and it simply is not ready. Clearly, one of the concerns I have is that if there is no income stream identified for the payment of rates by the States as agreed in the Strategic Plan next year, then where is the certainty that it will happen in 2017 or 2018? It really is not there. So I was very surprised by the panel’s amendment and very pleased to see it. Of course, I support it because it seems to me that we have agreed the principle. The principle has really been agreed for years and there is no reason for further delay. It is a bit like saying I am not going to pay my phone bill unless I can find an extra way of raising money to pay the bill. This is an essential utility that on grounds of fairness needs to be met. The States have agreed it. We do not need another debate on whether the States should pay rates or not because it is in the Strategic Plan and the Council of Ministers has agreed to pay it in the plan. So I am happy to support this and hope other Members will do as well.

1.3.3 Senator A.J.H. Maclean:

I thank the Connétable for his contribution. We are reasonably well prepared to pay rates. Valuations have been done by the rate assessors on all States properties, but we do need more time to develop with Parishes an efficient returns mechanism to batch together States returns and payments. Otherwise we will need to employ more staff to help make returns. We have included paying rates by 2017 in the Medium Term Financial Plan. It was a commitment in the Strategic Plan, as the Connétable has just pointed out, but we do need to make considered changes to the law to avoid unintended consequences such as, for example, businesses paying less as a result of the States paying rates rather than delivering more investment in services and Parishes. It would help to understand if the implications of this change would be simply to enable the Parishes to reduce their rates, thus placing more of the burden of funding services on to the taxpayer. The Council of Ministers supported the payment of rates on condition of additional income. We cannot use limited contingencies in the Medium Term Financial Plan to fund this. We need a sustainable mechanism that lasts beyond just 2020. The use of contingencies for what is, in effect, recurring expenditure is not prudent financial management. Supporting this amendment without knowing how it will be paid for in the long term can only be described, therefore, as short-termism. The Council of Ministers supported the payment of rates as part of a new partnership with the Parishes. We need to more clearly define what this means, but in essence it is making sure that municipal services are provided by whoever is best placed to provide them, ensuring that changes support the role of the Parish. We need 2016 to make progress on these points. The Medium Term Financial Plan includes, as I have said, the payment of rates by 2017 but in a considered and measured way. The payment of rates needs to be, as I have said, sustainably funded. We should all be clear on the fiscal pressures that we face and the choices that we, therefore, have to make. Using contingencies is, as I have mentioned, short-sighted. It does not solve the problem beyond 2020 and we have to bear in mind that in contingencies, although in 2016 there is a much larger contingency base, the reality is it is only £7 million. The extra money above and beyond that is to cover matters such as restructuring, redundancy provisions, committee of inquiry and so on. So £7 million in contingencies is not a particularly large buffer for unexpected events, which is the purpose of having the contingency. We have to be ready for the unexpected and we will not be if this amendment is supported. This is not prudent public financing. We need to consider what happens if a seawall suddenly collapses or if pandemic flu were to be presented within the Island or some other unexpected event that the £7 million would need to be put towards. No decision on where the

additional income would come from has yet been taken and that work, as I have said, is already ongoing. I therefore would ask Members to reject this particular amendment and to ensure that the Council of Ministers have time to come back in a considered way, properly planned, to be able to fund the paying of Parish rates from 2017 onwards as, indeed, has been identified in the Medium Term Financial Plan.

1.3.4 Connétable L. Norman of St. Clement:

The Constables are not unanimous at all in supporting this proposition. I am certainly opposing it. The Minister just suggested that if it were adopted the Parishes would be able to reduce their rates. Not at all. The only Parish which is likely to benefit from such a proposition would be St. Helier, as I will show in a moment. But I cannot be sure of that because this proposition is so short on detail, so short on how such a scheme would work. There has been no consultation at all with the collectors of the rates and the recipients of the rates with the Comité des Connétables. Nothing has happened at all. This is so vague it really should not be supported. The reality is unless we are going to introduce a tax on education by rating our schools, as I said, the only Parish which is likely to benefit financially from this is St. Helier, the Parish which already has the highest income in rates than most of the other Parishes put together. So if this benefit is to be introduced, it is really only St. Helier that is going to benefit unless we rate our schools and, therefore, St. Clement and St. Brelade and St. Saviour with Grainville and St. Helier, of course, with Haute Vallée will benefit even more. Is that really what we want to do, start taxing education? I do not really think so. If States properties are to be rated or liable for paying rates, then I assume Parish properties will also have to be rated for Island-wide rates: Parish Halls, depots, fields and so on. Most Parishes, because they do not have many States properties in their Parishes, except for St. Helier and the schools, will be paying out more in Island-wide rates than they will be receiving from the States on their own properties if we introduce rates on those. So the only Parish that is going to benefit of any significance is St. Helier, as I say, who already have the highest rate income of all the Parishes. I think it is worth just reminding ourselves the States do or have been paying a significant amount of rates. Certainly, when it was the Housing Department, now Andium, they are the biggest single ratepayer in St. Clement. So the States have been paying rates. Harbours and Airport property, now the Ports of Jersey, of course, will now be rated. I think we are going to get about 5 shillings and sixpence from the Mont Ubé Lighthouse and maybe a bit from the Grève d'Azette Lighthouse, but other Parishes will benefit. St. Peter and St. Brelade and St. Helier will benefit. St. Helier, of course, will benefit greatly because they have a blooming great port there, so St. Helier are not doing too bad out of the States or States-owned entities paying rates. I do not think this is the time. A lot more consultation, a lot more thought, a lot more discussion has to happen before the States start paying rates. It sounds like a good idea, but when you start analysing it and digging down, drilling down, be careful what you wish for.

Deputy J.A.N. Le Fondré:

May I seek a point of clarification from the last speaker? He implied that introducing the States paying rates would mean that we are taxing education, I think. Could he clarify? I have always understood that private fee-paying schools already pay rates, so we do tax education already.

The Connétable of St. Clement:

Yes, we certainly do and it is private education that the parents pay significant fees as well.

The Bailiff:

Does any Member wish to speak? Then I call upon the chairman to reply.

1.3.5 Deputy J.A.N. Le Fondré:

I was just listening to the Constable of St. Clement, who is obviously not supportive, which is unfortunate, but there was a fair degree of work done by the working party in ... well, it is now 10 years ago, I think, and that is the point. This has been going on for years and years and years and it is not about whether the States should pay rates, because that is being supported by the Council of Ministers, it is a combination of when and what funds it. What we are suggesting is that, firstly, the funding side should be absorbed because we do not know what the mechanism is. That is what we are going to be asked to sign up to. Is it right, and as I said the working party of the day felt it was not right, that taxpayers themselves should be asked to pay what is effectively an existing liability that the States being the States have managed to exempt themselves from for years. Oddly enough, it is about fairness. It is about fairness to Parishes. I do not like smart remarks about fee-paying parents; parents who send their kids to fee-paying schools are paying lots of fees already; they can afford it, which is the implication, *et cetera*. This is about putting people and businesses on the same level playing field. I was slightly surprised by a comment in the comments from the Council of Ministers where essentially if the States was to become liable for I think the Island-wide rate there would be potential shifts in fiscal burdens that deserve more thought. Well, they have signed up to this already. Secondly, we would basically be giving more money back to businesses because the Island-wide rate would reduce, for example. What that basically means is that everyone else who pays rates has been subsidising the States for years and that then distorts - and that is the point - everybody else's costs. It is a minor thing but it is the principle of it. It is trying to send a message that we are trying to put the States on to a level playing field with everybody else. So, as I said, it is about fairness. It is fairness to the Parishes and fairness to all Islanders and businesses who have had to pay more than their fair share of rates due to the fact the States have never wanted to pay them themselves. There are lots of precedents in the U.K., for example, of local authorities paying such rates, so it is about encouraging good behaviour and it is about recognising the cost of owning property. As we have said, this part of the amendment is about taking out the income line, but we are not being stupid about it. We are saying take it and fund it from contingency. As we have also said - and I was disappointed again that the Minister for Treasury and Resources made the same mistake - it is not against the £7 million for seawalls or whatever it is. The pot is £37 million.

[12:00]

The pot going forward, the fund for 2017, for 2018, for 2019, is also around £37 million a year. It is a total of £148 million. The Council of Ministers has already moved money from future contingency funds back to 2016. That is one of the changes that has gone through already. In other words, that pot can move a little bit but in total it is £148 million that is there and we are suggesting that we apply £4 million of that to meet the promises that have been made so many times for the States finally to pay rates. No ifs, no buts, no maybes, let us do certainty. On that basis, I would like to maintain the amendment and call for the appel.

The Bailiff:

The appel is called for. I invite Members to return to their seats. The vote is on amendment number 12, paragraph (a)(i), the first part of amendment number 12. I invite the Greffier to open the voting.

POUR: 17		CONTRE: 26		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. John		Senator A.J.H. Maclean		
Deputy J.A. Martin (H)		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator L.J. Farnham		
Deputy of Grouville		Senator P.M. Bailhache		

Deputy J.A.N. Le Fondré (L)		Senator A.K.F. Green		
Deputy K.C. Lewis (S)		Connétable of St. Clement		
Deputy M. Tadier (B)		Connétable of St. Peter		
Deputy M.R. Higgins (H)		Connétable of St. Lawrence		
Deputy J.M. Maçon (S)		Connétable of St. Mary		
Deputy S.Y. Mézec (H)		Connétable of St. Ouen		
Deputy L.M.C. Doublet (S)		Connétable of St. Martin		
Deputy R. Labey (H)		Connétable of St. Saviour		
Deputy S.M. Brée (C)		Connétable of Grouville		
Deputy T.A. McDonald (S)		Connétable of Trinity		
Deputy of St. Mary		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

1.4 Medium Term Financial Plan 2016-2019 (P.72/2015): second amendment (P.72/2015 Amd.(2))

The Bailiff:

We now come to amendment number 2 lodged by Deputy Southern and I ask the Greffier to read the amendment.

The Greffier of the States:

Second amendment, part 1. After the words “as shown in Figure 18” insert the words “except that the intended total amount of States income shall be increased by the amounts in the following table by the introduction of a higher rate of income tax in the 2016 Budget for individuals whose income is greater than £100,000 per year to offset the 2016 financial impact (and the ongoing financial impact in 2017 to 2019) of not proceeding with the proposed savings in the expenditure of the Social Security Department shown – (i), 2016 zero; 2017 £2,700,000; 2018 £1,500,000; 2019 £1,600,000, to retain Christmas bonus; (ii) 2016 zero; 2017 £200,000; 2018 £100,000; 2019 £100,000, keep T.V. licence benefit open to new applicants; (iii) 2016 zero; 2017 £1,500,000; 2018 £1,000,000; 2019 £1,000,000, apply index linking to core components of income support; (iv) 2016 zero; 2017 £120,000; 2018 £180,000; 2019 £240,000, maintain current income support disregard for pension income.” Part 2, after the words “Summary Table B” insert the words “except that the total amount of States net expenditure shall be increased in the years 2016 to 2019 by the amounts in the following table by not proceeding with the proposed 2016 savings (together with the ongoing financial effect of these savings in 2017 to 2019) in the expenditure of the Social Security Department as shown: (i), 2016 £1,300,000; 2017 £1,400,000; 2018 £1,500,000; 2019 £1,600,000, retain Christmas bonus; (ii) in each of the 4 years £100,000, keep T.V. licence benefit open to new applicants; (iii) 2016 £500,000; 2017 £1,000,000; 2018 £1,030,000; 2019 £1,106,000, apply index linking to core components of income support; (iv) 2016 £60,000; 2017 £120,000; 2018 £180,000; 2019 £240,000, maintain current income support disregard for pension income.”

1.4.1 Deputy G.P. Southern:

What we have here, I believe, is an alternative in order to protect the poorest and the most vulnerable in our society and I cannot believe that everyone in this Chamber would not, if they could, want to do that. In fact, most Members in this Chamber at the last election probably made some commitment, some promise, to do exactly that when meeting their voters and, in particular, in this first part of what is a 3-part amendment, to protect pensioners in particular. The mechanism by which we are doing that or attempting to do that is one which, like the M.T.F.P. in its original form, is balanced. You have 3 ways to balance the M.T.F.P. One, as we have heard, is to transfer money from contingency in order to make sure a spend takes place. Others may decide to transfer from one department to another in order to maintain a particular service. The alternative is to raise fresh taxation, in this case fresh taxation from an increased rate of tax on individuals earning more than £100,000 a year. Members will see on page 6 of my proposal that, in fact, if one were to do that - and we now have data from the Income Tax Department as to how many of those fortunate people there are - and if we were to cover the full £10 million which is proposed to be taken from benefits in order to protect the poor and vulnerable, then Members will see from that table that I have reproduced a rise from 20 per cent to 25 per cent on incomes over £100,000 could produce of the order of £17.2 million additional revenue. In order to produce the £10 million necessary to halt the cuts to benefits, that would mean approximately a 3 per cent increase in income over £100,000. So we are talking of the order of 3 per cent in order to protect in particular in this case our pensioners. Indeed, Ministers themselves have reluctantly I think come to the conclusion - they certainly were not saying that before the election - that they, too, must raise tax. The raising of tax via a health fund, £35 million worth, and a sewage charge, £10 million worth, they have reluctantly come to and said there will be tax rises. Our proposal is that the taxes should fall on the shoulders of those best suited to bear that particular small increase. So the first thing to do is to establish what we are talking about in terms of can this proposal be done. We see in the comments which are shared between amendments to 8 and 9, which come from the Council of Ministers, a whole raft of objections to doing what I am proposing in this particular amendment. We are told that the rate that we have, the 20 per cent on personal income tax, is regarded as characterised as a low tax jurisdiction. The first point that I make there is would 23 per cent, which is what this may entail, on earnings above £100,000 make us a high tax jurisdiction? I do not believe so. I think we can still safely call ourselves a low tax jurisdiction. The reality is that we have been dependent on a single economic model for the last several decades and it is one which is low tax and low spend. We cannot maintain that in the face of £145 million shortfall in income tax. We must, I believe, be looking to raise an additional taxation somehow. We need to do that in order to pay for our increasingly elderly and pensioned population which we need to keep healthy. So the balance low tax/low spend no longer works. Why? Because what we have now is a higher spend and inevitably a higher spend. That is the reality. The old model is broken. When Ministers and Members stood for election a year ago, they must surely have recognised that. In order to look after our elderly, our pensioners ... and remember, our pensioners are voters. They are the people who vote. We surely should be looking after them. It then went on to say if a relatively small number of higher earners choose to relocate as a consequence of the tax rate increase you would need a significant number of additional taxpayers paying the average tax bill to maintain overall tax revenues. Here we go with that old chestnut: if you raise taxes on those who can well afford them by a small amount, they will all leave *en masse*. I do not believe for a second that that is the case. Would you leave your children's education? Would you leave your several million pounds house? Would you quit the Island and move to the Isle of Man where it rains 300 days a year? I do not think so, but that is trotted out every time we say that. Also in their comments the Council of Ministers says: "There have been several debates about higher rates of tax in Jersey in recent years, all of which have been rejected. The arguments have not changed since those debates and are repeated in the comments above." The arguments have not changed. What has changed is the shortfall in income tax revenues of £145 million. We have never had this debate looking at that shortfall. The Council

of Ministers then go on to say: "It is not clear how this new higher rate of tax would interact with the marginal rate tax system and in the light of that fact the Deputy is seeking this higher tax rate to be in place by 2016 year assessment. This issue should have been considered and addressed in the amendment." Well, I am pleased to know that the Council of Ministers have such high regard for me that they feel I could dot the i's and cross the t's on an entire policy for income tax when they cannot. Because they then go on to say: "As has already been highlighted in the independent taxation feasibility study, a move to independent taxation is highly complex with many interacting elements which will potentially result in winners and losers who need to be identified and the impact on them quantified." So they are saying it is extremely complicated but Deputy Southern should have come with a full package all sorted out.

[12:15]

Yet what have we got in terms of this complex package? We have the following: a feasibility report into the introduction of independent taxation in Jersey - this is the key element we need to do - dated October 2013, which says in the foreword by the then Minister for Treasury and Resources, Senator Ozouf: "The first important step towards independent taxation will be made in this year's Budget [back in 2013] namely decreasing the marginal rate band by 1 per cent. There is a commitment to introduce independent taxation in Jersey. Over the next 2 years work will continue on introducing independent taxation to the following timetable." The timetable was this: "Review completed and recommendations included in the 2016 Budget at the end of 2015. Commencement of implementation in 2016. Implementation fully completed by 2020." So we have a plan to go for independent taxation. We have a timescale and that timescale fits this particular Medium Term Financial Plan, so it is doable. Do not let anybody try and convince you that it is not doable. It is doable. Senator Ozouf set out a schedule that said it was doable within the timescale that we are talking about today. So, why would we want to amend this particular Medium Term Financial Plan and to amend this aspect of the reduction of benefits, in particular for senior citizens? I will just quote Senator Maclean here when he stood for election back in November, and what a magnificent sight that was. About senior citizens he said: "We owe a great deal to our senior citizens who made our Island the very special place that we enjoy today. In other societies, the senior members of a family are treated like royalty and honoured for their wisdom and experience it is essential that senior citizens are afforded the respect and care that they deserve after years of paying their taxes and contributing to our community." Hear hear, I say. It then goes on to say: "Inflation and especially the rising costs of food and fuel are impacting on retired people living on fixed incomes. We must ensure that help is available and targeted in a fair and dignified manner to those in genuine need." I think all of us might support those sentiments, and those indeed are one of the reasons why many of us stood for election in order that we could deliver exactly that. That respect and dignity for our pensioners. I will then quote briefly our Chief Minister, Senator Gorst, who does not have the same flowery words to say about senior citizens on his leaflet. It says this instead: "How I come to the decisions that I make is of the utmost importance to me. I strive to take people with me based on proposals that are sensible and thoroughly researched. Such an approach reflects a deliberate policy of inclusion." Let me assure Members and Senator Gorst that these proposals are not thoroughly researched, which is what he intends. I turn to a Scrutiny Panel hearing for the Minister for Social Security, which took place approximately a month ago, and at that Scrutiny hearing the Minister for Social Security said: "Every single change we have made [meaning these cuts; £10 million of savings] has been done on the most enormous amount of research and calculations. We do not pull things out of the air." When asked: "Can you show this committee this research?" the answer was they could not. The policy and strategy director had the following to say about the research that should have been done: "Jersey at the end of the day is a very small jurisdiction and the level of understanding of poverty, which is a very difficult thing to get your head round, is difficult because of the amount of survey work that you need to do that you

can justify paying for. The Stats Department are now doing a 5-year cycle of household income and spending surveys. One was done in 2009-10, which showed that bringing in income support had improved the position of lone parents compared to the previous survey. The current survey is currently being finalised now. Field work is quite a complicated thing to do and you have to go round people's houses, you have to look at their income and their expenditure over a period of time so it is very labour intensive. It takes quite a lot of time and effort. As of now, we can afford to do this work only every 5 years." The research then has not been done. It is about to be finalised and within 2 months the research which indicates levels of low income either among pensioners or other people in receipt of benefits will be done, but it has not been done. The results, she says, will be published towards the end of this year. These will be results based on work that was undertaken between May last year and May this year, so they will not reflect these changes. You have to understand that. They will set you things like international relative poverty lines, where to look at the median household income and then you take a portion of that and you say: "We will set our relative low income threshold at that figure." When asked whether there was any research already done the policy and strategy director said: "There is no ... we have not done any field work." "When the Minister says we have done the research are you saying we have not done the research?" and the answer was: "Yes, research has not been done." This Minister cannot say, I do not believe, that there is absolutely no potential for damaging the position of pensioners among others, or for doing harm by these cuts because that work has not been done. There is no research and, indeed, no full consultation on these measures whatsoever. We are doing them blind. We hope they will not cause harm, we do not know, but pensioners will see reductions in their disposable income. The Minister for Social Security also has tried to persuade us that of course pensioners are fairly well off as a whole and that we should not be targeting benefits at them, and nothing could be further from the truth because if you look at the relative low income thresholds you will find that, in particular, pensioners and single parents predominate below the threshold. They are the relatively poor. The figures from that 2009-10 income distribution survey suggested that after housing cost 46 per cent, almost half, of single pensioners were in relative low income, i.e. in what we call poverty. For couples that figure was 23 per cent, so a quarter of couples - pensioner couples - and half of single pensioners are in relative poverty. They are the figures we had in 2010. Those are the figures that in order that we should safely proceed with these sorts of cuts we would need to confirm with up-to-date factors. Now the reality is that what is being proposed here is that we are taking short-term measures, I believe, to try and attempt to deal with what is a very long-term measure. The fact is we are an increasingly ageing society. We need to pay those pensions and we need to keep the elderly healthy. The Social Security Department appears to conflate the short-term cuts that they are proposing with the solution that has to be developed for affording those pensions and the good health of our increasingly elderly population. They are doing that, or they are going to set out to do that. They say clearly the States must make plans to ensure that public finances are sustainable in both medium and long term. The M.T.F.P. sets out the medium-term plan but is not designed to address the longer-term challenge of maintaining a viable social security pension scheme. To do this a review of a long-term future of the Social Security Fund and the balance between contributions and pensions will start later this year. This review includes increasing the liability for contributors ... the review will consider options for increasing the liability for contributions from higher earners, reviewing the level of the standard earnings limit and the upper earnings limit, increasing the percentage rate for contributions, reviewing the balance between employer and employee contributions, reviewing the liability for self-employed contributors, reviewing the method for operating pensions and benefits, increasing the State pension age, reviewing the eligibility for pensions, and reviewing the range of the working age benefits available. A major piece of work to look at the longer term, on top of which we are now talking about making this £10 million worth of cuts. As we have seen, these cuts do affect the least well-off pensioners, those who have to rely on income support in order to top up what pension they

have, apart, that is, from the Christmas bonus. The Christmas bonus is not targeted and goes to every pensioner. That is not to say that the Christmas bonus is not noticed when it comes in. It is considered very valuable, not only by pensioners but by certainly the people I talk to, whether they are young or old, rich or poor, one thing that Jersey people take pride in, is our Christmas bonus. That is the least we can do, they say to me, to value our pensioners. So it is a very emotive topic and, as we have seen, since the majority of pensioners are relatively poor, despite the absence of targeting, it is still highly effective and beneficial benefit for them to have.

