

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 23rd SEPTEMBER 2014

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[9:30]

The Roll was called and the Greffier of the States led the Assembly in Prayer.

PUBLIC BUSINESS – resumption

1. Draft Budget Statement 2015 (P.129/2014): sixth amendment (P.129/2014 Amd.(6))

The Bailiff:

I now welcome His Excellency to join us for the second day. **[Approbation]** Then we return to the debate on the Budget and the next matter is the sixth amendment lodged by the Minister for Treasury and Resources. I will ask the Greffier to read that amendment.

The Greffier of the States:

Page 2, paragraph (a). After the words “as set out in the Budget Statement” insert the words “except that the estimate of income from taxation during 2015 shall be reduced by £250,000 by restricting the application of the proposed higher rates of stamp duty on properties worth more than £1 million to domestic properties only.”

1.1 Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

May I first of all thank Members for accepting this late amendment. Members will be aware that the Budget measures intend a number of measures and particularly measures to help people buy properties at the lower end of the market by reducing the stamp duty payable on mortgages taken out on homes costing up to £400,000. To ensure that overall revenues did not suffer as a result of this measure, the Budget proposed to raise the stamp duty on properties costing more than £1 million and that they should be increased. New duty bands have been created for properties costing more than £3 million. So I will not go into, obviously, the detail of those proposed rates now but suffice it to say that on properties costing more than £3 million the stamp duty charged, and again, to answer Deputy Baudains, the top slice of that consideration would be 7 per cent. So the Finance Law, as originally lodged, proposed that these higher rates would apply to all properties costing more than £1 million. Currently we do not differentiate between commercial and domestic properties in the same way that perhaps the Parish Rates and the Connétables are familiar with non-domestic and domestic properties. As usual, budget measures are proposed and we welcome feedback and we attempt always to be responsive to representations received. It is fair to say that in dealing with budget measures there is always ... sometimes it is not appropriate to consult widely on some aspects, particularly when dealing with increases in tax rates. It is somewhat of a regret that it was only last Thursday that I received representation from the commercial property interests about concerns that they had about these changes and their representations that the effect of these proposals, if it included commercial properties, could - and I say could - affect Jersey's competitiveness. They asked that they be deferred until we have completed the Property Tax Review. The concerns hinge around the fact that the new higher rates of stamp duty would mean that duty would be payable in Jersey on commercial property at a higher rate than that in the U.K. (United Kingdom), and not just on the percentage but the actual overall burden of stamp duty. Members are aware, and we have touched upon this a number of times during the debate, that there is a Green Paper on the Property Tax Review which was launched alongside the Budget in July. It has been very positive in the sense that we have had a lot of useful feedback from the consultation. I am somewhat frustrated that it has been, in some quarters, misinterpreted and I will deal with that later on in the Budget summing up speech because I just want to scotch some of the concerns that are being put around that there is going to somehow be an increase in tax on people like renters, *et cetera*. Suffice it to say, it is becoming clear - and this is a very positive outcome of the Property Tax Review, which is for the first time looking at all property taxes across the board and looking at their interrelation and their effect and how they deal with the market - how they have unintended

consequences, how they present, in some case, frictions to the well-functioning of the market. It is very clear, we have reformed stamp duty a number of years ago, and that is taking Deputy Baudains' points yesterday, it has already been improved and is better than in other places. But as always, there is always more to do and it is clear that the Stamp Duty Law is complicated and unfortunately does offer some, still, opportunities for aggressive avoidance or indeed abuse. I have been particularly made aware of an avoidance opportunity in the area of use of long leases instead of the outright sales of property. It is not yet clear how widely this is used but if it were allowed to continue this could undermine the very intention that we are seeking to raise revenue from property transactions. For that reason, and the reason that I think it is important on occasion to listen to industry, I have asked officials to investigate the whole issue of the stamp duty on commercial property to hold - and this is the result of this amendment - the stamp duty rates as they are for commercial properties and to accelerate the introduction, whoever is the post-holder, and indeed the Assistant Minister who will continue in office now for the next few weeks. I will not be dealing with anything in the Treasury as of tomorrow but I will ask the Assistant Minister to be overseeing effectively a fast and speedy look at the opportunities for abuse so that legislation could be presented as soon as possible in dealing with that. Also giving consideration as to whether or not the feedback that has been received on this avoidance issue is widespread and whether or not there is a case to maintain the original intention of bringing in higher rates of stamp duty on commercial properties. I think we all agree that we want to raise the appropriate amount of tax from property, it is something that has been a feature of Corporate Services' reports over a number of years. I am very clear, I think there are opportunities to raise more revenue from commercial property in the Island and I want to deal with the abuses; there have been issues in the past. Members will recall a previous Budget debate where we extended the collection of 20 per cent of income tax on properties that were owned by superannuation funds; all calamity was going to happen. Whenever we deal with property matters they are always controversial. I recalled with Members on Friday, when we originally proposed the removal of mortgage interest tax relief, there were literally, on a balmy summer evening, people hanging out of the windows at the Town Hall saying that the world would end if we did things. I have completely dismissed, although having giving careful consideration, the representations that we have had that it would not be appropriate to increase the higher rates of duty on residential properties. I have had representations that that was the wrong thing to do and it is going to thwart the market and there is going to be nobody buying higher rate properties, and I have to say that these concerns have been discounted. I had received representations. But I am sufficiently concerned about the issue of this avoidance issue and the issue, which is a piece of new information, about the effect of stamp duty compared to the U.K. that I think that it would be wise in the circumstance effectively to put on hold the proposal to increase the commercial stamp duty. I do need to say that the amendment that we have put forward only deals with transfers of sales of property. The duty rates that are proposed, the higher duty rates, would attract stamp duty on the transfer of any property on the demise of somebody with the registration of a will. In other words, let us be clear, if an estate has a property which is both residential and commercial they will attract the higher rates. This amendment only deals with the sale of property there. This amendment ensures that we do not inadvertently damage the property market; send the wrong signal and inadvertently create more encouragement for potential abuse in relation to this long lease issue. I am grateful for Members giving consideration to this. I do not like bringing late amendments but in the circumstances it is the right thing to do; it is the right thing to listen, hold back, research, do more work and accelerate what may be better proposals. For those reasons I move the amendment.

The Bailiff:

Is the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment?
Yes, Deputy Young.

1.1.1 Deputy J.H. Young of St. Brelade:

Does this amendment not illustrate the double-standards in this Assembly? A Budget comes to us after once a year after months of work and we get 2 proposals in it for stamp duty.

[9:45]

One to increase the tax of first-time buyers and another one to, in a similar amount of money, increase the tax on high value properties. I certainly made it quite clear that the amendment on first-time buyers was going to cost money. Yes, there was a tax relief proposed for stamp duty on borrowings but that is, I think, insignificant compared with the stamp duty on the actual purchases. Anyway, yesterday it was really hard work to debate that. We ended up with a modified procedure in response to my amendment and certainly the objections, which have been well published in the press for many weeks, saying that this would be damaging and distort the market for first-time buyers. How does that now compare to what we have now? Over the weekend emails start suddenly appearing saying: "This is going to distort the top level market." After publication of the running order and preparing the debate we then get an amendment lodged, no notice, relieve Standing Orders, take it away, look at it another day. Now, notwithstanding the merits of looking at it another day, because as the Minister for Treasury and Resources says, I think the Stamp Duty Law is a real confusing mess. It takes a huge amount of effort to work it out and I am not surprised to hear that there are anomalies in it and opportunities for people to avoid, and I think the supply ... I mean, this confusion applies generally to the whole thing. So, yes, there should have been a review. Yes, there should have been a look at it, and so if this had come on its own I would not be making these comments because I would have said that it was the sensible thing to do. But really, I am struggling to understand why, if it is sensible to do this for the higher end properties, it was not sensible to do it for the first-time buyers. Those are obviously more vulnerable, they have less voice and less power in this place and I say that absolutely reflected the way our Government works and its priorities. So, I am going to listen carefully to see if any other Members share my concerns before I decide which way to go. So, on its own it would have been a perfectly fine amendment but in the context of the whole picture I am very uncomfortable with it.

The Bailiff:

Senator Ferguson? No, not Senator Ferguson. Does any other Member wish to speak? Yes, Deputy of St. Ouen.

1.1.2 Deputy J.G. Reed of St. Ouen:

I think that this amendment clearly demonstrates that some of the Budget proposals have not necessarily been properly thought through and all the implications considered before being brought to this Assembly. Certainly the Corporate Services Panel that I am on was not aware, or was aware of this proposal, but not, certainly, the changes that are being proposed. I do question whether this is, the amendment that is being proposed, indeed fair and equitable when the Minister for Treasury and Resources is now proposing that commercial property does not have to deal with the impact of the changes and yet the domestic property does. I want the Minister to explain very clearly to us, when he sums up, why there is a need solely to focus on the issue of deterring investors, who I presume would predominantly be non-local individuals and companies, and ignore the impact on the local population and the implications that go with it. There is a comment made here with regards to the U.K. and the rate applied to commercial properties in the U.K. of 4 per cent. There is no mention here of all the other different taxes that are levied on properties when they are sold in the U.K., and I think that the Minister has been perhaps a little bit selective, or maybe it is more important that those arguing the case for not paying this increase on tax on commercial property have been selective, in the arguments that they have put forward. The reality is though that we are going to be, and we are asked to agree, that to reduce income by £250,000, overall income, because

there is a last minute view being expressed that this is inappropriate. Well, I say if it is not appropriate for a commercial property then as far as I am concerned it is not appropriate for domestic properties. If the Minister wants to take this time to be selective then I too will be selective and basically vote against this amendment.

1.1.3 Senator A. Breckon:

I share some of the concerns that Deputy Young made and I will not repeat them but I think there is a worrying issue here that there is a lobby. Now, if we are talking about some of these properties, there could be people from anywhere buying commercial properties, there could be insurance companies or pension funds or whatever else, but then if this really is an issue then they might go somewhere else and it might help prices to flatten out a little bit. We heard yesterday about the first-time buyers and the graduation of stamp duty but then if the Minister was so minded he could have proposed something similar here and put steps in above certain levels and done that rather than just saying: "Well, we will have a look at it." The other thing that worries me is, and it is in the documentation, there is a device that means that some with appropriate advice can get round paying the stamp duty and that worries me because I would like to think that we had people in the public sector who were equally armed, if you like, to challenge the devices that come forward and block the loopholes because if this has been happening over a considerable period then we have lost money by - "we" being the States - collecting revenue. Somebody has found this device and, as the Minister has pointed out, it will be looked at and closed but then if that is closed does something else open? For those reasons I am uncomfortable with that, especially where we cleared things up for first-time buyers because to them it is a substantial investment buying a house up to £450,000. We are not talking about peanuts, it is a significant long-term investment, and it is right that some help should be given with that. But again we have tiered that, we have moved away from something and put something in place, and for those reasons I am minded not to support this. Thank you.

1.1.4 Connétable P.J. Rondel of St. John:

Given that this was only placed on our desks yesterday and we said we would take it, it did not give time for Members to put in any amendments. That said, I am concerned that, like in paragraph 6, I wonder if this somewhat is a bit of a knee-jerk. It says: "A potential avoidance practice on stamp duty has been flagged-up and officers have been instructed to investigate this opportunity as a matter of urgency and, if required, to fast-track legislation." But if we are only currently investigating this particular area, surely are we not jumping the gun, Minister? I am pretty unhappy with the way of doing this at the 11th hour and 59th minute and I want to hear the arguments from across the Chamber on this. Little is being said and we really need more information. I will decide how I vote once I have heard the Minister sums-up.

1.1.5 Deputy M.R. Higgins of St. Helier:

I am just going to join in this small chorus of concern. There are 2 issues here. One is the issue that we would be uncompetitive by adopting a 7 per cent rate instead of 4 per cent, and then there is the other issue of the idea of possible tax avoidance. They are not the same issue. If they are going to research possible tax avoidance they should be doing that as a matter of course, we should not delay it. If, on the other hand, they are saying we are uncompetitive, make that your argument. Do not try and confuse it by throwing in 2 or 3 separate arguments. I think we should reject this and carry on with the proposal for the increase and investigate and close any loopholes as and when they are discovered. Thank you.

1.1.6 Deputy R.G. Le Hérisier of St. Saviour:

Another one joining the chorus set in train by Deputy Higgins or others. The point that strikes me is that the Minister is arguing on 2 possible contradictory fronts. On the one hand he is saying he

has had representations from the industry and it looks very much as if this is a cave-in. It looks very unfortunate, particularly in the light of Deputy Young's comments about individuals versus commercial interests, and yet at the same time he is saying he has discovered some loopholes, and therefore in a way we are allowing these to continue. I mean, what is the priority? Surely the priority is to keep the system going, plug the loopholes and then undertake the fundamental review which he is also calling for. Thank you.

1.1.7 Deputy E.J. Noel of St. Lawrence:

Much has already been said so far this morning that, until yesterday morning, I agreed with. When we had this information come through late last week, I was reluctant to agree with the advice that we were being given to change this tack. But to be honest, the potential for avoiding the stamp duty becomes more attractive to those bodies entering into property transactions because of the change of rates. We need to do both pieces of work. We do need to close that loophole but we do not want to encourage people to exploit that loophole in the meantime, which is really why we are deferring this and we are going to be shoring-up those loopholes to make sure that ... because at the moment there is no ... we understand that most transactions do not use the loophole but by increasing the rate without that loophole being closed, then we are told that there is some transactions coming through where they will use that loophole. So we are not saying not to do this, we are saying let us defer this; let us close the loopholes that are currently in our legislation and bring it back in. I hope that is helpful.

1.1.8 Deputy A.K.F. Green of St. Helier:

I would just like to concentrate and remind Members that we are just poised to come out of the biggest worldwide recession that we have ever seen, and the advice that we have received, or the Minister for Treasury and Resources has received, that this particular stamp duty increase would make us uncompetitive. Do we really want to send a signal out to people considering investing in Jersey that we are too expensive, they should not invest here and that perhaps they should invest in our sister Island or other places? This is the wrong time to be sending that - if ever there is a right time - to be sending that sort of message out. I think the Minister for Treasury and Resources is absolutely right. The industry has very clearly indicated that this is wrong and the reasons that it is wrong. It may be that we need to come back with a revised version when the Minister has had a chance to look at it but it is wrong to do it at this time when we are just emerging from this depression or - sorry, I cannot think of the other word now - recession. But just emerging from that and we want people to know that Jersey is very much open for business.

1.1.9 Deputy J.A.N. Le Fondré of St. Lawrence:

I am happy to support the amendment. I think it does make sense that if it will ensure we do not discourage investment with the Island that is a good thing. The 2 comments I would make are that it does not look good that it is literally a last minute amendment and that does not give credence again to the sort of long-term thought process that has been going, particularly in the context of the Property Review. The other comment I would like to seek clarification from the Minister, is he has made reference a number of times to that the letter came in, I think it was Thursday last week. That is true and I have certainly had sight of a letter and it had a very long list of law firms and property people who I presume, on the basis they are on that list, were expressing concerns. Unfortunately, the query I would like to raise that I have been informed by email, is that the first concern was raised at the beginning of August. So the point I suppose is that it is not as last minute as it would appear, but on the other hand if that was just one representative, is that what skewed the balance? Is it the first time or is it just one person kicking-off, for want of a better expression, and now there has been a bit of credence given to it? But then I kind of wonder what has happened in that time period. Please emphasise I did not see the original letter so I do not know the contents. It has just

been confirmed to me somebody did get in contact with Treasury and the Minister for Treasury and Resources at the beginning of August raising issues about this issue on stamp duty and the commercial impact on property. The only reason I am mentioning it is so it does not take the merit out of the amendment, it is about this thought process that has been going through, how we got to his decision. But I am very happy to support the amendment, I think it is the right thing to do on the basis of the concerns being raised. Thank you.

[10:00]

The Bailiff:

Does any other Member wish to speak? No? Then I call upon the Minister to reply.

1.1.10 Senator P.F.C. Ozouf:

Sometimes I stand here and think that I can never win but I will remain optimistic and positive. To Deputy Le Fondré, I will go backwards. That was not a pun. The concern was first raised in August by one, I think, to property ... the German word is *makler*. The trade ... surveyors, people who buy and sell the commercial equivalent of commercial estate agents. I received a number of representations on issues, and to address the Deputy of St. Ouen, I had lots of estate agents saying: "Do not do this; we are going to prevent people from coming to Jersey." So, I looked at the U.K. rates and the comparative ... because the issue here is that, and I have to accept that we had not given as close attention as we might have done because of the Green Paper on the issue that there is a cap on commercial properties' stamp duty transactions in the U.K. at 4 per cent. Our main attention had been focused on the residential side and I discounted the representations that people had said, that they said: "Do not put this increase in stamp duty through because you are going to stop people from coming to Jersey." Now, we looked at the residential rates and even without doing the motivation as I have explained - and this is going to be a feature of the Budget debate later on - is there is always a consequence to a decision. Now, we are cutting the tax on stamp duty on mortgages. So I hope that we have been shown to be a responsible Treasury in funding something that we are doing. More than that, we are always looking for ways of maximising revenue in order to fund our spending decisions and the spending decisions of this Assembly. So I absolutely stand by and I have discounted the representations on the residential property market. We all know there are now ... and it is fantastic, good news for Jersey that we are seeing some very high value properties coming through on the sale in service. We have seen one of £12 million. We have seen others of £7 million, £8 million and £9 million, and frankly, when we looked at the stamp duty rates on residential they were not, I do not think, collecting enough for public revenues. The situation was different for commercial. Now, I have to accept and I agree that, and I think it was Deputy ... I think it was probably Senator Breckon, it might have been. Certainly one measure was made very clear, that commercial property tax is lower in Jersey; it is much lower, and I know I have tweaked the tails of the Constables in a way because we are proposing that the issue of commercial property tax of which the Island-wide rate - which we are very grateful that the Connétables collect for us and they share in some of that - is extraordinarily low in Jersey. If you are a ratepayer in the U.K. on a property, say an office with £100,000 of rent, in Jersey, I think my research at the weekend indicated that you pay about between £4,000 and £7,000 of rates which is split between the Island-wide rates and the Parishes, the majority is taken by the Island-wide rate. That was the settlement for the public taking responsibility of the income support system. In Jersey you pay between £4,000 and £7,000. So I just ask Members to reflect and just to guess what the number may be in the U.K.; what business rates may be in the U.K. I cannot ask Members to give me any indication but I will just ask them to think of a number and then I will tell them what it is. It is about £40,000 to £50,000. It represents 40 to 50 per cent of the rent roll. Now, that is a much higher occupation and ownership cost of owning property. It is much lower in Jersey to own commercial property. Now, I have tweaked the tails of the Constables and I have said also there

are issues that we need to resolve in terms of unfairnesses; rates of shops have gone down, offices have gone up, values of hotels have gone down, and the whole system of the collection of commercial rates is now unfair. Residential shops are being discriminated against. So what we are trying to do is do exactly what the criticisms of, if I may say, Deputy Le Hérissier, Deputy Le Fondré, Deputy Reed and Deputy Young, who accuse me of double-standards. I really hope that this is not going to be a feature of this debate because I am standing here trying to do the best for Jersey and I am trying to do the best interests of collecting revenue to fund social programmes in a fair and equitable way, but also listening. So I am listening. I want, and I am sending a very clear signal - which was the original intention of this Budget - that we want to collect more stamp duty and tax from commercial property, and we do not think that doing that is going to make Jersey uncompetitive. But you must do so with all of the taxation measures, looking at them as a package. That is what the Green Paper is about, and so what the industry have said, and to answer Deputy Le Fondré's question, the representations that I have had from industry, and we always listen, we always ... there is a stream, constantly, of representations that we have on any Budget proposal that we have. We have people who say - we do not often get people saying it is the right thing to do but we certainly get the people when they think it is the wrong thing to do, and I have had, frankly, a bit of a confused message from the commercial sector. I had an email from a representative - I will not mention any names - but I had effectively an email as late as Thursday at 4.30 p.m. sent on behalf of a number of people that had effectively 10 of the major property law firms and major property commercial entities in Jersey. They were not even clear in their email that they were focusing on commercial property. I sent them back an email to say: "Can you please explain to me, I do not understand why you are talking about this. I do not understand." So they then responded back. I have asked them for some evidence. I am concerned, and I am sorry I do not accept that I am doing double-standards or speaking in 2 things. I am concerned that it has been brought to my attention that the increase in stamp duty, which may well be justified but I want to make sure that it does not have an unintended consequence in terms of competitiveness, also does not have unintended consequences of encouraging people to use an abuse. Now, to be criticised for taking these 2 perfectly rational representations together and responding, that is what you do; when the facts change I change my mind. That is what I do, and that is what I have done. So I say to all the critics that have stood up and said, you know, wrong, do not do it, criticism, double-standards, all the rest of it, I say: "What would you do in that position?" What would those Members do? Would they simply go ahead and move and cause us a problem? No. What we are doing ... and I say to these people who have made these representations: "Please be careful. Please be careful in making representations. Be careful what you pray for." Not in a biblical sense. Be careful what you pray for because what we might be coming back to do is something that is going to raise more revenue while of course being alert to the wise words of Deputy Green in relation to the competitiveness of the market, because he is absolutely right. We do not want to do that. But I do not want to send a headline number out and have something else that is avoided. I want to do a complete package, and I urge Members, those Members who are still in this Assembly, please read the Green Paper on property taxes. It is a great piece of work and that work is precisely now delivering the kind of revenue raising opportunities that are competitive, that are going to be able to fund the social programmes of health and education for the next Assembly, and we are working now in order to do that. So, this is a stay. It is a pull-back, reflect and maybe come back with something that is even stronger. That is my message to the commercial property agents. This does really deal with ...

Deputy R.G. Le Hérissier:

On a point of clarification, the Minister has made much play of this email but I do not think we heard, once he understood it, what was in the email. What was the essence of their objection to what he was proposing?

