

## **STATEMENT ON A MATTER OF OFFICIAL RESPONSIBILITY**

### **The Bailiff:**

Very well, that brings questions to the Chief Minister to a close. There are no matters under J but under K the Minister for Treasury and Resources wishes to make a statement on a matter of official responsibility.

### **5. Statement by the Minister for Treasury and Resources regarding the allocation of £27 million to fund 6 social housing projects**

#### **5.1 Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

This is almost a joint statement from the Minister for Housing and myself. Following discussions with the Minister for Housing and the Council of Ministers I will today be proposing to allocate £27 million to fund 6 social housing projects. The money will be released on a project-by-project basis and it has become available because the latest figures show the balance in the Consolidated Fund is currently £27 million higher than expected. This is due to improved taxation revenues in 2011, combined with the transfer of the remaining balance of the States approved funding of the Stabilisation Fund. The projects in question will be: the refurbishment of La Collette high rise; refurbishments and additional units at Osborne Court; new builds at Le Squez, Journeaux Street and Lesquende; and further new builds as part of the Purchase of Life Long Homes scheme. I am sure that all Members will agree these projects will provide much needed social housing for vulnerable Islanders, while also giving a welcome boost to the construction industry. Tackling unemployment is also a priority that we all share and we will be working with the industry to ensure that only locally qualified unemployed people are able to make the most of job opportunities that these projects create. The projects at Le Squez and La Collette and the Purchase of Life Long Homes schemes already have expenditure approval of £10.8 million in the 2012 Annual Business Plan but would not have been funded this year because of insufficient receipts from the sales of States homes. The other 3 schemes are being brought forward from future years' capital programmes. If the States agree that the Housing Department can become a separate incorporated body then £27 million can be repaid in 2014 when the new body will become eligible for investment from the States Currency Fund to build more social housing. However, if it is decided not to approve incorporation, adjustments will be needed to be made in the future capital programme. I should just say that this is an important proposition that will also be lodged during the course of the day.

### **The Bailiff:**

Very well, then Members have 10 minutes to ask questions. Deputy Martin.

#### **5.1.1 Deputy J.A. Martin:**

Could the Minister remind me; in my memory the Le Squez and La Collette developments were, after phase 1(a) and (b) and the sell-off, supposed to be completely self-funding right to the end of the scheme? Why has this changed?

#### **Senator P.F.C. Ozouf:**

There is a self-funding issue, the Deputy is right. They need the capital to make the schemes to build them but then, of course, they are repaid over the lifetime of the rent receivable on the debt redemption model that goes to 20 to 25 years. It is important that this is not an investment of capital write-off, this is an investment of which there will be a return. Almost, it is correct to say that this is the cash flow providing for the schemes as opposed to the repayment schedules, which will be within the normal way.

#### **5.1.2 Deputy M. Tadier:**

Can the Minister comment on the fact that much is being made of the fact that £27 million is being given from the Treasury to Housing when in fact it is Housing's money in the first place and the fact that Housing are giving the Minister for Treasury and Resources roughly £8 million or £9 million a year, so this is simply 3 years' worth of money that is being passed between Housing and the Treasury? To say that this money can be repaid is, first of all, dependent on the fact that the States will agree to a separate body, which may not happen anyway; where is the contingency there? Also, will he comment on the fact that in fact Housing does not need to become a separate body simply to be able to borrow money from the Treasury or elsewhere because it can happen under the current arrangements? There may be other reasons, this desire for a separate body to be built but this is not one of them.

**Senator P.F.C. Ozouf:**

There are quite a few questions there, I will attempt to deal with them. This is an investment of money in order to bring forward these schemes. As far as the receipt which Housing make to the Treasury, I think the Minister for Housing explained very well exactly what happens to that. That arose because of the shifted responsibility of paying rent rebate; public sector rent abatement and private sector rent rebate, which is received through the Treasury and then passed to my good friend, the Minister for Social Security, who administers the low income support scheme. Let us be clear about whether the return is that what happens. Whether or not Housing is going to be incorporated is, of course, a matter which is out for consultation and the Minister is debating that and going to be bringing forward a proposition. What we were keen to do is to ensure that notwithstanding those structural decisions we could get on with these housing projects and get good value for money. The Minister is achieving excellent value for money on buying homes and refurbishments. We are taking advantage of those good prices and we are boosting the economy and we are providing more social housing. The decanting arrangements that he will be able to do, as a result of these new homes, allows other housing projects to also be brought forward in the manner in which Deputy Martin also quite rightly said about how Le Squez was being rolled-out over a number of years.

**5.1.3 The Deputy of St. Ouen:**

First of all, I am rather surprised that the balance in the Consolidated Fund is to be £27 million higher than expected, given that annual receipts for G.S.T. at 2 per cent would equate to that same amount. But, saying that, I would like to ask the Minister for Treasury and Resources what assurances can he give this Assembly that using the £27 million in the way he is proposing is the best use of what, after all, is taxpayers' money?