[12:30]

The 4 reductions are the closure of the Christmas bonus, which I do not believe is valid, and is respected by all Jersey residents, the closure of the T.V. licence benefit for new entrants, replacement of the fixed disregard with a percentage for pensions under income support and the freezing of income support components. Those are the 4 issues that I have targeted in this amendment. I was going to go on - I think I will - to talk about the Christmas bonus as a starting point. The Christmas bonus currently stands at £83.73 and is paid to some 18,000 individuals. It has been the subject of 2 amendments before in order to reduce it. The first sought to put an income bar on it, which is always a possibility; the second reduced the size of the Christmas bonus. In the proposals from the Social Security Department the Minister obviously recognises the sensitive nature of this particular amendment and has proposed that in scrapping the £1.5 million Christmas bonus that it takes has offered to transfer some £200,000 of that into the Westfield health scheme. But that I do not think is adequate recompense for losing the Christmas bonus. So in the absence of any fresh data from a new income distribution study in 2015 I do not believe we should be scrapping the Christmas bonus. In terms of the other issues, the closure of the T.V. licence benefit to new entrants, this measure seems to me does not fit into any of the objectives set out with the Minister. It cannot be said to promote financial independence nor does it improve targeting. It is already tightly focused, I believe, with an income set at £16,000 for a single pensioner and £26,000 for a couple. It is further targeted by age because it is only open to those aged 75. A combination of these 2 measures means that this benefit is restricted to around 2,000 pensioners out of 7,700 over-75s. The free T.V. licence, which is £145.50, equates to a weekly sum of £2.80. Failure to index or to freeze income support components however makes a much more significant difference and reduces, on my calculations, the disposable income of pensioners by around £9. The Minister for Social Security may argue with the figures but the figures from the Income Tax Forecasting Group, which were put into the M.T.F.P., show that cost of living, R.P.I. (Retail Price Index), is due to go up, or the estimate is, by 3.1 per cent in 2016 and 2017. That is when the benefits are to be frozen. The 2 benefits not frozen: one is the rent allowance and the second is the childcare allowance. But pensioners do not get childcare allowance and the rent, if you talk to any pensioner, will tell you when you get your pension increase in October it goes straight out through the door as a rent increase at the same time. We have committed to increasing the rental component of income support because we have committed to allow Andium Homes to raise its rents by R.P.I. plus 0.75 per cent. So it is ahead of R.P.I. If you do the calculation, for those who receive income support on the back of a part pension or full pension, which are those in most need, then you get a reduction in the disposable income of those pensioners of around £9 a week or more. So that is quite significant. Finally, the change to disregard for pension income has an equally damaging effect on the disposable income of pensioner households in that currently the disregard is set at around £55 and the proposal is that for new entrants into the pension scheme, new claimants for pensions, this should be reduced to 23 per cent. Now a full single pension is around £200 a week so it does not take a great deal of calculation to work out a 23 per cent disregard on £200 is £46 a week. This compares to the current state which is £55 a week. So that means a small amount of people who come into income support, around about 200 every year, or just under that, will see a reduction in the value of their pension compared to those currently in the scheme. In other words,

if you were to get your pension and claim it, if your birthday was in December, you will have £55 and you will keep that. If you claim in January, your birthday comes the other side of Christmas/New Year, then your disregard will only be £43 compared to your colleague who just joined a month earlier. Now I do not believe that we should be doing that at this stage, if we can possibly avoid it. I look forward to hearing from Members probably after lunch, will it be, Sir?

The Bailiff:

Is that your way of calling for the adjournment?

Senator I.J. Gorst:

Before that is done, could I just clarify? As we came to this I was not sure whether Deputy Southern was going to be having individual debates. I am assuming from his opening comments that it is just one debate and he will be separating the votes. I wonder if he could just confirm that is the case.

The Bailiff:

I am certainly understanding it to be one debate, Deputy, and that you are addressing all parts of your 2 propositions here and that we will then take votes separately. Perhaps you could indicate what votes you are going to be asking Members to take. I have heard a suggestion that you might wish to take paragraphs (i) of resolutions 1 and 2 together, is that right or not? So looking at the Christmas bonus one, for example, are you wanting the income and expenditure vote to be taken together on those or do you want them split?

Deputy G.P. Southern:

In order to balance the thing they should be taken together, because a balanced budget is what we are all aiming for.

The Bailiff:

It is your call, Deputy.

Deputy G.P. Southern:

I do not want to unless somebody says: "Okay, I want to preserve it, this particular benefit, and not pay for it this way." I do not think ... if that is possible then I can take it separately.

The Bailiff:

I think it is your call and some time between now and the time we take the vote you must tell us what you want to do.

Deputy A.E. Pryke of Trinity:

Just a point, do we have to mention that we receive the Christmas bonus; I do receive a Christmas bonus.

The Bailiff:

It is a matter for you, I think, Deputy. The practice in relation to financial measures of this kind so far is not to require the declaration of interest in that way because it is clear that this is not a direct financial interest, it is an interest which is shared with a large class of people. But I was just contemplating the full effect of that. Unfortunately perhaps I can say - he is not here - to the Privileges and Procedures Committee that I think that Standing Order 106 badly needs attention because it is not well drafted and therefore the question of declarations of interest I think are not as clear as they might be. Perhaps I can get a ruling on that when I have just had further thoughts about it over the lunch adjournment.

LUNCHEON ADJOURNMENT PROPOSED

Deputy G.P. Southern:

I do not believe, before we adjourn, I have been seconded.

Deputy S.Y. Mézec of St. Helier:

Seconded, Sir.

The Bailiff:

It is now seconded. The States now stand adjourned until 2.15 p.m.

[12:42]

LUNCHEON ADJOURNMENT

[14:16]

The Bailiff:

Just before lunch the Deputy of Trinity asked me whether or not it was necessary to declare an interest as a potential recipient of the Christmas bonus. I repeat the view that I expressed before lunch that Standing Order 106, in my view, needs attention but in the interim I am going to follow precedent and say that in dealing with benefits available to or taxes, duties and impôts imposed on a large class of persons there is no need to declare an interest or withdraw. The proposition of Deputy Southern has been ... Deputy Southern.

Deputy G.P. Southern:

You asked me before lunch to decide whether I wanted to take the income rating and the expenditure separately.

The Bailiff:

You have time to decide. You can tell us now if you wish.

Deputy G.P. Southern:

I have consulted several Members who seem to be of the opinion that I should take them separately and the Greffier, I understand, says that that is perfectly in order, with your permission.

The Bailiff:

Probably my decision rather than the Greffier's but, yes.

Deputy G.P. Southern:

As I said that I was doing it wrong.

The Bailiff:

Very well, 8 votes it will be. Does any Member wish to speak?

1.4.2 Senator A.J.H. Maclean:

I will kick off. There seems to be a reluctance after lunch for Members to speak. I would like to begin, if I may, on a positive note. A little lunchtime sustenance tends to do that. I can see great anticipation from Deputy Southern over there, and it is indeed he who I wish to congratulate. I wish to do so because what he has presented here is at least a proposition that has a funding mechanism attached to it. There are many elements obviously, which we will come on to later, highly emotive certain parts of it, and it has been quite widely debated in the media as well, which is not surprising. Sadly, his proposal to increase the personal rate of income tax - and I am sure

Members would expect me to speak on this particular aspect - to raise the necessary revenue is unacceptable and I will go on to hopefully persuade Members the reason why. The 20 per cent personal income tax rate forms the bedrock of the Jersey tax system. It is an unchanging element of the Island's tax regime for more than 60 years. The 20 per cent personal income tax rate provides stability at the core of the tax system and ensures that Jersey is characterised as a low tax jurisdiction. Once this reputation for stability is broken it will take many years to rebuild it and risk significant economic damage. To increase personal income tax rates would contradict the long-term tax policy principle agreed by the States as part of the Strategic Plan debate but taxes must be internationally competitive. When looking at the Island's competitive position it is necessary to first compare ourselves to our nearest neighbour and closest competitor and that, of course, is Guernsey. The personal tax rate there is of course 20 per cent and for Jersey to go higher would put the Island at a significant competitive disadvantage. Do we really want to make Guernsey more competitive than us, effectively handing them business on a plate? Rather than highlight the personal tax rates in the U.K. and other high tax European jurisdictions it is much more valid to look at the personal tax rates applicable to our competitor jurisdictions. We can also look at the fact that higher tax rates are paid than in Hong Kong and the British Virgin Islands and Cayman, here in Jersey. If Jersey's personal tax regime becomes less competitive it will be much more difficult to attract critical inward investment. Furthermore, we would risk losing our entrepreneurs, the wealth creators, who choose to come to the Island and establish and grow their businesses; businesses which create high quality employment opportunities and, in turn, greater tax revenues for the Island. Members should not forget that existing high value businesses already in the Island are generally highly mobile. Increasing the personal tax rate would be another added risk that they may choose to move their business and employment elsewhere. It might not be the scale of this particular rate increase that tips the balance for people to consider whether Jersey remains the place for them, but the fear that once the 20 per cent threshold has been broken it is not clear how many further rate rises could indeed follow it before a new ceiling is established. It is a matter of confidence, a matter of stability, a matter of certainty that businesses and entrepreneurs need and has been Jersey's longstanding strength. The proposal also fails to recognise the significant contribution to tax revenues already being made by those taxpayers who currently have the highest incomes. For the 2013 year of assessment, 10 per cent of taxpayers with the highest incomes paid 51 per cent of the Island's personal income tax. To put that into broader context, the 20 per cent of taxpayers with the highest incomes paid 69 percent of the Island's personal income tax. It is clear that those with the highest income are already making a very significant contribution to tax revenues. If a relatively small number of higher earners choose to relocate as a consequence of a tax rate increase as proposed in this amendment, it could be a significant loss in both tax revenues and, of course, employment. The tax proposal contained in the proposition misunderstands the operation of the Island's personal tax system. It is not clear how this proposed new higher rate of tax would, for example, interact with the marginal rate tax system. For example, due to the allowances and reliefs available at the marginal rate taxpayers can have an income in excess of £100,000 yet still pay tax at the 26 per cent marginal rate. How would they be treated? Would their tax rate be reduced on the element of their income that is above £100,000? This is just one small example why significant tax changes cannot be contemplated without detailed assessment and consideration. In light of the fact that the Deputy is seeking this higher tax rate to be in place by 2016 year of assessment, less than 3 months away, this issue should have been considered and addressed in the amendment. The tax proposal contained in the amendment must also assume a move to independent taxation in order to prevent married couples from being disadvantaged. The fact that the Taxes Office can split the income of a married couple between the spouses, as shown in the amendment, does not mean that independent taxation is achievable by 2016. There are many unanswered questions. For example, how should the tax allowances be split between a married couple? As has already been highlighted in the independent taxation feasibility study, a move to

independent taxation is highly complex with many interacting elements which will potentially result in winners and losers who need to be identified and the impact on them quantified. The intention remains to move towards a system of independent taxation over the longer term but it cannot be in place by 2016 year of assessment. Similar proposals to raise the 20 per cent tax rate have been debated in this Assembly before. On each occasion Members have rightly regarded our longstanding 20 per cent tax rate as sacrosanct. Briefly, on the 4 parts of this amendment, which are highly emotive and relate to benefits. Deputy Southern quoted me as being a supporter of our senior citizens, and I am, as I am sure all Members in this Assembly are as well. That is why we introduced the long-term care scheme, and that is why we are investing as a proposal with this Medium Term Financial Plan an extra £96 million of investment into health care, specifically greater care in the community which is so critical, particularly to the senior citizens. The Minister for Social Security has a difficult job but is fully supported by the Council of Ministers in seeking to target benefits as fairly and affordably as possible. I understand, as Ministers do, how emotive subjects like the Christmas bonus are. It is the case in point with regard to our ageing demographics the difficult decision that Ministers have to make in bringing proposals of this magnitude forward to the Assembly. It is costing, as Members will know, £1.6 million currently. Over the next 4 years that will be a total of £7 million on the Christmas bonus. Of course, as pensioner numbers accelerate, the cost increases further to a point where it becomes unaffordable. The Minister proposes taking some of the saving from the Christmas bonus and targeting it to pensioners under the existing 65-plus health scheme, and that is the approach that I believe is a sensible approach to take, ensuring that the right people are targeted with such a benefit. That is what we need, targeted benefits, getting to those that really need them. The Minister for Social Security will talk in detail about all the proposed benefits changes, so I will not go further than to say that I strongly urge Members to take the very difficult but what I would describe as the long-term decision to support our children and grandchildren and to reject this amendment in all parts so that we can move forward with sustainable public finances in the long term.

1.4.3 Deputy M. Tadier:

Some of the points will obviously be covered in the next 2 amendments and I will seek not to repeat those later on, but I will be speaking in many ways in global terms and I think it is often the case that we can get bogged down in facts and figure and the figures start to become intangible after a while, while we talk of tens, hundreds of millions in some cases, although we know that in other debates we will be talking about £40,000 or £100,000, so it really is from one end of the spectrum to the other. What I would like to pose is the question: does the Council of Ministers have a mandate to axe the Christmas bonus for O.A.P.s (old age pensioners)? Do they have a mandate to axe T.V. licences, which are already means-tested for over-75s? Do they have a mandate to abolish index linking to the core components of income support? Do they have a mandate to change the disregards for income support? I do not believe they do. We have already heard the Minister for Treasury and Resources' manifesto having been quoted. The great thing about manifestos is that you can outline really great plans in some cases; it is traditionally that the Council of Ministers' successful candidates. They call it motherhood and apple pie, I believe, is the expression and does it not do well? Election after election we see the same Tory candidates being elected, only on this occasion they had no intention, I suspect, of fulfilling their promises. Or were they promises? Let us look at what was said. Senior citizens, the Minister for Treasury and Resources: "We owe a great deal to our senior citizens who made our Island the very special place we enjoy today." An over 65, 70 year-old reading that would say: "Oh, that sounds good. He has taken the time to put something in there specifically for my demographic. He knows that I am one of the people who is most likely to vote in our Island. It starts off really well."

[14:30]

“In other societies the senior member of the family are treated like royalty and honoured for their wisdom and experience.” Again, statements which are designed to make us all agree and feel warm and fuzzy inside. That is right. “I have got a gran or I have got a mother or I am one of those grandparents, and it is right, we should be treated like royalty. Sometimes we are taken for granted. We are often told that we are the problem and that there is an ageing demographic and it is all our fault and that is why all these nasty things are going to have to be done. But, yes, we do deserve a bit more respect.” It is essential that senior citizens are afforded the respect and care they deserve after years of paying their taxes and contributing to our community. Inflation, especially the driving costs of food and fuel, are impacting on retired people living on fixed incomes who must ensure that help is available to them. It all sounds really good apart from there is no line underneath: “Incidentally I have no intention of doing any of this when I become Minister for Treasury and Resources. It is simply statements which are bland, quite true, but I am not saying I will do these things.” Let us compare that to other manifestos where somebody says: “I will oppose any cuts to services that will hurt the vulnerable and those on low and fixed incomes including pensioners.” Absolutely no room for manoeuvre in that particular promise. “Reform Jersey candidates will oppose any increase in G.S.T. and if spending does need to increase it is important that it does not hit Middle Jersey.” No ambiguity in that, thank you very much. We must look at progressive methods of taxation, including the restructuring of social security contributions and contributions ... this is my own manifesto, that is perhaps going into a different area. But the point is we talk about progressive taxation where those who are able to pay the most do pay the most, which is not currently what we have. We have various examples of regressive taxation. We would need to look at social security contributions. They are capped at roughly the £45,000 mark and then there is an upper cap of around about £152 for the second levels of contribution. That means essentially that the highest earners do not pay the most and when it comes to the stealth tax, which is a tax, the long-term care tax which will be going up to 1 per cent, that is essentially a tax rate of 21 per cent for people in our society. We talk about the golden path of 20 per cent, we are going to have 21 per cent for most people in our society. That will go up to 23 per cent we have already heard, and no doubt that will be the preferred option for the new health charge. Likely again it will be capped so that will be middle and lower Jersey again paying more for their health charges, so that the most wealthy in our society can be let off the hook. I was always told that equality is important and in an ideal world you could say that we could have a proportionate tax rate, so everybody pays the same percentage. That is the starting position but we do not even have that when you take into account all the other regressive elements, including G.S.T., which again disproportionately hits those who have to spend all or most of their income. So that is why it is entirely appropriate in a round of measures to have a more progressive element in the whole, and that is for those who can afford to pay they should afford to pay. I do feel sorry for the electorate because a cynic might turn up to the Assembly and say: “Well, if the public who voted, and most of them were the elderly, if they want to elect a bunch of Ministers who are going to cut their Christmas bonus then let them do that. The problem is the electorate were never told that. There was never any plan. Nobody knocked on the door and said: “Incidentally vote for me and the team of Ministers, we are all wearing these ‘Yes’ stickers. That is not because we are ‘yes’ men but because we are also campaigning in a separate referendum and incidentally we are going to cut your Christmas bonus, we are going to take your T.V. licences away for those on benefits.” Already less generous than the U.K. incidentally. In the U.K. it is for all over-75s and we know that the BBC will be taking on that burden. One questions why that is not the case in Jersey, he says, looking up to the BBC box, but perhaps that is an argument for another day. In Jersey it is already more parsimonious than our U.K. counterparts. None of these promises were ever outlined at the election so the Council of Ministers does not have any mandate, nor does any Member in this Assembly. Certainly I feel clear in my own conscience in that I have a mandate to oppose these pernicious cuts because that is what I said I would do in my manifesto. I think integrity is an