Senator P.F.C. Ozouf:

Happy to answer that. Basically - I do not want to read it all because it will take too long - but effectively, the representations are that ... effectively the original email basically says: "I refer to the recently proposed Budget and proposition in relation to increased stamp duty." This was on Thursday. "On behalf of a group of property advisers/owners/investors, we propose that the increase in stamp duty for property transactions" - it did not even say if it was commercial or residential - "is deferred until the Green Paper on property taxation is completed. I am aware that you and colleague x [somebody that wrote to me earlier] exchanged some correspondence at the beginning of August, however since then I have been speaking with other members of the industry and we have sought various opinions as to the issues that could occur should the States proceed with implementing the proposition. When the changes on taxation on superannuation funds for owning local property were introduced a number of years ago, we saw an impact with less investment in Jersey, *et cetera*." I disagree with that statement. It was wrong; it was because of the local downturn and I believe it was right to collect more tax. So there is a representation that I disagreed with. But they are saying that the proposal could create a distortion of the market. That was the signal for me to think there is an avoidance issue. I sent an email back, upon advice, saying: "Please give me evidence of some of this. Give me some of the evidence of transactions." I had a further email back with the comparisons which we knew about then, about Guernsey and the U.K., and that gave me sufficient evidence to say: "Okay, hold back." So that is the reality of it. I do not really want to publish the email because it has got the names of individuals who, I am sure, do not want to be put in the public domain. This is perfectly sensible, perfectly reasonable. A Treasury, an Assembly that listens, that moves, that is trying to boost economic recovery, maximise revenues and do the right thing. I think I have answered all the questions. If I say to the Connétable of St. John, I really want to try and convince him to vote for some of these Budget proposals because they are the right things to do right at the last minute in his last day in the States, get some support. **[Laughter]** This is not jumping the gun, this is listening, responding and as a ... I know this is no commercial... this is no... he understands commercial property. We do not want to do something with an unintended consequence. This is listening and responding and doing the right thing for Jersey. I say to Senator Breckon, I do not need to be told and I do not need to tell the Treasury about avoidance. We are on the case. We have invested £600,000 in protecting revenues and that is one of the reasons why our forecasts have been beaten because we have been dealing with revenue avoidance. So we are on the case when we find them, and a low, broad and simple tax system means you do not have opportunities to withdraw. So I hope he will support this. Deputy Higgins - could he not support anything that I bring forward? Can he not support **[Laughter]** something that is in the right and best interests and with good advice? Is it just simply because it is me proposing it? This is the right thing to do. It is sensible, it maintains revenue, it does not distort the market and it means that we can come back with something that is better. So I ask Deputy Higgins, please, put personalities aside and please vote in favour of something that is absolutely sensible and shows that we are listening, which is something that he says that we do not do. I say to Deputy Young, not double-standards. If we are successful in raising more money from property and commercial property and dealing with this U.K. issue of U.K. companies not paying tax, which is one of the other solutions to raising revenue; 80 per cent of commercial property in the Island is in St. Helier, 80 per cent of it is in offices, raising tax on this issue is going to raise more revenue and we can do some of the things that he wants to do in terms of alleviating the pressure on first-time buyers. That is why we want to do it. We want to de-friction the market. So I ask Deputy Young, please, this is not double-standards it is the right thing to do. So I move the amendment.

Deputy M.R. Higgins:

Can I get a point of clarification from the Minister? I am not going to answer his charge or anything. Basically, he said that they wrote to him, they had concerns and everything else. I

personally - unless I switched off momentarily - did not hear what the evidence that they came up with to support his change. What was the evidence? Please repeat it.

The Bailiff:

I do not think that is a point of clarification. The Minister has made his speech.

Senator P.F.C. Ozouf:

It is just simply this, is that Jersey commercial stamp duty would be on properties of a much higher level, and this is mainly office blocks, over £1 million, £2 million, £3 million, up to £10 million, £20 million would be at a much higher stamp duty in terms of their sale than the U.K. and that might prevent investment. I want to look at the whole property tax issue not the narrow issue and that is the evidence. I have got that evidence, plus the avoidance, means stop, hold, pull back, research, improve, come back with something better, and it will be quick because the Assistant Minister is on the case. I hope the Member votes in favour.

The Bailiff:

Very well. The appel is called for in relation to the amendment lodged by the Minister for Treasury and Resources. I invite Members to return to their seats and the Greffier will open the voting.

POUR: 36		CONTRE: 8		ABSTAIN: 0
Senator P.F. Routier		Senator A. Breckon		
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Connétable of St. John		
Senator B.I. Le Marquand		Deputy R.C. Duhamel (S)		
Senator I.J. Gorst		Deputy of St. Ouen		
Connétable of Trinity		Deputy M.R. Higgins (H)		
Connétable of St. Clement		Deputy N.B. Le Cornu (H)		
Connétable of St. Peter		Deputy S.Y. Mézec (H)		
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 Grouville				
Deputy R.G. Le Hérisssier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				

Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				

The Bailiff:

Before we move on, Members will recall that at lunchtime today there is a reception in honour of Mr. Jean-François Le Grand, the President of the Conseil Générale de La Manche and I hope very much to see all Members there at that reception. But President Le Grand has just entered the Chamber, together with a delegation. We are delighted to see him here and we much look forward to the reception later. **[Approbation]** Very well. Sorry, Deputy Le Fondré.

Deputy J.A.N. Le Fondré:

Sorry, I was just trying to find an appropriate moment. I have to give notice that from about 2.15 p.m. I shall not be in the Assembly because I have got a Parish funeral to attend.

1.2 Draft Budget Statement 2015 (P.129/2014) - as amended

The Bailiff:

Very well. So that completes all the amendments proposed so we now return to the debate upon projet 129 as amended. So I invite Members to speak. Does anyone wish to speak? Deputy of St. Ouen.

1.2.1 The Deputy of St. Ouen:

I will start. The first thing that I would like to do is to acknowledge the efforts, not only of the Minister for Treasury and Resources, but the Council of Ministers over the last 3 years in trying to get to grips with some of the financial pressures and challenges we face especially with regards to dealing with some of the underfunding in the past, especially with regards to capital projects. I think the one thing that I still have concerns over is the control of expenditure and the challenges that lie ahead. This is an issue that we picked up at the Corporate Services Panel in our Budget reports and I am not going to spend large amounts of time highlighting some of the findings and the recommendations that were contained within it. But I think, and I would respectfully suggest, that all States Members and indeed new States Members take the time to read the report because I do believe it does highlight some of the issues that lie ahead, and contrary to what the Minister for Treasury and Resources has suggested in the past about individuals or panels bringing amendments, I believe it suggests an appropriate way forward. It is all very well and I think it is right to be positive about our future but sometimes it is also important to be honest, and I do not mean to suggest that anyone is dishonest. But I think that you need to tell the story as it is rather than how, perhaps, you would like it to be. Members of the public have got significant concerns about the future. They have been faced with a large amount of changes within the last 6 or 7 years. Beginning with G.S.T. (Goods and Services Tax), the introduction of G.S.T., dealing with the economic crisis, dealing with the introduction of other charges like long-term care charges about to start next year. Dealing with '20 means 20' and the reduction in the allowances, and equally dealing with trying to maintain and retain a job and not having and benefiting from the pay increases that many of us and others have got used to in the past. I believe that more needs to be done to reassure the public that we, the States as a whole, and indeed and more importantly, the Council of Ministers who we look to for leadership, that these issues are dealt with. The public's concerns around increases in expenditure and how we fund it are going to and must be discussed with them. It is great to pronounce we are having new hospitals, whether it is £297 million, £400 million or whatever. It is great to say that we are going to have improved health services but the public equally know that the public of this Island, the residents of this Island, the taxpayers of this

Island will be looked to to contribute to these extra services. Things have changed somewhat from the past and here we have had the Minister for Treasury and Resources demonstrating that we are still chasing and trying to chase after and support commercial and businesses on this Island who are not contributing very much at all in relation to the whole tax take with regards to now where we have switched and moved towards more personal taxation. But we must not forget about the people that are paying and living on this Island and trying to not only earn a living but keep a roof over their heads, and pay for all the other matters that individuals face in their day-to-day life. One of the major recommendations that we made in our report is that a proper and appropriate debate needs to be had, not just in this Assembly in isolation from the public, but a debate with the public to help them understand some of the implications and the challenges in providing services both now and in the future. If we do that I think we do stand a better chance, not only of increasing public trust and confidence in this Assembly, but arriving at solutions to the situation that everybody will generally support. We have had to deal with deficits in the past but it is quite recent, and I think that what I am very concerned about is that given the signs, and I know the Minister for Treasury and Resources will argue: "Oh, well, they are only signs." But they are real signs that have been flagged-up, not only by the panel but by the Fiscal Policy Panel and others, is that we are facing the need to fill a gap again, in a relatively short space of time. Now, I know issues outside of ... that we are unable to address have had an influence on that. But - and it is a big but - we have got to learn to be more prudent in our approach when managing taxpayers' money. Just because we happen to get a windfall amount or an income over and above what we anticipated, does not mean that we spend it. However, that has been what has happened. The other concern is that in the past we have been advised to help fund appropriate services, I cannot argue with that, that we utilise funds from the Health Insurance Fund. We were told: "It is all right, there is plenty of money there and there is a need. So let us use it." More recently, the Minister for Social Security tells us: "Oh, hang on, guys. Because of the changes it is more likely that we are going to have to look at increasing contributions to be able to top-up the Health Insurance Fund to a more appropriate level in the future." So a short-term decision has a longer-term consequence, and my concern is, and the concern of the panel, when we have looked at this Budget, is there are ... and the Minister will argue justifiable decisions to take some short-term action but they will and do have consequences. One of them is using money from, I think it is the Dwelling Houses Loan Fund. This Assembly was persuaded to introduce a new scheme called the Deposit Loan Scheme, not that long ago, and the idea was to help people on to the housing ladder. We were told: "We have got money available in the Dwelling Houses Loan Fund and we are going to do a pilot scheme and we are going to use £3 million of it to help a number of individuals get on the housing ladder." Again, the Corporate Services Panel reviewed that particular proposal, raised a number of issues, but basically we were told: "Do not worry it will be okay." We said it should be monitored and we said it should be reported back to this Assembly how good it was, appropriate, what impact and effect it might have. Instead, you redo it, and according to the Minister for Treasury and Resources, and indeed, I think, the Minister for Housing, they raised it, praised it as a very successful scheme. So what is happening now? Are we continuing with that scheme? No. No, we are going to be taking money out of the pot that could be used to continue the scheme for some other purpose, to balance the books. Is that really the sort of action that we want to be taking? Where is this realistic approach? Where is the forward-looking actions, demonstration of actions that the public are desperately looking for from this Assembly? When we seem to leap from one matter to another and disregard previous decisions, previous issues just to deal with a short-term problem, which may not be a short-term problem. Corporate Services did consider, and went as far as seeking advice, about whether this Budget could be amended. The advice came back that it was very difficult, and that is why we have come up and we have developed our recommendations which are contained in the report. Because we thought: "Well, although we disagree with some of the elements and have significant concerns about this Budget, that we could influence where we go from here." One of

the matters that we really have not touched on and have not really had a chance, even, I am sure, many States Members have not even had a chance to look at, is the long-term revenue plan, or review now, it is called. Again, I direct States Members and others - members of the public - to look and read that document because I do think it does flag-up some of the challenges that lie ahead. But what annoys me, and I hope, moving forward, that Scrutiny is given more opportunity to be provided with all of the evidence because one of the issues that we had, at the Corporate Services Panel, was we were told that there was going to be a long-term revenue plan. We kept asking: "Where is it? Where is it? What are you doing?" We were told it was coming, then it was not, then it is a framework not a plan. We were told all sorts of things and hence the reason for one of the findings in the recommendations that States Members need to consider this as part of the overall picture. But what worries me is that in a separate debate last week or the week before, the Minister for Social Security... I think we were debating P.136, and in the report it said that well, all the growth bids have been considered by this current Council of Ministers and are already included in the next Medium-Term Financial Plan.

[10:30]

So this idea that the Ministers, this current Council of Ministers, do not really know what is coming round the corner I find really odd when it is confirmed by other Ministers that all the issues and the growth bids have already been discussed, decided upon and included in the draft next Medium-Term Financial Plan. Where is the genuine openness and transparency that we all seek? Why is it that the Minister for Treasury and Resources and the Council of Ministers... I am not just picking out the Minister for Treasury and Resources, because I think that is part of the problem. We have a Chief Minister that talks about collective responsibility and yet too often they hide behind a Minister or individuals, and I think that there have been significant issues and changes over the last 3 years that have increased the power of the Minister for Treasury and Resources over and above the Chief Minister and the Council of Ministers, and I think that in the next 3 years I suggest that the States Members who are in this Assembly review that. If we are going to have collective responsibility, if we are going to have a cohesive executive government, if we are going to have a Council of Ministers that we can trust and rely upon, their signature and responsibility needs to rest on more of the fundamental matters including finance because ultimately the Minister for Treasury and Resources is the guy with the chequebook. He is not the determining factor. It is the Council of Ministers and ultimately this Assembly. The better information that can be provided, not only to the public but to this Assembly, regardless of whether you are an executive or non-executive, is of significance because then you will see improved decision-making. Not looking at the short-term but equally looking at the future prosperity that we all seek to achieve. Thank you.

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

I just wanted to touch on a capital project which is the hospital. As Members will be aware, the Scrutiny Panel completed a report recently and we were given the response from the Minister for Health and Social Services and the Council of Ministers to that report and also a response to a peer review of reform of health and social services which the Council of Ministers set up themselves to get some answers from some experts in the U.K. to basically peer review the proposals on the dual site option. The panel do have deep concerns about the proposal of the dual site option and I think it is only right that I should say something about that today because I am very concerned that as a result of the expenditure of £297 million, if this option goes ahead, that it may turn out to be a compromise and it is something that we absolutely have to get right. It must be the States of Jersey's biggest capital project. It is vital for Islanders that we do get it right and that we spend what money we do have wisely. I just wanted to refer to one of the concerns in the peer review and I will read it to Members: "A new build on a single site, which is unencumbered as far as possible, is always the preference. This would enable a quick build, consistency in current service and a

much easier move from existing buildings.” They also went on to say that: “The 10-year phased programme over 2 sites is too long. Every effort must be made to see whether it is possible to reduce the timeline. The potential disruption for current services should not be understated and must be addressed as a major risk and mitigated.” They also went on to say: “We are aware of the considerable debate on the capital monies available to fund the scheme. We would only say that this is probably the one big opportunity to resource health services in Jersey in one critical aspect and the gains by getting it right and future-proofing are highly significant. There are too many examples of health projects which have failed to realise their full potential. The cost of getting it wrong is huge.” Those are the words of the experts employed from the U.K. to advise the Council of Ministers. One of our concerns was that originally the site at Overdale was earmarked for the development of a mental health facility and Members are probably well aware that great investment is needed in this area. So this was of concern to the panel that if the dual site option went ahead, what was going to happen to our new mental health facility? Was this going to be a question of it remaining where it is, the facilities available continuing to be under-resourced for a long period of time and for States Members ultimately to be letting down Islanders? Which is what we have been doing and we need to address this urgently. So that was of great concern to us. The other concern to us is that under the proposals, only 44 per cent of the dual site option is new build across the 2 sites. That is 44 per cent and we are talking about a sum of money of £297 million. Thirty per cent of that money will be refurbished and 26 per cent of the existing buildings will remain as they are. As I said before, we have deep concerns that this money ... that the sum of money being provided or what is being proposed is not good value for money. Whatever happens in the future, more capital money will need to be expended on the refurbished and existing buildings that will come out of this new project, so that might be in 20 or 30 years’ time. So we are spending approximately £300 million now to potentially, in 20 or 30 years’ time, to have to revisit it again and at the same time compromising any new mental health facility we were hoping to provide for the people in Jersey. Members need to be well aware of these facts before any decision is made. We are aware that when the funding has been worked up for the various options, that not always has it been compared like for like, apples for apples, which has produced distortions which we did point out. So we were not getting an absolutely clear picture of what we were getting for our money across the different sites. We are told, well, the States Assembly agreed last year that the investment returns on the Strategic Fund would be used to fund the hospital over 10 years. We have already been told by the experts 10 years is too long. We have to deliver a new hospital facility as soon as possible. We had great difficulty in understanding where the figure came from because initially the figure talked about in a report a couple of years ago was around the £400 million mark and I suppose there would have been an assumption that Atkins, who carried out the feasibility study on all the sites, might have been working along that figure. So when we were told that the figure is just £250 million with an additional £47 million to cover the cancer care centre and £25 million for interim works, we really struggled to understand how that figure was arrived at, and in fact we still do. The point I wanted to make about funding, having agreed to use the investment returns from the Strategic Fund and knowing that the Strategic Fund returned last year £91 million... and I take my hat off to the Minister for Treasury and Resources, the Treasury Department and the managers who were handling that money because it is a fabulous sum of money to return on a fund, £91 million in one year. I am told that the return on the Strategic Fund, although maybe not as great this year, will still make quite a substantial return. So the point I am getting at is it may well be in the space of 2 years that the investment returns may total somewhere between £160 million and £170 million. On the basis that we have had such fabulous returns, and maybe the Council of Ministers were being very prudent in their approach last year - because obviously there are big concerns about how we are going to finance all our health requirements - I would just like an assurance from the Council of Ministers that they are going to go back and look at the funding envelope. I also want an assurance from the Council of Ministers because it is my understanding

the business plan for the dual-site option will come back to the States Assembly next year for approval. My concern is if States Members throw that option out, are we back to square one without the Council of Ministers bringing forward another option for us to consider? I would like to know from the Minister for Treasury and Resources whether there has been any discussions around costing-up an alternative model than the one already proposed that will deliver a hospital that Jersey can be proud of and that meets the requirements of Islanders. I believe that Jersey as a small jurisdiction can be a beacon in the medical provision it provides, and we should be. I want to be absolutely certain that the Council of Ministers are making the correct decision, so I would appreciate an answer to those questions. I think I will leave it there.

1.2.3 Deputy P.J.D. Ryan of St. John:

This will be my last speech in this Assembly. **[Approbation]** I am well aware of the potentially controversial nature of a Minister speaking against a Budget and this will be the first time that this Minister has found it necessary in the public interest to do just that. I ask all Members from all sides of this Assembly to forget the political fun to be had at the expense of the Council of Ministers and to focus purely on the detail and on the messages that I believe are serious enough to warrant my speaking out. I will limit myself, though, to focus purely on those matters that involve education. On page 56 of the main Budget booklet lies section 11, the proposed measures to manage the Consolidated Fund. Members by now will be well aware of the details proposed and I rise, therefore, to inform both current Members and potentially any new Members from November that might be listening of the implications for education of those proposals. My comments apply specifically to the proposed cuts to department budgets of 2 per cent as well as the £5 million overall reduction in departmental carry-forwards from 2014 into 2015.

[10:45]

Also, although not strictly part of this Budget, we already know that 2 per cent cuts and carry-forward clawbacks are in prospect for each of the next 4 years after 2015. If implemented across the board to all departments, as the 2015 cuts currently are, this will spell utter and complete disaster for education. But back to 2015, the total E.S.C. (Education, Sport and Culture) contribution to the 2015 savings, including carry-forward clawbacks, are proposed to be in the region of £3.5 million to £3.85 million. The exact figure is unclear because some departments are overspent and will not, therefore, have carry-forwards themselves, so other departments are vulnerable and may be asked to make up the difference. Into this mix we must include the previously accepted special circumstances for Education of the last 2011 C.S.R. (Comprehensive Spending Review) process, and the agreed extended timeframe for E.S.C. to make cuts into 2014, 2015 and 2016. Other departments' cuts ended last year. So for E.S.C. one must add the old residual 2015 C.S.R. cuts of about £600,000, making a total of between £4 million and £4.5 million cut to base budget for Education in 2015. Let us talk about carry-forwards and clawbacks. The nature of E.S.C.'s carry-forwards means that much of it is committed to schools. There are timing differences between the school year and the calendar year. Any excess income generated in the fee-paying sector by fees received in the colleges is seen as belonging to parents and not the States and is earmarked, therefore, often for investment in future improvements to the colleges' infrastructure. Finally, there will be a number of small amounts carefully accumulated by each of the non fee-paying schools under delegated financial management and already committed to be spent in those schools in the early part of next year. Traditionally, and in recognition of these circumstances, E.S.C. has been able to keep the carry-forwards and manage overall budgets year on year. The loss of carry-forwards will impact seriously on those schools and their ability to function, so Education cannot realistically withhold them. We have 2 other special items for 2015 affecting the normal carry-forward picture, one good and one bad. First, the good news: university fee increases. There was a previously successful growth bid agreed in the 2012 M.T.F.P. to cover

university tuition fee increases expected to come for students starting in September 2013 and continuing in the year starting September 2014 and 2015. Fee increases in 2013 and 2014 did not happen and, although not final yet, it looks like any increases in 2015 will be minimal. As a result of this, we can expect a total accumulated carry-forward for 2014-2015 to increase above the normal amount by about £1.2 million. Now the bad news. There is a large 2015 unfunded item over which E.S.C. has no control: pupil numbers in schools. All school budgets and grants are driven by a formula based on the number of children in the school at any one time. In 2011, during the old C.S.R. process, it appeared that there would be a small dip in secondary school numbers from September 2014 to 2016 before rising again after that. Some Members will remember this. This meant that E.S.C. could include a C.S.R. cut for 2015 of £300,000. In fact, this amount is half of the old C.S.R. residual £600,000 for 2015 that E.S.C. has to make and I have already mentioned. The problem for E.S.C. lies in what we now know in September 2014 that we did not know in 2011. The number of children that will be in the system for the 2014-2015 academic year just started is now known to us. The predicted reduction in school numbers has failed to materialise. In fact, the opposite has happened. There is an increase over predicted numbers right across the whole system. That is from nursery right through the whole education system to those attending university: a birth rate increase, the downturn in the economy and availability of job-starts for 16 to 19 year olds, and this has driven the need for better vocational qualifications. More students at A-level in schools, more young people realising that for the better jobs employers are looking for degree-level qualifications, *et cetera*. Let us be absolutely clear. Overall, this is good news for the economy in the long run, and to see why Members should have a good look at the excellently detailed *Skills for Success* skills strategy report published in May this year. That is R.61/2014. If any Member really cares about education and the future success of our economy, or anyone else for that matter, this is essential reading. The significance of these demographic trends in terms of the 2015 Budget is that the department has an unfunded, completely out of its control spending pressure amounting to £1.565 million, some £250,000 more than the saving as a result of the good news from the September 2013 freeze on university fees. Normally, the demographic spending pressure would be a prime example for central contingency funding. Unfortunately, however, the central contingency fund is now empty. In addition to all of this, late last year and as this year has unfolded the department has been planning to manage its budget in 2015 to continue with 2 crucially important work streams. They are so crucially important that as Minister for Education, Sport and Culture, I have felt compelled to object in the strongest possible terms within the Council of Ministers when it became clear this summer that the proposed E.S.C. cuts next year would mean that these 2 projects would have to be put on ice. They are the continued development of the Trackers apprenticeship programme to include financial services and digital industries; budget £550,000. The second one: the continued development of the school improvement and standards programme; budget £998,000. First, Trackers. At a current total participant rate of 187 apprentices, Trackers is a victim of its own success, having already exceeded in 2014 the end of its 2015 target of 180, and all with near zero dropout rate and 99 per cent of all young apprentices in stable, permanent jobs. Apprenticeship programmes for both financial services and digital industries are the planned additions to Trackers in 2015 using internal E.S.C. diverted funding. However, if we do not have these funds, we will have to cap Trackers at its current level and put further development on ice for a year at least. In the last week, and following some more tense discussion at officer level, it appears that a proposal may be in the offing that includes diverting some funds from E.S.C.'s partners on the Skills Executive that might enable the success story that is Trackers to continue its development next year as planned. Nothing can be guaranteed, however, because who knows what the attitude of the next Ministers for Social Security and Economic Development will be or whether the next Minister for Education, Sport and Culture will be strong enough to fight for the money. I also believe you lose the respect of the electorate when you do deals behind closed doors. Second, the standards agenda. This is the other piece of crucially

important work, perhaps even more important than Trackers in the longer term. It is the school improvement programme. It is not flashy and it is long term in its scope. There is already a quiet revolution in Education that started some 5 or 6 years ago: improvements in teaching; in school leadership standards; fully moderated teacher assessments of all pupils to ensure consistency; knowing through accurate data capture exactly which students are doing well and which ones need more intervention; then having the resources to accurately tailor and apply that extra support when required; professional partners in each school to advise and peer review head teachers and monitor school performance. All this is crucial stuff. The resulting pupil achievements at year 6 and at G.C.S.E. (General Certificate of Secondary Education) this year, judging by those most recent statistics, are both very encouraging, but we need and must do more to continue and urgently develop the programme. In 2012-2013 we carried out a review of maths teaching and have implemented those findings across the system last academic year. We must complete the current teaching review of modern foreign languages and apply its recommendations. We must launch a new review of English literacy teaching next year as well and then sciences the year after. There is a 2016 growth bid of £2 million partly for this purpose and partly to fund vital one-to-one teaching intervention for the children that will benefit most from it, and also to focus on helping those families under the most pressure. But if we wait until 2016, this means that realistically it will be the September 2016 academic year before the programme development can be effective. We had planned to find about £1 million of funds from the windfall carry-forward increase from the higher education budget freeze and to bring forward the standards work as a one-off into early 2015 so that we could have staff trained and new professional partners in place ready to commence a year earlier in the September 2015 academic year. I believe that starting to have an effect on the life chances of our children a year earlier is absolutely paramount and particularly so in today's - and very likely the future's as well - economic and job climate. In conclusion then, the timing is as wrong as ever for any kind of cut in the Education budget. I know and this Assembly has already accepted that the Education Department runs a tight ship. It manages its budget very well. It needs more funding, not less. Head teachers in non-fee-paying schools have been struggling to balance their books for years, always looking for ways to save money, yet at the same time improve outcomes for children and then getting frustrated because they have known that the money they really need would not be there. Education is the cornerstone of our future economic stability and success and it is essential to support it. This is a Budget debate and many times over the last days and weeks the words "fiscal stimulus" and not being short-termist in our decision making have been spoken by politicians. I ask the question: are the efforts and measures to balance the Consolidated Fund this year contained in this Budget Statement not as short-termist as it is possible to get? When is the point reached that spending cuts in something like education are more damaging than either increasing taxation or perhaps deferring a tax rate reduction or deferring for a short time some nice-to-have capital spend? I say that stable and sustained investment in education will be the best and most effective form of long-term fiscal stimulus we can possibly make. There have to be very substantial and concrete assurances given today regarding protecting Education in the Budget. The Strategic Plan - the last one - implied this should be the case and it has been confirmed in the foreword from the Minister for Treasury and Resources published as recently as last week in a very important report, R.136, *Long-Term Revenue Planning Review*.