**Senator P.F.C. Ozouf:**

This is investment, first of all, and the Fiscal Policy Panel recommended that we should do everything we can to bring forward capital expenditure in order to stimulate the economy without breaking any of our fiscal rules. It is true to say that income tax receipts were higher last year than expected and I have already explained that to the Assembly and indeed the States Accounts are now in final preparation and they will be published, so that will become clear. I am not saying that, unfortunately, that is likely to be a recurring issue. Clearly, the economic situation internationally has meant that the recession is likely to last longer and I certainly need to balance the books in the medium term but that will be a debate to be had about the medium-term financial plan. Nothing in what we are proposing is going to compromise our ability to balance our books. We are doing what the Fiscal Policy Panel said: "Where you have projects to bring forward get on with them" and certainly if we have got available resources for investment we should do so. I congratulate the Minister for Housing on having a pipeline of projects ready to go in order to meet the requirements of the emerging difficult economic situation that we find ourselves. I stand ready to assist others,

Parishes and other departments, where they can bring forward projects, for example, such as St. Martin's School.

#### **5.1.4 The Deputy of St. Ouen:**

Is the Minister suggesting that the Fiscal Policy Panel that have been briefed this week, as we have just been informed, support this use of surplus monies being held in the Consolidated Fund?

#### **Senator P.F.C. Ozouf:**

I have written to the Fiscal Policy Panel in order to get their advice, which will be ready in time for the States debate when the States make the decision about this. I am alerting Members to this because I think it is important, with the Minister for Housing and the Minister for Economic Development, that we signal our determination to make sure that there is capacity and building projects available for construction companies that otherwise, I have to regretfully say to Members, if there was not this news they would start laying off jobs because there is simply not the construction activity in the Island. I am making this statement signalling, hoping the States agree to it, and all the advice in the Fiscal Policy Panel will be available for Members' information in advance of the debate.

#### **5.1.5 Deputy G.P. Southern:**

While welcoming this element of fiscal stimulus - I have been arguing for it for a long time - I am, nonetheless, concerned with the final paragraph which seems to be holding the States Chamber up to some form of political blackmail. If you go forward with the Housing Department reorganisation then this money will be paid back. If not then we will have to adjust the future capital programme, i.e. build fewer houses in the future. How does that help us solve issues of housing?

#### **Senator P.F.C. Ozouf:**

Not at all, I welcome the Deputy's agreement that it is important that we do whatever we can to stimulate the economy; he and I agree on that. There are a number of ways that we can invest for investment projects that create a return.

#### **The Bailiff:**

A concise answer, please, so we can hear more questions.

#### **Senator P.F.C. Ozouf:**

Okay. We could borrow but I do not think it is sensible to go and take a loan to borrow when we have the money on the Consolidated Fund. I will consider borrowing for other investment projects if the case arises and I am happy to discuss that with the Deputy in terms of it. It is not going to compromise any of our future arrangements and it is certainly not blackmail. We will make arrangements, we are doing this urgently because we can get on with it now.

#### **5.1.6 Deputy G.P. Southern:**

Can the Minister clarify what adjustments will need to be made to the future capital programme means then?

#### **Senator P.F.C. Ozouf:**

Okay, if we do not incorporate Housing we are going to go and have to borrow the £27 million from some other source in order to make arrangements if we cannot borrow it from the Currency Fund. We will just simply go and get a bank loan or we will refinance it but we will refinance a project that will be returning to be a repayment schedule on our debt redemption model in 20 years but we have got the cash, let us get on and do it.

**Deputy M. Tadier:**

Sir, a point of order. I suspect that the Minister for Treasury and Resources is misleading the House inadvertently there because to say that if we do not pass this then we cannot borrow the money from the States is not true. Such ...

**The Bailiff:**

I am sorry, that is not a point of order, Deputy.

**Deputy M. Tadier:**

I still think it is misleading, Sir.

**5.1.7 Deputy S. Power:**

I too welcome the statement by the Minister for Treasury and Resources in conjunction with the Minister for Housing. Would he not agree with me that until such time as this Assembly and, indeed, 3 States Departments deal with first-time buyer housing, over-55 housing and Homebuy housing there will be an exponential increase in the demand for social housing?

**Senator P.F.C. Ozouf:**

There is a difficult issue in relation to supply, which is within the Bailiwick of the Minister for Housing and the Minister for Planning and Environment and that is receiving Ministerial attention. This certainly is being able to be assisting in terms of providing and boosting the amount of social rental housing, shared ownership housing, which is part of the Constable of Trinity's proposal and indeed right along homes for social rent as well. It is a whole range of issues; I cannot really answer about the whole of supply and demand.

**5.1.8 Senator S.C. Ferguson:**

Given that the other countries suffering the economic cycle are finding that excessive use of fiscal stimulus is highly inflationary, to what degree has the Minister taken this into account?

**Senator P.F.C. Ozouf:**

I do not think that £27 million in a construction industry, which is on its knees, is going to be inflationary. What I am trying to do with Ministerial colleagues is make sure that there is work for people in the construction industry. In fact, if anything, the construction industry is seeing significant deflation. We are seeing the construction prices coming in back at almost 2007 pricing levels. I have no concerns of inflation in relation to this element of boosting the economy.

**The Bailiff:**

Very well, I appreciate there are other Members who have indicated they have questions but that brings the 10 minutes to an end.

[12:00]