important part in encouraging the public to take part in the democratic process. When we see Ministers standing up and breaking promises less than a year after their election it does not do anything to inspire public confidence or, in fact, say that they should be taking part in the democratic process. It does the opposite. But what are the reasons why we should be supporting this specifically? I would like to talk briefly about the concept of goodwill in society. It is not something that you can put a value on, whether that is to do with the workforce or whether in this case it is to do with those who have been in the workforce who, in many cases, might be still semi-partially retired or heavily involved in the voluntary sector. It is because we value what they do. So that £1.6 million, which is going in towards Christmas bonuses for everybody, I think is an important fact. It says that no matter who you are in Jersey society, whether you are rich, in the middle or you are very wealthy we value your contribution, not simply economically to the Island, but because you are one of our citizens and we know that you contribute culturally. You may raise your own children, you may look after other people's children, you may work with children, you may work in charity shops at the weekend or during the week, you may take part in community events, you may assist at Parish Halls, *et cetera*. We value that. This figure will remain as our gift to you because this is what we do to honour the elderly, the wise, in our society. I am not saying they are all universally-wise in the same way that not all young people are universally rebellious, perhaps that goes without saying. But I think Members get the general gist. I think that can be said for the means-tested T.V. licences. We know that we do not have the facilities in our society to necessarily provide the infrastructure. We talk about caring for people in their homes longer, even questionably if it is not the right forum for them because it is much cheaper than putting them into care where they can be looked after around the clock. Those individuals, some of them the only lifeline they have is their T.V.; the news, whether it is local or international, and it is like a friend for them in their own homes. We do not do enough for the elderly in many regards, and I think by imposing these 2 nasty cuts we are not helping the situation at all, especially when there is another option in a wealthy Island, which we are told this year saw economic growth, perhaps in contrast to other areas. The point of economic growth is that not everybody shares in the benefit of economic growth. Not under our model. Who does economic growth tend to benefit? It tends to benefit those at the top and therefore ... but we know that in the last 10 years the standard of living on average, so for most people in the middle, has gone down by 20 per cent in real terms. This is often not put as a headline. It is, as I said yesterday, somewhere in the small print but this is the reality which many are living with. In the meantime, the 1 per cent, the 0.1 per cent, however we want to judge it, are getting more and more wealthy. We know that the number of millionaires recently, in the last 5 years, has I think almost trebled ... quadrupled in 10 years so somebody is doing quite all right out of the austerity that has been put away, that has been put around. We know that there are successful companies and individuals out there and all we are saying is that they could, especially in difficult times, pay their share as you might do in a family. If you have a family where 5 of you are not doing too well ... we can probably remember the old programme *Bread* that the northern, so where you put your £20 note into the middle dish and you paid as you could. That is what we should really be doing in society. When we hit hard times why is it that we always say it is those who are least able to pay have got to tighten their belts when those who are doing quite well ... we talk about the £100,000 threshold but of course we know there are £300,000, £500,000 earners out there, people who earn perhaps more than £1 million a year, why would they not be able to pay an extra 5 per cent tax on that higher level. It is purely ideological. It is not economic and we have already discussed the arguments to do with them leaving. We never hear anything about what about the under-25s in Jersey, they might all decide to leave if we cut their benefits. They might decide: "Blow this, I am not hanging around in Jersey. Let us all go and up-sticks, live in the U.K., live in France or move to the Far East because perhaps there are incentives there. It is much cheaper to live and I know I can live for a month in Thailand when it would cost me ... I can live a year in Thailand where it would cost me a month in Jersey and I can make that money last." So we

see an exodus of our talent, we are pricing out the young people. Not just those but the ones who cannot afford to buy homes in Jersey because we have done absolutely nothing meaningful to tackle housing issues so we see another exodus of those people leaving the Island, but yet this myth of if we adjust the top rate then we are going to see an exodus of the most wealthy. Quite frankly it does not stack up at all. We know that the zero rate in Jersey is probably key to its economic success even though there are other debates to be had around that. It is not to do ... we know the 10 per cent rate is also competitive for banks so it is not to do with that. It is to do with those earnings. It is another way of clawing back money from local directors of companies who have staff who are paid high amounts here who otherwise would not pay tax. I think those are the key issues. I am not going to reiterate the points which are to do with progressive taxation, because I think they have been well covered unless it is to cover a new ground, but I would ask every Member in this Assembly to question whether they have a mandate to push through these cuts to support these cuts that the Council of Ministers are putting in there. I certainly do not have a mandate to do that. I have a mandate to do the contrary. It might seem that we are on a back foot here because it is obviously up to us to put an amendment in to take these things out but it is the ball is in the Council of Ministers' court effectively because they are the ones proposing to take away a benefit; a benefit which these individuals who have been paying in for their whole lives have a reasonable expectation to receive when they retire. It is about that social contract and that is what is being broken today. I will not have any part of these cuts because I think there is an alternative. I simply do not buy the lie that is being pedalled here and in other jurisdictions which are pushing the austerity agenda, that there is no alternative. There most certainly is an alternative and it is called fairness, it is called equality and, in particular, in these areas, it is to do with looking after those vulnerable groups, be they the elderly or be they those who are on income support.

1.4.4 Deputy S.J. Pinel of St. Clement:

This amendment covers 4 quite distinct areas and I think it is vital that Members receive a clear explanation for each separate proposal and the background to these changes. The first part of Deputy Southern's amendment deals with the Christmas bonus but I would like to start with some general comments about the benefit changes as a whole. As Minister for Social Security I have been given the difficult task of identifying a contribution of £10 million towards the total of £145 million needed to invest in health and education as well as balancing the books by 2019. I have examined every option and I have had to take tough decisions in order to put forward a package of carefully thought through changes which will achieve this target while seeking to minimise the impact on benefit claimants. The Minister for Treasury and Resources has explained the opposition of the Council of Ministers to the proposal to increase income tax to higher earners. I will now set out Council's arguments against Deputy Southern's proposition in respect of the benefits change. We have just discussed the difficulties associated with the 4-year planning cycle and have confirmed the income targets for each of the next 4 years. Later in this debate we will also consider the expenditure targets for each year. The Medium Term Financial Plan documents contain details of all the benefit changes needed to meet the £10 million target. Subject to the support of Members, for my proposals there will be no need for me to return to the Assembly to present any further restriction on tax-funded benefits during this Medium Term Financial Plan. In running through the 3 sets of amendments from Reform Jersey, the Assembly will have the opportunity to debate all the Social Security proposals. If their amendments are accepted States spending will be up £10 million by 2019. This extra spend will need to be made up either through higher taxes, as suggested by Deputy Southern, or by reducing benefits or services in other areas. I hope Members will understand how difficult it has been to put together this set of changes to benefits. None of these decisions have been taken lightly but if we want to provide a good health and education system for the Island in the coming decades and return the Island to economic success, we must find the public money to make the right investments now.

[14:45]

There is one last general point that I would like Members to keep in mind as we discuss this series of amendments today. The Medium Term Financial Plan is concerned with the tax-funded expenditure of the States. It does not cover the ring-fenced funds for which I also have responsibility. The Health Insurance Fund supports primary care costs. The new long-term care fund is now helping people who might otherwise struggle with their care costs and has been designed to protect the value of the family home. The Social Security Fund is our largest fund, used to pay pensions and other contributory benefits. It is currently in a healthy state but to maintain it we will need to agree some major changes in the next few years. We can either increase the amount of contributions that we receive or restrict the way in which we pay benefits. We are planning an extensive public consultation for 2016 to both inform the public of the options available and to gather their views as to how the Island wishes to move forward in this area. There is no need for immediate action, we have time to plan, but we will need to start working on this early next year. The old-age pension itself is uprated every year automatically at the start of October. The Assembly will remember the work my department undertook in 2012 to ensure that the basic State pension keeps track of R.P.I. and that Jersey pensioner incomes are protected in years where average earnings fall below R.P.I. This is an extra mechanism to protect the value of the pension for Jersey pensioners. These uprates are embedded in the Social Security Law itself and last Thursday pensioners started to receive the increased amount as usual. In the election I stood on a platform of affordability, balance and common sense. I strongly believe that the savings proposals put forward by Social Security address all of these issues. I could not stand here if I did not. To return to the details of this amendment and the Christmas bonus. Deputy Southern talks about supporting the most vulnerable in our society and protecting the poorest households. This part of his amendment does not achieve the same. The impact is to keep the Christmas bonus for rich and poor alike. The Jersey Christmas bonus as it stands currently is an anachronism. The U.K. Government introduced an annual £10 bonus over 40 years ago which is still paid at that original £10 value. At a time when tax revenues were very high Jersey followed the U.K. example but inflated the value of the bonus each year. The 2015 bonus will be paid at just under £85 per person, costing the taxpayer £1.6 million compared to less than £200,000 if we had remained at £10 a year. As I am sure you have already heard me say, we applied 3 key tests to each social security benefit to identify areas where we could create savings. How does this benefit help the claimant in moving towards financial independence? Receiving a single payment of £85 once a year really has no impact at all on financial independence. Is this benefit well targeted? No. Over half of the pensioners who receive the Christmas bonus are also taxpayers. The Christmas bonus is the only tax-funded payment that is given to taxpayers. What is the impact on individual claimants? The total bill for the Christmas bonus is £1.6 million this year but each individual person receives less than £85, equivalent to £1.63 per week, but a small reduction across a large number of people makes a significant impact on the ability to invest extra money into the health service. Finally, there is the all-important question. If this benefit did not exist would we feel a need to introduce it? The answer here has to be an emphatic no. This is taxpayers' money. It is not funded through contributions. There is no right to have it. Bear in mind our vulnerable pensioner groups receive additional amounts for fuel cost, carers, mobility and health cost requirements. The Christmas bonus is something extra on top. This bonus will cost £1.6 million this year. To put this in context we spend about the same each year on providing the public library service or running all the Island sport centres or funding the whole of the environmental management service. Or to take an example from the health service: £1.6 million would cover the salary costs of about 32 nurses. Over the full Medium Term Financial Plan the Christmas bonus would cost us over £6 million in capital spend. The Innovation Fund is worth £5 million. The 2 new operating theatres at the General Hospital cost just over £6 million. The new primary school at St. Martin cost just over £7

million. I absolutely appreciate that there is a strong sympathy and emotional attachment to the Christmas bonus but I do not believe that the States Assembly would support the introduction of a non-means-tested Christmas bonus today. However, I do understand that there might be support for introducing a means-tested Christmas bonus, perhaps as part of the overall income support scheme, but to be clear, that is not what we are being asked to vote on today. This amendment will keep the Christmas bonus in its current form, paid equally to the 1(1)(k) pensioner and the income support pensioner. I am not privy to the reason for Deputy Southern seeking to continue to pay the Christmas bonus to the group of several hundred pensioners with a taxable income in excess of £100,000. This is the same group that he has selected to receive a higher tax bill. However, I can explain to Members the reasoning behind my proposals. There are about 2,000 pensioners receiving income support and so the annual cost of including a means-tested Christmas bonus in the income support scheme would have been a little under £20,000. I have held back £200,000 from the total of Christmas bonus savings. I looked very carefully at this transfer into the income support system but I also listened to the public and fellow politicians who identified a larger group of people who often need support. I also thought about how this money could be used to support people all year rather than just at Christmas. Taking all this in account, I believe that instead of providing a single payment in December each year to income support claimants this money would be better spent and more valued by making it available throughout the year, supporting a wider group of pensioners with dental, optical and chiropody costs which can be difficult to budget for. Being able to eat, see and walk is a key factor in helping older people stay independent in their own homes. I also think that a benefit aimed solely at income support pensioners would miss out a group of pensioners who often own their home but have a limited income. I am keen to support that group as well. The Christmas bonus is worth just £1.63 a week. Most people start their Christmas preparations several months early and have time to plan their celebrations and expenditure but you cannot always plan for a large dental bill or needing a new pair of prescription glasses. For a pensioner on a fixed income, support with meeting these unexpected expenses as they occur during the year can make a real difference. I would rather see a pensioner getting help with the cost of new glasses in March when she needs them rather than struggling on with the old pair right through to Christmas. My plan, therefore, is to use the £200,000 to increase the support available under the existing 65-plus health scheme. The scheme is open to pensioners who do not pay tax, including home owners. It supports dental, optical and chiropody costs. Straight away I must agree that the scheme needs to be updated. It is unreasonable that the pensioner needs to pay the bill themselves before they can claim the benefit. As part of my proposal I am committed to improving the administration, increasing the number of claims and tackling these upfront payments. Officers have already had exploratory meetings with key stakeholders and if the States approve the Medium Term Financial Plan I will be returning with full details of the enhanced scheme and improved administration of the 65-plus health scheme in the first half of 2016. To be absolutely clear, if this part of Deputy Southern's amendment is accepted and the Christmas bonus is retained, the department will maintain the existing 65-plus health scheme in its current form because there is no other extra source of funding available to improve it. I would also like to remind Members of the reality of the ageing population. You may have had a chance to see our annual report published last week or perhaps read the *J.E.P. (Jersey Evening Post)* write up on Saturday. There are also some details in the Medium Term Financial Plan itself in section 16. There has already been an 11 per cent increase in the number of pensioners over the last 5 years and these increases will continue each year. There are a whole host of statistics in this area. For example, the number of people aged 65 will double between 2010 and 2035. If the Christmas bonus law is retained then it will be paid to more and more people each year. Deputy Southern suggests that we should wait for a full population policy to be agreed before making any changes. There is no need to wait. The increasing costs that we are facing do not depend on the outcome of a future population policy, we are talking about ourselves, we are the problem, the people who are already living in Jersey. More

or less immigration in the next few years will not change the number of people reaching their 65th birthday. These costs are the inevitable impact of local people who are enjoying better health and longer life expectancy. The proposals that I put forward are not short-term panic measures, they acknowledge the long-term issues that are already with us. The Jersey public expects us to look after their public money carefully and to plan for the future. Previous Ministers have done Jersey proud by taking long-term decisions which means that we are now in a strong financial position, particularly in terms of the social security pension fund. It is now my and our responsibility to make sure that the changes we make today will support the next generations as well. In today's money the Christmas bonus will cost £1.6 million this year and I have compared this to the wages for over 30 nurses. In today's money the costs of the Christmas bonus will rise to £2.6 million each year by 2035, that is enough to pay for over 50 nurses. If we do not have the courage to take this decision today the increasing costs will be harder and harder for the taxpayer to meet in the future. I understand that it is a difficult and very emotive decision to remove the Christmas bonus and I would not have entered into this debate if I did not truly believe that it was the right thing to do. As an Assembly and with our population, we need to open our eyes to the fact that although we are an Island we are not isolated. This is a global problem. We depend on other countries and other Islands for our survival and we need to look further than the Parish boundaries and our Island of 9 by 5 square miles, at least at high tide. I urge Members to think of their children and grandchildren, to see the bigger picture rather than focusing on a narrow issue. Finally, many pensioners will put their Christmas bonus towards presents for their grandchildren. I am asking that we give all our grandchildren a more valuable present, the gift of a modern, high quality health and education service backed up by a sustainable public sector with targeted benefits balanced against affordable tax rates. I urge Members to reject this part of the proposition. Turning now to the T.V. licence benefit, there is little detail in the Deputy's written report as to the specific justification for maintaining the T.V. benefit and so I will set out the reasoning behind my proposal. We often talk about targeting benefits and when we do this we are usually referring to targeting support to a specific group of claimants, but it is also important to make sure that benefits are targeted to help with costs that would be difficult to budget for otherwise. This could be because the cost is regular but high. For example, rental costs covered by income support or because they are unpredictable, for example, heating costs which may be higher in a cold winter. These are covered by cold weather payments. In contrast the T.V. licence benefit supports a low cost, regular expense that is easily incorporated into a basic household budget.

[15:00]

The vast majority of households own a T.V. and purchase a T.V. licence every year. The BBC provides many payment methods to allow people to spread the cost evenly throughout the year. This cost is met by pensioners who are aged 70, 71, 72, 73 and 74. Their income is very unlikely to change at the age of 75, yet under the current scheme having reached the age of 75 this regular household cost is now met by the Government. It is difficult to justify why the 75 year-old needs this extra support compared to their 74 year-old neighbour. Under my proposals everyone who gets a free T.V. licence can continue to claim free T.V. licence, their weekly budget will be unaffected. In the same way, everyone who is currently paying for their T.V. licence will continue to meet their regular cost. Their weekly budget will be unaffected. By making this small change, which will not remove any benefits from any existing claimant, the taxpayer will reclaim roughly £100,000 a year during this Medium Term Financial Plan which can be reinvested into health services and other strategic priorities. Very importantly, the taxpayer will not need to fund any extra money to fund the additional cost of T.V. licences as the number of people aged over 75 increases in the future. If we do not make this change now the taxpayer will need to allocate increasing amounts to this benefit as the number of people aged over 75 increases steadily over the next few decades. The number of people in this age group is increasing even faster than the 65-plus population, against the

consequence of the enormous improvements in medical care and lifestyle in recent decades. Today there are about 7,800 people aged 75 and over and by 2035 we expect there to be about 14,200 people, 80 per cent more than the present figure. Again, I urge Members to look at this increasing burden on the taxpayer and to reject this amendment to allow the taxpayers' money to be allocated to where it will do the most good, improving our health services and sustaining our economy. The last 2 parts of this amendment relate to income support which is by far the largest benefit that Social Security administer. Any decisions to restrict benefits are difficult and the proposals that I am putting forward have been very carefully considered. Holding some income support components at their current level until October 2017 will create a substantial saving in the future budget without needing to make any reductions in the amount of benefits the claimants are entitled to. The Medium Term Financial Plan proposals then provide for increases in components in October 2017 and October 2018. In selecting these specific changes that make up the £10 million savings total, my main concern has been to ensure that the benefit system is fair, encourages financial independence, is well targeted and changes are spread across large groups to minimise individual impact. Income support is paid to the largest number of claimants and is covering the widest range of basic living costs. The income support amendments contribute a total of £8.5 million towards our overall total savings. This is a significant amount and minimising the impact on individual claimants by spreading the savings across as many households as possible is a key element to achieving this target in a fair way. The proposal holds some component rates flat in cash terms. This is similar to a pay freeze in the public sector or the reality faced by many private sector employees who do not receive a pay rise every year. The impact of this type of action is that cash income remains the same but spending power gradually reduces over the period if prices continue to rise. Deputy Southern suggests that the spending power of a pensioner has already declined since the start of income support in 2008. As set out, which has been circulated, in detail in a written recent answer, this is not correct. I can reassure Members that total spending power of a typical pensioner receiving income support has improved since the beginning of the scheme. The treatment of pension income in the income support calculation has changed considerably since 2008 and then net effect of components and income means that the spending power of a single pensioner claiming income support has increased by 7 per cent over and above the rising prices since 2008. To make this clear, comparing with 2008 a single pensioner receiving income support currently has an extra £23 in real terms to meet their weekly costs. That is an extra £1,180 for a full year. We are fortunate at present to have a very low rate of inflation, under 1 per cent for the headline figure. Prices are currently rising very slowly and an even lower of increase was reported for the R.P.I. that is aimed specifically at pensioners. This went up by just 0.4 per cent in the 12 months up to June 2015. A basket of goods that cost a pensioner £100 last year will now cost of them £100.40. Holding income steady while prices are also relatively steady has a very limited impact on household spending power. Members will be aware that pensioners living in social housing will see rent increases each year and as tenants move to new accommodation their rent increases to 90 per cent of the market level. The rental components within income support will reflect these changes each year. They are not part of this proposal. At the same time as achieving my contribution to the Medium Term Financial Plan in a way that is fair to claimants, I have also tried to identify changes that reduce the cost of administration by simplifying benefits, making it easier for customers to understand and staff to operate. In this amendment Deputy Southern is proposing that the uprating of components should apply only to pensioners. In a separate amendment the proposal is made that uprating should apply only to non-pensioners. For example, Members may be considering supporting the uprate for pensioners but rejecting the uprate for working age claimants. The implications of this mixed outcome need to be carefully understood. If the States approved a different uprating mechanism for pensioners and non-pensioners there would need to be significant changes to the I.T. system that is used to calculate income support entitlement. Separate component values would need to be set up for pensioners and non-