[11:00]

I quote: "Education and skills lie at the heart of a community's progress and success. Delivering rising living standards through equipping young people for the workplace of the future will be one of the main debates that the next Council of Ministers will need to have." Finally: "The extent to which investment in skills and education will be needed is an important political debate, as is the structure of the education system." Fine words indeed from the Minister for Treasury and Resources as a foreword to such a very important review and no doubt approved and endorsed by

the Chief Minister. It is such a shame that the main body of the report has but one short bullet point that includes a reference to skills. However, let us not be petty. What better time for Members to make a political stand and commitment to education than right now? So, assurances not only from the Minister for Treasury and Resources - he may not be in such a strong position to influence matters from November - but also from other existing Members and Ministers likely to be influential next year, all subject to re-election, of course. Without those concrete assurances, then, frankly, I think it would be difficult and maybe too late now for Ministers to make those kinds of assurances because attitudes will have hardened. But without those assurances, a vote in favour of this Budget will be an endorsement of a mindset, certainly as far as education is concerned, a mindset stuck in the 1970s and 1980s that speaks fine words but when it comes to action it looks at Education, sees only the good parts - and they are many - but blindly assumes that because we have made investment in state school infrastructure we can ignore the social division created by its highly selective and highly privileged nature, a mindset that continues to skimp on the year on year revenue budgets that will allow teachers to deliver truly equal opportunities for success for all children regardless of their backgrounds and start the long journey towards dismantling the root causes of the social attitudes that perpetuate the system itself. As Minister for Education, Sport and Culture, and as long as I still have that role, I have to make a stand today and say no.

[Approbation]

1.2.4 Senator S.C. Ferguson:

Oh, dear, I have accumulated so much paper. First of all, I would like to thank my vice-chairman for his participation in this debate. It was a splendid speech. I think the Chief Minister missed an excellent Minister there, but the Deputy has been a sparkling asset to Scrutiny and he will be missed in this Assembly. **[Approbation]** He does tend to talk rather loudly occasionally. **[Laughter]** I was on the panel and I endorse Deputy Hilton's comments. I am not totally in agreement with her on the matter of the Strategic Reserve, but on the general gist of it, yes, she is absolutely right. Now, I have heard Ministers talking about all the new business coming into the Island. I think about this and I think it would be interesting to know how much tax they will be bringing in. Can we have a rough estimate of the annual tax take from these businesses? I will be addressing these matters later on, but I just doubt whether they are bringing much income into the Island, apart from some of their lower paid employees. Now, as a panel, we have had concerns about the quality of advice being given to the Minister and we have made recommendations. Was there sufficient appreciation of the deterioration of the financial situation? Was the Council of Ministers aware of the situation at an early stage? It is not possible to reach conclusions as to whether the capital spend has fed through to the fiscal stimulus and whether that spend reaches the 3Ts or is recurring. We are also concerned that it is only now that the question of the existence of a structural deficit is being investigated, and as yet the Treasury has no plans to deal with the deficit. This all is underlined by the information that is coming from the Public Accounts Committee about the quality of management information that supports the work of the States. Now, we have had questions as to who knew what about the deterioration of the income tax receipts. We have checked our receipt of the September 2013 paper, which was created in P.D.F. (portable document format) at 3.37 p.m. on 20th October 2013. Amazing what you can find out with computers. It was sent to our adviser on 25th October and was given to the panel on 5th November. Our report was presented to the States on 26th November. Initially, the paper was provided in confidence to our adviser and the advice was that the paper alone did not give a full picture and further documentation would be required. In our report, our adviser wrote: "In September 2013, the Economics Unit also produced long-term revenue projections to 2020. These are based on assumptions of above average performance for the economic variables. As such, and bearing in mind the comments in section 1, these figures carry a considerable health warning and have a range larger than the plus/minus 5 per cent assumed for the existing income tax forecasts. However,

figure 14 illustrates the provisional long-term tax forecast for the period to 2020, which suggests a modest increase in income tax growth each year at a rate faster than the 2012-2016 period.” Well, that really does underline our recommendation that we have another look at how we do our income tax forecasting. But it is in this context that we took the figures in the Budget at face value and it is in this context that we recommend that the business of the Income Tax Forecasting Group is put on a more formal basis with proper documentation. It should perhaps be noted that the Minister for Treasury and Resources was quite confident that the Medium-Term Financial Plan figures would be achieved at our quarterly hearing on 13th March. Now, it has also been said that if Jersey was a publicly quoted company we would really have to issue profit warnings. Interestingly, one looks at the comparison with Tesco. They have missed their profit forecast and I believe 4 executives are out on gardening leave. Be that as it may, we have had a review of tax policy, but I think we must remember what the principal role of taxation is. It is to raise revenue for the Government for public expenditure. Now, when the financial services industry originally arose in Jersey, great care was taken by Senator Cyril Le Marquand and many others to ensure that Jersey did not adopt economic and fiscal policies to which critics would be able to point and say: “You are a tax haven. You are a jurisdiction which has deliberately created a fiscal paradise.” We should be looking at a system which should be simple, transparent, neutral, with no economic decisions that are made for tax reasons, stable, not retroactive, and broad based with a low rate. As I have said, the primary purpose of taxes is to raise revenue, not to micromanage the economy. The tax system should not favour certain industries, activities or products. Unfortunately, over the years we have slipped away from this. We now have an unfair system but not for any of the reasons that my reform colleagues may mention, nor yet my seriously right-wing colleagues. Zero/Ten and 20 means 20 were fine when we started. There have been a number of moves by external agencies, authorities and government departments which are totally convinced that offshore centres are concealing vast sums of money more properly due to mainland governments. As a result of this, we now have a system which is getting more and more complicated and from which we are extracting less and less revenue. The last measure to be abandoned was the deemed distribution, and my understanding is that Zero/Ten and 20 means 20 are quite possibly next in line. However - and this is for the next Minister for Treasury and Resources - there is no reason why we should not return to the principled practices of Cyril Le Marquand with a simple system, fair to everyone and appreciated by all our financial services clientele. I have already started having discussions on possibilities which would satisfy these parameters. The problem is that our income tax receipts are falling. We have had a structural change in the financial services industry. We have sections of the industry setting up here and paying minimal or no taxes, which means we are not breaking even on tax received versus services provided. We have the wider effects of deemed distribution. Here we have shot ourselves in the foot. We have set up a system where anyone who owns a company in which they have shares only pays tax on payments to them by the company. Bonuses and so on and surplus profits can be left in the company until a later date, say retirement. Then the shares can be sold on to a new director or sold out to a new owner and the payment, handled obviously by a reasonable accountant, turns into a capital payment. While the loss of income is meant to be low, about £6 million in 2013, this is a structural change. It has not been unnoticed in the industry and, while it may be anecdotal, I understand that it has been a very useful mechanism to avoid, totally legally, our tax. So, we now have a reduction in marginal rate, which causes about £8 million a year. We have another £6 million at least from deemed dividends, £14 million here, £14 million there, it soon adds up. In their report, the F.P.P. (Fiscal Policy Panel) estimate that our economic deficits for the next few years are £103 million in 2014, £190 million in 2015, £206 million in 2016, and £125 million in 2017. Along with this, we have a long-term revenue plan, review, whatever, and that lists growth bids. Okay, they have only been applied for, they have not been agreed, but growth bids have come in for a total of £280 million. We really have to look at this thing reasonably. The F.P.P. figures assume a balanced Budget in 2016 and 2017. I am not quite sure how they are going

to do that. Then the F.P.P. also tell us that the deficits for 2014 and 2015, especially 2015, are at the top end of what is appropriate. The problem with deficit financing, as anybody who has ever had an overdraft knows, is that it can grow to be a habit. You only have to ask anyone trying to get rid of an overdraft or a payday loan. It is our understanding that the deficit of 2014 is probably going to be in the region of £50 million on current account, but it would be helpful if we could have had the latest figures before starting this debate. Interestingly, the F.P.P. also recommend that the Treasury should produce a 20-year forecast of income and expenditure. This would make it a great deal easier and more transparent for the States and the general public to understand where we are at.

[11:15]

What is disturbing is that there was a further reduction in the marginal rate under consideration as late as June this year, another £8 million, and our advisers were concerned by the measures being used to balance the consolidated reserve. One stated: "The need to fund core net spend from specific funds, together with the apparent speed by which these measures have been put together, does not inspire confidence that the 2015 Budget has been founded on sound principles and good financial management practice. The utilisation of reserves to fund core spend is a real wake-up call and is typically the product of a rapidly deteriorating fiscal position." Those are very strong words for a professional adviser in a publicly published report. I recommend the report to Members. This is also compounded by the list of items labelled: "Other measures if required." Our advisers comment that the deterioration does appear to have caught the Treasury on the hop. This is supported by the fact that the measures, such as the increased dividends demanded from the utility companies, were not formally requested until the first week in July 2014. We were also surprised at the intention to redeem the 10 per cent preference shares of Jersey Water. Ten per cent returns on your money are pretty good at the moment. You do not redeem those sorts of things unless you really have to. Now, the Minister is following the F.P.P. recommendations by applying deficit spending. That is absolutely correct, but what other recommendations have they made? Last year, they recommended making contingency plans for an improvement in economic conditions and a reduction in spare capacity from 2015. We have not had any evidence of these, which included reducing departmental expenditure and raising revenue. There was a recommendation to remove bottlenecks in the delivery of capital projects. We have asked about this, but where are they? I understand that departments do not put planning applications in until after the money for the capital application has been approved. So why do they not put planning application in either before or at the same time? Then you would have shovel-ready projects that could start straight away. The F.P.P. recommended the Budget should include financial forecasts for the current and next 3 years, including the update to income projections. I have on page 64 of their report a table which shows pretty hefty deficits through to 2017, but this was based on the June figures, which we understand have deteriorated. Where is the update? But at least there are some figures. This year, the F.P.P. have recommended, as I have said, a 20-year projection. That is page 8 of their report. Now, Deputy Vallois, a very marvellous member of our panel looking at the Budget, has brought the New Zealand approach to our attention at least 2 or 3 years ago, a document entitled *Long-Term Fiscal Position*. When Members of the Assembly make sensible suggestions, it would be nice if Ministers would not only act on them but also mention them. Also from this year, the F.P.P. supported the use of reserves to balance the Consolidated Fund from an economist's point of view. They also pressed the point about investigating the structural deficit, particularly as the chairman of the panel stated on Radio Jersey that he is pretty certain there is a structural deficit. As I say, we have had a reduction in marginal relief agreed in the 2014 Budget, although we did comment on it and say we could not quite see the economic justification, so this removes £8 million. Then we have the deemed distribution and their £6 million and, as I have said, first you get £14 million and then another £14 million and pretty soon you have a problem. The F.P.P. said, regarding the

marginal relief: “Perhaps the most significant measure in the draft Budget 2014 is the proposed reduction in the marginal rate. This is a structural change in taxation policy that will reduce revenue in future years on a recurring basis. As a fiscal stimulus measure, it does not score well because it is neither timely - as it will not impact until 2015 - nor temporary. To ensure such a decision can be afforded, careful consideration of the structural position of States finances is required, although it is not clear from the Budget 2014 report that this has been undertaken.” So, we now have a long-term planning review. The problem is that it does not give any sort of view as to where the economy will be in the next 5 years. The F.P.P. recommend a 20-year forecast. As I said in the conclusion to my chairman’s foreword, the questions outstanding have been the quality of the advice, sufficient appreciation of the deteriorating financial situation, has the capital spend fed through to the fiscal stimulus, and it is only now that the structural deficit is being examined. As my vice-chairman said, we have neither brought amendments to the Budget, nor have we mentioned many of the details other than in passing. Together with our advisers, we think that the investment returns still being promulgated for the Strategic Reserve are optimistic and there could be a great deal more transparency over the assumptions and expected transactions with impôts and stamp duty. Our real problems have been with the income forecast and capital spending. Our advisers were particularly concerned that the link between income and expenditure seems to have been totally lost. The actuals have deviated substantially from the medium-term plan, which is now not fit for purpose. Expenditure is going up; income is going down. It is quite clear. The current year income forecasts have deteriorated since the Income Tax Forecasting Group report was produced. Is it prudent to ignore this? Our adviser agreed with the conclusions of the Health and Social Services Panel in that the capital and revenue costs for the hospital should be revisited as well as re-evaluating the investment returns on the rainy day fund. He also expressed concerns about T.T.S. (Transport and Technical Services) achieving the savings on the liquid waste project, which is going to be contributing to where you are getting the funds for the project. So we now have a Budget that does not have the up-to-date figures, a discussion paper on tax which has not analysed why tax receipts have fallen, and a long-term revenue plan which is, to quote an industry professional, dire. We have to wait for the analysis of the structural deficit. Why are we asking the F.P.P. to do that? Have we not got the resources to do it ourselves? There will be a mention of a lack of confidence if we start playing with the tax system. All I can say is if you go into a bank with a cigarette packet and a few figures scrawled on it, the bank manager will have no confidence in you. If you go in with a plan and say: “Yes, I know we are in a spot but we are going to do A, B, C, D and E and here is a nicely typed up summary of what we are going to do,” then the bank will have confidence in you. What we need is the plan to give the bank confidence. At the same time, when we are considering taxation, we have now got into the position where of our eligible to pay tax people, which is about 65,000, we have 30 per cent who pay no tax, 59 per cent pay at marginal rate, but they only pay 47 per cent of total tax, and 10 per cent pay at 20 per cent and they pay 52 per cent of income tax. That 10 per cent is discovering the deemed distribution avoidance scheme. So, because of our concerns, we developed some high-level guidance for the Treasury to get us heading off on the right track. I will not go through them all, but they are in the conclusions to our report and I recommend them to the Treasury. They are all very basic common sense. Independent review of income figures; no problem there. Root and branch review of expenditure; another fundamental spending review, I regret, but it needs to be done. Go back and revisit the long-term revenue plan, and then prepare the Budget once you have your management information up to date. These are intended to be helpful suggestions to assist the preparation and presentation of the next Budget and Medium-Term Financial Plan. As I have said, when Zero/Ten and 20 means 20 started, it seemed perfectly reasonable and the various external agencies and the international authorities were content. But time has moved on. Time has moved on, and the onshore jurisdictions, which have been rather more enthusiastic than ourselves on deficit spending, are now totally convinced that the offshore centres are swallowing vast sums of their tax money, a situation that Cyril Le

Marquand was trying to avoid. The best way for us to deal with it is to set up a simple, efficient and transparent system. There is one that I have been discussing with finance professionals, but there will be many other permutations that we need to look at. This particular one is Ten/Ten/Ten, 10 per cent corporation tax, 10 per cent income tax and 10 per cent G.S.T.; easy, simple, no one can take offence, and sufficiently low that our main markets will not run away. However, there will be many other versions of this but we need to get the discussion going. I throw it in to start it. There will be other ideas, but we need to get out there and discuss them now instead of fiddling around the edges like this Budget does. The future issues Jersey is facing, and these are very serious, have been caused by a structural change to the financial services industry, recurring expenditure which has taken no regard to the medium-term financial status of the Island, spending money on stimulus with no economic analysis of its impact. These are very serious. It is essential that we take steps to deal with increasing expenditure and falling income tax receipts while we still have the financial assets to support us. But remember, the only answer to a structural deficit is either increasing taxes or reducing expenditure or both. As I said last week, I think the new Assembly needs to reconsider the Budget as quickly as possible. I do not think I can support this Budget.

Connétable J.L.S. Gallichan of Trinity:

Could I just inform the House that I will be attending a funeral over the lunch break?

1.2.5 Deputy J.A.N. Le Fondré:

Like its predecessor a year ago, the foreword to the Budget is strong on rhetoric and weak on recognising reality. Perhaps the most critical element is the apparent failure to adjust financial strategy in line with the latest intelligence. These criticisms are also shared by the F.P.P., who observed that the draft 2014 Budget, which was last year's, was a step back from previous Budgets in terms of completeness and transparency. There has been a move back to operating on a year to year timescale, illustrated by the inappropriate marginal tax cut last year, the late decision not to reduce the marginal rate further, and the introduction of emergency remedial measures into the draft Budget of 2015, which is obviously this year's. It is difficult not to come to the conclusion that States expenditure is out of control. Question: were the 2013 forecasts not published in the 2014 Budget because policymakers were concerned that this would have called into question the wisdom of the marginal rate tax cut and drawn attention to the potentially deteriorating fiscal position in Jersey when the authorities were seeking to obtain a favourable review from the credit rating agency Standard and Poor's?

[11:30]

It further suggests a lack of clear direction in the setting of financial strategy. Four years on, it would probably be hard to make a case other than the initial fiscal stimulus that had a very limited impact on the economy. On the one hand, the Treasury has been keen to publicise the amount of stimulus undertaken, but it is not clear from an economic perspective - as opposed to an accounting perspective - how the economy has benefited. It is clear that the proposed remedial measures lack maturity and, in some examples, clearly contradict what was thought to be settled strategy. This demonstrates that restructuring may be a necessary measure as a result of the gravity of the situation. In relation to forecasting, we have been made aware that the latest projections on income tax yield may be even worse than the projections underpinning the current 2014 outturn position within the 2015 Budget submission. A worst case scenario could be that a failure to adjust projections in line with the latest intelligence could mean that Members could be voting on a Budget that senior officers know is unlikely to be achieved. Prudence has been lost. None of those words are my own. They are in the reports of the 2 sets of advisers used by the Corporate Services Scrutiny Panel in their review of the Budget that we are debating today. I repeat: none of them are my own; they are comments from the objective advisers used by Scrutiny and, as I have said

previously, one of them is an institutional body. They are as objective as we can possibly get. To say that those are strong words would be an understatement. They are appalling. They are an appalling indictment of the parlous state of affairs of this Island's finances and I am afraid the buck does have to stop with the Minister for Treasury and Resources. I am sure the Minister will either ignore or attempt to sweep it all away in some dismissive gesture, but when the advisory arm of the Chartered Institute of Public Finance and Accountancy start making comments about lack of maturity, lack of confidence and the gravity of the situation, then I do think it is about time that States Members start listening. It is very clear we have a problem and, indeed, that problem has been known in some quarters, particularly in Treasury, for quite some time. To be clear, I will not be supporting part (a) of this Budget. I do expect the Budget to be approved, I hasten to add, but I cannot support it for a number of reasons. Partially, as I have made clear in the past, I wish to make it clear to the Assembly that I am really concerned as to how badly, in my view, we have been treated in terms of the provision of information. It is not really that important as to whether we were informed on 29th November or 3rd December. The point is it was very late in the day. I do not believe Members were aware of the serious change in the income forecasts when the unaffordable reduction in the marginal rate of taxation was proposed. I do support reductions in taxation, but only when they are affordable. You cannot spend what you do not have. That is not a prudent approach. As far as I am concerned, Members should not have to read the small print to identify such significant issues. It certainly was not put up in big flashing neon lights saying: "By the way, this is what has happened. We have had a major change in our income forecasts and we knew it at the time of the last Budget." Equally, as Senator Ferguson has just said, there have been lots of mixed messages about the state of the finances. Even yesterday on the radio, the Minister for Treasury and Resources clearly did not want to use the "D" word, deficit. By way of example - and I picked this out; I want to use a bit more detail than Senator Ferguson - I want to refer the Assembly to the transcript of the Scrutiny hearings of March of this year. Indeed, Senator Ferguson raised the issue given in a written response to myself earlier this year which showed the forecast deficits dating back to September of last year of £70 million-odd. The Minister for Treasury and Resources' response was as follows: "No, no, they must not be misunderstood. It is really important that the takeaway from those answers should not be described as being we are expecting a deficit. We are not." Later he says: "Let me be clear. We are confident of our income projections that were set out in the M.T.F.P. I have optimism that 2014 will be met." That is in March. In July of this year, the Minister for Treasury and Resources stated to Scrutiny: "Yes, income forecasts are slightly down. They are slightly down." Later on: "Because of planning, because of these measures, we are not going to have a £34 million deficit. We are going to have a surplus this year and we are planning to have a balanced Budget next year." The terminology is simply wrong. We have a deficit Budget because that is the correct expression when income is less than expenditure. We may have a Consolidated Fund, our current account if you like, in the black, fine, more in a second on that. But we have to recognise we have a deficit because if we do not recognise the problem we are not even halfway to coming to the solution. It is a bit like anybody with any other problem: you have to recognise that problem first. I go back to this information because the mixed messages that have been coming out I just do not like. Even in April the Council of Ministers lodged a proposition which was an update to the M.T.F.P. as a result of the changes for Andium. That was debated in June, one week before the Council of Ministers received the formal report on the further downward revision of the forecasts. In that report that was publicly available one week before when it was debated, it said the revised balances on the M.T.F.P. was something like a £4 million surplus and a £20 million surplus. One week later the Council of Ministers were informed it was going to be something like a £31 million and £34 million deficit. That is ignoring the fact that in September of the previous year they had already identified the £70 million shortfall. That is the problem I have, it is the mixed messages that have gone out. I go back to the reduction on the marginal rate tax, firstly that of last year. To be very, very clear, that