pensioners. It is likely to take 6 to 12 months to plan, test and implement changes of this nature. Rather than simplify the system this would create extra complexity and require additional resources for the changes needed to the I.T. system and the ongoing administration. To sum up, given the level of savings that need to be identified across all areas of public spending, I maintain that holding most income support component levels steady for the first half of the Medium Term Financial Plan is an appropriate way to achieve a significant contribution to the total needed. I reiterate, this change does not involve any cuts to existing benefit levels. I urge Members to reject both this part of amendment 2 and the linked amendment of Deputy Tadier when that is debated later on. You will be pleased to know the final part of this amendment relates to the treatment of pension income under income support. My proposal does not result in any reduction in benefit entitlement to any existing claimant. The current level of fixed disregard will be maintained for all existing pensioner claimants. The proposal establishes a new method for providing a disregard against pension income. This will only be applied to new claimants and brings the treatment of pension income in line with the treatment of wages. Reform Jersey has acknowledged the costs of an ageing society as one of the key challenges to be met by government. As I have told Members many times, we need to be planning now for the substantial increase in the number and proportion of pensioners that has already started and will continue over the next 2 decades. It is my responsibility to make sure that the benefit system is fit for purpose and will be able to cope with this increasing demand. This change also reflects the important theme of ensuring the benefits are fair and well targeted. When income support started in 2008 pensions were given a weekly disregard of £26.11. They kept £26.11 of their pension income on top of their income support benefit. At the time this was equivalent to 15 per cent of the full pension rate. The amount was fixed in money terms and so the same amount was allowed even if the pensioner did have a full pension. On the other hand, those pensioners who had been able to make more plans for their old age and were receiving an occupational pension or a private pension did not receive any allowance extra for their efforts. This area of income support has become much more generous over the last 7 years and pensioners now keep £55.31 of their pension each week. This more than doubles the 2008 amount and now represents 28 per cent of a full pension. In reviewing benefits across the board the value of this disregard or allowance is out of step with the rest of income support and the way that it is calculated does not encourage claimants to move towards financial independence. The disregard applied to wages is 23 per cent and I would like to provide the same level of disregard for pension income including occupation and private pensions. This is substantially above the 15 per cent level used for pensions when income support started. With this change it will become worthwhile for lower income households to make their own plans for their retirement if they are able to. Workers who can provide a higher level of their own pension income will need less support from the taxpayer and they will benefit by being allowed to keep more of their own income. This encourages financial independence and helps to control the future cost of income support. Some Members may sympathise with the long-term ambition of this policy and they may be worried about the worker who is already close to retirement and has not had the opportunity to pay into a workplace pension. As I mentioned in a previous debate, the current level of support for pensioners under income support is well above that established in 2008. Someone who is 65 next year and then starts to claim income support or come under the new system, for example, a single pensioner receiving a full rate social security pension, who has not had the opportunity to pay into an occupational scheme will keep £46 per week of pension income. In real terms there will be £13 a week, £700 a year, better off compared to a similar pensioner claiming support in 2008. I believe, therefore, that this change is justified as part of the overall package to ensure that the income support budget is allocated fairly across different households. Alongside this change other action will be taken over the next 4 years to encourage everyone to think about their income in old age and to encourage them to pay into a pension scheme, if at all possible. I will be working with the Minister for Treasury and Resources during the course of this Medium Term Financial Plan to

make sure that our tax and benefit systems incentivised people to make adequate preparations for their retirement. I will also be introducing age discrimination regulations to ensure that older workers are not discriminated against and have opportunities to remain in employment. In terms of the Medium Term Financial Plan, my proposal establishes a fair level of disregard for pension income. The same percentage disregard will be used for wages, pensions and maintenance income. This will simplify the benefit for customers and staff alike. To sum up, this proposal does not affect existing pensioners. New pensioners will keep 23 per cent of their own pension income on top of their basic income support components. Finally, I urge Members to reject all 4 parts of this amendment. Thank you. **[Approbation]**

1.4.5 Senator Z.A. Cameron:

Contrary to popular belief, the increased life expectancy and better health outcomes in recent years are not related that closely to the amount of money spent on health care. If that was so the United States, which spends far more than any other country but only has the life expectancy of Brazil, would be the leader. Improvements have resulted from a fairer distribution of resources in the post-war era, better access to clean air and water, a healthy diet, adequate shelter, the quality of one's relationship, education, a rewarding work environment and in the U.K. until recently universal access to a family doctor when one became symptomatic.

[15:15]

One only has to travel one or 2 stops down a London Tube line to find a 10 to 20-year life expectancy discrepancy and a greatly increased level of chronic illness. It is income and the quality of one's environment that determines one's health. Unfortunately the poor suffer a far greater burden of disease. Mothers in low income work are far more likely to have a premature birth and low birth weight baby and then have less energy at the end of the day to chat and play with their child to maximise its development. It was witnessing the high levels of stress caused by reduced benefits and lower wages in the last 2 years working in Jersey as a G.P. (general practitioner) that led me to becoming involved in medical politics. I have witnessed the distress caused by the Social Security's assessments in people whose health was already compromised and these led to worsening health, in many cases delaying recovery as they buckled under the stress of their uncertain future. There is ample evidence that all members of society's health improves with reduced levels of inequality despite an ageing population. The global health burden report, World Health Organisation report, and a recent outside incident report demonstrate that the burden of health is falling and reducing in Britain suggesting that an ageing population does not necessarily lead to an increased disease burden. A £10 million reduction in benefits to the most vulnerable in our society is likely to lead to more ill health by increasing inequality. A £46 million increase in a drug bill is unlikely to benefit our Island's health as much as ensuring that those who are most vulnerable and sick have the resources and help that they need. As a doctor I know that Christmas is one of the most stressful times of the year for those in poverty. It aggravates and demonstrates the level of inequality as the poor people struggle to provide their children with the same kind of Christmas that can be found elsewhere. There are even people who try to get into hospital during that time to ensure that they can have an adequate meal. Surely in this wealthy Island this is an amendment we should be supporting for the benefit for all.

1.4.6 The Connétable of St. Clement:

I shall be voting against all parts of this amendment but I just want to talk a little bit about the Christmas bonus proposal. Now, I know it will come as a shock to many Members but I am indeed myself a senior citizen. **[Laughter]** I would like to thank the Minister for Treasury and Resources for treating me like royalty, honouring me for my wisdom and experience and affording me respect and the care that I deserve. That is important because that is what he quoted in his manifesto. That,

I think, is important because he, unlike many others, seems to realise that because an individual suddenly reaches a particular age he does not automatically become poor. Not generally so anyway. When I reached the age of 63, for example, I stopped paying social security contributions, I started getting a pension, I got a free bus pass, I started getting discounts on entry to entertainment venues, for heaven's sake I even get a discount on my season ticket at Fratton Park. Of course I continued to pay income tax but I also started to get a tax free Christmas bonus. My States salary remained the same, I continued to get that, the reality is I and many of my generation and my age when we reach that age of 63 or 65 we have never been financially better off in our lives. That is absolutely true. We have paid millions of pounds over the years to people like myself who do not really need it. Surely the people that Senator Cameron was talking about, they need to be helped but use the money that I am getting and people like me are getting and target them, not just spread all this money around to anybody because they have reached a certain age. It is appalling when I stop and think about it. There are people earning a lot less than I am getting who are paying income tax to pay for my Christmas bonus. How silly, how absurd is that? We are doing that because when this all started we had so much money we did not have to think about not introducing big things, as the U.K. did when they introduced the Christmas bonus all those years ago. Surely there must be a much better way of using this money. Within a few years you could build a new primary school, it could help to build the new hospital, which is what we are trying to do by the Medium Term Financial Plan. To save money so we can afford these things. Indeed, as the Minister for Social Security said, to help improve the healthcare system. Now, if we do that sort of thing we will be affording all Islanders the care and respect they deserve, not just those who do not really need this bonus. **[Approbation]**

1.4.7 Deputy J.A. Martin:

It is normally a pleasure to follow the Constable of St. Clement but, you know, I have heard some arguments this afternoon that make my hair curl, I am telling you. It is very straight, my hair. I cannot believe we have just heard that he wants this, and so does the Minister for Social Security, put to 30-odd nurses or a new primary school. I thought this was because we must save this money. Well, let us get this straight. This is where we go back to the bottom line and what we are going to be voting on, but that is another argument. Absolutely want to start with the Minister for Treasury and Resources. He came and said he cannot support the tax increases because we must compare ourselves to the 20 per cent regimes which are lower in Hong Kong, Cayman and Virgin Islands, but do they provide the services we do? Can anybody come and live there, work there, go to school there? He is nodding but he does not know. Absolutely does not know. **[Laughter]** I am not looking. Let us put in a straw door so we can knock it down because we are comparing apples to pears, you know, we are not comparing like to like. Absolutely ridiculous argument. The classic one from the Minister for Social Security, there are 3 threads, she wants to encourage financial independence. But for pensioners who cannot perhaps get any other money, giving them a bonus is not promoting financial independence. Well, I do not know what else they have to do. We have got a very sort of argument here; we have already agreed to put up the retirement age. Anybody born after 1955 is going to be retiring at 66, 67 and it will go up to 70 very soon. I do not have a problem with that. The kids today do not start work until they are in their 20s most of them. These people who were born in the 1940s, when we go back to the 75 years, started work probably when they were 15 because it was legal. They have been contributing all this time and suddenly, as Deputy Tadier well puts it, nobody stood on a platform under a year ago and said: "We are going to cut these bonuses." The Minister for Social Security says: "If we had the chance to do it today, would we?" Well, we do not know. The Minister for Social Security, the Council of Ministers has not really researched any of this. It is all about you, easy targets. The Minister for Social Security said herself: "Why did we not come along with a means test to the over-65s?" Because obviously people like the Constable of St. Clement do not need it, so why give it to them. But there is a good

few thousand people who do need it. Some are just over the top but they did not come up with this, they said to their officers: "Pick me the easiest targets you can get with the highest money and let me present them in the way that will be swallowed by the House or the Assembly." But will it be swallowed by the public? No. This is not on. How do you present sets of figures? On page 6 of their comments ... and I love it how, you know, we have got the Christmas bonus is equal to £1.63 a week, next paragraph but they have uprated the pension by £135 but in real money it is only £94 a year. So we have week and we have year. Then in another part of the proposition the T.V. licence is only worth £2.80 a week, so pensioners are already over £4.50 something a week worse off, but do not worry, you know, because they have all got lots of money, pockets to dip into according to the Constable of St. Clement and according to the foot stamping, everybody must be in the same boat. Absolute rubbish. I have not got a mandate to take this away. When I look at the figures ... and that is represented again in the comments, and it says: "The Council of Ministers want to make sure that all income support claimants, including pensioner households, are able to afford their rent increases." They also go on to mention in the answer to the question that child costs will keep up with inflation. There are only 2 things that probably most pensioners do not see and other income support claimants do not see, and that is their component for rent and their childcare costs because they are either paid directly to the landlord and, in the case of the childcare, directly to the school if it is for 20 hours or directly to the scheme if it is 23 hours. So, yes, you have to keep that up and if you go back to the P.33 debate on housing they would never have got it through if the past Minister for Social Security did not say: "Every time you go up the rents go up" and the rents go up in the private sector as well, and we put - without any nodding, any worrying about it - £6-something million on rent overnight every year. Overnight every year in the private sector and in the States sector. Nobody worried about it. So when you look at this increase adult component from 2008 to 2015, it has gone up £3.80 and household component has gone up £5.60. But look at rent, yes, that has gone up £32.48. As I say, you cannot on live on your rental component; if you do not give it to your landlord you are out on your ear. You are evicted. It is an absolute false economy when they say at the bottom it has gone up by 7.3 per cent and they include the 2 figures in it, child care and rental. So let us get that straight. Christmas bonus, the Minister said she has hid back ... sorry, kept back £200,000 to improve this 65-plus health scheme, which she does point out is only to people who do not pay income tax. So around 13,000 if you are a single pensioner and probably around 20,000 if you are a married pensioner, on a married income. £200,000 out of the £1.6 million ... sorry I keep referring to the Constable of St. Clement, he is going to be targeted now, it is going to go to this great scheme but support any of these amendments today and my office will not do it. I know it is a basically rubbish scheme - this is the Minister's words not mine - but you support any of these today and I will not look at it. It is has been a rubbish scheme since it was invented. People who have not got any money have to go and borrow money off family and friends. Maybe the Constable of St. Clement, I do not know, but they have to go and borrow money off people who have got it before they can reclaim. The scheme does not work and it targets very, very low income people. She forgets to mention that in the U.K., followed by their Christmas bonus, there is the fuel allowance that you do not have to fill in thousands of forms for and walk around with your temperature ... you know, what was your temperature in this room at that time, and how long did it stay cold for? That is how our one works, it does not work like that in the U.K. I really, really cannot see why that we cannot support ... I am so angry that these have even come to the House. If you wanted the mandate the Council of Ministers should have all stood last October and put this in their manifesto. They all knew this was coming, they should have said: "It will be tough but we will take you with us. We are all in this together." I could even write the song, it is like the New Labour song. Absolutely do not have a mandate. You can stamp your feet as much as you like but I am telling you now, they are not like the Constable of St. Clement, there are not lots of rich pensioners out there. They do live in houses and they have to eat, and they have to decide now whether they have heat or eat. That is an old saying but it is true. We are meeting these people

every day and they are not the silent majority. Really, if you want to go through with this, I really think that the Council of Ministers as was, or as is, will be as was.

[15:30]

Because it is a step too far and it is without a manifesto to the people that you are cutting these benefits to. Again, now we have had the arguments about savings. I will just mention the T.V. licence because I now have an amendment in for it but I do not care really which one you vote for. I would like you to vote for mine because I would like to take £157,000 out of the Council of Minister's budget but that is entirely up to you. The Minister for Social Security said: "If we had to introduce the Christmas bonus today, would we do it?" But we introduced the T.V. licence only 9 years ago, backdated to 1st January 2006. It was an amendment in the Budget in 2006 by Senator Vibert who wanted to put some money on beer. I think that went through and I do not think the money has ever been taken off but now they want to do away with the licence. Then we had our comrade, Senator Routier, he was then the Minister for Social Security. But he must have been a comrade because he brought the proposal in and he supported it. In fact 46 people supported free T.V. licences, means tested for the over-75s, in May 2006. Let us see who else was there. We had ... definitely, definitely, a total could not possibly be this, must be directed. The first name on the list is Senator L. Norman. He has morphed into the Constable of St. Clement who is now very rich and does not need a penny. We are not worried about that. Then there is Senator Walker, Le Sueur, Senator Routier who brought the proposition, the last before one Deputy, was a young Deputy and I mean young in the sense he was not long in the House and he is still a young man, was Deputy Gorst of St. Clement. Forty-six people only 9 years ago supported this means testing because these people ... yes, sometimes Hansard ... there was no votes against, there was 2 abstentions, which was the then Constable of St. Saviour and Deputy Baudains of St. Clement. But the point is this was brought in, means tested and targeted. Now, suddenly, we want to do away with everything. I do not think any of them should be done away with personally but this one is targeted, is not affecting a lot of people and as I put in my report, but I will say it now, there was every opportunity for Social Security - they have hundreds of thousands of pounds of officers in there - to do a bit of research, find out who needed this. Is it over-75s, who have a disability, cannot get out of their home, do find that again we are going to lose another £2.80 on top of our Christmas bonus of £1.63 in total a fiver a week. It might not sound a lot to any of you, in fact a lot of you probably laugh at a fiver a week. But be very careful when you are taking it away from people who it does matter to. So, as I say, I am not sure, only because I am not sure that this is the right way to support the increases and I am not supporting the increases in the taxes because our Minister for Treasury and Resources said that we could not do it, but I am not sure because as Deputy Southern said himself, he is Deputy Southern, he does not have millions of pounds or thousands of pounds worth of researchers and officers at his back to know exactly how many of these people there is, he has done a good job knowing how many people earn over £100,000, £200,000, £300,000, *et cetera*, and he knows the income but is it the right way? So not sure yet which way I am going to vote but I am absolutely sure nobody in this House should be taking this money away. Nobody in this House has really thought this through. It is not targeted. Between the decision to save £10 million in Social Security and these proposals coming out was a matter of a few months. No research done. As Deputy Southern said, yesterday: "Where is the research? Who will it affect? Who is just above this number?" All we keep going on about is we are going to live longer and we are supposed to celebrate that. I do not want to live longer with no T.V., no light and deciding whether I can afford to eat or heat. As Senator Cameron said, when you get older all these things really play on your mind. They might be very quiet out there at the moment, but I really think that this should not be passed. We do not have a mandate in this House and I want one of the Ministers to stand up and tell me that these are either savings or they are saving here to spend somewhere else. Because that is another thing people do not like, we are told we

absolutely need this because we do not have the money and then suddenly it is going to pay for X, Y and Z. I will support every amendment that stops taking away from the vulnerable.