was not supported by the F.P.P. We have heard the comment about the 3Ts. I will not go any further on that, but given the revised forecasts that were produced on or before September 2013 that reduction in tax take was not affordable. To quote the Scrutiny advisers: "There was no discussion in the 2014 Budget about whether the public finances allowed for a reduction in the marginal rate of tax." This reduction was economically imprudent, although remarkably it seems that a further reduction was planned for inclusion in the 2015 Budget. How do you honestly consider giving up, firstly, £8 million of income which was in last year's Budget and then even in May or June of this year a further reduction of £8 million when you know that in the September figures you have lost £70 million of income? All that happens in June is it gets worse, to 95; I say "all". Let us just return to that last remark about the further reduction. That surely cannot be prudent. It is the thought process to me that is of the greatest concern. To quote C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy): "The fact that a further 1 per cent cut in the marginal rate of income tax was in contemplation when income tax forecasts produced by the I.T.F.G. (Income Tax Forecasting Group) showed significant downturn further suggests a lack of clear direction in the setting of financial strategy". Now, one other argument that comes out is much has been made of the Fiscal Policy Panel and also of the value of the balance sheet. Now, as regards the F.P.P., they did state in 2012: "Further analysis is required by the Treasury and Resources Department to consider the nature of proposed capital expenditure, the way it is funded and what it implies for the underlying position of States finances. If this analysis suggests there is a structural deficit, then consideration should be given to its extent and nature, including a more detailed plan of action to rectify it." That was in 2012. In 2013, the panel noted it had still not seen any work on the measurement and monitoring of the structural surpluses and deficits and would have liked to have seen this in supporting information for Budget 2014. Finally, in its most recent report - that is this year - the panel recognised that the next Medium-Term Financial Plan will have to contain measures to address the structural shortfall between States income and expenditure and that the medium-term outlook, while uncertain, suggests there are significant challenges in even maintaining a balanced Budget. We have heard the comments from Senator Ferguson about the media comments of the chairman of the F.P.P. when he says he is far more certain a structural deficit exists. I am not expecting the Minister or my good colleague the Assistant Minister to get out his pencil himself. I am expecting over the course of the last few years, when the issue has been highlighted by the most respected set of advisers, that we have in terms of the ones that serve the States in terms of the Fiscal Policy Panel, to have requested someone to start that piece of work. What seems to have happened is that many people have been caught unawares of the change in the position of the finances of this Island. Another quote so we have heard it: "Utilisation of specific reserves to fund core spend is a real wake-up call and is typically the product of a rapidly deteriorating fiscal position. It does not inspire confidence that the 2015 Budget has been founded on sound principles and good financial management practice." That again is C.I.P.F.A. What is the position on the Consolidated Fund? The law focuses on the unallocated funds and, yes, the balance may well be a lot higher. But the view I take is that if you start dealing with that, you are effectively spending money you have already spent; you have certainly agreed to spend. If that becomes a habit, you can get into real difficulties. Amendment 5 I think helpfully gives I think the latest position of the Consolidated Fund, which states it is about £3.1 million; £3.2 million. That is after the most recent transfers but before the extra reduction that we voted on this morning for the stamp duty. So we are at about £3 million in the current account. That is before the further reduction of £4 million for the damage revision in the income forecast that we heard about yesterday so, obviously £3 million in account, £4 million in income going out. Bearing in mind that this is all predicated on the savings and the dividend income coming in, and all that sort of stuff, those are the balances they are forecasting. We have already heard a very good speech from the Minister for Education, Sport and Culture; I really wish he had spoken a lot earlier **[Approbation]** but it was a very good speech because it is a realistic speech, and I think it is very

clear we have got problems ahead. Just to be clear, the Minister has complied with the law, because I have asked the questions, in that he lodged a Budget which did not take the Consolidated Fund into the red at the time of lodging, but there have been all sorts of adjustments, including a reduction in the dividends originally proposed from Jersey Post, and further cash transfers in. If the current account is back in the red legally he is okay and, in practice, he can always take another couple of million pounds out of the Car Park Trading Fund, for the sake of argument. They are just cash transfers, they do not resolve the issue as to whether we have an ongoing deficit or not and we have no idea what 2016 is looking like, although I would suggest to Members that common sense dictates it will not be good, given that the deficits are rising from 2014 to 2015, and all this just serves to illustrate that a lot of these measures are short-term fixes: "They are emergency remedial measures", to use the Scrutiny adviser's comments; as panic measures, if you like. The other thing I think we have to recognise as well is that there has been lots of talk about the capital expenditure. Let us be clear: the Fiscal Policy Panel have expressed concerns that, effectively, we are likely to be facing a perfect storm in the next couple of years because of the lack of capacity in the construction industry, and therefore we will probably have inflation coming in, hopefully at the time that the economy is starting to recover but, with all the building projects, facing an increase in immigration as a consequence. Money has not been spent when it should have been, that has been of the comments coming from the F.P.P. That has been their comment and their advice. I reiterate: if we are failing to express and recognise the problem, which to me is what this symptom is, I think, you are not even halfway along to solving it. That is why C.I.P.F.A. ... and I say it again, it is about Members knowing what we are voting on today. We have recently been availed of the 2014 June and July actuals and forecast income and outturn positions. These show further downward pressures and is critical that the Budget for 2015 is modified to incorporate the latest intelligence accordingly. Do not forget, they have identified the concern that Members could be voting on a Budget that senior officers know is unlikely to be achieved. It is clear, as I have said: "The proposed remedial measures lack maturity and, in some examples, clearly contradict what was thought to be settled strategy." That is C.I.P.F.A. again. On a pure monetary analysis, not approving part (a) of the Budget - I have said I think it will go through - will assist our finances in the longer term, we would be better off, and that was confirmed by the Minister for Treasury and Resources yesterday, but one always has to remember there is a cost to people, but people will be paying for this in some shape or form in the years to come, whatever happens today.

[11:45]

Now, I am going to make one further remark regarding the value of the balance sheets. Where I fundamentally do agree with the Minister for Treasury and Resources, he is absolutely right that the performance of the Common Investment Fund has been excellent, no question about it but, as a cautionary note, please note that Scrutiny, as I understand it, do raise concerns, or their advisers do raise concerns, over the future return estimates, but that is a matter for another day. What one has got to remember when one talks about the value of the balance sheet, and the Minister for Treasury and Resources loves bringing up very large figures, is that a lot of that value is not something you can easily sell. What is the realisable value of Victoria Avenue? What is the net realisable value of the hospital or the schools? They are assets, absolutely, and they will have been valued on an appropriate basis, but they are very difficult to sell. So when one is going on that we have got however many billions it is as net asset value, that is not the answer to everything. Yes, it is great, but we need to keep our eyes very firmly focused on income and expenditure. It is interesting with the whole debate about forecasts, as Senator Ferguson mentioned, the headlines of the last 24, 48 hours about Tesco and their problems, because they failed to identify the forecasts, but it is also interesting the actions that they have taken, because they regard it as a serious matter. What is very clear is that the next Council of Ministers, in my view, is facing a tipping point on the finance of the Island, and you are going to have to have a real debate about the balance between expenditure

and taxation; you have got to have that argument. All of us in this Assembly will have differing views of where we are; I think we will probably end up as a mix, but you have got to have that real debate and you have got to recognise the problem. Up to now, one of the responses we had, I think it was on Friday, was: "Well, you go and work out the numbers for 2016." I conclude with a further quote from C.I.P.F.A., and I think it is a sad conclusion to the financial management that has recently applied to our Island finances: "It would be our considered view that the timing and the character of the remedial measures as now presented seriously undermines the confidence attached to the robustness of the States financial strategy." That is not a good end of term report, that is not a good conclusion on what we are voting for today and, unfortunately, I will certainly not be supporting part 8.

1.2.6 Deputy S.G. Luce of St. Martin:

As I read through the many and varied documents that the Minister and his team produced for this Budget, I thought of questions which I have put to the Minister over the many briefings and meetings that he has held in the last few weeks, but I continually found myself returning to the larger overarching current financial situation. Consequently, I decided, because of the current financial situation, not to look at amendments to this Budget; in fact, I even considered whether I would speak in it. This is a Budget debate, it is not a time for looking back at what we are spending, at what we have agreed to spend in the Medium-Term Financial Plan, and I will return to that later, but the Budget is a time for looking forward to how we raise the revenue to fund those decisions that we have already taken, and that is when the fun starts, when we notice that not everything in the garden is rosy. Not for the first time, I think we are having to work harder than ever before to balance our books. But I am not looking back, I am not going to speak with the benefit of hindsight and I am not going to direct blame, and I am especially not going to direct blame against the Minister for Treasury and Resources, but I am stating the facts. The Medium-Term Financial Plan, that we all agreed, has meant that we committed to spending more than we will receive. It is an unsatisfactory situation, to put it mildly, and it must not be allowed to happen again. There will not be a single Member in this Assembly that wakes up in the morning and makes a conscious decision to practise breathing, neither should there be a Member of this Assembly that makes a conscious decision to save money, to minimise wastage, to reduce costs or to achieve real value from the investments that we make, but I think we probably need to do just that. This Budget has been a wake-up call. We cannot continue to commit to spending above our means when it comes to the day-to-day running of our government and we cannot continue to increase our means by just taxing Islanders further. The Medium-Term Financial Plan is a new concept to this Assembly but it is a really good concept, one that we need to continue: long-term planning, forward thinking is not just right, it is critical, but it needs, and we need, to be more flexible. I am going to vote in favour of this Budget because now is not the time to be voting against and making a perilous situation worse, but I put down a marker for whoever is the Minister for Treasury and Resources next year: I am going to be looking for a Medium-Term Financial Plan in 2015 that does not, and cannot, put us in a similar situation to that which we find ourselves in today. You can say what you like about the Minister for Treasury and Resources, but no one works harder, no one is more passionate about his job or about representing his Island, on or off the Island, and no one is more dedicated. So I would like to thank the Minister and his team for this Budget, but I put them on guard that they, and we, have to up our game and really deliver a better financial situation for the people we represent in the coming months and years.

1.2.7 The Connétable of St. John:

Since 2008 to today I would say the biggest losers in this Island have been middle Jersey; we have put all the protections in place for people below middle Jersey and the people above middle Jersey generally can look after themselves. Yet again, I see little in the Budget for middle Jersey, and that

is of concern because we all know that people get very little indeed on their savings, and we will see some of these people falling below a certain level and being caught up in the lower bands. Therefore, any future government needs to put in place something to stop any decline in that area. We will move on. Over this last House, I have seen ring-fenced funds, like at Social Security, the Car Park Trading Fund, et cetera, dipped into, broken into. In the first 2 instances on the Social Security fund, at £6 million-odd, when the first dip went in, we were told: "It is a one-off."

Senator P.F.C. Ozouf:

Sir, will the Member give way?

The Connétable of St. John:

No, I will not, I am speaking. [Laughter]

Senator P.F.C. Ozouf:

He is just giving out incorrect information; it is the Health Insurance Fund.

The Bailiff:

You will be able to correct it in due course.

The Connétable of St. John:

Sorry, Health Insurance Fund; yes, okay, I will take that on board, but I believe the Ministers and the Members in this Assembly know exactly what I am referring to. Thank you, Minister. He has now put me off my stroke, but there we are, not to worry. I sincerely hope that in the future ... and I know they have altered the law now so that the Minister for Treasury and Resources, whoever he may be, can dip in and out of this fund from time to time or at leisure, which I am really concerned about. The money has all been paid for, that was in that fund, by the people who paid their social security contributions; however it is split up within that fund, it should have all stayed in there and, if needs be, moved around within it, with some slight legislation being required in this Chamber. But, no, instead we have allowed the Minister for Treasury and Resources and his department to get their hands in there, and that is of real concern. We are now seeing the age at which people are going to receive their pensions, et cetera, increasing and possibly there were other ways of dealing with that ring-fenced money. We saw the Car Parks Trading Fund being dipped into to put a cycle track in, and in fact, it was there for car park use and reconstruction, et cetera; that was dipped into. We have seen, and it was not the current Minister for Social Security or his predecessor but the predecessor before that, cancel the prescription charges, which would have brought in ... whatever it was then, I think about £3 million a year; that would have been still being added within social security funds. That was stopped. It was only a pound or 2 per prescription which everybody had agreed at that time was the right figure, but to cancel it because money was supposed to be coming out of our ears and it was not necessary, seemed the wrong thing to do. I heard so many people at that time say: "Well, why have we cancelled it? Leave it where it is and build it up for the future." Nobody knew what was going to happen in 2008. We now know what has happened: we lost an area of income and that will be very difficult to recoup. When they do put it back in place, it will create additional hardship to all of middle Jersey. I think we will move on. Can I warn this Chamber and the new Chamber for 2015: energy in this Island is at a premium; we have gas, electricity and oil all competing for our business. Be very careful of marginalising any particular area of the energy sector. At the moment it may be difficult to get gas and oil on this Island, but do not fall into the trap of relying totally on one type of energy, electricity, because it will come back and bite us all in the behind. Things will change over the next 50 years, but that needs to be managed. I have heard it said in this Chamber in the last few months: "Yes, gas is too expensive, we have to do another deal on petrol, and the likes, for the airport, and we want the cheapest deal." Sometimes the cheapest deal works out far more expensive in the future when you lose any

competition. Be careful what you wish for. Managed decline: eco-energy is not there yet and it may be another 25 to 50 years before we get energy from elsewhere. What you have needs to be managed, and I sincerely hope all the young Members in this Chamber take note of that: managed decline. Further to this, I note in recent years we have spent an awful lot of money making sure that we have our nurses, our doctors, our lawyers and bankers and accountants all well-trained. We have a very big blue collar industry. In my Parish in particular we have a lot of heavy engineering and quarrying and the likes. We have to make sure that we put training in place for all our young people because not everybody can be pen-pushers, people like myself, who are dyslexic, found a way forward by going into the trades. There is nothing wrong with that; there are far more blue-collar people around, whether they be plumber, a dustman or a lorry driver, than not. So any funding you do needs to be equally-placed right across in any budget: you make sure that you take the people at different levels in life and push them to the maximum in those particular areas. I sincerely hope that the educational system is going to be designed in such a way as to make sure we do the best for all our young people instead of having to rely on bringing in migrants from across the water to fill in many of these jobs. **[Approbation]** Over many years in this Chamber, I have heard about shipping routes to and from the Island. We have looked at, many a time, increasing the depth of the berths in the harbour, and the like, to bring in various vessels.

[12:00]

In 2004/5, under the Finance and Economics Committee and the Harbour and Airport Committee, of which I was a member, I attended a meeting with the equivalent of the Chief Minister of the day, the President of Finance and Economic, in the boardroom in this building, looking at putting a deep-water port in the north coast. A lot of work was being done within Harbour and Airports and the Finance of the day, and I would strongly recommended that the Minister for Treasury and Resources and his team over the next House look seriously at putting a new port on the north coast of Jersey where you can increase your visitor take, increase facilities for bringing in your aggregates and other products over the quay, and it would be a deep-water port not reliant on tidal. I think, thinking forward, you should be thinking 50 years ahead not short-termism of 10, 15 years; you should be thinking of where this Island and what we want for our children and grandchildren in 50 years' time ... we should be putting the building blocks in place now. I would strongly recommend to the Minister for Treasury and Resources and the Chief Minister of the day for the next House to be looking at a 50-year plan of where Jersey needs to be. I will move on now to infrastructure. A lot of work has been done on infrastructure, but I am aware that a lot more needs doing. Out of, at the moment I think it is £75 million, or thereabouts, spent on our sewerage works and drains, et cetera, but the original bill at today's value is somewhere in the region of £250 million. There is still a long way to go to go, whether it is to finish the tunnel, whether it is to finish the main drains extensions into the countryside, roads, et cetera, there is an awful lot yet to be done. About 10, 15 years ago, I can recall a senior officer at Public Services turning round to me when I was querying why they had been reducing the amount of asphalt laid and he said: "Oh, there is nothing wrong with patching." Well, there was, and I did say so at the time, and we all know what we have got today: is a patchwork quilt on all our roads. The whole philosophy of engineering is to do the job properly the first time, not to do patching. It reminds me of the old story, I think it was in the Bible, where somebody repaired an old dress with new material and therefore the weight difference was such that, in fact, it did not last. You need to do the job properly once. This lunchtime we have a meeting with A.P.F. (Assemblée Parlementaire de la Francophonie) and I am really looking forward to that because, in my time in this Chamber, in the first 10 years, I spent an awful long time with my French colleagues when I was the vice-president of the Transport Authority, on sea routes to and from France. A lot of the work that was done was done directly, Minister to President or Vice President with the French Government; there was no in between via London, we would go over to France, I would meet my counterpart, whether it was in

St. Malo or in Normandy and, at times, in the Senate in Paris. We would do it over lunch, have your civil servants with you and you would come away with a deal. You did not need to go via the Ambassador's office in London; things were done somewhat differently. I would strongly recommend to whoever you appoint as your new Chief Minister in 2015, that he or she is a person who can work in both areas: work north, yes, but definitely work south with your colleagues, because there is so much business to be had in Europe, it is a shame that everything goes through an embassy in London when we have so many contacts. They are falling away because fewer and fewer Members in this Chamber speak French and they take interpreters with them. It is a real shame that we are seeing the decline of the contacts we have with France. I would strongly recommend to our Treasurer and to our Ministers for the future, and all Members, to make as many contacts with our French and European colleagues as possible. Moving on from there, I also have to also mention the British Irish Council. Members attend regularly where there is a British Irish Council and/or the parliamentary conferences. At the moment I believe the Chief Minister was over to the Labour Conference. Yes, I am supportive, but can I give a little bit of advice; you might not want to listen to the old plumber from St. John, but **[Laughter]** yes, attend, go along, listen and learn. We have often heard it said in this Chamber: "Jersey punches above its weight." But be careful when you are going north or south: watch, listen and learn. Do not give too much of that in giving your secrets away of how well we are doing in our finance industry, how well we are doing at this, that or the other, because it comes back and it bites you. We have seen over the last 5 years much we have lost to other areas of the world with our fulfilment business, other businesses, Zero/Ten, et cetera; we have lost an awful lot that has been taken from us because we have been too loose with our tongues. If I recall correctly, was it not Lord Coutanche when he retired ... I believe I have either read it or he said it, I am not sure which, he said he did not know where Westminster was, or something similar, and he recommended it to his colleagues to keep it that way. Keep things on-Island; do not go washing your dirty washing off the Island, which I have seen recently, none of that helps. Go along as a little Island, be observers; do not tell people what we have got. I am not 100 per cent sure how I am going to vote on this, but I would like to see a balanced Budget; I do not think it is going to happen this year, but in future years, because we can make a mistake once, but let us not make it on and on. Whoever becomes Minister for Treasury and Resources in the future, I would like to think that they will be thinking of our children and grandchildren and make sure that we do not leave something for them to have to pick up because we did not do it right in 2014/15, and that may continue. **[Approbation]**

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

It is always a joy to follow the old man from St. John; the old plumber, sorry, **[Members: Oh!]** misquoted him already. Where do we go from here? We have seen the evidence produced by an excellent Scrutiny report, in fact, reports over the years in the 2014 and 2015 Budgets. They are detailed, they are forensic and they are completely damning of what is going on here. Just taking one little example, the reduction from 27 per cent in marginal rates to 26 per cent is clearly stated by the advisers to that Scrutiny Panel that it was not good stimulus; it was not a 3Ts: timed, temporary and targeted; it is not temporary at all, into the structure of our tax system. I use the word "structure" importantly, significantly, because we are talking about, I believe, and the F.P.P. believes, increasingly we are talking about a structural deficit. I hesitate to use the word "deficit" because the Minister for Treasury and Resources does not like it but, nevertheless, a structural deficit is what it remains. We have a very large shortfall of the order of £100 million between our estimates and therefore our spending, and our income. £100 million is significant money; it is not £1 million, it is not £10 million, it is a factor of 10 bigger than that. It is significant in terms of our overall Budget. So the question is: to cater for that deficit - and which leaves, I think, the new figure at £2.821 million in the Consolidated Fund, to show that there is not a deficit - are those measures appropriate? The Minister for Treasury and Resources has rather taunted my party

colleagues on the left in saying: "I do not know why you are against this because this is effectively what you have been promoting. This is Keynesian." The answer is: no it is not, it is not Keynesian fiscal stimulus; the fiscal stimulus that we needed should have taken place back in 2012, and it was not delivered then. What we have got today is emergency measures, scraping out the biscuit barrel, scraping out the tins, seeing what is available: "Which ring-fenced budget can we raid next?" and it is a raid, absolutely, it is a one-off, or it should be, unless we get repeat in the year after, in which case they will be even more desperately shouting: "Do not panic. Do not panic" as they seek again to raid those ring-fenced funds and divert them to general use. That should not be happening. It is not Keynesian, it is sheer panic, that is what it is. Why have we got this effect? Because, essentially, the economic model on which we have been basing our economy for the last 10, 20, 30 years is broken. It is broken because it says low tax, low spend. The reality is the spend is going up now, it is going up in the future because of the ageing society and the health needs to meet the demand from that ageing society. All of us are getting older, all of will eventually need some sort of medical ... or support in the future. That is going up, so low tax, low spend, cannot be done because the spend is going up and we have seen it today. The income is going down, and that can come as no surprise to anybody because we have had something like 5 years of negative growth in our G.D.P. (Gross Domestic Product) and surprise, surprise, 5 years in, income tax revenues start to go seriously down. It can be of no surprise to anybody. The question is, what do we do about it? Either we cut services, and nobody on the hustings last night wanted to say: "We are going to have to trim services, cut services again" why? Because it is an election year and the public, who depend on those services, does not want to hear that because their services should be there, that is what governments are for. It is no good, as some did, saying: "Oh, it is all right, we will cater to that with modernisation." The modernisation programme has ground to a halt. The serious issues have not been dealt with and there have been some trimming around the edges, but not very much progress at all. So to say: "Modernisation will solve this problem, we will reduce the spend without reducing services" sorry, that is pie in the sky, that is absolute nonsense and it is not going to happen. Nonetheless, people were making that promise last night. What do we do? We either cut services or we raise taxes ... but it is election year, 3 weeks' time. Who is going to say: "We have to raise taxes."

Senator L.J. Farnham:

The Reform Party are saying it all the time.

Deputy G.P. Southern:

Yes. Because the analysis says that if we are to support our people with proper public services we have to raise taxes; the only question is how we raise those taxes, and we have got a suggested way forward there. What measures does the Assistant Minister, who just interrupted me, have on the table to raise those taxes if they are indeed, as we suggest from our analysis, necessary? I do not need help to do my own speech from anybody, thank you; I have been doing it 14 years [Approbation] and, with a few glitches, I usually manage to get to the end.

[12:15]

So where were we? How do we cater for this structural deficit where our tax receipts do not measure up against our expenditure? We can either cut services, cut expenditure or we raise taxes, because that is what we do: we are here to supply services to our population: to our residents, to our elderly, to our kids, et cetera. Now, the most recent work in 2011 suggested that there were 4 ways of raising £30 million: the most simple and straightforward one was a 2 per cent rise in G.S.T, raises £30 million. A more complicated one was to raise the cap on social security, because it is capped at around 47,000 now, and gain some additional revenues that way, but that is a bit more complicated because it needs structuring, or we can examine property taxes, and they suggest if we

are to raise our level of rates by threefold, think about it, then we raise something like £30 million, so that is being investigated at the moment but it is not going to happen any time soon. Finally, the option is a higher rate of tax on those who are relatively wealthy. The figures at the time in 2011 said a 25 per cent rate on households where income is over £100,000 would do that. Now, I do not know if that is still an accurate figure some time on, but those are the 4 options that were presented by the Treasury's own advisers in 2011. That is what we are dealing with. I know that G.S.T. has already damaged the poorest in our society, especially with no exemptions, the impact on their budgets. I know that 20 means 20 has really hurt the middle earners, so who does that leave? To my thinking and to our thinking that leaves the wealthy, that is where we have to go. They have the broadest shoulders, they have the greatest incomes, they have to bear some of this, more of the tax burden, if we have to go to raise taxes, and I believe we do. But the Ministers and the Minister for Treasury and Resources are absolutely desperate to keep any talk of tax rises off the election agenda and that is why we are dealing with this fudged Budget, raided every pot, raised some revenue in order to balance the books and not dealing with some proper serious economic measures in order to cope with the structural deficit. When we look at that structural deficit, what do we see? We see, for example, that 10 years ago the corporation or company tax raised something like £250 million. Today, it raises something like £70 million or £80 million, vastly reduced, while individual taxation has gone up over that period from something like £100 million or £150 million to £400 million today. So we have transferred the balance through Zero/Ten, through various measures, from company tax to personal tax. In terms of the Zero/Ten, I heard somebody saying what we should be doing is Ten/Ten/Ten; a difficult one to do, I do not think it is ever going to happen; it is blue-sky thinking. I think we have got Zero/Ten. The zero, the Minister for Treasury and Resources promised 3 years ago in response to the Deputy of Grouville, to find a way of raising some tax from the zero-rated companies, but he has not done so. So no answers there either have yet arrived. They cannot because at the time the Minister probably knew that he could not find ways of doing that because that would mean that zero for the companies that are here; they are not here, they are just a brass plate, accountant and a lawyer ... that those would not be here and that part of our economy would go if he does anything with zero rate. So he is stuck, that is the reality. So zero rate was promised, action was promised but not done. Last week, I brought a motion of no confidence in the Minister for Treasury and Resources and was heavily criticised for it, nonetheless, I believed that this Budget mess is a serious enough matter to go for that; I have a lack of faith in the Minister for Treasury and Resources and the way he has handled it. It only got 7 votes, but there were 5 abstentions, so that is 12 people in this Chamber who could not bring themselves to say we have confidence in the Minister for Treasury and Resources. This week it is not about the Minister at all, it is about the measures. It is less big a target, it is tighter, it is perhaps a more appropriate target than last week's. How many people will be brave enough, honest enough, to vote against this Budget, which is a disaster Budget? Why is it a disaster Budget? Because there has been a balance produced, £2.8 million. "Action has been taken", says the Minister for Treasury and Resources: "to mend, to patch the deficit for one year only." What happens 2016? To get us through this election period, one year only; that patch is not worth anything at all. What is going to happen next year? The Minister says: "It is somebody else's job, it probably will not be me." That is where we leave ourselves. Is that a prudent position to be in? I urge those people who only abstained last night to say: "No. The reason for my abstention, my lack of faith, my lack of trust was this Budget." Now, when you are facing this Budget: "I cannot bring myself to vote for it." Please convert those abstentions into negative votes, because that is the reality, this Budget is not worth voting for.

1.2.9 Deputy J.H. Young:

I think Members will know from the various questions we have had in question time about the Budget, that I have serious reservations about it. It represents to me a major departure of a pattern

of prudent Budgets over 3 decades, and we find ourselves very much in a new situation in a dying States presented with some real stark choices, no time or processes available to us now to try and find solutions to those issues; it is all too late and the only choice we have got on our table is to either vote for this Budget or not. What clues do we have to help us? Well, the Scrutiny Report, and I must say, I absolutely congratulate the Corporate Services Panel; this is one of the finest reports that has ever been done. I know it is long, but in this case it has to be long. It has got expert reports in it from the national body, experts advising governments in public finance, not just in Britain but all over the world, all of international repute, and economic advisers also which provide an independent check on the advice of the Fiscal Policy Panel which, of course, is a panel, and I fully acknowledge its expertise, but of course, the way we administer things is that panel reports to the Minister for Treasury and Resources, which is the same body that has produced the Budget. So I do put weight on independent opinions when issues arise. What is clear from this is that the processes that we have adopted that go behind the Budget, the Medium-Term Financial Plan, are flawed. I suppose we can convince ourselves this was the first time and therefore it is okay, but I think all the signs were there in the Medium-Term Financial Plan in 2012 that we would end up in this place. Sadly, they were not recognised and we made no adjustments. Of course, also doubts about our financial management. I cast no aspersions on an individual, it is about collective processes and systems where, somehow or other, things have gone adrift. I remember when I came to the Island in 1979, I started work for the States Treasury just after the late Senator Cyril Le Marquand had sadly died, and then Senator Ralph Vibert took on, and then Reg Jeune and others, and these were, I think, political giants; their memoirs and their records show what happened. The cornerstone of those people was the financial probity of Jersey's finance and the strength of our public finances that we were exemplary throughout the world. I think now I see a change and, of course, those political giants had executive giants, former treasurers, and I think I will name them because they should be credited: people like John Clennett, Leslie May, people who at the time were very firm in giving very clear advice to politicians. Yes, I am sure there are issues between them but, nonetheless, our administration managed to resolve those issues and thus produce very strong public finances. But where we have arrived at is that the Medium-Term Financial Plan clearly for 2015, next year, sets expenditure limits which are higher than we would have set and agreed if the downturn in our income had been recognised and forecast. Obviously, we have spent a lot of time today about that debate, whether it has recognised the forecast, but it is a fact that it was not recognised and no adjustment took place. Of course, under the new system, when we do agree the Budget we do not agree the revenue expenditure figures. The revenue expenditure limits are set in the Medium-Term Financial Plan; what we do in the Budget proposition and what we do today is to approve the tax measures, the income. We do the capital spending, we approve that, because without that, that cannot go ahead, the capital spending for next year, and we do all the various transfers and so on. This is this proposition that we have got: it is a package of bits, if you like, to do the job. The expenditure figures are set, so today that is cast. Of course, in 2012, the Scrutiny Report on the M.T.F.P. at the time, it took months and months, and it found and said that the forecasts were over-estimated and that they were over-optimistic and should be on a more prudent basis. Also, an interesting thing as well, I recall that the Scrutiny Panel recommended, because of the uncertainty over those estimates, that regular monitoring reports should be produced. I seem to remember these saying that it was recommended these should go to Council of Ministers. Of course, the whole intention was that, if they did show that the forecasts were over-optimistic, alarm bells would ring because there is the possibility then - in fact, the law requires it - that the Medium-Term Financial Plan be amended. What we find is that, well, there were indications, but in May 2013 it started to come to light. Because we have learned that there is this body called the I.T.F.G., which is a transient body, it does not have a constitution, meets once a year, and it has got some very outstanding members on it, but we cannot find out what went on, because there are no minutes and we cannot check back on that about what happened there.

[12:30]

But in May 2013 this was identified by that body and in September 2013 a paper was produced and for some reason or other that did not seem to get acted upon until May 2014 when the Council of Ministers were told about it. That is a year. Of course, in the meantime we had approved the 2014 Budget. That, I think, raises questions for me, and I am not pointing fingers at people; it is just raising questions about our financial control, and I believe that the new Minister for Treasury and Resources, whoever that is - and our new Treasurer, because obviously we have seen the statement that sadly we have lost our Treasurer and the new Treasurer will be appointed - will take on these early challenges. There is looking at the Corporate Panel report and all the very serious points that they make, recommendations, and in order to do that, personally I think the new Treasurer should consider having an independent audit of where we are, what is our starting point. We have made loads of spending decisions; what is the long-term effect? We have had a paper called *Long-term Forecasting*, what, we have had it a couple of days, perhaps if I ask Members to put their hands up, who has read it ... I think again, it is a vital document and it will deserve detailed attention by the new team that picks it up. But, of course, the one thing that is clear is that we have got to look at expenditure and income, there is no way out of this. There is no choice: you either look at expenditure or you look at your income base. The one thing that is clear is that nobody wants to damage frontline services, absolutely nobody; there is nobody, I think, in this Assembly or out there in the public ... our services are highly valued. Of course, we know that our overhead costs of a government have become very bloated and inflated and there are not the processes to squeeze out that efficiency. What it is, I do not know, but we have not had that. As I said, that is okay when we have got the income, we can live with the fact. Maybe it goes back to the days of the Occupation, when you read Dr. Lewis' book on the Occupation, about how fit people were and how people were not overweight because they did not have the food there. Of course, now we are all bloated and overweight and I would love to get rid of some weight **[Laughter]** ... I speak for myself. It is the same with government: we have become fat, bloated and overweight with all the excess baggage, and we have got to get rid of it. Of course, I looked for some measures and some figures here, and I keep going back to 1979 because it was a magic day for me when I came here and it was a wonderful day when I brought my family here on the Earl William and we had a storm and we got here ... you know, those dates stick in your mind. I look back to the spending: in 1979 the States were spending £38 million a year in their expenditure, and their income was £52 million. Of course, that pattern of excess carried on for decades. Then I thought: "Well, how did it increase?" because I have not got my calculator here today. Well, by 2003, that expenditure had gone up 10 times to £392 million and the income ... now, this is interesting, had gone up 10 times, not until 2006; it took 3 more years to double as well, but they are keeping up, although there is a bit of a lag there. Our spending is moving ahead of our income. Of course, where are we now? £703 million we are spending now and the gap between income and expenditure has now opened up. What does the Budget do about that? Understand, there is no choice: the Minister for Treasury and Resources has to present us with a balanced Budget, and so we have a single page and a table and the Deputy of St. John, our Minister for Education, Sport and Culture, and I praise him for what he said, has pointed out there are lots of things in that table which are pretty unpalatable. I do not think they are described as panic measures but they are described as emergency measures, they are very short-termist. So transferring balances from funds, what are we doing here? We are taking money, dividends, out of Jersey Post, out of Jersey Telecom, we are redeeming preference shares from the water company. Why did we have preference shares anyway? To get income. We get them back and we get the capital and we spend it. You cannot have it both ways. Where is your income? So you have lost your income on your preference shares. I do not know what the rate on those preferences is, we will be told I expect; it is probably higher than the 0.5 per cent you get from the bank. Anyway, and then ...

Senator S.C. Ferguson:

If I can assist the Member: the rate on the preference shares for the water company is 10 per cent.

Deputy J.H. Young:

I thank the Senator for the intervention; it just shows I should read the papers properly, apologies, but there we are, that answer speaks for itself, clearly. Then there is a thing, and I do not really understand what it means, it says: "Deferring the contributions to the Long-term Care Fund, £10 million." That is £5 million in one year and £5 million in another, I think, or something like that, is it not? I think, well, what does that mean? Does that mean ... the money that we are due to pay for the tax, I seem to remember the Minister for Treasury and Resources said where we have finished up is we are going to be paying the tax at 0.5 per cent from July 2015, I think, if I am right, on the Long-term Care. So what does it mean? What are the implications of it? £10 million is a real big chunk of money for that. What effect does it have? Of course, those are all short-term measures, and so no question that in the future there is going to have to be a look at spending priorities for, I think myself, a relook at 2015, because I do not think it can wait until 2016 for the next House, and there are some fundamentally big issues. I was really impressed by Social Security's report on the finances, which shows the fact that we spend in all £360 million, £180 million funded from the Social Security Fund, and £180 million from tax, which are clearly in our figures, on supplementary contributions for people whose contributions or earnings fall below the ceiling levels and income support and so on. Of course, what is going to happen, the demand for those non-funded benefits is clearly going to grow, no question. If you add up Health, Education and Social Security together, what do you get? I reckon you get about 80 per cent of our total revenue expenditure in those 3 pots. Those are the things that really matter. I suppose, the implication of that is it means that the 20 per cent is going to get squeezed and life is going to get really hard and those services are going to have to be re-prioritised, but also I think it means that we have got to have a fundamental look at some of our spending on our Social Security benefits systems. For example, I am convinced that we have neglected the potential role of an insurance fund for health services at our peril; we should have looked at the fundamentals of a government-run insurance fund for all members of our society, which will take out all these inefficiencies of private health insurance companies and start to build up a fund and a pot of money that people can call upon for the future. I would be much keener to put my money into such a scheme like that than I would be putting it into private companies who are taking their expenses and all those overheads. Of course, it has got to have proper actuarial valuations, and all that kind of stuff, but that can all be done. I think there are some real fundamental issues, because otherwise I do not see our accounts ... unless we are going to hike up G.S.T. and tax to some extraordinary level, I really do not see us being able to meet the long-term needs of the health service, I just cannot see it. I think it is time we faced up to the reality of that and not pretend we can gloss it all over and avoid it. I think that is what I want to say about my reservations on the revenue Budget. Now, we move on to capital. Page 78 of the Budget Statement gives us a list there about £76 million, and it is in proposition (b) part (b) of the proposition asks us to approve this £76 million and, of course, the Minister for Treasury and Resources has chopped out something from the JB Edwards Project, which I think is something to do with computers, which is probably a wise thing to delete. We have got 2 biggies there: we have got the liquid waste strategy of £25 million and a hospital, £22 million. Also, on the hospital project, under proposition (f), we are appropriating the interest on the Strategic Reserve of £22 million and we are doing that for ... I do not know how many years, but we have appropriated that interest before we have earned it and, indeed, notwithstanding, all the Scrutiny reports we got said there is big uncertainty about that. We are going into the unknown here, nobody knows what those returns are going to be and yet here we have got a proposition to spend them. I think we should be looking at other options: we should be looking at private finance options, we should be looking at private public partnerships, not in the ill-founded way that the U.K. has done those things, but there

are other ways of restructuring capital finances and projects that have greater certainty. Of course, I align myself entirely to what Deputy Hilton said, and Senator Ferguson. I do not think this project of the Health Service has been fully and properly defined yet and I would be very unhappy to just press the button on £22 million on the hospital project at the moment. I do not want a repeat of the Green Street Police Headquarters and I think we will find that that will just happen now. But I think to go ahead on that on an uncertain basis really is very worrying because there is too much uncertainty. I have heard too many issues, too many challenges to the 2-site solution. Of course, all my experiences, that it is better to spend time - and I used to run major capital projects - on planning, getting them right first and then afterwards you then get the benefits of the savings because not to do so will lead to cost overruns. Now, the other one, of course, the other big capital budget item in there is the liquid waste strategy of £25 million. Now, I accept that there are urgent works to be done out there but also, we have another proposition that makes a decision ahead of a new Assembly to create another pocket of another £75 million in the Medium-Term Plan from 2016. Again, I think this is going too far. To make a commitment when we do not need to make it of another £75 million, so we are kind of saddling the new Assembly with an immediate issue there. So I would be very doubtful about that one. Also, as well, if one looks at the economic arguments that are being raised about the capital spending, I think there is doubt as to whether or not these last projects will really benefit our local Island economy because there are few specialist firms capable of doing these projects. The danger is, of course, that unless we get that benefit, there is a need to import labour and the spend will go out of the Island. There will be leakage and I have heard people comment to me about that from the industry. I think the jury is out. Of course, the F.P.P. and the Scrutiny Panel both echo those doubts about whether or not this capital spending will really benefit the local economy. Now, with these reservations, I have kind of asked myself: "What does one do?" It has real problems, the Budget. What is the effect, I ask myself, of a vote against it? I know we have the Reform Jersey line: "You are not a politician unless you come down one side or the other." This is the kind of macho test. No, for me, I am going to stick to my analytical approach here and have a look. What does this proposition do? Part (a) sets the tax figures and the tax allowances. In part (a) are the allowances which have been increased for personal allowances for future years and so, if you vote down part (a), you vote that down. Part (b), I am very unhappy with, because that votes the capital. Part (c) is a side issue to do with car park transfers. Well, I do not know a great deal about the car park fund. I will leave it to others. Part (d) is the £75 million extra fund for the future, for the sewage. Well, I am not happy about that. Part (e) is an essential line of capital, which is really important. Things like medical equipment and all this sort of thing. We must be mad not to approve that, that is important. That is okay. Part (f), the new hospital, £25 million. Appropriate the money from the Strategic Reserve. I am not happy about that.

[12:45]

Part (g), housing development. Blimey. Well, we have to have that new housing. We absolutely do. Whatever we like with the £250 million loan or what but we have to enable those housing developments, social housing and so on. Part (h) and (i) are just transfers and sort of wooden dollars from one fund to the other. Part (j) and (k) are kind of window dressing. It says: "Let us have a nice Strategic Reserve and let us have a Stabilisation Fund. Would that not be nice? We have been wanting that for years." So there is some lovely window dressing there that one would possibly tick. The last one, the preference share, is for me a no. So I end up with 4 noes on that, and so I am not really sure what to do. If you get 4 noes on a budget, which way do you go? So for the rest of the debate, I am going to think about that, but for me, the Budget is not a satisfactory one. It is not a personal criticism. It is a failure somehow, things have gone wrong and I sincerely hope that the next Assembly can get to grips with this and ensure that this Assembly never gets put in the same situation again with such a set of problems to have to hand over to future Members. I

think, whatever happens, the reality now needs to be faced that we cannot go on just as we speak. That is my position.

LUNCHEON ADJOURNMENT PROPOSED

Senator P.F. Routier:

May I do 2 things, Sir? One is to ask that the défaut be raised on Senator Bailhache and also to propose the adjournment.

The Bailiff:

Does the Assembly agree to raise the défaut on Senator Bailhache? The défaut is raised. The adjournment is proposed. Can I remind Members of what I said earlier, that we have a reception down at the Banjo's Restaurant in honour of President Le Grand and I invite Members to join us there in Banjo's as soon as we can get there.

LUNCHEON ADJOURNMENT

[14:15]

The Greffier of the States (in the Chair):

Very well, the debate resumes on the Budget as amended. My records show Deputy Baudains waiting to speak before lunch.

1.2.10 Deputy G.C.L. Baudains of St. Clement:

It is not difficult to see me, Sir. **[Laughter]** There is a lot of space around here at the moment. I intend to be fairly brief. A lot of ground has been covered by other speakers. I am not going to go into the minute details or the granular, as the Minister for Treasury and Resources has been describing these issues lately. A couple of speeches that I would pick on. Deputy Young made suggestions along the line that public expenditure needs to go on a diet. He was talking about the bloating of public expenditure and I have to say that I agree with him. I mean, I will give just 2 examples. One was the housing situation where, in the past, we used to subsidise the rent for those who were unable to afford it. Nowadays they pay virtually a full rent, 90 per cent, and it is made up from Income Support, which means that there is a lot of paper to be processed and tax that is collected is processed through various departments. It does seem to me to be a wasteful procedure. I am sure there are many areas that would benefit from a rather close look. In fact, I have often said that what we really need to do is to ask the public what services they require. What they want and what they are prepared to pay in tax. We sit in this Assembly and make decisions all the time, which merely adds to bureaucracy. Virtually every decision we make needs another civil servant to administer something or other and it all adds up. Again, as the Deputy of St. Ouen said, we are unable to control our expenditure and I agree with him. It has been an increasing concern of mine for some time because each year the public expenditure increases above inflation. It is a perennial problem so the idea that we are making efficiency in cost cutting, these measures certainly are not having the effect required. Also, during this Budget debate, I have reminded myself that I preferred the previous Budget procedure where we debated income and expenditure as a whole. Yes, it was a 4 or 5-day debate but at least, in my view, we had a better opportunity to focus on departmental expenditure because I am concerned that these days too much seems to be slipping under the radar. With regard to this Budget, the Minister for Treasury and Resources has undoubtedly put on a good performance but I do not think it disguises the fact that this Budget is, in my view ... one of desperation. The Minister has raided nearly every fund he can possibly put his hands on, sold some

more assets in the form of shares because we are now facing a Budget that runs a deficit. I do not blame him because he has the unenviable task of finding the money to pay for things that other Ministers are spending. I raised this, I think it was yesterday, what happens if, as businesses are telling me, that the light at the end of the tunnel is further away than we might think? I am very concerned about this. Now, some Members may recall it in previous Budgets I have voted against them, not all of them but many of them and I am afraid I am going to do the same again today. I would urge other Members who might feel the same way as I do to do the same because what did concern me in those previous Budgets is that a number of Members who did not agree with the Budget nevertheless voted for it on the grounds that we simply have to have a Budget there: "No matter how much I dislike it, I have to vote for it." Well, that is not the case. I wonder if the Attorney General would like to clarify that but as far as I understand it, we do not have to vote in favour of the Budget because if we do not, it means that somebody, at some time, is going to have to come back with another one. In my view, it would be better if the new Assembly dealt with the Budget. I think it would be a far better procedure if in future, the Budget was dealt with say 6 months after the formation of a new Assembly, rather than a retiring one. We can make all the decisions we like and those Members who are not standing again, well really, they are not answerable or accountable for what they have done. I think that is the problem and it is one that we need to look at. But, as I said, I think it is unlikely I will be supporting this Budget this time and in my view, it is not essential. We do not have to vote for it.

1.2.11 Deputy M. Tadier of St. Brelade:

I will let my colleague sit down. Bringing this Budget back to the nub of the problem, to quote from the comments of the Scrutiny report in the Chairman's foreword. "The original M.T.F.P. tied income to expenditure. Since 2013, the fall in income and the increase in expenditure have removed that link. Until that link is re-established, there is a significant risk that the deficit will increase." That is what it is about, I think, most of this debate today. Talking to other colleagues, in fact, talking to Senator Ferguson at lunch time, discussing the Budget, commented that we have problems with the Budget perhaps from different angles and I think that may be fair but, I think essentially, the problem we have with the Budget is exactly the same. When your expenditure does not meet your income and when that is doing that on a projected long period of time with no real solutions that have been agreed, that is fundamentally problematic no matter which side of the political spectrum you are on. I do have to take task with Senator Farnham on his earlier comments because it has to be said that talk is cheap and it is easy to be a Member ... he is an Assistant Minister but essentially a Back-Bencher in a lot of ways, who can jump up and criticise Reform Jersey in the fashion of a little school boy sneak who is always telling tales to teacher and saying: "Oh, you know, taxes need to be increased. Oh, Reform Jersey just want to put taxes up." Well, it is not Reform Jersey going around saying: "We want to increase taxes for people." It is the Ministers. We know that the Minister for Treasury and Resources has Green Papers coming out trying to find new ways for taxation on property. We know that the outgoing Minister for Social Security, who will speak, has said that spending for health and social security related issues would need to go up. These are just facts and as I have said in the past, he can say that. He is an honest man anyway but also, now that he is leaving, he has nothing to ... no ministerial whip, if even there ever was one. We know that other Ministers have talked about a pay freeze for the public sector. This is the reality of it. We have not had the discussions about tax and spending and I would say to Senator Farnham is where does the money come from for his policies? I mean, okay, it is helpful when you do not have any policies because you do not have to fund them but we know he has one policy at least, which is a 50-metre swimming pool, which he is trying to sell to people at the Hustings. Now, presumably that is going to be funded by taxpayers' money. A 50-metre swimming pool is very expensive, incidentally. It is a good thing to promise to the swimming fraternity around election time but they are not easy to maintain, especially when we have only got

one public 25-metre swimming pool. That may not even be quite the right length. Hopefully it is at Les Quennevais. Probably a little bit shorter, in fact. How is that going to be funded? Is it just going to be user pays? If Senator Farnham does not want tax increases, then how is he going to fund the current public services, let alone the shortfall in public services that there are. Is he going to cut back the 26-week maternity leave? Good luck with that because we do not even have 26 weeks. We have a 2-week coming in, which is paltry. We also saw last night this faux indignation from senior politicians who have been here a long time, when they heard that a member of the public could not get a free bus pass because he was disabled. They know that we do not give out free bus passes to disabled people because many of them have worked in the Department for Social Security. Many of them worked closely or have worked in T.T.S. (Transport and Technical Services). They know that is something we simply do not do and this false indignation, saying: "Oh, is it not terrible that we do not do that?" So, what are we going to do? Are we going to introduce free bus passes, Senator Farnham? I cannot see him nodding but he is not shaking his head either. Last night, he was in support ...