1.4.8 Deputy A.D. Lewis:

My interest here is affordability because a lot of what Deputy Martin has just said a number of us can resonate with, particularly the town Deputies perhaps are faced with more constituents that are in this position of really struggling sometimes to make ends meet when they get older than perhaps other parts of the Island. It is about affordability and Deputy Martin did suggest that this was about moving money around. We have already been told there is a forecast deficit so it is about saving money and getting balanced books. If we let this carry on as it is, as the Minister for Social Security has already said, it is going to cost us about £9.8 million over the period of the M.T.F.P., which is a fairly significant amount of money. However, it is something which has been raised to me by a number of constituents and they really feel a bit under attack as elderly residents: “We are losing something here” and they do not really understand what they might be getting back in return. The Minister for Social Security in an excellent speech did try and explain that but that message clearly has not got over to the general public. They do not really believe they are getting anything back, this redirection of this money simply is not understood by those that really need to understand it. I am not so sure that we all here fully accept that it will be redistributed in quite the way as described, but the sentiment is definitely there. If I could just hone in on the key subjects. If we could just think about the T.V. licence for a moment; as we move forward there may well be no such thing as a T.V. licence anyway. So are we going to provide a Sky card instead or whatever the new fangled thing will be in future. So I think we need to be mindful of that. Just an observation. It is suggested it is capped or stopped from new entrants so nobody is going to be affected from here on in. In other words those that get to 75 are already paying for it through other methods within the Social Security Department and other benefits. Hopefully they have enough income through their pensions and enhanced pensions to survive. Something my father always used to say to me. He was quite vociferous about this, he was a shop steward in his past and became a civil servant later in life but he was really quite upset that he spent decades saving for his retirement and others had not and they were receiving quite significant benefits, and he was, but he had had to pay for most of it himself. He had saved for his old age and it does say in the proposition that for those that have paid into schemes it will be a fairer system as a result. So those that have made provision will be slightly better off than those that have not. That is kind of right in some respects but if you have not had the ability to save in the first place for those pensions then you should not be left to be worse off. We are a benevolent society, we should be looking after those most in need that perhaps have not had the ability or the foresight to plan ahead in the way that others have. I can quite understand my father’s frustrations at the time. He did encourage me to take out a pension at 25 so he had an influence on me. But that is T.V. licences and we mentioned pensions. The Christmas bonus is perhaps the most emotive one of them all. Forgive me if I am wrong here, Minister, but I think you suggested that there was £200,000 there that could be used to subsidise those that generally cannot afford it. In other words, those that do not pay any income tax at the moment. Was I right in that? Yes? So you could still have your Christmas bonus at the cost of £200,000, i.e. those that fall below the tax threshold that really need it could receive it but it would cost you £200,000. If that is the case then why are we not doing that? Yes, those that really do not need it maybe they should not be getting it as the Constable of St. Clement was suggesting. Let us move on to how it is paid for because this would all be wonderful if we could carry on doing all of this and it is paid for by Deputy Southern’s suggestions on tax changes. The Minister for Treasury and Resources covered this in some detail but I just want to throw a bit of a curve ball in here if I may. We do not have a progressive tax regime and there are some good reasons for that but I would like to start a debate about whether we should. That is because other countries that are not on the list that the Minister for Treasury and Resources gave in his comments do have a progressive tax

system but it is still a very low tax that they have in their countries. There are some examples around the world, Switzerland would be one, their federal tax is quite low, the account on tax is a little bit higher but they have a progressive tax regime and it starts at 0.7 per cent and goes to 11.9 per cent and there is a state tax on top of that. In other words, is it time for us to start looking at a progressive tax system? It does not mean it has to go over 20 per cent but for those that argue that the rich should pay more and not just on a percentage basis then maybe we should be looking at a complete relook at our tax situation that keeps us competitive but has a progressive side to it. That is not something I believe we have looked at terribly closely. I may be wrong. There are a number of examples around the world of economies that have successful tax regimes that are competitive, you know, Malta, Luxembourg, Switzerland. They are all progressive in their approach. So I do not think we should close our eyes completely to that concept but today is not the day to have a big debate about it, but I just flag it up as something which we should be perhaps looking at in the future. So the argument of the rich must pay more, bearing in mind they already do, it is based on 20 per cent of income up to £600,000 so they are paying more, and they contribute more tax than anybody else, and rightly so - I do not have an issue with that - but the Deputy seems to lose sight of that when convenient. I do not close my eyes to the idea of a progressive tax system. I do not think Members should either and it is something that maybe we can research more in the future so that we do not constantly get this beating up from those that feel progressive tax is something that we should have. You can have it, you can also have it at a low rate and other jurisdictions do it successfully and it should, in my opinion, be looked at again. I will wait to hear what everybody else has got to say but at the moment I am tending to go with the Council of Ministers on this one because I do not believe it is targeted effectively, however the Christmas bonus is something which if you take it away I cannot see how it is being replaced directly and elderly people just do not understand or they do not see what they are getting back instead. They just do not get it. I think we have an obligation here to recognise that and maybe look at it again in the future when it is clearly to what they are getting back, maybe an enhanced pension at the same time or progressive pension. But to do it right now I think there is going to be a massive backlash from people we are saying this Assembly we really care about. This does not send out this message. So Christmas bonus, I am concerned about that. T.V. licences, I think they could be gone in 5, 6 years' time and over-75s only claiming it now, and those under 75 will be closed out of the system, have plenty of time to adapt to not having that amount. The pensions, I think there is a real opportunity to be a much fairer system here which I think the Minister outlined very clearly.

1.4.9 Connétable J.M. Refault of St. Peter:

I just wanted to share with Members some of my own experience in that before I became a Constable I was Procureur du Bien Public in the Parish of St. Peter and that was before the days of income support when we were doing Parish welfare. Inadvertently come to a lifestyle, although my family background is a humble one with my parents never owning a car and they lived in States housing. I was brought up in States housing as well. But because of the lifestyle that I had, having built my own bungalow back some years ago, I became unaware of a branch of society that the majority of us will never see. I met them for the first time when becoming a Procureur du Bien Public and doing welfare. These people were coming in who were desperate for money in any way just to be able to eat and have some form of heating. I know that we used to go around at Christmas time with what hampers we could make up to their houses and found them coming to the door in the overcoats and relying on a tin or a packet to have as Christmas dinner. It is those people that I feel very strongly for today. It is that 20 to 25 per cent of our population who have come to expect that little bonus that just helps them perhaps to buy a little bit of coal to go on the fire at Christmas, to have something slightly better to eat than something out of a baked bean can or a packet. They probably have not even got a microwave in which to heat it. The 75 per cent, Len Norman and myself and many of us in here, we do not need it. We do not want it, we do not need

and we should not have it. There has to be another way in which we can be dealing with this. I fully understand the Minister for Social Security's need to find her savings, as all departments have to, and her and I have spoken directly about it.

[15:45]

I did to suggest to one or 2 Members fairly recently that perhaps a version of the welfare could be introduced with the help of Social Security working with the Parish to identify those very vulnerable people within the Parishes who we could help out with a little bit of extra money and Social Security could fund the Comité des Connétables with not a great of money so we can make some allowances for those people that we know that need it. Another great advantage of that would be that we would start to see the people that we have lost since income support has come in that we do not see any more. When they are coming in and we start to identify them through this type of process we can offer them more help directly from the Parish as well. I think there is an opportunity here for the Parishes and Social Security to work together to provide just for those that need it and definitely not for those that do not need it.

The Bailiff:

Does any other Member wish to speak? If not, I call on Deputy Southern to reply.

1.4.10 Deputy G.P. Southern:

What a pleasure it was to hear some passion in this debate, because it is, as Senator Maclean said, a very emotive issue. In particular the issue of the Christmas bonus is seen far and wide by people on the Island as an important, significant way of valuing people, senior citizens. But Senator Maclean went on to state that there is something sacrosanct about the 20 per cent rate and then again repeated this attitude: "It is a very complicated thing, why have you not done all the calculations and sorted it?" I have not done it because this work was already in hand. It started in 2013, the initial aim was to have it ready by now so the theorising and the model to be included in the 2016 Budget at the end of 2015, commencement of implementation in 2016. So the Treasury itself has fallen behind its own aims. Shame on them, that should have been ready and could be ready in very short order, I believe. He then went on to talk about how much the wealthy pay as a percentage of the tax on the Island but that is because they earn significantly larger amounts of income on the Island, is the answer to that. Deputy Tadier talked about the need for progressive taxation, sooner or later this Council of Ministers is going to realise that there is only one tough decision that they have to make, accept that their economic model is broken and that somewhere along the line they are going to have to raise some more tax. I am suggesting that should be done in a progressive way, they are suggesting that we will have some sort of health tax which we do not know who that will affect and who is going to be paying that. But my colleague, Deputy Tadier, said that it is likely that that is going to be the middle earners and the lower earners who will be paying that, as is usual he says I think. Then he pointed out that no one on the ministerial benches has come forward and has got a mandate to do what this is saying. Certainly Deputy Martin in her own inevitable way reinforced that. No one in this room has got a mandate to cut these benefits. Yet again we hear this cry that the least able, they are the ones who have to tighten their belts. That is the way things work in Jersey. Now, Deputy Pinel said it was a tough decision again. How can we decide, we have committed ourselves to make £10 million worth of cuts, how we do those? She elucidated some principles but then veered off them. For example, the T.V. licence is very highly focused and means tested and goes to relatively few people. So that fits entirely almost with her model. The Minister said that if she can get her way on this then there will be no further cuts in the rest of the Medium Term Financial Plan. Well, thank heavens for that. Small mercies, I fear. She went on to say that she was quite prepared to consult extensively on any changes to the Social Security contributions that we use to fund our pensions and our benefits but failed to do any

consultation about these serious changes to benefit levels. That, I feel, is something that has been missing in the whole process. Where was the consultation? Where was the research? She then again repeated this claim that somehow there are any number of wealthy pensioners around, we may know some but certainly if one looks at the income quintiles one sees that 50 per cent of those in the bottom quintile are pensioners; 29 per cent in the second quintile, so there is about 80 per cent of pensioners in the bottom 2 quintiles. That is either on income support or just over the boundary to income support, so the reality is there are lots of relatively poor pensioners, senior citizens, out there who look on this Christmas bonus as a vital bit of important, significant help in their lives. Again, we have this debate about: "We want to do this save" but no compromise. Every time we bring something to this House, Council of Ministers, this Minister included, comes back and says: "Strongly opposed." Very rarely do people say: "Well, hang on, how about, rather than cutting it all, let us cut it down, let us produce it that way." How about introducing a means test; let us make sure that it is focused: "Where is the amendment to my amendment?" That is always the thing. If my amendment is not perfect and is not right, where was the amendment produced by the Minister or by the Deputy of St. Clement; she has been referred to as Senator before earlier, I just drifted back then. Where was the amendment that could say: "Do not do it this way, but do it this way, that is a better way"? Then the Minister went on about this £200,000 that she was going to take from the £1.6 million and put into the Westfield health scheme. I remind Members, and Deputy Martin probably had the right word for it, it is a "rubbish" scheme. You have to pay out first in order to then later claim it back, and that is very difficult for lots of people. That applies to a certain band of people. If you are on income support you could ask for your teeth to be done or your new glasses using the grant or loan scheme, but yet again, and we are going to come to this later, that is going to be fewer grants and more loans. Very often, if there is a significant amount of money, it is a loan and you pay back; the standard rate in social security nowadays is £21 a week. So if you are on income support less £21 a week you are going to struggle to survive, and that is going to be very difficult for you because that is the standard thing. So if you do a calculation in: "In your circumstances you need this amount to live on, less £21 a week." That does not work for anybody, but that is the way our system works. It was impressive, I found, to listen to Senator Cameron, who is focusing quite appropriately on the fact that income and the environment are the 2 factors that affect health, and to that she added inequality; inequality makes for bad health and that is the reality. They also mentioned that Christmas is stressful if you are poor; that is a universal. Again, the Minister conflated the big problem, what do we do about the ageing in our society in 10, 20, 30, 40 years, and came with the big numbers again. The answer is: "We are going to have to take a serious look at the way we structure Social Security and do that fund", not: "And this can contribute to it by cutting short term here and now" and making people worse off than they otherwise may be. Just briefly, if I examine all 4 schemes, as Deputy Martin said, £1.60-something for the Christmas bonus, £2.40 I think for the T.V. licence per week; something of the order of £9 a week if we were to freeze those 2 components, adult component and household component, and the estimate given by the M.T.F.P. is that inflation might be running at 3.1 per cent in both those years, 2016 and 2017, that is effectively a £9 reduction, if you are on income support, in the disposable income that you are going to have. At the other end, for newcomers, the new level of disregard again, depending upon what your pension is and what income support is, somewhere between £5 and possibly £8 or £9, again reduction in what you can buy because of the change of the disregard from £55 to £46. Again, I come back to the Constable of St. Clement said he cannot vote for this, but where was his amendment so that it was not him that is getting it and it was not me that is getting it, it was only those in need; where was that amendment to means test it? Deputy Martin made the wonderful point that, while we are making these comparisons with other jurisdictions, what are we talking about? Are we comparing like with like? Look at the quality of health care and standards in Jersey compared to Cayman. I do not believe there is any comparison whatsoever. Now, if it means that we have to maintain what we

have got, I believe that that is worthwhile doing. Finally, Deputy Martin again said that what we are looking at here are the easy targets: “Do me the calculation about how much money I can save”; that is the reality. She also mentioned that if you include rents in the calculation, rents are not disposable income, rents come in and go straight out again, you do not see them, they do not touch the sides. If you do not pay your rent, you do not survive. Then finally Deputy Lewis, while he was a bit torn about which way he was going to vote and his logic was that he was leaning one way but might support the Ministers, said that he had conversations with senior citizens around his constituency and his report was that there was a feeling that these senior citizens felt under attack. I think on that particular issue, senior citizens under attack on this Island. At that point I would urge Members to support this amendment and I would like to take the vote in, is it 8 parts? Both looking at income and looking at expenditure.

The Bailiff:

Are you calling for the appel?

[16:00]

Senator I.J. Gorst:

Sir, could I just ask you to confirm that the first 4 will be about raising income tax and the second 4 will be about the spending on the benefits?

The Bailiff:

Thank you for helping with my job, Chief Minister; that is exactly what I was about to say. **[Laughter]** Very much appreciated. Just in case Members had not realised that, the first 4 are dealing with raising income and the second 4 are dealing with expenditure. I invite Members to return to their seats and I ask the Greffier to open the voting. The first vote is on 1(i) raising income of £2,700,000 in 2017, and so on. I invite the Greffier to open the voting.

POUR: 10		CONTRE: 37		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Saviour		Senator P.F.C. Ozouf		
Deputy J.A. Martin (H)		Senator A.J.H. Maclean		
Deputy G.P. Southern (H)		Senator I.J. Gorst		
Deputy J.A. Hilton (H)		Senator L.J. Farnham		
Deputy K.C. Lewis (S)		Senator P.M. Bailhache		
Deputy M. Tadier (B)		Senator A.K.F. Green		
Deputy M.R. Higgins (H)		Connétable of St. Helier		
Deputy S.Y. Mézec (H)		Connétable of St. Clement		
Deputy L.M.C. Doublet (S)		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy of Grouville		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		

	Deputy J.M. Maçon (S)		
	Deputy S.J. Pinel (C)		
	Deputy of St. Martin		
	Deputy R.G. Bryans (H)		
	Deputy of St. Peter		
	Deputy A.D. Lewis (H)		
	Deputy R. Labey (H)		
	Deputy S.M. Wickenden (H)		
	Deputy S.M. Bree (C)		
	Deputy M.J. Norton (B)		
	Deputy T.A. McDonald (S)		
	Deputy of St. Mary		
	Deputy G.J. Truscott (B)		
	Deputy P.D. McLinton (S)		

The Bailiff:

I ask the Greffier to reset the votes and the second vote is on proposition 1(ii) 2017, £200,000 and £100,000 subsequent years. I ask the Greffier to open the voting.

POUR: 10	CONTRE: 37	ABSTAIN: 0
Senator Z.A. Cameron	Senator P.F. Routier	
Connétable of St. Saviour	Senator P.F.C. Ozouf	
Deputy J.A. Martin (H)	Senator A.J.H. Maclean	
Deputy G.P. Southern (H)	Senator I.J. Gorst	
Deputy J.A. Hilton (H)	Senator L.J. Farnham	
Deputy K.C. Lewis (S)	Senator P.M. Bailhache	
Deputy M. Tadier (B)	Senator A.K.F. Green	
Deputy M.R. Higgins (H)	Connétable of St. Helier	
Deputy S.Y. Mézec (H)	Connétable of St. Clement	
Deputy L.M.C. Doublet (S)	Connétable of St. Peter	
	Connétable of St. Lawrence	
	Connétable of St. Mary	
	Connétable of St. Ouen	
	Connétable of St. Brelade	
	Connétable of St. Martin	
	Connétable of Grouville	
	Connétable of St. John	
	Connétable of Trinity	
	Deputy of Grouville	
	Deputy J.A.N. Le Fondré (L)	
	Deputy of Trinity	
	Deputy E.J. Noel (L)	
	Deputy of St. John	
	Deputy J.M. Maçon (S)	
	Deputy S.J. Pinel (C)	
	Deputy of St. Martin	
	Deputy R.G. Bryans (H)	
	Deputy of St. Peter	
	Deputy A.D. Lewis (H)	
	Deputy R. Labey (H)	
	Deputy S.M. Wickenden (H)	
	Deputy S.M. Bree (C)	

	Deputy M.J. Norton (B)		
	Deputy T.A. McDonald (S)		
	Deputy of St. Mary		
	Deputy G.J. Truscott (B)		
	Deputy P.D. McLinton (S)		

The Bailiff:

I ask the Greffier to reset the voting. The third is (iii), £1.5 million in 2017, £1 million 2018 and £1 million 2019. I ask the Greffier to open the voting.

POUR: 10	CONTRE: 37	ABSTAIN: 0
Senator Z.A. Cameron	Senator P.F. Routier	
Connétable of St. Saviour	Senator P.F.C. Ozouf	
Deputy J.A. Martin (H)	Senator A.J.H. Maclean	
Deputy G.P. Southern (H)	Senator I.J. Gorst	
Deputy J.A. Hilton (H)	Senator L.J. Farnham	
Deputy K.C. Lewis (S)	Senator P.M. Bailhache	
Deputy M. Tadier (B)	Senator A.K.F. Green	
Deputy M.R. Higgins (H)	Connétable of St. Helier	
Deputy S.Y. Mézec (H)	Connétable of St. Clement	
Deputy L.M.C. Doublet (S)	Connétable of St. Peter	
	Connétable of St. Lawrence	
	Connétable of St. Mary	
	Connétable of St. Ouen	
	Connétable of St. Brelade	
	Connétable of St. Martin	
	Connétable of Grouville	
	Connétable of St. John	
	Connétable of Trinity	
	Deputy of Grouville	
	Deputy J.A.N. Le Fondré (L)	
	Deputy of Trinity	
	Deputy E.J. Noel (L)	
	Deputy of St. John	
	Deputy J.M. Maçon (S)	
	Deputy S.J. Pinel (C)	
	Deputy of St. Martin	
	Deputy R.G. Bryans (H)	
	Deputy of St. Peter	
	Deputy A.D. Lewis (H)	
	Deputy R. Labey (H)	
	Deputy S.M. Wickenden (H)	
	Deputy S.M. Bree (C)	
	Deputy M.J. Norton (B)	
	Deputy T.A. McDonald (S)	
	Deputy of St. Mary	
	Deputy G.J. Truscott (B)	
	Deputy P.D. McLinton (S)	

The Bailiff:

I ask the Greffier to reset the voting. The last one is subparagraph (iv), £120,000 in 2017, and so on. I ask the Greffier to open the voting.

POUR: 10		CONTRE: 37		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Saviour		Senator P.F.C. Ozouf		
Deputy J.A. Martin (H)		Senator A.J.H. Maclean		
Deputy G.P. Southern (H)		Senator I.J. Gorst		
Deputy J.A. Hilton (H)		Senator L.J. Farnham		
Deputy K.C. Lewis (S)		Senator P.M. Bailhache		
Deputy M. Tadier (B)		Senator A.K.F. Green		
Deputy M.R. Higgins (H)		Connétable of St. Helier		
Deputy S.Y. Mézec (H)		Connétable of St. Clement		
Deputy L.M.C. Doublet (S)		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy of Grouville		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy J.M. Maçon (S)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy R. Labey (H)		
		Deputy S.M. Wickenden (H)		
		Deputy S.M. Bree (C)		
		Deputy M.J. Norton (B)		
		Deputy T.A. McDonald (S)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

We now come to proposition 2. This is the expenses part of the proposition, and deal first with subparagraph (i) dealing with the Christmas bonus. I ask the Greffier to open the voting.

POUR: 18		CONTRE: 28		ABSTAIN: 1
Senator Z.A. Cameron		Senator P.F. Routier		Deputy J.A.N. Le Fondré (L)
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Ouen		Senator A.J.H. Maclean		
Connétable of St. Saviour		Senator I.J. Gorst		
Connétable of Trinity		Senator L.J. Farnham		

Deputy J.A. Martin (H)		Senator P.M. Bailhache		
Deputy G.P. Southern (H)		Senator A.K.F. Green		
Deputy J.A. Hilton (H)		Connétable of St. Clement		
Deputy K.C. Lewis (S)		Connétable of St. Peter		
Deputy M. Tadier (B)		Connétable of St. Lawrence		
Deputy M.R. Higgins (H)		Connétable of St. Mary		
Deputy J.M. Maçon (S)		Connétable of St. Brelade		
Deputy S.Y. Mézec (H)		Connétable of St. Martin		
Deputy A.D. Lewis (H)		Connétable of Grouville		
Deputy L.M.C. Doublet (S)		Connétable of St. John		
Deputy R. Labey (H)		Deputy of Grouville		
Deputy S.M. Bree (C)		Deputy of Trinity		
Deputy T.A. McDonald (S)		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

Can I ask the Greffier to reset the voting? The second vote is on expenditure in relation to keeping the television licence benefit. I ask the Greffier to open the voting.