The Greffier of the States (in the Chair):

Let us not rerun the Hustings, Deputy. Let us keep to the Budget, please.

Deputy M. Tadier:

It is germane, Sir, because we are here to serve the public and when we promise one thing in a different forum saying: "Oh, it is terrible. We need to do more for disabled people." That all costs money and if we cannot even fund the public services that we have now going forward, how are we going to fulfil all these promises, these wish lists that we are coming out with, these platitudes, at election time? The simple answer is we cannot do it. We cannot have it both ways. Now, I am not ashamed to be somebody who wants to stand up for our public services. I want to do more for the vulnerable. I want to put more resources into mental health services, into transport, into help for the disabled, into help for carers. It is absolutely shocking that people who are on pensions cannot also at the same time claim a carer's allowance. If they are a carer, they should be able to claim that allowance at the same time as their pension. They have paid into their pensions; they should be able to get both. But we have such a parsimonious system when it comes to social democracy and social issues in Jersey that we do not even fund them in a way that other countries in Europe would fund them. They would be ashamed to see the level of public services that we have. We have some very good public services. I want to know, from those Members of the right who are always critical but who put no ideas forward for making the books balance, unlike what I and other Members in my party have done. I want them to come out with the ideas. Let them tell the public we are going to cut back on X, Y and Z or we are going to raise taxes? Who are you going to raise the taxes on? Will it be G.S.T.? That is the obvious tap because there is an ideological unwillingness to tax those who have the means to pay more. Indeed, talking to most reasonable people who have most means, they say they would quite happy to pay a little bit more, so long as they knew the States were spending the money correctly and in a worthwhile direction. So, come on. Hands up. Where are the departments who are squandering public money because we are being told that is what is happening. We are being told that there are inefficiencies all over the system. Where are the Ministers who are going to stand up and tell us that they have so much fat in their departments that need to be cut? Perhaps the Minister for Transport and Technical Services. Can he stand up and tell us that his department is very inefficient and has been running inefficiently for the last 3 years or last 6 years when he was an Assistant Minister? Is it going to be the Minister for Education, Sport and Culture? No, because we have already heard from him and he has given us a warning that if you make cuts that are not well thought out, it proves to be a false economy. Not the other way around. I do not doubt though that there may be efficiency savings that could come from the Chief Minister's Department, that there may be valid restructuring of management

services at the hospital. There may be ones that come from the Treasury and Resources Department, which I suspect some would argue have become top heavy. Will we ever see those restructuring when the very people who are making these restructures are there, perhaps arguably, not to cut their own jobs but to keep themselves in jobs. I am sure that is not entirely fair but it certainly is a consideration. The bottom line is, I think, when we are talking about this Budget, let us be honest ... these Members who pop up and say: "Well, we are not happy with the Budget because we have neither fish nor fowl. We have neither a Budget that seeks to deliver a long-term balanced Budget." We do not know whether we are going to have cuts in spending, which annoys one part of the Assembly and one section of society and we also have another section which says: "You do not have your spending under control."

[14:30]

But what do we expect? That is what you get in a non-party system when you have Ministers who are all clambering on a senatorial platform, whether it is this year or 3 years ago, who do not have any joined up policies, who just say yes to everything: "Yes, oh, yes. We support more money for health, more investment in health, mental health care, yes, we think that the bus service needs to be improved." They will be saying that when they go to St. John's, Constable. When they go up to your Parish Hall and they are asked a question about the bus service: "Absolutely. We need to make sure that we have a good bus service from St. John to town and that the roads are all smooth and that we do not dig them up at the wrong time of year." But do you see any action? I do not think so, because they do not have a joined up plan in order to fund that. So I say, up the game, let us be more transparent with the electorate. Do not simply give them clues by having manifestos that are the same colour, as I see Senator Ozouf and Senator Gorst are using the same print font, the same printers and obviously working together closely. That is fine. Just go the next step, form a full party ... form the Jersey Conservative Party and tell us what your policies are, Minister. Tell us how you are going to spend in the future. Are you going to raise taxes on renters or are you going to put it on those who have ... the Minister will be able to sum up. These are questions that he can answer in his summing up. Will he be putting taxes on G.S.T.? Will he be putting them on luxury items only? Will he be taxing those with wealth or will he not? These are all questions that need to be answered and that the public never have the ability to scrutinise and decide on a policy basis. This is the fundamental issue that we face in Jersey and these are the questions that never come up in Budget debates. Now, finally, it is very strange to hear so many people popping up saying ... hopefully there are not that many people. I hope that people will vote decisively one way or the other saying: "I do not like this Budget. It does not work. It does not stack up. I do not like it because I think it is going to cut services. I do not like it because the spending has not been controlled enough but I will vote for it anyway." A very bizarre way to do things. If you do not like the Budget and think it is fundamentally flawed, then vote against it. To suggest that we have to vote this out of some technicality because what happens if we do not vote for it just leads on to the other position, why are we here in the first place? If we cannot reject this Budget, what are we all doing here? We might as well just all go home, give it to the Minister for Treasury and Resources and let him produce a document that does not work anyway. I recall what happened yesterday, of course, because when the Back-Benchers come forward with proposals that are thought to be inadequate, they are given very short shrift. They say: "No, go away. That does not work." You get your 9 votes. It would have been nice to get 10, but that is how it works. But when it is a Minister with all his entourage behind him, those who give him the advice, it is fine; we just have to push it through. We know this Budget will go through anyway because that is the way that this Assembly is stacked. What we need to do is show that we are not willing to accept documents and budgets that do not stack up, that are moribund economically and I think it is definitely time for change.

1.2.12 Senator F. du H. Le Gresley:

I get the strong feeling that we are hearing electioneering speeches and party political broadcasts. As Members will know, I have no need to do either of those things and so I will just tell it straight. Yes, we are in difficulty but really, is it such a shock? Are Members and the public so surprised that our finances are in difficulty? They should not be because every year the States publish annual accounts and the annual accounts for 2013 were published and it showed in the accounts that there was an £8 million shortfall in revenue income against the budgets set out in the Medium-Term Financial Plan. Now, that £8 million could have been quite easily £18 million because there was an unexpected, large tax payment in the region of £10 million. So, really, when we were looking and should have been looking, if we were arduous and organised States Members, we would have looked at those annual accounts and thought: “£18 million. That is a lot of money, a shortfall, what would it look like next year?” The warning signs have been there for some time and we have heard a lot of speeches throughout this Budget debate. People are sort of throwing up their hands in horror at the forecast of income. We have comments like: “This is a disaster Budget. This is a fudged Budget. It is terrible. Apocalypse day has reached the finances of the States of Jersey”, and we are in meltdown. Is it really that bad? Is it really? Well, of course we need to address these issues. We cannot just turn a blind eye to them and say: “Well, you know, we will get through this year.” The big debate, the big debate for this next Assembly is the next Medium-Term Financial Plan. That is the time when all the long-term thinking about the future, where we need to prioritise with our expenditure, how, if necessary, we have to raise taxes or income, introduce service charges, whatever it might be, that is the time to have the sort of debate we are having today. This Budget is required to be balanced. The Treasury and Resources Department and the Minister for Treasury and Resources have come up with a solution to balance the Budget. I was disappointed with the speech from the Minister for Education, Sport and Culture. I was disappointed because, really, have we heard from this Minister for the last 3 years? Have we heard new policies for the Education Department? **[Approbation]** Have we heard about the problem that led to the demise, effectively, of the previous Minister, of secondary education and fees, reducing the cost to the States of the funding of the public schools? Have we heard anything about reducing expenditure in the Department of Education, Sport and Culture? I have heard nothing and I have to say, I am very disappointed that in 3 years we do not seem to have tackled any of the big issues in that department. It is with somewhat regret that I have to turn on a colleague who has come to this Assembly saying he cannot support this Budget, and yet he is a Member of the Council of Ministers, and says that he has all these spending priorities and he does not have the money for them. Well, last year, the Department of Education, Sport and Culture received £1 million, effectively, from my department. We had an underspend and they had a priority to do some work at Crabbé, the Silver Jubilee Centre there, and we transferred £1 million to Treasury, who in turn transferred it to Education, Sport and Culture so that that necessary work, I accept, could be carried out and therefore, that was the saving, I assume, in the budget of Education, Sport and Culture. Where my criticism lies, and perhaps I am being unfair. I do not wish to be unfair to anybody but as a Minister, you have to keep an eye on what is going on in your department. You have to look at the books. It is like running your own business. It is no good saying at the last minute: “Well, I did not know I would not keep my underspends” or: “I did not know I could have all this extra expenditure and I do not have the money now.” In my department, every month, I receive a report of the financial status of the Social Security Fund, the Health Insurance Fund, tax-funded benefits, contributions and I study that. I study that with great interest because I want to know where every penny is going. I want to know if we are on target, if we are going to be overspent or underspent. Why is some benefit bill going up? What are the trends? And I monitor it. That, to me, is part and parcel of being a Minister and to arrive at the Assembly with almost a begging bowl saying: “I have not got the money. I am in a panic. I do not know what the department is going to do, we are not going to be able to deliver.” I am sorry but I just feel as though, well, tough. You know. You will have to go away and find savings and that is the reality of where we are today. But, I do not want to sound

picky. I do not want to sound negative because I have some good news and this, today, must be about good news because we have heard so much doom and gloom that I am quite depressed. What did we do in Social Security? Last year, we had an underspend of £13 million. £13 million. So the M.T.F.P. was wrong, yes? Because we did not spend £13 million. Why? Because we were very tough on income support claimants. We got people into work so we saved money and basically we saved £13 million, which enabled us to deliver the long-term care scheme ahead of schedule from 1st July by transferring some of those underspends. As I have already said, people came with their begging bowls. I gave £1 million to Crabbé for education. I do not quite remember the amount, I think we bought the uniforms for the Band of the Island of Jersey. I do not know whose budget that was but ...

Male Speaker:

T.D.F. (Tourism Development Fund).

Senator F. du H. Le Gresley:

There we go. So, that is what being in a government is all about. If I have an underspend, I give it willingly to my colleagues to help them out. As the Constable of St. John has rightly pointed out, of course we have been giving money to Health to deliver primary health care through family nursing and home care by the £6 million transfer from the Health Insurance Fund, which was approved by this Assembly as part of the Medium-Term Financial Plan and it was not £6 million every year, because I managed to knock it down to £2 million last year, so it was in total £14 million over the time of the Medium-Term Financial Plan. A government is about working together and what I am seeing today and yesterday is all negative. You know, Back-Benchers saying the Council of Ministers are rubbish, they do not know what they are doing. The Minister for Treasury and Resources is the worst Minister we have ever had, et cetera. No, no. These are all our problems. They are not just Council of Ministers or individual Ministers. We have to work together. So more good news, looking at my budget just now until the end of August, I am going to be underspent by £10 million. That is good news, is it not? You want some good news. Come on, £10 million, now does that balance the Budget? **[Approbation]** We are down to £2.8 million. Oh, my God. Oh, sorry, Sir. I got carried away. I apologise. We are going to be underspent. We are on the margins of £2.8 million and we might have a deficit Budget. Well, I am going to have £10 million. Now, I am not going to have it all because I have agreed that £5 million, which would have been for long-term care, will go back to the Consolidated Account but the next bit of news, here it comes again. All good news ... long-term care fund, full year forecast is a surplus of £2.8 million for the end of the year. So I am going to have £2.8 million still in my budget to deliver long-term care. **[Approbation]** It is not so bad, is it, really? Of course, budgets are budgets. They do not always work out exactly right and the Minister for Treasury and Resources and his department, and it helps that I just allowed my Chief Officer to go and work at the Treasury, so what he promises, he has to give. **[Laughter]** But we have been promised that if the long-term care fund should run into difficulties, we will be provided with money. I can explain to you that what we are doing at the moment, a lot of the benefits we are paying, relate to people who cannot afford the cost of their care and have not reached their cap of 52,000. So what we are doing is what is known as the judicial hypothec. So we are lending money. We are producing, in a sense, a lending book, secured on Jersey property and the Treasury have quite rightly said: "Well, you already have £3 million historical and we are now adding to that. If you need help, we can help you because you have a lending book." So, you know, there are ways of working all these things out and we should not be panicking that we are in dire straits. That is my message for today. We are not in dire straits. We need to address these issues but we do not have to do everything in a panic and throw this Budget out as some have suggested. Deputy Le Fondré said that people would pay for this one day. I assume he meant that people would pay for the deficit and possible deficits

going forward. So, as part of my good news for the week, I have some more good news. We have all been worried about falling numbers for income tax. What drives that? People who pay tax or people who are working? Because pensioners do not pay much tax in the main. Mainly because investment income is so poor, interest on deposits are low, so in the main it is the workers of the Island who pay tax. So, the good news is that the number of contributors in June of this year was the highest since August 2012. It was 600 higher than the previous month but it is the highest figure we have had since August of 2012.

[14:45]

Now, to me, and usually ... I am not an economist and I do not expect anybody to believe what I say [**Laughter**] but the signs are that if the number of contributors are going up, then the amount of money being earned by these people would be subject to tax on social security and it is a sign the economy is gradually picking up, jobs are there and people are getting into work. Now, that is the whole policy of this Council of Ministers. Get people into work, put money into the economy, the marginal rate tax reduction will put more money into the economy, increase consumer confidence, get the Island working, get the taxes coming in in the normal way, not increased taxation, and we will return to balanced Budgets. It is not going to be that easy but let us not be so depressing. Let us not all go home feeling sad. Let us be positive. Let us vote for this Budget. [**Applause**]

1.2.13 Deputy R.G. Bryans of St. Helier:

I was not going to speak in this but my Minister has prompted the need for a reply and I am very pleased to sort of come behind Senator Le Gresley in this and I think he will be one of those people that, when he leaves the Assembly, will be greatly missed. I think his ideas are very considered and he tends to make a speech that, as he has done this time, is a very positive speech, although sometimes a little bit tough both on himself and the people around him, but I think he is a very considered individual. Most of what my Minister mentioned this morning I agree with, which is the preservation and protection of one of the most important ministries. In the case of education, as clearly outlined by the Minister, some sizeable challenges exist. Rising numbers in demographics, although previous forecasts have been very accurate but totally unforeseen and need to be accommodated for. Trackers, a victim of its own success both the key and the concern being the numbers of mentors that we employ. Standards, this is something that very firmly the new Director of Education has placed right at the top of his agenda for the next government. The desire to take education up another level is shared by everybody. So, faced with cuts, you depend on 2 key elements. They are your finance officer, who I can say for Education, publicly, is one of the finest I have ever met and the in-depth discussions with Treasury in helping us reach a successful conclusion. There is no doubt in my mind that they vehemently share the view that the next government, and whoever is elected as Minister, will place Education firmly at the heart of its consideration. So I have spoken to both the Minister and Treasury and explained that the potential cuts will have consequences but in every Budget you have to face, the cold reality is that we must cut our cloth accordingly. Treasury have given clear assurances that all areas mentioned will be given as much support as possible. Rising numbers must be secured. Trackers will be supported by a digital apprenticeship and raising standards is core in education's future redesign. Treasury are aware and are committed to helping where they can. Although we find ourselves utterly compromised by circumstances beyond our control and having to tighten our belts, we can move forward knowing that promises made will be honoured. Treasury have worked hard to support education, as Senator Le Gresley has already said. £6 million for the Island's digital strategy and to put that in context, that £6 million, in the UK, £6 million is spent on their whole digital strategy and we only have 100,000 people. The sport strategy, a new school for Quennevais, Trackers and it goes on and on. I personally believe they will honour their promises and on that basis, I will support this Budget.

1.2.14 Senator A. Breckon:

Can I say first of all, with some certainty, that I am not making an election speech? **[Laughter]** Although, as an aside to that, I admire all those incredibly young people I have seen up lampposts who are standing. So it is a good sign for the House that we will have so many young looking Members. Regarding the process, I think this is something that may have frustrated Members over the years. We have the Minister for Treasury and Resources proposing the Budget and then we go into amendments and then we come back sometimes when Members perhaps are suffering from fatigue, that we then go into the substance and I remember over the years in Budget debates we have had the issue of school milk where we have exhausted a day and many millions of pounds has virtually gone through on the nod. Can I ask the Minister while I am on my feet if he could give some indication of how he will be seeking the vote on this? Whether it will be as one or whether he intends to divide things up?

The Greffier of the States (in the Chair):

Perhaps it might be helpful if you gave an indication?

Senator P.F.C. Ozouf:

Yes, indeed, Sir. Well, I have been in correspondence with you and indeed with officials. I can give the guidance, subject to your advice, Sir, that I propose to take the Budget, the Articles that are indissolvable in terms of the financial income required to meet expenditure. I, with your leave, may just advise that may not be the consecutive ones. I have not yet had advice about whether that is possible. I previously took soundings among a number of Ministers and Members about whether or not the Budget was indeed a package. There are some parts of the propositions which are clearly separate: the proposal on the Strategic Reserve; the proposal perhaps even for the capital programme itself in terms of spending. But in terms of the income, and indeed I think that the package, therefore, subject to ... I am able to take it not in consecutive parts.

The Greffier of the States (in the Chair):

Well I think we would have to start with (a) but you may want to put something with (a), for example.

Senator P.F.C. Ozouf:

Yes, I will send a note in a few moments, Sir, but I am just asking for some advice on this. Effectively I think that (a), (d), (g), (h) and (k) are ...

The Greffier of the States (in the Chair):

Are you looking at the re-numbered?

Senator P.F.C. Ozouf:

No, I am not.

The Greffier of the States (in the Chair):

You are looking at the original versions, yes.

Senator P.F.C. Ozouf:

Yes, so in other words all those issues which are revenue-raising which ensure that the Consolidated Fund measures are taken, are a package. It is perfectly in order I think to then have separate votes on the separate issues. I hope the Members of the Assembly are going to approve the capital programme but it does not seem to me that that requires a dissolvable issue. I want to be absolutely clear, all those parts of the proposition which raise revenue and tax should be taken

together because if they do not, effectively I have a situation with an unbalanced Budget and I then need to withdraw and chaos will ensue.

Senator A. Breckon:

I thank the Minister for that. Another thing, I am grateful for what Senator Le Gresley has just said because I think that is certainly a comfort, the long-term care fund. The Minister for Treasury and Resources issued a document R.136/2014 a *Long-Term Revenue Planning Review* lodged on 16th September 2014. I found that very useful because I think it shines a light on where we might be going but the question I would ask is: will the batteries run out before we get to the end? Because there are some things in there, something that Deputy Southern mentioned this morning, and that is about the transfer of tax to individuals from companies. The company line is flat at about £70 million and the personal taxation level has gone up significantly over the last 5 or 6 years. That is the question really that sends away the feel good factor that was there before. We had a fairly buoyant economy, spending, wages were increasing and that situation has changed. So as night follows day then there is bound to be an economic impact on that because people are just not as confident about spending on whatever it may be, so there is evidence to say that they have reined that in. But of course with that we have had I.T.I.S. (Income Tax Instalment System) which has long been coming where tax is taken on a monthly basis so people do not rush down to Cyril Le Marquand House in December anymore; it is taken away so they do not have the use of that. We have had 20 means 20 and we also have G.S.T. I will come on to that in a minute or so. But that for me was the sign that, if you like, there was a deflator when government, that is us, was taking so much money out of the economy. People do not have the disposable income. Therefore, we are not talking about global economics here, we are talking about people's lives and if you go out and ask them I am sure they would tell you that because that is the view on the street. I remember the Deputy of Grouville brought a proposition a while ago, or it was raised somewhere or other, about the companies not paying anything. Well, in some other areas it has been a scandal when it has been exposed that somebody has been moving their money around for whatever reason and not paying very much tax and some big corporate names have suffered as a result of that. I do not think it is fair in the current climate that the zero still exists, so a way must be found that they do make some contribution. In this R.136 it also mentions: "Businesses within the financial services industry who generally undertake the majority of their activity outside Jersey may apply to be approved as an International Services Entity for G.S.T. purposes. They pay a flat rate annual fee instead of accounting for G.S.T." I am not sure about that because that fee has not gone up for quite a while. I think it is something like £150, or something like that, but I would gladly pay £150 a year to be exempt from G.S.T. again. I do not think that is fair because we are taking significant amounts of money, £80 million plus a year, in G.S.T. The other thing regarding G.S.T., I was interested in what the Minister for Treasury and Resources said about receiving a few approaches from professionals about the stamp duty on commercial property. Now something was done as a consequence of that but I would ask Members to remember that over 19,000 people signed a petition about G.S.T. and about doing other things first. So nothing was done from the voice of 19,000 people and a few professionals get in touch and it is: "Oh, something must be done" and for me that is double standards and it is not acceptable. The other thing that is interesting regarding the stamp duty and where we are now with perhaps capping mortgage relief, some 20 years ago I brought a proposition to this House to do exactly that. The Finance Committee of the day brought out a report against it which was fairly damning: the economy was going to collapse; we were out of line with the Isle of Man and other places. While investigating that I discovered someone told me that they had 5 mortgages with tax relief on. Now when we have had situations like that over the years, there are many things that we could have done over the years so, yes, we have a wealthy reserve but that reserve could have been bigger. I remember the Deputy of St. Martin campaigned for years to get stamp duty on share transfer property and it was something like 8 or 9 years. Think

of the money that was lost there, so there have been opportunities. When other Members were doing this at the time, I said if we do these things now while it is buoyant then we are not in a situation like we are now. We are doing it, not fire-fighting, but we are doing it in the calm of the day, as it were. So I think there are other things we could have done but that is, as they say, water under the bridge now. The other thing, I know there have been various presentations. I was somewhere else on Friday which had been arranged for a while and it was an all-day so I had to be there, but I did attend a presentation during the summer. I know someone was brought out to the Island from the panel, the financial panel that advises the Minister and anybody else. There was a question and answer session and what concerned me they were making great play about how capital expenditure was going to lift the economy and I asked a question. I said: "Well if it is £300 million plus, say, for the hospital, how much of that translates into the local economy?" If it is specialised equipment or services then it goes straight through. It is outside, shipped in, somebody puts it together. They might even send people here to do that so it is not a direct benefit. Capital expenditure: if I want to build a swimming pool with marble-surrounding statues, it might be £5 million but £4 million of that are the bits.