POUR: 17		CONTRE: 30		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Connétable of Trinity		Senator I.J. Gorst		
Deputy J.A. Martin (H)		Senator L.J. Farnham		
Deputy G.P. Southern (H)		Senator P.M. Bailhache		
Deputy J.A. Hilton (H)		Senator A.K.F. Green		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Clement		
Deputy K.C. Lewis (S)		Connétable of St. Peter		
Deputy M. Tadier (B)		Connétable of St. Lawrence		
Deputy M.R. Higgins (H)		Connétable of St. Mary		
Deputy J.M. Maçon (S)		Connétable of St. Ouen		
Deputy S.Y. Mézec (H)		Connétable of St. Brelade		
Deputy L.M.C. Doublet (S)		Connétable of St. Martin		
Deputy R. Labey (H)		Connétable of Grouville		
Deputy S.M. Brée (C)		Connétable of St. John		
Deputy T.A. McDonald (S)		Deputy of Grouville		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		

		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

I ask the Greffier to reset the voting. The next is subparagraph (iii), the application of index linking to core components of income support. I ask the Greffier to open the voting.

POUR: 13		CONTRE: 34		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Deputy J.A. Martin (H)		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator L.J. Farnham		
Deputy J.A. Hilton (H)		Senator P.M. Bailhache		
Deputy K.C. Lewis (S)		Senator A.K.F. Green		
Deputy M. Tadier (B)		Connétable of St. Clement		
Deputy M.R. Higgins (H)		Connétable of St. Peter		
Deputy S.Y. Mézec (H)		Connétable of St. Lawrence		
Deputy L.M.C. Doublet (S)		Connétable of St. Mary		
Deputy S.M. Bree (C)		Connétable of St. Ouen		
Deputy T.A. McDonald (S)		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy of Grouville		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy J.M. Maçon (S)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy R. Labey (H)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

I ask the Greffier to reset the voting. The last vote in this series is subparagraph (iv), maintaining current income support disregard. I ask the Greffier to open the voting.

POUR: 15		CONTRE: 32		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Deputy J.A. Martin (H)		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator L.J. Farnham		
Deputy J.A. Hilton (H)		Senator P.M. Bailhache		
Deputy K.C. Lewis (S)		Senator A.K.F. Green		
Deputy M. Tadier (B)		Connétable of St. Clement		
Deputy M.R. Higgins (H)		Connétable of St. Peter		
Deputy J.M. Maçon (S)		Connétable of St. Lawrence		
Deputy S.Y. Mézec (H)		Connétable of St. Mary		
Deputy L.M.C. Doublet (S)		Connétable of St. Ouen		
Deputy R. Labey (H)		Connétable of St. Brelade		
Deputy S.M. Bree (C)		Connétable of St. Martin		
Deputy T.A. McDonald (S)		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy of Grouville		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

Perhaps I could just say to Members, I did not want to interrupt Members in the course of their speeches in what was clearly a passionately felt debate, but there were numbers of occasions when usual rules about Standing Orders were disregarded. Please speak through the Chair, do not use “you” as in: “You will see that”; “Members will see that” is the way of putting it. Please do not refer to other Members by name, such as “Len Norman.” **[Laughter]**

Deputy G.P. Southern:

Is that not his real name, Sir?

The Bailiff:

You may certainly refer to him as “The Connétable of St. Clement.” Please do not treat it as question time, as with the question to the Minister for Treasury and Resources as to what he meant and, if I may say so, Deputy Martin was right some of the time in describing this as an Assembly and not a House. We now come to amendment number 8 of Deputy Mézec and I ask the Greffier to read the proposition.

1.5 Medium Term Financial Plan 2016-2019 (P.72/2015) – eighth amendment (P.72/2015 Amd.(8))

The Deputy Greffier of the States:

Page 2, paragraph (a)(i) – After the words “as shown in Figure 18” insert the words – “except that the intended total amount of States income shall be increased by the amounts in the following table by the introduction of a higher rate of income tax in the 2016 Budget for individuals whose income is greater than £100,000 per year to offset the 2016 financial impact (and the ongoing financial impact in 2017 to 2019) of not proceeding with the proposed savings in the expenditure of the Social Security Department shown - 2017 £1,200,000; 2018 £1,900,000; 2019, £2,600,000, in respect of retained single parent component.” Paragraph (a)(ii), – After the words “Summary Table B” insert the words “except that the total amount of States net expenditure shall be increased in the years 2016 to 2019 by the amounts in the following table by not proceeding with the proposed 2016 savings (together with the ongoing financial effect of these savings in 2017 to 2019) in the expenditure of the Social Security Department as shown –2016 £500,000; 2017 £1, 200,000; 2018 £1,900,000; 2019 £2,600,000 in respect of retained single-parent component.”

The Bailiff:

Deputy, can I take it you will be proposing both parts of these resolutions even though you may wish to take the vote separately later on?

Deputy S.Y. Mézec:

Yes, Sir.

The Bailiff:

Please proceed.

1.5.1 Deputy S.Y. Mézec:

This amendment obviously follows on in the same spirit as the previous amendment by my colleague, Deputy Southern, in that it seeks to prevent what I believe is a harmful cut which will disproportionately affect a small and vulnerable section of Jersey’s community and, instead, opt for what I believe most right-thinking people think is a sensible way forward on our taxation model. The difficulty I obviously have is that many of the points were already made in the previous debate and they still stand, but that will be for Members to consider what they want to contribute in the debate afterwards. The reason we are here having this debate on what is an extraordinary M.T.F.P. in extraordinary circumstances is because, for the past 10 years, we have been led by careless and incompetent governments. For decades previously the States of Jersey ran budget surpluses and now we are facing a deficit of £145 million by 2019. This does not happen by chance, it happens because of mistakes and because of incompetence. Now, Jersey adopted a Zero/Ten tax model and the arguments for and against this were had at the time and it was decided that change was necessary to safeguard a section of the finance industry. The principle there is certainly right, but what have we been left with in the end? We have a tax system which leaves foreign-owned companies who trade in Jersey not paying tax here with our own local companies having to compete at a disadvantage. We introduced and then raised G.S.T., a regressive tax which disproportionately affects the poorest in Jersey and increases business costs. Some at the time said that Zero/Ten would inevitably lead to a black hole at some point in the future. It did not happen immediately in the short-term because of G.S.T. and other measures, but then, when you throw in some over-optimistic tax income forecasts, we end up where we are today and we cannot do anything other than blame the Government for this situation because it was their implementation of

Zero/Ten, which was sloppy at best, and they were warned by Scrutiny that their tax forecasts were too optimistic but they chose to ignore it. So who pays for this long list of screw-ups?

The Bailiff:

I am sorry, Deputy ...

Deputy S.Y. Mézec:

Is that unparliamentary, Sir?

The Bailiff:

It is unparliamentary.

Deputy S.Y. Mézec:

I apologise then. I thought it might be okay but if I am wrong, I withdraw it then. So who pays the price for this long list of mistakes? I take it that is okay. Is it the politicians who caused this mess? No, because they are mostly still sat in their seats as politicians, some of them incapable of containing their excitement at the thought of shrinking the state and some of them still in a state of shock, so amazed that they managed to get away with conducting a whole election campaign without discussing these issues in any sort of depth. Is it those who did best out of the good times that are now being asked to contribute a bit more to alleviate the suffering of those at the bottom? No, of course not because, after all, those are the people who this Government works for. So who is it who does pay? It is the poor, it is the pensioners, it is young jobseekers, it is single parents and it is every household who, if the Corporate Services Scrutiny Panel are right in saying this, will be £1,000 a year worse off at the end of all of this. So the purpose of this amendment is to protect families with a single parent by protecting the single parent component. In the report for my amendment is a copy of the transcript at the Social Security Scrutiny Panel hearing with the Minister for Social Security, on whether any work had been done to assess the impact on child poverty this change would have. It is the same topic which Deputy Southern attempted to question the Minister on yesterday afternoon, and in the previous debate he made several references to it. Initially she says that the research has been done, then with further examination we find out that no, that is not really the case; we do not really have anything to back up that statement. I think when we are talking about kids from broken families who are being brought up in challenging circumstances, this simply is not good enough. Nothing has been put forward to States Members, despite extensive questioning from Deputy Southern to show that this will not increase child poverty and this: "Oh, the computer says it is fine" is one of the more spectacular excuses I believe we have heard in this Assembly. Sadly, it is typical of this Government: no impact assessment of the effect of this on poverty, just like there is no overall impact assessment on the effects of their cuts to services and what that will have on the economy. It would be funny if it was not so tragic. The most frustrating part of this debate, in my view, is the comments which have been lodged by the Council of Ministers' combined response to amendments 2, 8 and 9 on the effects of our proposition to extend the progressive taxation regime, which I believe is so intellectually bankrupt that it is insulting.

[16:15]

Frankly, I would have been embarrassed to put my name to a piece of work like this. The starting position is that the 20 per cent tax rate is sacrosanct; it is, frankly, economic lunacy. The idea that you would sooner let your tax system run your public services into the ground rather than adapt and mould the system according to changing circumstances is totally irresponsible, and anybody who subscribes to that view should be nowhere near any position of authority. The idea that a tax model constructed before we faced the challenges of an ageing population would still be viable now that it

is a challenge is just not logical. Let us look at some of the straws that the Government has attempted to clutch at in their comments. Look at the first 3 bullet points: “The top rate of 20 per cent personal income tax rate forms a bedrock of the Jersey tax system, an unchanging element of the Island’s tax regime for more than 60 years. This has sent out a clear message to an increasingly globalised world that Jersey provides certainty and stability, the rate ensures Jersey is regarded and characterised as a low-tax jurisdiction.” I have to be honest, I think that a Government which re-examines its tax system periodically to adapt to a changing reality is a sensible and prudent government and one which is so determined to bury its head in the sand and ends up creating such a drastic deficit as they have done, and introduced stealth taxes to make up for it, is surely a Government which looks incompetent to the outside world. Is it not that which will make the Island unattractive, not tax rates which reflect the needs of the society that they are governing? It then goes on to talk about competitiveness and, frankly, this is where it gets funny. They have provided a chart of other jurisdictions’ tax rates which, aside from the obvious point that there is a very long list of jurisdictions from which they could cherry-pick ... let us look at one of them: “Singapore, top rate of personal income tax, 20 per cent.” It is not. It was 20 per cent; as of this year it is now 22 per cent. I do not know about you, but I have not noticed our airport clogging up with people moving from Singapore desperate to leave such an unstable and uncertain jurisdiction coming here because we are more competitive. Of course, that is ridiculous. It is, however, correct to say, as this chart says, that the top rate of tax in the Isle of Man is 20 per cent, but it has only become 20 per cent recently; it was 18 per cent just a few years ago. Has their economy plummeted? Have a whole bunch of high-earners left? No, of course not. It is a ridiculous thing to suggest. I spent 5 minutes on Google last night trying to find out how many places there are in Europe which have lower tax rates than Jersey, and I have found 11. There could be more, that is just the amount I managed to find in 5 minutes. In fact, not only does Jersey not have the lowest tax rate in Europe, we do not even have the lowest tax rate in the Channel Islands. So if tax is a competition, Jersey has already lost. Why is anyone in Jersey in the first place? Why have they not already gone to Andorra or to Switzerland? The fact is that people in businesses are based in Jersey for a whole host of other reasons, aside from the 20 per cent tax rate. The argument advanced by the government is unpatriotic: it says that there is nothing more to Jersey than our tax rate. Jersey is a fantastic place to live with an excellent standard of living; we are just an hour away from London and we have some of the finest expertise in this Island which do not exist in other places. **[Approbation]** That is why people are here, there is opportunity in Jersey and our tax rate is not a defining feature of what makes this place such a good place to live and do business. So it is an unpatriotic argument that is advanced when we say: “If we get rid of this then suddenly we will descend into chaos.” I personally have yet to meet a single high-earner who has said that they will leave Jersey if taxes go up marginally. The point I would make is: how do we know that 20 per cent is the optimum tax rate for Jersey? What research is there that says that? How do we not know that, if we reduced it to 19 per cent, it would raise more and that it would encourage more people to come here? How do we know that we could not get away with 21 per cent with no impact, 22 per cent, 23 per cent? I think perhaps when you start getting to the same level as in the U.K., where the top rate of income tax is 45 per cent, then perhaps that argument begins to take on some legitimacy. But the situation is at the moment, if you are somebody earning £200,000 a year in Jersey, you are paying half the amount of tax you would be if you lived in the U.K., so the situation, I think, leaves lots of room for manoeuvre here. Many of the jobs exist in Jersey and simply are not going to move because they are based on Jersey; the way elements of the finance industry are based here, and that is not going to exist somewhere else. Okay, many jobs are mobile but I do not believe that there are tonnes and tonnes of people who could simply pack up, live somewhere else and suddenly find their lives are exactly the same but in a different location. The problem I find with the whole plan advanced by the Government when it comes to taking money away from single parents, when it comes to taking money away from pensioners and refusing to

look at a progressive tax system, is that it is based on what I think is quite a perverse position: it is based on this belief that you incentivise those at the top by paying them more and you incentivise those at the bottom by paying them less. It is absolutely absurd. **[Approbation]** But the funniest thing about it, I say “funny”, it is not funny, it is tragic, but the worst thing about this is the Government saying somehow: “We cannot raise taxes because of the damage it will do to certainty and to stability and Jersey’s image internationally.” Well, guess what, the Government are raising taxes anyway, they are raising stealth taxes. So when they go round the world trying to encourage people to come to Jersey, to say: “Yes, it is a 20 per cent tax rate”, yes, plus 12.5 per cent social security if you are self-employed, plus the new health charge, plus the long-term health charge, plus waste disposal, and all sorts of user-pays charges; and you cannot go see a doctor for free, it becomes a bit more complicated. So this argument that the 20 per cent on its own is the absolute thing simply does not make sense. The point I think is: most good Conservatives should accept that if there is a need for more revenue we should surely be preferring a plan like the one proposed by Reform Jersey, which is looking at simply reworking the taxes we already have rather than creating new taxes where you have to create bureaucracy to administer those taxes. Surely it is more cost-effective to look at the taxes we already have rather than introducing new ones. That is an argument that I think a good Conservative should be accepting of. This issue of taxation and how we fund public services, how we fund benefits, how we fund education and health is going to keep coming back if we do not address the central issue about taxation because, as I said earlier, we are in this position because of mistakes that were made in the past but the Government has not made any attempt to rectify and address what is a structural problem, not a problem that is here today, you can stick a plaster on it and it will be gone in years to come. There are 2 paths we face: one of those is one which will inevitably lead to the dismantlement of all of our public services when we realise that we take this option every few years, going through some procedure where we cut back spending and introduce health charges; we will do that, 10 years down the line we will see it was just sticking a plaster on a wound and we will have to do it again, 10 years later again, 10 years later again. The inevitable conclusion of that process is to see our public services completely decimated. The alternative is to accept what the problem is, deal with it and adapt our tax structure accordingly. That is the point of this amendment, it is the point of the amendment by Deputy Southern and the amendment by Deputy Tadier. The reason we are able to put forward these amendments is because the mandate by which we were elected was completely clear: we said openly from the very beginning: “We have a black hole we are facing, we believe that the way you will deal with that is by looking at the tax structure to see how it can be made fit for purpose.” It was on our manifestos, it was clear. The Ministers, however, have no mandate for what they are doing now. Most of their manifestos are still available online, you can see them on their own personal websites, the ones that have not been taken down yet, and I believe some of them may still be available on vote.je as well. You go through them and there is not a single word about the things that they are now pursuing. No word about health charge, no word about cuts to services, no word about taking income support away from single parents, no word about any of it. So I know, when I stand up and make this amendment, I am doing what I was elected to do. I ask Members to do what they were elected to do. Do not renege on their promises and do not do things that they never told the electorate they would be doing before the election. On that basis, I make the amendment.

The Bailiff:

I am going to ask the Minister for Social Security to speak but I will ask, first of all, if anyone wishes to second the proposition. **[Seconded]** Minister?

1.5.2 Deputy S.J. Pinel:

The impact of supporting this amendment would be to retain the current single parent component, worth £40 a week, and to hold the treatment of maintenance income at its current disregard level of 10 per cent. My reasons for putting forward changes in this area are quite clear and I will briefly rehearse them for the benefit of Members. Page 10 of the Reform Jersey report helpfully reproduces a Social Security diagram which shows how income support is allocated to families containing either one or 2 parents. The diagram compares the support available to a single parent with one child with a similar household comprising a couple with one child. Both families receive the same support towards rent, both families receive the same support towards the general cost of running a household. Both families receive the same support for the child. It is not shown on the diagram, but both families would also be eligible for the same support with childcare costs. As the couple includes 2 adults, they then receive 2 adult components and the single parent receives just one. Under the current system, the single parent's claim then includes an additional £40 a week. This component is not associated with any particular extra expense. I do not believe that this additional component is well-targeted and my proposals seek to remove it gradually during the course of the Medium Term Financial Plan. New claims from single parents will not include the component at all. As Members are well aware, the department has thoroughly investigated all alternative options for holding the benefit budget at its 2015 level throughout the Medium Term Financial Plan. No decision is easy but there is a very simple question that we have asked ourselves to test the merit of individual options. The question is, once more: "If this benefit did not exist, would you see the need to introduce it?" The income support system has been designed to cover the basic living costs of low income families, as the diagram shows. Those costs are met without needing an extra single parent component so, when I ask the question: "Should the income support system contain an extra £40 a week component for being a single parent?" my answer is: "No." Alongside this change, I am also proposing that the treatment of maintenance income should be made more generous and brought in line with the percentage disregard applied to wages. This means an increase from 10 per cent disregard up to a 23 per cent disregard. On average, a single parent receives maintenance income of £50 per week and so this increase would give the parent £11.50 to keep compared to the £5 under the current system. I am puzzled as to why Reform Jersey is opposing this change, which encourages the parent to receive a financial contribution from their ex-partner. Increasing the value of maintenance income received by income support payments will reduce the amount of income support needed to support these families, and it will increase the disposable income of the family. The average single parent will be £6.50 better off a week as a result of this change. I have been asked recently whether the department should take a more active role in collecting maintenance payments directly. I would not support such a move; it would add more bureaucracy to the income support process, at the same time that the department is streamlining its operations and trying to cut down on red tape where possible. In my personal view, it also diminishes the role of the family. Even when partners split up, they should continue to take some responsibility for their children without the need for a government department to interfere. I can also reassure Members that legal aid is available to help claimants who are pursuing maintenance and that the department and the Citizens Advice Bureau regularly assist claimants in this process. The net impact of these 2 changes is a contribution of £2.6 million towards the total of £10 million savings. If Members wish to support this amendment they should consider which other areas of States expenditure will be reduced by £2.6 million or which group of taxpayers will provide extra tax income to allow the current treatment of single parents to continue. I urge Members to reject this amendment.

1.5.3 Deputy G.P. Southern:

This is something that disturbs me greatly because this, in particular, is one of the worst examples I have seen in my time in the States of not doing proper research. The fact is that one of the

advantages that income support brought when it started in 2008 was that it did add this £40 component to single parents.

[16:30]

One has to ask why. The “why” was because there were large numbers of children of single parents in poverty; in relative low income. The one good thing above all else that income support did was lift those children out of relative low income. The figures show that, between 2002 and 2009, what we saw was single parents with at least one dependent child went from 64 per cent of the household type, single-parent type, in relative low income in 2002; by 2009/2010 that had reduced to 41 per cent of those households in relative low income. Similar figures applied to a single parent with children over 15 years; 37 per cent in relative low income in 2002 and reduced, halved, 15 per cent in 2009. That was the single uplifting, creative, valid thing that income support did: it lifted a whole tranche of children out of poverty. Here we are with just about within 2 months, by the end of the year, we shall see a fresh income distribution survey which will either reinforce that or change that situation, have fresh numbers to see whether that is the case: are we still holding children out of poverty? I believe those numbers will be fairly consistent but I do not know that and neither does this department. What it risks is, before we get the new figures and can see what is happening, we will have changed the situation. We will have said: “That was a good move; it will not be about poverty. Without checking it now, we will take that away.” The danger is that that 64 per cent of single parents with a dependent child in poverty is likely to be seen again. We will not know because, if we change things now, that will not be included in the new survey, it will be 5 more years down the line before we see the figures and say: “Oops. What did we do? We stuffed all those people, all those children back into poverty. What a bad move that was.” That is the risk. That is what is happening here, I think. One just has to look, and I will go back to page 10 of Deputy Mézec’s proposition, with the chart. It shows that single parents with one child at the moment receive £470 per week, whereas a couple on income support will receive £522; a difference of £52 between a single parent and 2 parents. On top of which one has to recognise that income support is an in-work benefit and there are 2 parents in the couple who both can do some work to contribute to income in the household whereas a single parent only has one. So that differential, the £52 at least between the income in a single parent household and the income in a couples household, is marked. It is interesting to note that, although the Minister for Social Security says: “Well, at the same time we are changing the rules around maintenance and we will move from 10 per cent disregard to 23 per cent disregard”, but if we think about that, hang on, a 10 per cent disregard, do you chase that maintenance for the sake of a small amount per week? 23 per cent disregard, do you chase that, with all the hassle that it entails, all sorts of reasons why couples break up: the partner may have been violent, the partner may have had a drug problem, the partner may just simply not wish to have anything to do with the family. It is very easy for that person to hide, change your job, change where you live. It is very difficult for an individual to chase that. It may well end up going to court. My understanding is that there is no legal aid for chasing an errant parent. It is a very hard process to do, very wearing. Why, quite simply, does the department not take on this role and say: “We will chase errant parents who are not contributing to maintenance”; why not? Because it saves us money in the long run and it is worth our while making sure so that maintenance is coming into this household because that then saves on the bill. The department is superbly well placed to chase down anybody because they know where they work, they know how much they are earning, they know what contributions they have paid. It is far easier for the department to chase down errant parents than it is for the other parent to chase them down. Interesting to note also that we have this image of single parents being somehow feckless or not responsible but if you look at the figures you will find that single parents are not all 16 and 17 year-old women but they are mature women who have been left, have suffered divorce or separation at some stage later in their lives, and are very responsible. In fact half of single parents are in work,

so they are doing their bit to hold their part of the family together, with or without having to chase maintenance. It is also interesting to note that if you are the errant parent who is supposed to pay maintenance, if you pay that maintenance and you are on income support you get 100 per cent disregard. If you are the recipient of that maintenance and it comes in you get to keep 10 per cent, or now 23 per cent, but the real answer to the maintenance issue is for the department to take on the chasing and make sure that it can follow up and chase down those errant parents.

1.5.4 Senator P.F.C. Ozouf:

I am not going to be able to, and I do not think probably it is wise for me to, stand very often in this debate and speak about the past. But I would just like, very briefly, because the mover of this proposition, I am not going to deal with any of the issues that I think have been comprehensively dealt with by the Minister for Social Security, I am going to just address the very narrow issue of the suggestion that there is a black hole. I think that this Assembly requires something to be called what it is. A black hole in science is a celestial object formed when a very large star reaches the end of its life. It explodes and what is left collapses. It is a black hole and not even light can escape from it. It is the point of no return. On the other hand, the deficit that Deputy Mézec ... I think perhaps he does not understand but the deficit that he speaks about is not a deficit of today. It is a deficit that this Assembly is projecting because we are doing the very opposite of what he is suggesting that we are doing. We are decimating public services. We wish to invest in public services. We wish to do like what, if I may say, both the parties of the left and the right in the United Kingdom are not doing and that is looking forward to the inevitable rising age of our population and putting the right investment that has got to happen in health care as a result. No party accepted the Dame Kate Barker review of a comprehensive health service requirement in the new settlement of health. The Jersey Government is looking ahead and we are investing. We are trying to do our maximum and we are trying to do the very best we can to make savings in order to be able to reallocate that money in health. This is not an unstoppable slide to destruction. We are proposing to reduce expenditure and reallocate it by the period of the end of this M.T.F.P. and that is the point that I think the Deputy misinforms, if I may say, perhaps he has got a different interpretation. There is no deficit today of £145,000. There is no black hole, as even the *J.E.P.* wishes to tell its readers today. I have met a number of parliamentarians on the left and the right and I was pleased to have some enjoyable conversations with Deputy Mézec last week at the Labour Party Conference. I met many parliamentarians that were astonished that this Assembly has 100 per cent of G.D.P. (Gross Domestic Product) in assets, that is looking forward to tackling the issues of health care and finding ways to do it. I agree with the Deputy on one issue about charges and about the transparency of charges. There has certainly got to be a debate about what charges are and how we raise that gap that we cannot meet in terms of cost savings, growing the economy, growing our income line, which Senator Farnham and I seized upon with our other ministerial colleagues, and we are trying to do our best to beat those income forecasts and not let them fall, not by raising tax rates but by growing the economy. Charges are often used, the Deputy is right, to conceal sometimes people's anaemic problem with tax; tax is unpopular. But I just say this in conclusion: he cites Singapore, Singapore does indeed have the income tax rate that he cites for incomes that I calculate to be very substantial, I think it is £200,000 or something, £100,000. But what he did not also say to Members was that there is a G.S.T. rate of 7 per cent, that there is a social security payment of 20 per cent in terms of Medicare and all of the medical requirements. There is also, as I last looked at the facts, a 20 per cent rate in terms of a compulsory insurance for basically looking after various elements of health care. I agree with the Deputy in one respect. It is very important for there to be absolute transparency in terms of what tax rates are. But I think this Assembly can be proud of our tax rates because we are delivering the kind of economic growth and the kind of investment, not decimation of public services, without the need to raise taxes, which I ultimately believe will be counterproductive to the growth of the economy. We need to send a

strong message out of stability, that is why we are being favoured as an international finance centre with more business because we have stability, we have rock solid stability in terms of those tax rates. I will leave it there.

1.5.5 Deputy J.A. Martin:

I will be brief but I do really think that this is one of the amendments of please support what Deputy Mézec is trying to do. We had extensive questions of the Minister for Social Security here a few weeks ago when we asked about the single parent component and why. The Minister kept saying that people receiving maintenance will be better off. In her speech today the Minister has already said she would not be willing to chase this money herself. On page 4 of their comments it says: "The report accompanying the amendments suggests that this change will put the claimant in a worse financial position." In dark, emboldened it says: "This is not correct." Because then it says: "Currently, about half of single parents claiming income support receive maintenance income."

[16:45]

About half. Now let me tell you one thing about claiming income support and if you have got children, if you know where the child's father is, you can prove that he is the father, there is no way that you will be paid until you have absolutely chased that parent to the ends of the Island and he has gone off and he has swam to Guernsey or somewhere but they will not get that money. It is down to the claimant, not down to Social Security. Fair enough. We have heard the Minister is not going to move on this one. The half that are not getting any maintenance are not getting it for a very, very good reason and I absolutely worry about the children in these households. Look at the figures on page 10; if you take the single parent away you are left with one adult, 2 adults on the other side, but please look at these figures and take that bottom box out of here: "Rent for a 2-bedroom flat £223 for both" take it out because I do not care. As I have said, if you live in Andium Homes of 5,000 or so tenants it is a matter of money going from social to Andium. They do not see that money. Private sector rentals similar on most of the big trusts do not see that money. Then if you take the £40 off of these single parents you are left with £207 for the single parent and £299 for the adult couple. Yes, the only other thing that the adult couple has to do is get another extra £92 and they have to feed another adult, but I know most adults will go without food or will eat less so they can feed and clothe their children. It is not just feed and clothe, there is a long list. You ask any debt that goes down to ... sorry to mention them, but a couple of pounds here for T.V. licence, a couple of pounds here for entertainment, a couple of pounds for school shoes, a couple of pounds for uniform, all adds up. The Minister I think did not mislead entirely but I was on Scrutiny when this came in, myself, Deputy Southern and the then Deputy Shona Pitman. We worked with this because we realised the overall household budget ... forget your rent because, as I say, take that one out but like your gas bill, your electric bill, your rates bill, your water bill. If I am a single parent or 2-parent family of one child those bills do not change, they are still going to be what they are. A 2-bedroom flat, you would phone up J.E.C. (Jersey Electric Company) you are in a 2-bedroom flat: "On average it will take you about £100. You got a child?" "Yes." "£100 a month, that will be what we will take direct debit, unless you want to pay by meter, you do not get as much money but if you really want to pay by meter or install one and you get a little bit less." It is all these things that are not taken into account. It was very disappointing. If the Minister had come here and said today: "I am going to take this on. I am going to pay the people but I am going to chase" like they do in the U.K. and many other places they changed because it is not ... as Deputy Southern said, they have got the people to do this, they have got the wherewithal to do it because they are giving out taxpayers' money and they should be chasing the parent who is not contributing. There are exchange agreements with the U.K. and they should be paying, even if they have gone back to the U.K. or Scotland or Wales or wherever they have gone in the world. But the parent left with a child

or 2 or even more is then trying to chase him, it does not work. As I say, somebody else or other people are not going speak on this. I mean to me I have to say that I really think this amendment, will it be phased over 4 years? It will put children back in poverty. The majority are already on the borderline anyway but forget the headline figure, take the rent off and then take the big figures that every household must pay. I would like to go to my Constable of St. Clement because he is so rich and say: "Single parents in my Parish, why have they got to pay their rates? Why?" This is all in this £40; they are still getting less. The Minister for Social Security keeps saying ... I am sorry, I am not having a go at the Minister, she is doing her job as the Minister under the Council of Ministers, keeps saying: "These single parents are getting £40 a week more than anybody else." That is not correct. Take the rent off, add the 2-adult components in. Two, to me, can live as cheap as one. But if you are one you have to pay all them other things. Think very carefully, correct research has not been done and to absolutely hear the Minister today say she is not favouring taking on the chasing of the maintenance, this Assembly cannot support it.

1.5.6 Senator A.J.H. Maclean:

Just very briefly if I could, a couple of corrections or clarifications perhaps to the proposer, Deputy Mézec. In his opening remarks he commented on foreign-owned locally-trading companies not paying tax under the Zero/Ten regime, which was absolutely correct. He made a comment that that is unfair and an unlevel playing field, I think it was the term he used, for local companies but, of course, as Members are aware local companies do not pay tax either under the Zero/Ten regime. We are aware, of course, and this goes back, it is dated from 2008, that some estimates were undertaken about the potential leakage of tax from the shareholders of foreign-owned locally-trading companies and that has been estimated at around about £7.6 million. It is a matter that we would, of course, like to address if we could, although to date a suitable mechanism has not yet been found. The other comment I would just make about the remarks of Deputy Mézec in his opening were around Zero/Ten. I think Members appreciate this, Zero/Ten and the transition has not been easy for Jersey and the community in many ways but the outlook would have been bleak if we had not put in place a competitive internationally acceptable and competitive tax system. We would have seen considerable loss of business and jobs. In fact it is not worth contemplating at any great length. However difficult it has been the alternative would have been significantly worse. The only other point that I wanted to make - the Minister for Social Security has covered all the issues in relation to this very eloquently earlier on - I just wanted to remind Members that indeed Deputy Mézec, as indeed Deputy Southern before him, is intending, as part of this proposition, to raise the personal income tax rate in order to fund these proposals. I do not wish to rehearse the arguments that I brought earlier on when I spoke to Deputy Southern's proposition. The same points are relevant now as they were then. Raising the personal rate of income tax is something that we cannot contemplate doing, certainly at the last minute like this. The competitive issue for Jersey is to have a rate that attracts business, that maintains business and, as such, to move it would damage the economy without doubt. The stability, the certainty that has been Jersey's strength for 60-odd years or so, is built around our base income tax rate and I would just remind Members that the proposal is to increase that to fund what Deputy Mézec is proposing here and I would strongly urge Members to reject it on those grounds.

1.5.7 The Connétable of St. John:

This appears on the surface to be reasonably straightforward, increase the tax so that one can assist and help single parents. There are, of course, many different types of single parents. There are those who, for some reason, have lost, due to illness, death, whatever, one of their parents. Those people definitely should receive assistance where necessary because that in life is one of the great tragedies. But there are also those who, for whatever reason, separate, the marriage breaks down, but it is important that both parents contribute towards the welfare and upkeep of the children. You

cannot just walk away from a marriage and say: “I am going to have nothing more to do with my children.” They are your children, they are your responsibility. There is obviously a small but highly emotive section of society where young ladies get pregnant because they want a home and they find it is an easy way to move forward in society. They are, thankfully, a very small section of society but they need education more than they need financial assistance because that would stop them getting into that predicament in the first place. It is important I think that those chasing husbands or wives or other partners in a relationship that has resulted in children, that they receive every help possible to do so. The proposition, as it is posed, I cannot support but I think it is something that the Minister for Social Security needs to take on board and needs to examine and come back to this Assembly with a proper thought-out system of how the partners who try to escape their responsibilities are brought to account and that then a proper system is provided to catch those who fall through the net.

1.5.8 Deputy G.J. Truscott of St. Brelade:

It goes without saying that I fully support my Minister and I will be voting to reject Deputy Mézec’s amendment and I urge other Members to do likewise. As the Minister has already stated, under the current system the single parents claim includes the additional £40. This component is not associated with any particular extra expense. I do not believe this additional component is well targeted and her proposal seeks to remove it gradually during the course of the M.T.F.P., which I think is fair, I think a greater level playing field with 2 parents and all having the same benefits. I just wanted to clarify something that Deputy Southern mentioned earlier; it is not accurate to say that the legal aid is not available in order to pursue child maintenance. Providing the applicant meets the financial criteria and the child is resident in Jersey, then the legal aid will generally be available free of charge. There will always be situations where the absent partner cannot be pursued but in these situations income support officers will accept the person has done everything they can to achieve that and the benefit will be unaffected.

1.5.9 Deputy S.M. Brée:

Perhaps the difficulty that most of us are having with supporting this amendment is the way in which it seeks to raise the income element. This will be sourced from an increase in personal income tax. As we all know, this is reform, the party’s stated aim. I think the thing is, like myself, I am sure a number of Members here do support the concept of a progressive tax system. The problem we have is that we have not been given enough time to really seriously consider and look at how a sensible, targeted and fair progressive tax system may work. I think we all appreciate that, as stated by the Minister for Treasury and Resources, the current tax system is the, if you like, sacred cow. You are not allowed to go there, you are not allowed to look at it, you are not allowed to even suggest looking at it. I would say that we should. This amendment brought by Deputy Mézec is an ideal example of why we should start looking at it. But much more work needs to be done in this area and much more involvement by States Members into how could this work. Should it work? What areas are we looking to raise income on? On the other hand, I am sure, like myself, many of you do totally support the retention of the single parent component for all the reasons we have heard today, from much, much better orators than I am and much more knowledgeable people in this area than I am. What can we do? I would like to suggest that while we will probably have great difficulty in supporting the income-raising element, should the amendment be brought in 2 parts, then I would be able to support the expenditure element. Again, this is going to be very difficult because the argument will be: how can you say more expenditure without giving a source of income?

[17:00]

If we do that what we are doing is we are enshrining the important fact in this, which is to protect the interests of a child in a single parent family. We are going: “We think it is a very important thing”, so the message will go out to the Minister for Social Security that the States Members support the retention of that but wants the Minister to come back with a way of funding it. The whole issue of a progressive tax system is something that we do seriously need to look at but I think, unfortunately, the way in which this amendment has been structured is going to make it very difficult for people to support it. At the end of the day we are here as elected representatives of the public. We have a duty to protect them. One of the ways we can do that is not to support cuts to benefits for single-parent families.

1.5.10 Deputy A.D. Lewis:

Just briefly, I am slightly confused here with some of what the Minister said in her comments and I am just trying to work out who is right and who is wrong. I am sure the Minister thinks that she is right and quite possibly she is. But it does say that the amendment’s suggestion that: “This change will put the claimant in a worse financial position” is not correct: “This is not correct” in bold, saying this is not correct, it will not put the claimant in a worse position. Has Deputy Mézec misunderstood this or is the Minister wrong? I am not quite sure about that and perhaps in his summing up Deputy Mézec can put me right. On the subject of what Deputy Brée was just speaking about, a concern of mine too, I do not really want to play about with our tax system on the hoof. However, as I have said earlier in a speech, I do think it is opportune to start looking at it again. It should not be a sacrament but we do want to maintain ourselves as a low-tax jurisdiction for all the reasons the Minister for Treasury and Resources has outlined on a couple of occasions today already. But there are examples around, as I have said before, of progressive tax systems that do work. I mentioned Switzerland earlier on, it might not be the perfect example - I am not suggesting it is - but they have 17 bands of tax across the spectrum in terms of what level you can pay it at - 17 bands in federal tax - so all this could be done. I would urge Reform to start looking at other options, other options of progressive tax and discuss it with the Treasury. There are Treasury officers outside here today that we can all talk to, it is not just the Ministers. We can talk to them as well and discuss concepts that may be brought back to this House at a later date. Progressive tax may be a possibility but we need to do a lot more work and a lot more research. You cannot just change a tax system on the hoof because you want to support a needy cause and indeed this may well be, if I have got it right and the Deputy is right and the Minister is wrong. But progressive tax systems could be looked at and there are other areas of our tax system that we need to relook at, marginal tax rates. Has anybody ever really been able to work it all out? I certainly struggle with it. It is overly complicated and that is something else we should be looking at and maybe there is a catch there where we could perhaps end up bringing in more tax if we reviewed that particular element of our tax system. There is work to be done here on the tax system, no doubt about it. It is not a sacrament, it can be looked at. Progressive taxes may be able to be achieved and not on the hoof and certainly not in this debate. I would be interested in the Deputy’s response to what he regards as the Minister’s right or wrong way of assessing need in this particular area of social welfare.