[15:00]

So the capital expenditure is not directly translatable to an economic benefit. It just is not, it is as simple as that. The other thing that I have been concerned about, and Members have referred to it as a "biscuit tin", if you take money out of protected funds, you can only do it once. The Constable of St. John mentioned this morning about the tranches that have come from the Health Fund at Social Security. We approved that whenever it was and then when the Minister for Social Security was speaking after a recent actuarial review he said: "Well it is going to go up some time in the future" but if we charged £1 for prescriptions or we had not scrapped it, then that would not be the case. So because these funds are there it worries me that they are a target: "Well, let us have that." If we look at the Dwelling House Loans Fund, I asked a question yesterday, and £50 million has been taken out of that. Now that basically goes back a number of years before banks were lending money and it was to enable people to buy properties; interest rates were between 2 and 10 per cent. You paid regarding your means and the excess stayed in the fund and that was built up from Housing. Well that could have been used for housing; I will come to that in a minute. Also we looked at the Criminal Offences Confiscation Fund. We have previously sold shares back to J.T. (Jersey Telecom) or they have paid for something like that and we are now looking at the Waterworks. Well we can only do this once so it might be a way of balancing this Budget or putting money back in but then what happens in 2 years' time, 3 years' time? These funds will not be available to do that again. The other thing, we had debates in the last weeks about the memorandums of understanding with our shareholdings in Jersey Telecom and Jersey Post and the others and generally what it was about was no surprises. There have been meetings with Ministers, Treasury staff and others; there have been business plans based on it. Then suddenly in an email, or whatever it was, they have been told to trump up more money. Well who could end up paying for that? My suggestion is it is the ordinary people again because if there is more money required for investment in their infrastructure, whatever it may be, then it is us and the people outside who are going to have to pay for that. As I said, this cannot be repeated. The other thing is that there has been some mention about fiscal stimulus and that seems to have gone a bit quiet at the moment. Last week we heard from the Minister for Health and Social Services and also the Minister for Treasury and Resources about improvements at St. Saviour's Hospital. I visited there a number of times with friends to visit family. I was ashamed of that because you had dormitory-type accommodation with 4 or 6 people in and what they said to me was: "Well my husband does not know these people. He has never lived like this, why should it be like that now?" Now that money did not come from an approved budget and it did not come from the Minister for Health and Social Services banging the drum, it came from fiscal stimulus and it is like: "Well, have we not done

well?" Well I do not think we did. It should have been given the priority it deserved for the dignity of those people. We also heard the Minister for Housing the other day talking about the asset value of the property and the investment that was made. But let us not forget that from this £250 million, money was repayable to the Treasury straight away which was about £40 million. So when we talk about improvements at Le Squez or Pomme d'Or Farm, both of which were long overdue, then it came from money that was loaned and has now been paid back. It did not come back from where it should have come which was from a proper maintenance and refurbishment budget. The reason for that of course is that we paid out rent monies in subsidies which have gone round, and are still going round, and that is really the plan for the future. So somebody has to pay for that and sadly it is going to be the tenants that need to pay for it. I have heard about the favourable interest rate on this bond but I have not heard how much interest it is going to be over that time and that is a burden on the tenants who in many cases we have failed to serve over many years. So it is not their fault and now they have got to pay for it and for me I think that is wrong. The Minister for Housing also mentioned the other day about the asset value and the return to the Treasury. Well, I would like to remind him that some of these properties, I know it sounds silly now, were purchased for a few thousand pounds. Now we have a situation where people are paying £1,200, £1,400 a month in rent in a massive subsidy system that is going round and round. That is somewhere where perhaps there are savings in the future and there are benefits if some of the issues in there are really addressed instead of just letting it go on for ever. I do not think it is sustainable. The other thing, I think that is strange economics where we are ratcheting up everything for the benefit of who? I am not sure; it is not evident to me. I did ask the Minister to enlighten us a bit about where he might go with this vote. The reason I did that is I am not sure I can vote for it in its entirety. I can vote for parts of it and others I cannot. So I will consider what he says in the summing-up and how it is divided in how I vote. But I think it is a situation where there have been arguments about who had what figures and when. I think generally by knowing people's behaviour, family, friends and what they have done, we all knew that the economy was going through a difficult time. We do not need any expert to tell us that; it is evident. Go up the street and ask people. People have cut back; they are being a little bit more careful. In the good old days that was not the case. People were confident, they were perhaps spending more and they were looking forward. Job security, young people; sometimes there were not enough young people. I know it sounds silly now but there was not enough young people to fill the jobs that were available. We are in different times but these things will be matters for the new House but there will be some hard choices. It is not just the role of the Minister for Treasury and Resources, it is the role of this House. There has been some fairly informed and critical scrutiny. Not just the last report; there was also the report about the hospital which is a significant capital investment, but we cannot sleepwalk into these things. It needs to be informed. We may disagree on things; that is good and healthy. But these debates need to be had and I think they need to be done in a way which is non-confrontational because people can add to it, perhaps things that are said that will be appreciated, things will be rejected, but that debate needs to happen and it needs to happen in this Assembly. The next Assembly have got some very difficult choices. Other Members have mentioned services but people are used to certain things. They do not want to wait a year for a hospital appointment or things like that. As Deputy Young mentioned, the essential services need to be maintained at the level that people have a right to expect. We cannot tax people to oblivion. We need to be inventive and there are 2 ways: cutting expenditure and raising money. So we need to get the balance of that so people again start getting confidence in the future. It is not just about us here and now, it is about people's future and they look to us sometimes and check ahead other times. They do not always appreciate what has been done by many people in this Assembly and the people who serve us but in order to move forward positively, this House needs to come together probably as never before to make those hard choices. From my point, I will be watching that with interest. Thank you.

1.2.15 Deputy N.B. Le Cornu of St. Helier:

I had hoped to be delivering the *coup de gr ce* to this Budget, especially after all the speeches I had heard. But I realise it is not going to happen of course because the reality is that there will be a few against but of course the loyalists will be wheeled out and, sure enough, they will push the pour button. Now that is the situation that we have come to, that although this Budget has been critiqued ideologically, it has been critiqued and rubbished and reduced to dust, it is still going to be supported because of loyalty to the Government that is. What I noticed was there were some excellent speeches from Deputy Hilton, the Deputy of St. Ouen, Senator Ferguson, Scrutiny at its best, hard-hitting reports which should have been widely read, and Deputy Young. Will the electorate, will the people of the Island of Jersey ever get to know what fundamentally is wrong with this Budget? As you know, I am someone who likes to tweet occasionally, and I was watching the tweet-feed as all these great speeches were being given. I noticed from the media in Jersey: BBC Radio Jersey, the *Jersey Evening Post*, and Channel TV there was suddenly radio silence. Virtually radio silence. These great speeches, all these hard-hitting points were not being covered. I wait to see the coverage outside tonight when those individuals who have given these great speeches are interviewed and tell the public how it is because the public needs to know and I do not think they really know. Just to address a few points raised by Senator Le Gresley because he was a great loyalist in defending the Government. He talks about budgets but I do not hear any criticism of the budget of the Chief Minister's office, that it is bloated and ought to be cut. No, no, no. Yet, more responsibilities accrue to that particular department. As for the "kiss and tell" speech of the Minister for Education, Sport and Culture, good on him for telling us the truth that he could not really carry out his plans because the money was not available but we are told by his colleagues: "It is because you are incompetent." But of course we know that technique: if you do not like the message, shoot the messenger. Really, there is no improvement in the economy. It is an engineer bubble in advance of an election in the United Kingdom next year or thereabouts. We are in fact in year 7 of the crisis and this potentially is an inflection point in the 200-year history of capitalism. Watch this space. Now there are another few points I would like to make. The timing of this Budget, I think it has been made before by other ... why on earth we, in the dying days of this House, are having to make a Budget and create a Budget which will be binding upon future Houses? We do not know the complexion of it. I suspect it will of course be identical. There will be a majority for the existing Government. That is because the public really has no choice and cannot change the Government and get rid of the previous law Articles because there is no political party system. What we need really is a mind shift. We need that kind of needs budget so we work out what we, the people of the Island of Jersey, want and we raise taxes accordingly. All governments have got the legitimacy to raise tax but we cannot do it in Jersey because the Island is captured economically and politically by the interests of capital. It is international banks that determine what goes on here. The taxation burden of Zero/Ten, 20 means 20, G.S.T., it is all falling on the working people and they are the ones who are complaining now. If voices are becoming a little shrill it is for that reason. Now, what is going to happen in the future after this 15th October, you are going to see austerity.

[15:15]

I think I am the only politician here who is ahead of the curve in predicting what is going to happen. You are going to have austerity on the style of the United Kingdom. Senator Ozouf, our Minister for Treasury and Resources, will go down as the author of that austerity. What form is it going to take? It is going to take cuts in public services, cuts in public sector jobs, continued pressure on public sector wages, increases in G.S.T. and new user pay charges. Waiting lists will grow, as Senator Breckon indicated. That is the future. We need to be prepared to resist that and the working people of the Island should be doing that. I am going to be voting against this Budget although it will not make the slightest iota of difference because the consequences of it, austerity as I have predicted, will be coming but we need to organise the fight back. Thank you.

1.2.16 Deputy A.E. Pryke of Trinity:

I am quite sure I do not need to tell Members how challenging this Budget will be for Health and Social Services, though we are always striving to balance the funding of urgent critical services against demands for financial constraint in these current economic times. The department continues to face cost pressures that cross an extensive range of services and there is no doubt the 2015 Budget proposals will have some impact on the delivery of health and social services in Jersey. But we must be realistic about what we can afford. It is incumbent of me as a States Member to take those difficult decisions that will support our Island through these challenging times. I look at the long term, not the short term, and that is why I am proposing supporting this proposition. What we have to do is to make sure that we take the right decisions about how we use the budgets and where our priorities should sit to secure Jersey's future for generations to come. Overall this Budget represents a significant savings target for Health and Social Services on top of improvements for productivity and efficiency already being targeted this year, next year and beyond. I know the officers in my department will do their utmost to deliver on these challenges. But ongoing active dialogue between my department and the Treasury is going to be vital, particularly over the next year, to ensure that Treasury is totally aware of the ongoing pressures facing Health and Social Services. Health and Social Services will be taking immediate action in order to meet the expectations of the 2015 Budget. This action will be focused on but not limited to maximising the private patient income as many Members mentioned yesterday and I hope that that will be quite positive. We will look at rephrasing some of the planned developments which may include some of the P.82 initiatives. We will utilise the 2014 underspend to contribute towards the savings targets. We need to deliver our existing productivity efficiency and savings programme and much more besides. Members can be reassured that the department will always treat patient safety as top priority. We will do everything possible to minimise the impact of these savings requirements on services. However, this level of savings is not going to be without consequence. Members need to be aware that while we do not yet have detailed plans, I would anticipate some of the potential impact on the adoption of U.K. standards for technologies, treatments and drugs, the level of patient/client satisfaction based on their experiences, but again emphasise to prioritise resources with the overriding objective to deliver safe, sustainable and affordable care. Health and Social Services are acutely aware of the need to continually improve its efficiency and productivity. Looking at the positive bits that we are taking and will take as we go forward, we are within the States of Jersey leading on Lean with a dynamic programme that has already delivered increased productivity, improved efficiency and cash savings as each of us would expect that we would do. Some Members may be aware of the patient food scheme being piloted at one of our hospital wards which is proving immensely successful. Not only has this initiative enhanced the patient experience but it already has delivered on productivity and realised some notable cash savings and the feedback has been remarkable. Other schemes which Members may not be aware of are a review of the intravenous chemotherapy processes and prescription to administration. The review is also looking at interface between oncology and pharmacy with the aim of improving the patient experience and more effectively meeting increased demand for chemotherapy patients. This is another example of how we can improve efficiency. Fire alarm testing, another area, with a project aiming to cut the time it takes to test the department's fire alarms from 3 days to one day, allowing valuable extra time for the engineers to undertake other duties. Waiting times, always the focus of attention, significant improvement in the phlebotomy service. The waiting times there have reduced from 2 hours to 39 minutes.

The Greffier of the States (in the Chair):

You are getting back to the Budget, are you not, Minister? There seems to be a long list of achievements of Health.

The Deputy of Trinity:

I am, Sir, but I think it is important that we are doing our bit.

Deputy M. Tadier:

A clarification? I misheard, was that lobotomy services?

The Deputy of Trinity:

Phlebotomy.

Deputy M. Tadier:

Wishful thinking. [Laughter]

The Deputy of Trinity:

I am sure we can arrange for the Member ... [Laughter] [Approbation].

Deputy M. Tadier:

It would be bliss, Sir.

The Deputy of Trinity:

These Lean projects are important and I think it is very important that every Member understands how the efficiency from that will have savings across our department and also the forefront of wider public sector reform. We will not stop there; we will continue. Members will know that Health and Social Services operates a global market for recruitment, drugs and consumables. It will face ever-increasing pressures to sign up to modern advances in drug therapies and other treatments. This alone means that expenditure on drugs increases year-on-year. There is also equal pressure to have far better wide-ranging facilities for vulnerable children, adults and families, mental health problems, long-term conditions, to tackle public health issues like alcohol and tobacco and to widen access to free health care and treatments. Whatever way we cut it, a 2 per cent reduction in our budget means nearly £5 million sliced from our already stretched services. The majority of these savings required by the Budget will need to be delivered in 2015 and recurrently in 2016. Having recently completed the C.S.R. process, savings of this scale would not be delivered by further C.S.R.-type savings schemes. The department will be undertaking a systematic review of the services it provides, how it provides them, seeking further productivity and efficiency gains as well as cash-releasing savings. I expect all departments will be doing the same. I too, like the Minister for Social Security, have a financial report every month. Each department cannot work in silos and over the last year there has been more interface between Social Security, Education and other departments. There is no doubt that healthcare cost demands are increasing; we know. Ageing population, technology, medical advances drives the significant costs of care and the reform of Health and Social Services was always going to cost money. Such increases in costs are not sustainable with the current financial framework. The department will continue to work with the Treasury to look at a sustainable funding proposal for health care for the Island going forward. This will inform the next Medium-Term Financial Plan. We can take advantage of the recent King's Fund report by Kate Barker where considerations have taken place around funding health and social care. Our pressures are not unique. Other jurisdictions face the same cost pressures, so we can learn from others. The department is working to develop a mental health strategy which will propose a way to deliver these services. Changes to the Mental Health Law: the review which has 3 strands covering our services, mental health incapacity laws and estates will ensure that future services are appropriate. That information will be given to Jersey Property Holdings indeed to deliver estates that are fit for purpose. Money is already set aside to fund feasibility work on the mental health property requirements but no decisions have yet been

taken regarding the future location of mental health services. It may be that acute mental health services will be co-located with the new hospital at Overdale. Turning to the capital budget, the 2015 Budget includes 4 new capital schemes for Health and Social Services, £22.7 million towards the future hospital project which provides for the development of the feasibility study and business case for the future hospital projects set down in P.82. This project is being managed by Treasury and Resources. At this point I would like to thank Scrutiny for their recent report. It is important that active dialogue continues, not only with the panel, our staff, but the public and the focus groups regarding on where to build the future hospital. This, quite rightly, as Members have said, is the biggest capital development the Island has seen and will see during my lifetime but it will be there for future generations. It must be right, the right size and in the right place. In our response to recommendations 9 and 12 we set the future regarding that choice of site. The existing M.R.I. (Magnetic Resonance Imaging) scanner was commissioned in December 2007 and is in constant use nearly 7 days a week. In 2013 7,418 scans were undertaken and this year the department has extended its operation to include most Sundays to meet the ever-increasing demand. The M.R.I. scanner needs replacing in 2015. The £2.23 million replacement costs include the purchase and commissioning of a new machine as well as the necessary building costs associated with the installation. Also in the capital spend, replacement of the R.I.S. (Radiology Information System) and the Picture Archiving and Communication System at the cost of £1.6 million. Both those systems are computer-based systems designed to run the Radiology Department and distribute reports and images. The project provides vital information about patients and medical diagnostics to clinicians, both inside and outside the hospital. Though not changing the current system, the project also provides for the necessary updating of a range of hardware included in the main server infrastructure and visual display equipment for viewing the images and reports. Finally, the department uses a wide range of clinical equipment to enable it to deliver services. The necessary replacement of essential hospital equipment at the cost of £2.6 million is spread across the department. The equipment covered by this project has a limited life in its terms of efficiency and needs to be replaced on a regular basis. In addition to the new capital schemes, the 2015 Budget proposals include the Limes project which was originally approved in 2013. This has been incorporated into the 2015 Budget, no additional spend, but just to reinstate the current approval. In the meantime, Health and Social Services are currently reviewing the Limes project. In recognising the significance of these projects it is important to acknowledge that funding proposals are within this budget. It is key that proposals such as the repayment to the States of the preference shares from Jersey Waterworks Company are approved. These Health and Social Services capital projects are critical to the department's ability to deliver services to the people of Jersey and any risk to the income supporting that presents a real risk to health services. I recognise that every department is facing cuts and this is the reality of living within our means. We are in difficult times and difficult decisions have to be made and I have never been one to shy away from making those decisions.

[15:30]

In considering the Budget and its impact on Health and Social Services I also have to make absolutely sure that everyone is aware of the consequences. My department will of course do its best to minimise the impact of the Budget proposals on frontline services. In health care there are always things coming in from left field, the unexpected, the unpredictable and things that we have to solve and respond to. We will act responsibly and deliver within our means. We can deliver safe, sustainable and affordable services and we will always prioritise patient care and safety but we cannot keep spending what we do not have. All departments are facing enormous challenges and we must all be prepared to rise to them. As difficult as it is, we all need to take responsibility in our professional lives as we do in our personal lives for living within our means. Members know of my commitment to the transformation of Health and Social Services and all that is achieved over

the recent months and years. We must deliver safe and affordable services and I remain committed to that transformation. In supporting this proposition I would emphasise that both the Minister for Treasury and Resources and I and the Council of Ministers are committed to supporting long-term planning for delivering safe, affordable and sustainable health and social services for the future. That will be in the next Medium-Term Financial Plan. This will require continued dialogue between our departments and the Treasury to make sure that we are both signed up to making sure that this will happen. Yes, the Budget at the end of the day needs to be balanced and I will be supporting the proposition.

1.2.17 Senator B.I. Le Marquand:

That is encouraging, I have not been in the queue very long. I need to make a couple of points. Firstly I need to talk about the C.O.C.F. (Criminal Offences Confiscation Fund) because clearly part of the proposals will be seeking to take money out of the Criminal Offences Confiscation Fund via channelling it towards the costs of the new police station. This is acceptable to me for this reason: that it has been established that there will be, at least there will be once an anticipated additional sum which is to arrive soon arrives, left a sum of £2 million in the C.O.C.F. plus any further sums that come in. I highlight this because there are matters already in the pipeline which I have detailed, in fact, in my comment to the excellent proposition of Deputy Higgins which we will be debating probably tomorrow, as well as his own excellent proposition. My own fear is this: that it is vitally important that we safeguard the principle that the first call in relation to legitimate non-luxurious projects in the area of law and order and related matters should remain on the C.O.C.F. It is not stripped out entirely but there is still the first call. But if there are excess sums as there are at the moment then I personally do not object to them being utilised via a legitimate intermediary project in the way that is being suggested. The second thing I need to talk about briefly is the effect upon Home Affairs of the proposals. I had already been warning staff for some time to anticipate additional financial expenditure cuts as from 2016 and I predicted there would be a minimum of £1 million a year from that date onwards. So my staff, who are very prudent in such matters, started taking steps in this regard which I thank them very much. In fact, of course what has now happened we found ourselves with a £1 million extra cut in 2015, a year earlier, and we do not know, of course, what the outcome will be in 2016 and thereafter. Home Affairs is able to manage this if the main effect of it will be on police recruitment. We have just had a group of recruits come through, there is another group in training, and they will continue, but there probably will not be a group being recruited and trained next year. So there will be a gap without numbers coming in and of course we can never be quite sure how many will retire. The police leadership can live with that. Their concern, however, is if that situation were to be maintained for more than one year, if there were a number of years of non-recruitment, that could create real difficulties in terms of continuity of recruitment processes and things of that nature. Finally, I wanted to talk to those who I am sure are going to still vote against the Budget no matter what I may say, in relation to the effect of non-approval of a Budget, that is, not having a viable Budget at all, on the officers who then have to try to understand what is going on. Because if we have no Budget at all, if we simply have a situation in which there is a deficit situation, that is going to be very unfair, in my opinion, to accounting officers. What are they supposed to do until there is a guarantee of sufficient funds with which to be able to pay the expenses that they expect to have? My view is that they are going to have to then put emergency brakes on everything that they can control and that is going to create a very strange situation. So if we do not have a Budget voted through effectively today which plugs the gap, and there is a gap left, I think that is very unfair on accounting officers. I think it is also very unfair to suggest somehow we are going to pass the buck to the next Assembly. It may be convenient for some Members, because it is an election year, not to be making decisions on this at the moment but it is very unfair. By my calculation, and this is my first prediction of the next election process, we have certainly got 10 new Members coming in and I reckon probably there will be a few casualties

on the way of existing Members who are standing again, so we will have 13 or 14. So we will have 13 or 14 Members coming straight in and one of the first things they are doing is trying to make a decision on Budget where they really have not yet understood exactly what is going on, so on and so forth. No, we must make the decision today. We must not pass the buck to others and it is sensible that we plug the financial gaps which appear in the way suggested.