1.5.11 Deputy M. Tadier:

Let us start with what it would mean: is the recipient no worse off or is she? I will use the feminine pronoun “she” because in most cases it will be a female who is the single mother, not the male; that is just the way the cookie crumbles for them. If they are successful in finally locating the parent/partner, if the individual happens to live in Jersey, if they are still around and if they can have the time to find them in the rest of their busy lifestyle and we will come back to that in a moment, in order to make the £40 up that they would be losing they would have to get £170 each time from that errant partner to make up £40.25, that is the figure. It is basically £170 maintenance

would give you the £23 disregard to make you no worse off. That simply is not going to happen. That is not the reality, even if that money were to be coming in, and we know that in most circumstances it will not be coming in at all. I would say to Deputy Andrew Lewis of St. Helier that this is pie in the sky. The Minister is saying that there is a mechanism to recoup the money. Be under no illusion that these individuals will be worse off. I started by saying that it will be women who are affected. I would like to know whether the Minister for Social Security gave any consideration to the de facto discriminatory nature of this particular savage cut that she is pushing through because it will target women. I personally interpret it as another example of Tory misogyny that is being put through with these cuts but even if it is not that the consequence is still there. It affects women more than it will do men and let us not also forget there will be single fathers who are equally struggling in that equation. I have deep admiration for anybody who brings up children and certainly does it as a single parent, because I basically do not have enough time in the day to do my housework and to do my work and to cook the food, let alone to have to raise a small person and bring them into this world, give them a good upbringing, teach them right from wrong, *et cetera*. Maybe one day I will have that pleasure and I am somebody who has a partner so I can only imagine the difficulties that these individuals struggle with. They are performing a social service. Whether these people work or not they are providing a service for the community in bringing up the next generation and I am very concerned by the ... I think it was a salutary reminder from Senator Cameron who presumably knows something of what she is talking about from her clinical background and that is probably why the public wanted her in this Assembly to talk about the consequences of poverty. We all know far too well the consequences of poverty on young children. If a mother or father or both parents do not have the time to spend with the child in its formative years we know the consequences of that, and that will be particularly acute and those individuals who are affected by these cuts in particular at the lower end of the income bracket will be the ones on the brunt. So today we do have a choice, and the previous speaker but 2 said that they are not too comfortable about this idea of progressive taxation. I have some sympathy for that. It is a departure from the norm. All I would say is that this is a political chamber and political choices need to be made. The choice today is do we make the poorest in our society take the brunt of the economic failures and the moribund economic policy that is now coming to an end? The period of the 20 per cent tax is over. We know that and we have mentioned that before. With the long-term care benefits coming in we are no longer a 20 per cent tax jurisdiction. Let that message go out to the world because that is the truth of which our residents here are only too acutely aware. That is the fact. The point is I personally believe that we, as a party, and other individuals in this Assembly who perhaps agree with progressive taxation are ahead of the curve because sooner or later this will become the norm. We cannot simply always have a model where we set an envelope of spending and say: "What shall we do with this money? Certain services have to be cut." There is lots of talk about stability but we do not hear very much about social stability. I wonder what people out there driving around in their car on the way to work or perhaps driving their children to work this morning, perhaps doing a joint run, thought when they heard about all these cuts that are coming away. I thought we had French assistants in schools. I thought when I drop my little Johnny or Xavier or Fernando to school on a Wednesday morning that is usually when he has French and he meets the French language assistant. We are not talking about that amendment at the moment but the point is they would be surprised, saying: "Hang on a minute. I thought Jersey was a stable society. I thought we could expect to have these kind of services" but all of a sudden we are seeing that Jersey is not so socially or culturally stable and it is our Government who are leading those cuts. For once I think we should think about the people who are here or what about the people we are trying to entice to come to Jersey? The nurses, the skilled staff that we know we have lots of trouble already retaining because of the service, and the expense of living on the Island does not meet necessarily their expectations or the packages they could get elsewhere. But gradually chipping away at all these provisions that make us a decent civilised society, the standard

of living that, let us be honest, has been decent but it is no better than some other jurisdictions and countries in Europe, particularly of the north. It is a basic minimum, I think, in many regards. We have to look at these things in the round and it is not a radical suggestion. The ideas for progressive taxation have been around for a very long time. It needs that political decision for the States to say: "Yes, we want you to do it" and it does not mean it will happen overnight because the Council of Ministers will then go ahead. The civil servants, some of whom are sitting in that room, will say: "Okay, this is the will of the Assembly. We will now implement the political will" because that is what they do. That is their job, so it is not rocket science. It just needs the political will and the political will cannot come from anywhere other than this Assembly. I would like to put a challenge out to my St. Brelade No. 2 Deputy, who I know is diligently doing his job as Assistant Minister for Social Security. Because I know the fact on the ground is that already single parents, and they have been to my surgery only a couple of weeks ago, have been adversely affected by the reduction of the under-25 benefit. One mother came to me and told me of the difficulty she was having. I think she does a remarkable job supporting her son and her family. She has medical issues to do with depression that certainly cannot help with the financial insecurity. But nonetheless she manages to put on a brave face for people and get out there and face the world, which we know cannot be easy. Her situation is already adversely affected. Her son, who goes out to work for £210 a week, has to basically contribute £180 of that to the family just to be on the same level as they were before. You can imagine what kind of message that sends out to a young person in that single family to know that he only has £30 a week to spend and he obviously has to contribute that vast majority of his money to the family. It does no good for the morale of the mother either. There will be similar parents who come to me in St. Brelade and who come to some of the Constables and come to other Deputies. We know they do not come to Senators because for some reason they do not take on constituency work it seems, but that may be incorrect. The issue is that they will come to me and say: "I am much worse off now. I have had this £40 a week withdrawn because I used to rely on that £40. My husband is not around anywhere. We got divorced. Even if I could track him down I do not particularly want to speak to him. We are estranged. He is the last person I would want to speak to and even if you gave me £500 I would not want to have anything to do with him. I prefer to live clearly independently from him" and it could be the other way round. We can imagine the scenarios but these are real scenarios that could exist. So, I would say to my fellow Deputy in St. Brelade when I get these kinds of calls, because there will be lots of them, whether he will come and sit with those parents and explain why they have had their £40 removed, why they have done the calculations and why it is best for all people when we seemingly live in a wealthy Island where the wealthiest have become even more wealthy, but there seems to be a lack of political will in the Assembly to address that issue and why we simply like to load the burden on to the lowest, most vulnerable and also the middle income earners in our society. I think that goes for anybody who votes for this. I do not put that out there as a menace. I simply say that is the reality I am seeing and frankly the first port of call when it comes to issues of hardship, certainly members of the public are always welcome to call on Reform members to help them wherever they live in the Island.

[17:15]

But we will make sure that the individuals and the representatives of those districts are fully aware of the consequences of what they are voting for today. I think that is only fair.

1.5.12 Deputy J.A.N. Le Fondré:

I was not going to speak. That is always a dangerous sign, is it not? But I just wanted to pick up on some comments that have been made as the debate has been going on. I certainly want to stress to the Minister, who obviously I like very much, is that she has recognised the real difficult problems she is having to face as Minister for Social Security. It is not a good place to be in the

period we are in. The other point, just touching on, is that oddly enough I want to congratulate Reform. They have tried to be responsible in their amendment. It is not just spend, spend, spend. It is trying to balance things, and it is, if you like, I would hasten to add I do not necessarily agree with quite where they are targeting but it is equivalent, going back to the late Senator Vibert, and I think it was a penny on the price of a pint of beer to pay for the T.V. licence or something. At least it kept things in balance. So, from that perspective, although I am going to disagree, and if we get to corporate we are all going to have some very interesting discussions at some point on this matter, they have been responsible and that does need to be acknowledged. I think also this is relevant to other debates coming forward. At least they are trying to give some alternatives. Members may not agree. That is the right of Members not to agree or to agree but at least there are alternatives coming through. There were 2 bits I wanted to pick up on, which are kind of messages that I was picking up from the debate. One was a marginal one and it ties in with my concerns on why I will not be supporting because I am more of a flat rate person in terms of tax, if that is possible, because as far as I am concerned it does mean that people who earn more do pay more tax, except they do not pay proportionately more, if that makes sense. But that is my stance. There is this issue, having said all that, I think I do accept, along with Deputy Andrew Lewis and along with other Members, that at some point I am sure there is going to have to be a serious discussion about what the structures are that is going to take us forward over the next few years, but that is not for today and that is not saying you amend on the hoof. The other thing I wanted to pick up on really was a message, and the problem is: why are we having this debate, not this particular amendment but the wider debate in terms of the deficit side? Unfortunately it was a message made by one of the Assistant Ministers earlier, and I picked up on it and I wanted to just cite an article in the *Connect* magazine, the editorial, because it is about the message as to why we are having to do all this. One of the comments that I think was made - I cannot remember exactly where it is now, I do not know if it has made it into the final report. It was certainly included in one of the earlier drafts - that it is absolutely critical that we have a clear message that do we have a problem or not? It is the: "We are all in it together." Do we have a deficit or not? What is the size of it? Because at one point we have heard £145 million and then more recently we have heard £28 million. Certainly from the perspective of the public that just causes confusion. If you get confusion you do not get buy-in. The reason I wanted to talk particularly about - I just mention the editorial briefly - is that this goes to, as far as I am aware, pretty well all members of Chamber of Commerce, I presume I.o.D. (Institute of Directors), a lot of people out there and a lot of people who are going to be paying the bills that come out of these propositions. What they say, and this is in the vernacular: "Okay, we should have expected it. There is always going to be something said in public which cause jaws to drop, hearts to sink and spirits to plummet. So *Connect's* candidate for asinine utterings of the month" - did not particularly come from an earlier debate they refer to, they bring in a new term, which is obviously slightly I suppose sarcastic, called "chaxes", which is when you pay a tax which is now called a charge. "Put simply the issue is to catch the Minister's drift you need to accept that the States need major change; that the economy cannot now support ..." This is why we are having this particular debate now because we are having to make the changes because the Ministers are saying we have got a problem: "... the economy cannot now support the glorious edifice which years of banking profits have constructed. And to get to that point you need to realise we have a problem in the shape of a sucking hole [not a black hole] removing £145 million [there is the number] every year from the public purse by 2019. The Ministers have finally accepted that and have staked their political reputations on being able to heal the hole with the programme outlined above." That is interesting in the context of the gentleman in the article of the *Bailiwick Express* today, who has announced his resignation, which is Mr. Keen, who is obviously one of the reform gurus and has raised concerns as to whether we will achieve the savings which are integral to our plan. "But to make major change you have to accept there is a major problem. If you do not, resolve to reform slips quietly [which is consistent with the article in the *Bailiwick Express*] into the

sand and actually real action is crushed under a brash onslaught of empty political posturing.” The other problem there is, which is relevant to this amendment and the wider social security cuts, is you lose one of the components of the: “We are all in it together.” You have the benefit side, which is what we are debating now. You have the tax raising measures, which we debated earlier today, and you have the savings, which come up later. “That strand snapped with a loud ping during the presentation of the recent innovation review which effectively told us that the Island has lost its innovation mojo. It snapped with reference from the former Minister for Treasury and Resources to the so-called deficit. Right, so now it is no longer an actual ‘deficit’, it is just a word beginning with ‘d’, which people have started to use. And actually we should be talking about great our public finances are thanks to the wisdom possibly of former Treasury Ministers in which case why are States workers losing their jobs? Why are we all going to pay more money in ‘chaxes’?” I am going to finish there: why are we cutting benefits? The point really I just wanted to take, to get back very firmly on theme before you pull me down, Sir ...

The Bailiff:

You have gone too far off it.

Deputy J.A.N. Le Fondré:

In this particular debate, again it was raised the point as to ... it was casting doubt on the problems we face and on the deficit we are facing and therefore it causes confusion in the justification for the measures we are having to take. I think that is something the Council of Ministers need to deal with. Those are not my words. That is the message that those people are going to be reading today and tomorrow. On that basis, I want to just make the point. We have got mixed messages coming out from poor people; that needs to stop because if it does not the justification, for example in my case, unfortunately not supporting this amendment, starts to wane. So effectively we either have a problem that we are resolving or we do not. On that basis I am afraid, as I said, I do not support the income side of this thing. I do recognise that Reform are being responsible but I do not agree in this instance. I will be supporting some other amendments that are coming through and I will not be supporting this amendment.

Deputy M.R. Higgins:

Can I propose the adjournment? I doubt anyone is going to be able to speak in the remaining time.

The Bailiff:

The adjournment is proposed, is that seconded? **[Seconded]**

Deputy J.A.N. Le Fondré:

Can we see how many people have to speak?

The Bailiff:

At the moment I have nobody wishing to speak so I was wondering whether Deputy Mézec wished to sum up. But if you wish to propose the adjournment you can do.

Deputy M.R. Higgins:

Yes, Sir, I do propose the adjournment.

The Bailiff:

The adjournment is proposed. Those Members in favour of adjourning now please show. Those against? No, then we will continue. If no other Member wishes to speak I will call on Deputy Mézec to reply.

1.5.13 Deputy S.Y. Mézec:

When it was proposed I saw lots of eyes looking at me so I hope I proceed with such a pace that Members find acceptable. There were a few contributions in this that I quite enjoyed listening to, even though they may have indicated that they will not be supporting the whole of the proposition. In particular I enjoyed listening to the final speech from Deputy Le Fondré and from Deputy Brée. It is nice to get credit where credit is due. That does not often happen to me and my colleagues in this Chamber, so that is always nice. I should snap that up. I think the point that they both raised that said this is a legitimate thing to be discussing, the idea of looking at our progressive tax system and thinking about where the rates and bands are, I am glad that they said that because I do think this is an important topic and one which I said in my opening speech is going to keep coming back until we find some sort of solution and where we have a tax system which is fit for purpose and is going to last into the future, not just in the next 10 years but next 20, 30, 40 years. It was said - and it is in the comments lodged by the Council of Ministers - that the 20 per cent tax rate we have now has been the bedrock of our tax system for 60 years. Well, the world was a very different place 60 years ago and I think to say that a tax system that was fit for a post-Occupation era where we did not have a finance industry, where we did not have the internet, where we were not part of a global economy is still going to be the same in a society now where services are provided in a completely different way and our demographic of the population is completely different. It is not logical or sensible to make that argument and I am grateful that some States Members have acknowledged that point and I look forward to the day, hopefully coming sooner rather than later, that Ministers will take their heads out of the sand, start accepting that and we can have a sensible and mature debate across the Island about what we want our tax system to look like and what we want the tax and spend structure of the Government of Jersey and the services it provides to look like. So I was grateful for that. There is one concept behind this that I find very frustrating and it has been said several times. It is this idea that the Social Security Department is trying to promote financial independence. If you are promoting something surely you are providing incentives. If you are forcing people off benefits that is not promoting, that is enforcing something. There is no incentive there at all. It is just go ahead, tough luck, take what you are given. That is it. No debate. How can anyone say you are promoting something when you are forcing people to do that? I think that is an absurd way of putting it and I wish that it were put in a different way. The subjects of this amendment specifically about the single parent component is one that I care quite a lot about as somebody who is from a family with divorced parents, living most of my childhood in a house just with my mother, although I did spend lots of time with my father who stuck around and certainly contributed his fair share to bringing myself and my siblings up, but I have another member of my family who is now bringing up her daughter without, at the moment, the involvement of the former partner. I am watching quite closely how this person is going about getting that partner to pay their fair share, to be involved and to be given the maintenance. It is an absolute nightmare. A real nightmare. It is causing this mother severe distress. The process of going through court is very, very difficult. Dealing with lawyers is always a very, very interesting experience, as I am sure many of us in this room will know from various other things. It is difficult, and I think to say: "You must now absolutely be getting maintenance from your former partner and we are not going to give you an ounce of help in doing that", I think is unfair. Especially when you consider how difficult the circumstances are that some of these people are going through, how extraordinarily hardworking and brave many of these single parents are for having persevered through what can be very difficult and challenging circumstances. But the one point that has to be accepted is that there are some circumstances where it simply is not appropriate for the former partner, usually a father, to be involved in that child's life. It is a very sad thing to have to admit it, but there are occasions where a father should not have anything to do with that child's life, whether it is a father who has been abusive, whether it is an alcoholic, or someone who is going to make that child's life much,

much worse by being involved in, we have to accept that those circumstances do exist and nothing should ever be put there to penalise the parent who is still looking after the child, whether that is a single mother or a single father, that would be completely unfair. Several other comments have been brought up from other Members that I just want to address. Senator Maclean said it would be a bleak outlook if we had not introduced Zero/Ten. Well I have got the script for my speech in front of me and I said that the principle of what Zero/Ten was trying to achieve was certainly right, it was just its application that has clearly got us into this position. Let us not pretend that anyone here wants to go back in time and do something that would have ended up with the Island being worse off overall. He said that we cannot contemplate raising personal taxes, but this is a Government that is going for stealth taxes instead. Surely that is completely hypocritical to say: “Well, we cannot look at this one tax but we are going to go for these other ones instead”? What is the difference? I would say that one is ineffective and one is more effective and the more effective one is clearly looking at the taxes we already have rather than introducing new ones and all the cost that is associated with that. It is like saying that we can only have tax competitiveness if that competitiveness is based on hiding parts of our tax until you get here and suddenly you realise all the extra bits you are having to pay on. That seems to me to be a complete false economy. Senator Ozouf I think made an important point when he said that there are legitimate concerns, some of which I think he indicated even he would share about the prospects of user pays charges saying that the debate needs to be had and we need to think about these issues very clearly.

[17:30]

I certainly agree with the principle of that, but the fact is that this is an M.T.F.P. where we have got the headline figures but none of the detail and we are being asked to consider the whole thing as a package anyway. That is completely illogical to say we need the debate when at the end of this we are going to have committed ourselves to something when, in future, that is when we will talk about the detail even though we have already committed ourselves to it, so I think that shows what an irresponsible way forward this Government has taken on this Medium Term Financial Plan. This was the second of the 3 amendments that has been proposed to seek to undo some of the damage which we believe is being done by the Social Security Department on some of the poorest and most vulnerable people here. We are going to have this vote now and I certainly commend the amendments to the Assembly and I hope Members vote for it. I will split it, as some Members have indicated that they would prefer me to do that, split expenditure and income, and I am intrigued to see what the difference is between those 2 votes. I call for the appel.

The Bailiff:

The appel is called for. I invite Members to return to their seats. The first vote is on the proposed increase in States income of £1.2 million in 2017, £1.9 million in 2018 and £2.6 million in 2019, and ask the Greffier to open the voting.

POUR: 9		CONTRE: 35		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Deputy J.A. Martin (H)		Senator P.F.C. Ozouf		
Deputy G.P. Southern (H)		Senator A.J.H. Maclean		
Deputy J.A. Hilton (H)		Senator I.J. Gorst		
Deputy K.C. Lewis (S)		Senator L.J. Farnham		
Deputy M. Tadier (B)		Senator P.M. Bailhache		
Deputy M.R. Higgins (H)		Senator A.K.F. Green		
Deputy S.Y. Mézec (H)		Connétable of St. Helier		
Deputy L.M.C. Doublet (S)		Connétable of St. Clement		
		Connétable of St. Peter		
		Connétable of St. Lawrence		

		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. Saviour		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy J.M. Maçon (S)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy S.M. Wickenden (H)		
		Deputy S.M. Bree (C)		
		Deputy M.J. Norton (B)		
		Deputy T.A. McDonald (S)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

The Bailiff:

I ask the Greffier to reset the voting. The second is on the proposal of increase in States expenditure for retaining the single parent component. I ask the Greffier to open the voting.

POUR: 12		CONTRE: 32		ABSTAIN: 0
Senator Z.A. Cameron		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Deputy J.A. Martin (H)		Senator A.J.H. Maclean		
Deputy G.P. Southern (H)		Senator I.J. Gorst		
Deputy J.A. Hilton (H)		Senator L.J. Farnham		
Deputy K.C. Lewis (S)		Senator P.M. Bailhache		
Deputy M. Tadier (B)		Senator A.K.F. Green		
Deputy M.R. Higgins (H)		Connétable of St. Clement		
Deputy J.M. Maçon (S)		Connétable of St. Peter		
Deputy S.Y. Mézec (H)		Connétable of St. Lawrence		
Deputy L.M.C. Doublet (S)		Connétable of St. Mary		
Deputy S.M. Brée (C)		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. Saviour		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		

		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy T.A. McDonald (S)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

Senator P.F. Routier:

I propose the adjournment.

The Bailiff:

Before we adjourn can I just draw to Members attention the lodging of the Draft Rates (Amendment) (Jersey) Law by the Comité des Connétables, P.116? The States now stand adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

17:33