1.2.18 Deputy S.Y. Mézec of St. Helier:

I will not speak for very long. In the short time that I have been a Member of this Assembly every now and then you hear a speech where ... not necessarily in the way that the speaker speaks but simply in how they are laying out their argument and what words they are listening to. Every now and then you hear a speech like that that really is music to your ears even if you disagree with some of what is in it. Today, for me, that speech was definitely the Deputy of St. John who I thought spoke very well and made some very important points in what he was saying. I think there was a principle underlining what he said, that Deputy Southern also referred to, that is something that really is fundamental and has to be in our minds at all time and that is, what do we believe the Government should be providing for Islanders and then the question is, how do you pay for it? There are all sorts of implications in this Budget in terms of the projections for income tax receipts. I have a close relative who worked for many years as a director on a board for a very successful company over here and in his role, in his specific department, his purpose was to ... it was not to make money for the company, it was more in terms of the administration of the company, what he was involved in, and he would go to the senior bosses for the company and say, right, this is what we need to do, and then he would say, and it will cost this. There was never any, all right, well, I am only going to put forward something that will cost half of what we need to do, and that was because the business needed what it needed and that was simply undebatable. They were not cutting any costs there because fundamentally it would be fatal to what the business was trying to do and that is the real point here. Is that Jersey has some serious problems that are coming in the future in terms of an ageing population, paying for the care and health requirements of people as they get older and we are going to have to face the fact that changes are going to have to be made in the way the Government of Jersey works. I think, fundamentally, this issue of tax is one that is going to end up being toxic for the Island because we have a shortfall here which somehow is going to have to be filled that will either be by raising taxes or it will be by cutting public services. There has been much talk about the election that is coming up because as far as I can see the vast majority of candidates are completely burying their heads in the sand over this issue. They think they can get elected with simply a nice banner and shiny posters and some vacuous slogan on the front cover of their manifesto but there is very little substance in terms of what taxes they will raise or what public services they will cut. They simply have nothing to say on it at all. The fact is the easiest tax to raise will be G.S.T. which hurts the poorest in our Island. The poorest have already been hit by G.S.T. The squeezed middle have already been hit by 20 means 20 and there is only one option left. In the United Kingdom, when they hit financial crisis, the first thing they do is look at their tax structure and they alter it to account for the different circumstances they are now facing. The last Government, one of the things they did, they lowered V.A.T. (value added tax) and then they introduced a new 50p rate in income tax. The next Government then raised V.A.T. and lowered the top rate of tax. There are all different things you can do and flexibility is important. The problem we have with this Government that we have had for several years, in terms of the continuation of its philosophy and what I anticipate will be a further continuation of its philosophy, albeit possibly with some different faces, is a complete unwillingness to look at that fundamental model behind what we have in Jersey. It is the low tax, low spend that in its entirety needs to be rethought out because unless we do that we will not be able to meet the challenges facing the Island. That is why I thought the speech by the Deputy of St. John was so important because he was talking about, what do our young people in Jersey need personally so that they can achieve their potential but also what

do we need them to have in terms of helping our economy in the future. You ask yourself that question and then decide, how do we fund that? Where will we get the revenue from? What nice-to-haves do we have to ignore to make sure the absolute must haves are funded and I look at this Budget and what I anticipate will follow from this Budget as being completed unanswered and, as a young person myself, I find that very worrying and I will be voting against this Budget. I think we have had some very important contributions made from Deputy Young and Deputy Le Fondré in particular who are not on the same side of politics as me but who, I think, have really spotted the issues here that we need to consider in the future.

1.2.19 Deputy R.G. Le Hérisier:

I would like to commence by congratulating the Minister for Education on highlighting the issues. This may seem very self-serving. It is unfortunate attention was not drawn to these matters some time ago and there is doubtless a story there which I will not go into at the moment.

Male Speaker:

You can publish it in your memoirs.

Deputy R.G. Le Hérisier:

I shall publish it in my much delayed, totally boring memoirs. What I would like to ... but I think some very important points have been made. I think the important point, without being too self-serving about education, what the Minister, I think, has demonstrated is if you are going to rebuild an economy or you are going to give it more impetus it is the skilling of people and the broader education of people which is fundamental to that process. As C.I.P.F.A. says in its report, you have got to assess each saving, in a sense, on its own merit. It is much easier, quite frankly, to apply a crude cut of 2 per cent across all departments but you will have a lot of collateral damage as you do that and you could destroy departments that have operated on minimal budgets for a long time or departments, like Education to an extent, like Health, where their main bill is staffing. So they are prey to any decisions that are made about staff pay increases, improvements in pay and conditions and so forth. They are really locked in. The vast bulk of their budget is locked in to those costs and it is very hard to create room for manoeuvre other than involving yourself, as we did on issues like music fees, and the whole issue of defining “what is a family” in terms of higher education grants. Issues that took up an incredible amount of energy but in terms of the contribution to savings I have to say were minimal. Indeed, because of the battles that rage on particularly about what is the definition of a family, it is probably questionable but that was what the department was landed with doing. I am not sure that arose from logically asking, where should the impact fall and where should it not fall? I think, if I may roam, Deputy Young gave an excellent speech, as has been said, but I think he did fall into the trap of nostalgia. He looked to an era when there was no borrowing, and this has become such an axiom in Jersey, there shall be no borrowing, et cetera. But, of course, he spoke of a period when income was rising, when money was flowing and when, to correct all the misunderstandings on the blogs, when the former Senator Ralph Vibert said: “Money was coming out of our ears.” He spoke of that era and quite frankly it is a much tougher financial situation to manage now than in the post-war period when mass tourism was operating, when the finance industry had been started in the early 1960s and the money did indeed start flowing and when we had relatively undeveloped social services.

[15:45]

I do partly diverge from what, for example, Deputy Mézec said, low tax, low spend. In fact the problem is we are breaking the spending barriers and that is what is posing the big issues; that services like income support have come in, they have exponentially grown in their cost. Health is clearly growing and the pressures upon it, because of the massive cost, for example, incurred by the elderly and so it goes on. Education needs to be the next service. I know the Council of Ministers

are looking at it and I hope they can give an incredible impetus under the new regime which may or may not come into office after the Budget. So I wanted to put that there has been an era of excellent financial management and all of a sudden things have gone wrong. I do not think it is as simple as that. I think part of the issue is there is not the consensus in the States because the flow of the money has posed much tougher questions. I think also when it comes to issues like looking at the size of the Civil Service and where should the cuts be, I am afraid there are real questions about whether this House has a political will to push that policy forward. It is the old story, which I remember used to be in one country's energy programme, it basically said if you want to look at the problem, look at yourself. I suspect that is partly the answer to what is happening. We are afraid of looking at it and as people, like Deputy Mézec have just said, when elections are around nobody wants to give the public bad news but yet, I was having a brief conversation at lunchtime with a member of the public and their view was, spending has run out of control. Will somebody tell us the truth? Please tell us the truth. I do not think they are afraid of the truth. They do not want never-ending optimism. What they want is a clear analysis of where the situation is and they want hope that we can dig ourselves out of the situation. I am sorry to injure the desk and myself at the same time. They want hope that we cannot injure ourselves ... sorry. Although that is around. They want hope that we can dig ourselves out of the situation. I think we are at a turning point and this is graphically illustrated in some of the broader considerations that MJO Consulting have put into the report. I think all this discussion about who saw what email, when and what minute of the day it was sent, in a way is irrelevant. I think you need to read the introduction and the last few pages of MJO's report, Professor Oliver's report, because I think he does an excellent job there in bringing up what are some of the main trends. He says, for example, and this is where it is a pity Senator Le Gresley is not here, he says: "Yes, employment is increasing but more is part-time work, zero-hour contracts and therefore its ability to pay taxes is limited and indeed it will call upon the Social Security Fund in terms of credits." So read below the lines. Social security contributions are still very low compared to pre-2008 figures. They are increasing, as the Minister says, but they are still at a very low level. The main fact is that the value of growth value added per capita has declined 21 per cent since 2008. That is how the recession has impacted upon the financial industry. These are major changes that are occurring and that they are trying, or that the consultant is trying, to alert us to. Furthermore, the increase in average earnings; the last 5 year average is 2.1 per cent. Since 1990 it was 4.5 per cent. The professor is trying to tell us, there are major shifts in our economy. There appears to be shift showing that finance is struggling to make the massive contribution it did and we have got to look elsewhere and, yes, we have to look to cutting our cloth a lot more. That is what is being said and I do not see anything wrong with that. Yes, as I think Deputy Young said, when it comes to confronting difficult and painful change we do move into denial. That is a fairly human reaction. I would say in terms of the change spectrum we are probably still at the denial stage. I would hope the candidates on the platform would say: "This is the situation." There are some rocky days ahead. We need to step up our game in terms of how we deal with the situation. It is not just a question of taxes. It is a question of the size of a public service. It is a question of economic diversification and so forth and so on. It is going to be very difficult to do it with a States which has a structure, and I will avoid the dreaded R word, which has a structure which does not make for common working. I would hope that the new Chief Minister, because I know this was the intention of the current one, but I am afraid it has got to be pushed much more aggressively and energetically. I would hope that the new Chief Minister really works on the whole issue of consensus building, both within the Council and involving Members who are outside the Council because we are too divided a House. The Labour Party in Britain, and if you read what is going on in Manchester at the moment, they have to square the circle, because of what happened when they last held power, of tax and spend. We do not have to do that in this House. We can merrily go along, each of us, proposing items that mean more expenditure and to be fair the Minister for Treasury and Resources has somehow got to rustle up the money. There is no

conjunction between the 2 sides of that debate in the way we work at the moment. The only way I can see out of it, because obviously not mentioning the dreaded R word, we are not going to reform ourselves. We are not in the near future going to have parties which will present 2 clear alternatives, despite what Deputy Tadier mentioned, and the only way forward I see is that we have got to really build on the consensus approach to politics. We have got to ensure that all the people - and we have heard some excellent speeches today - who can make a great contribution even if they do not buy into the major policies of the Council; they have to be involved. Because at the moment we present, I am afraid, a very sorry state to the public of disorganisation, of being unable to come along with coherent policies. They are very worried people but it is up to us to show the leadership which presents much more coherent policies to people and which levels with them about the state of the nation. I am not sure we have done that so far and I hope, earnestly, that the new Council of Ministers is up to this challenge.

1.2.20 Senator P.F. Routier:

I always enjoy following Deputy Le Hérisier because he has a view of the world which is very wide ranging and helps us to appreciate all the aspects that one has to consider. This afternoon we have heard from the Minister for Health, the Minister for Social Security and the Minister for Education and all have approached this in slightly different ways. I think it gives a very good example of how the Council of Ministers has been able to work together and to pull together. The Minister for Social Security has been managing his Budgets and ensuring that any surpluses have been able to be used by other Ministers. He has explained that exceptionally well. The Minister for Health has, refreshingly and responsibly, shown how she can plan for using the funds which are available and the Minister for Education has had a different view of needing more money. So I believe that there is a way forward for approving our Budget but it is about the Council of Ministers working together, which they have been doing. I cannot imagine there is anyone in this Chamber that does not want, and I hope there is not, us to have a position but we will not have the money to spend on the services which we need to be providing from next year. We need to approve the Budget. I am pleased that the Minister for Treasury and Resources has clarified the way he is going to approach the votes because I think it is important that we do approve all the tax raising measures in one go because otherwise it will leave us in the very difficult position that we will have ... well, as the Minister for Home Affairs said, it would be a bit unfair on the accounting officers and the people who were having to provide the services in the future. They need to know where they are going. They need to be able to plan. So I hope Members are going to be in a position to vote one way or the other, hopefully supportively, for all the tax-raising measures. I would just like to pick up on the point that Senator Ferguson made about the need for confidence in our decision making and I think the comment she made about, we should not be doing things on the back of a fag packet. Well, I am not sure that we would have received such a good rating from the people who gave us the rating to enable us to get our bond if we had done things on the back of a fag packet. We certainly would not have achieved that. So I hope that the Senator appreciates that our finances are in good enough order to achieve a good rating. Deputy Southern; it appears that he does not want to have a balanced Budget from the comments that he made. I am surprised at that because he is always hot on economics and wanting to ensure that we do things in a correct way. So I hope he is going to want to support the Budget in some form because it will be a sad day if the departments are not able to progress their plans for this coming year. I would like to just finish on, perhaps, just a couple of comments, one about Deputy Tadier's comments about the need to have ... we do not have sufficient social policies and resources that they do have in Europe one of his fellow party members, Deputy Mézec, was talking about. We cannot continue to have this low tax and a low spend economy. Well, there were a number of us who had the opportunity to be at a presentation this afternoon for President Le Grande and I was ... well, not amazed by what he said, but he quite openly said, you are very lucky to be here because you would not want to be in France with their

economy [**Approbation**] in such a bad state of affairs. So I will leave it there. I hope that Members will be able to support these budget raising measures and to approve the other things as well but particularly the combination of all the budget raising measures need to be done in one.

1.2.21 Deputy T.A. Vallois of St. Saviour:

Sorry, to Members. I have just got too much paperwork on my desk at the moment. I do not know where to put it. I was one of the Members that was co-opted on to the Corporate Services Scrutiny Panel for the Budget Review and, as Members know, I have been chair of the Public Accounts Committee for 3 years now. I do try to approach these, particularly spending measures, such as in the previous years, Comprehensive Reviews, Budgets, business plans, M.T.F.P.s, changes to Public Finances (Jersey) Law, all with an attempt at being constructive. I am not a Member that is going to be overly optimistic for the sake of being overly optimistic but I am also not a pessimistic person either, no matter what some Members may think. So I am going to speak from a point of view that I believe is realistic from the amount of paperwork, of what the States have agreed in previous years and the culmination of what we are now being asked to agree today and explain why I have the concerns that I do, standing here. I do not think it is very fair for Members to stand up in this Assembly and speak as if they are so confident about everything, which is great, to have confidence, but I wish there was a little bit more realism in the way that it is approached and a bit more factual content to the speeches because it does worry me and this is important.

[16:00]

This Budget is extremely important. I was of the understanding the M.T.F.P. that was agreed for 3 years was our spending budget for the 3 years and then the annual budget process was how we were going to get that money in in order to pay for that money we spent over the 3 years. So I would firstly like to address what some Members would probably class the untouchable discussion of income forecasting. I do not pretend to be any form of weather forecaster, an economist or an accountant of any form and I do understand the uncertainties that lie around forecasting and would suggest that the ability to provide any element of certainty in any forecasting model is only as good as the data set that is put into that model. I feel we are placed in a difficult scenario when you have a Minister for Treasury and Resources, as we do, who is so optimistic and then a scrutiny panel that was painted as being so pessimistic. There is no balance created. It is just seen as you are either one or the other, which I have heard in many speeches over the last few weeks. So trying to set a more balanced approach to this I referred back to all the Fiscal Policy Panel reports since 2008 and one in particular that did raise alarm bells for me was the excerpt from the Minister's response to the Fiscal Policy Panel in 2012. It was on recommendation 7 where the panel has had to make significant adjustments to the financial forecast presented in the M.T.F.P. to try to assess the underlying economic impact of the proposals. "In future the presentation of States finances would be more informative leading to a better informed policy debate if these types of adjustments were already included in the analysis accompanying any proposals in the M.T.F.P. or Budget." The action and the response that was taken to this recommendation was that the Minister agreed in his initial response that Treasury would include an analysis in future Budgets and M.T.F.P.s starting with last year's Budget, or this year's Budget, 2014. Sorry, I know we do it in previous years. So in Budget 2014. "However, the Minister considers that the analysis carried out by Corporate Services Scrutiny Panel and their adviser is overly cautious and could not be considered as a central scenario, in particular its assumptions on economic growth, average earnings and inflation paint too pessimistic a picture especially as we reach 2014 and 2015." But, of course, we could go on for ever saying who said what so let us deal with where we are. The point in having Scrutiny is to provide an objective and evidence-based analysis of policy and legislation. I am sure Members have heard that many times before but I shall repeat it because it seems to be an ongoing theme where if you can repeat yourself enough people will start believing it. So the Scrutiny report

recently published on the 2015 Budget highlights the issues surrounding whether it is the robustness of the model used to forecast income and whether the decisions correlate with that model or not. Unfortunately, for the Deputy of St. Martin, I am going to just briefly look back. The M.T.F.P. that was agreed by the States in 2012, because of the change to the expenditure planning from an annual to a 3-year planning process, the amount of information that was provided to the Assembly to inform the debate provided some 29 pages assuring Members of how much improvement had been made to the forecasting model and all the sensitivity analysis that would be used. There were reassurances given and I believe it very unfair that income forecasting for public money is compared to weather forecasting and the reassurances that were originally given to prove the M.T.F.P. have been forgotten and I just refers Members to pages 166 to 195 of the M.T.F.P. Page 179 of that M.T.F.P. refers to improvements made to income forecasting modelling. The last paragraph of this section is, for me, the absolute clear view how ... before the States were asked to agree significant spends over 3 years. The model is informative but as there is significant uncertainty involved judgment is a vital and necessary ingredient. So the question is, of course, whose judgment was it that informed the forecast for the M.T.F.P. and each Budget since its approval. So following on from that question we then have to consider the first paragraph of the Budget. In the original M.T.F.P. the States agreed a tax income of £711 million for 2015. We are today being asked to agree a figure of £615 million; that is some £96 million difference of income in 2 and a half years of agreeing the M.T.F.P. which suggested a surplus of £197 million at yearend of 2015. I am just trying to paint a picture of trying to refer back budgets to the M.T.F.P. that was originally agreed by the States Assembly. So now, of course, we have various mechanisms that are being brought forward to us of how we can close certain gaps and there have been certain changes over the 2 and a half year period which have been put in place. So we need to consider whether we are in agreement that the forecast for the amount of income set for 2015 is realistic and based on the information provided, as at July 2014, and the fact that we will feel the full effect of the tax changes from last year in next year's actual return. Summary, table A, only refers to agreement of the £615,502,000 under the existing taxation arrangements in place and those proposed under this Budget. I would like to, therefore, ask the Minister exactly where it is in the Budget agreement and the proposition put forward to agree the additional States income of investment income, dividends, returns, commission fees, trading operation returns from Andium Homes, retention tax, income tax penalties and fines and other incomes of approximately ... island-wide rates, I think it is approximately £69 million. If the Minister could just clarify that for me at the end. It would probably be best.

The Bailiff:

I think he can do it when he replies.

Deputy T.A. Vallois:

Trying to look back at how we work the M.T.F.P. and the budgets; as we have seen this term, leaves me in a very uncomfortable position because you go about trying to agree expenditure on the basis of, it is the right thing, we have got health concerns, we have got educational concerns and so you look at the M.T.F.P. over a 3-year period and it was approved by the States Assembly, and absolutely right it was, but I feel that the Budget has gradually moved away from that process of a 3-year planning and therefore could not agree any more with the adviser's report stating that the M.T.F.P. is technically no longer fit for purpose. A serious concern of mine within this Budget is something that Deputy Hilton eloquently put to the States Assembly with regards to the hospital services that are due to come forward and we have got, I think it is ... sorry, I have got all the papers everywhere, but it was under the paragraph that is agreeing for the transfer from the Strategic Reserve of £22.7 million. I think Scrutiny have done a fabulous piece of work on looking at how that hospital service is to be brought forward. I am uncomfortable with passing this particular

paragraph and the reason why I say that is because although we have already subjected £10 million of spend to some form of feasibility of the project, I think it is wrong that we are being asked to pass over money before anything has been agreed as to whether we want a single site or a dual site or whether we want something completely different. It makes me extremely uncomfortable, therefore, to just turn around and transfer the money over of £22.7 million after seeing what has happened in the past in, particularly, integrated care records projects where the project management could have been a lot better than what it was. So I cannot support that money being transferred over. I think it needs to come hand in hand. I think the proposals needs to be brought forward and we need to have a proper debate on having a hospital that is based on patient care and long-term efficiency in running that hospital, not about just a £297 million figure and how we can fit everything into that. It worries me. I think, long term, this is an absolutely vitally important project and on that basis I could not agree at this time for this transfer to go ahead. I was interested to hear the speech of the Minister for Education or the Deputy of St. John, who I am sure will be sadly missed from the States Assembly. Page 55, which talks about the measures that are going to go ahead, it is of great concern and many people have mentioned it today, about all the different measures, the remedial measures, that have to come forward to put us in what is classed as a balanced position. From page 20 of the Scrutiny report you will see that concerns expressed by our advisers, particularly that of C.I.P.F.A., highlighted that the utilisation for reserves to fund core spend is a real wakeup call and is typically the product of a rapidly deteriorating fiscal position. Also it is clear that the proposed remedial measures lack maturity and in some examples clearly contradict what was thought to be a settled strategy. I am not going to play the blame game. I was, how can I put ... not particularly happy when I first saw this Budget released and it was particularly frustrating, to say the least, when you have tried to be a Member that is being constructive and trying to encourage a change, a culture change, and all this wonderful public sector reform and when you are told time and time again, many Scrutiny reports, over and over again, where recommendations have been accepted but being realised and being implemented is a whole different story. As someone that pushed for a saving of £65 million in the original C.S.R. I do not believe and I do not have faith that the savings proposed within these remedial measures can be delivered in an economical or efficient manner. As a result of the C.S.R. even the Minister for Home Affairs had to return to the Minister for Treasury and Resources earlier this year to request funding be returned to his department as the savings that were originally made were not sustainable and the department was struggling. So how did this get funded? Because there was some form of contingency, unallocated, it was transferred from there. So you get that underlying feeling, or I get that underlying feeling, about contingency spending and I have always been a great challenger of contingency spending and the Minister for Treasury and Resources is fully aware of that. This contingency has been used over the last couple of years to push away some of the underlying fundamental issues that I do not believe have properly been addressed and need to, as quickly as possible, be addressed.

[16:15]

It was interesting to hear the Minister for Health talk about the difficulties facing the Health Department and trying to make savings. We had exactly the same rhetoric in the C.S.R., which was not savings but just re-appropriating money, without having the proper management information to ensure value for money. You do have to, when you hear some of the speeches that have been made, wonder how much challenge really does go on around the table at the Council of Ministers. Senator Le Gresley spoke of returning people to work and how that will create more tax and be beneficial to the Island and the economy. Fantastic, and I hope it continues to improve, but, as Deputy Le Hérissier has already mentioned, looking at the reality the crucial statistical measure of public welfare is falling. G.V.A. (gross value added) has fallen by 21 per cent since 2008 so we need to be realistic about our productivity and the ability to improve our productivity going

forward. It is sad to hear, especially as a chair of the Public Accounts Committee, when Members stand up and say they do not want to look back. I would suggest that it might be worthwhile that they reconsider that position and every now and again have a look back because we might start learning from some of the mistakes that have been made. Surely by looking back we accept where we have gone wrong and be more constructive in our approach to dealing with the unknown position that we may face in 2016. Notwithstanding whether the Ministers are nice people or hard working or dedicated, as I am sure we all are. It has been an interesting 3 years working with them but all of that hard work and that dedication can be wasted if it is not focused and based on appropriate data, information and fundamental basic requirements expected to produce successful delivery within means. Long-term planning was an agreement that was made in the Strategic Plan by this States Assembly and was one of the priorities by the Council of Ministers. We were just advised, or we heard from the Minister for Health, that that long term plan will be dealt with next year. Then we hear from other Ministers, well, we do not want to put the Budget off. We do not want to give that to the next States Assembly and put it over on to them but we are willing to turn around and say we will let you deal with the long term planning issue. The long term plan that was consistently put out, especially in the last year, and as, I believe, a recommendation that has been suggested by not only scrutiny but I believe F.P.P., was that we did have a long-term revenue plan alongside a long-term capital plan. It was a surprise to me to understand that that originally was only a concept or a framework and that this *Long-Term Revenue Review*, as it is called now, is now up to the next States Assembly to plan for. It does not really bode well for the Strategic Plan. To me it looks like we have done it back to front again. Surely, the long term revenue planning should have been alongside the long term capital planning right at the beginning before, when we started doing the M.T.F.P. I am not going to stand here ... we all have responsibility in the States Assembly to how we approve M.T.F.P.s, to how we approve Budgets and I am not going to shy away from my responsibility but on a principled basis, taking money out of certain funds, when you do not know or you are not clear exactly how those funds are supposed to be intended to work, and then later on find out that there will be a deficit within that fund and you will have to find money somewhere from the tax take to fund that is not, in my view, proper planning and a prudent way to move forward. This is a good first attempt at a 3-year planning process but it could be a lot better. So I find myself in an extremely difficult position because I have previously approved the Budgets and I believe I did agree to the M.T.F.P. but the Minister advised that he was going to take certain paragraphs together and because of that position, I am unable to support the Budget as it stands and I thank Members.

1.2.22 Deputy M.R. Higgins:

I have heard today some of the best speeches that I have heard in the 6 years in which I have been in this Chamber; speeches made by Senator Ferguson, Deputy Le Fondré, Deputy Reed, the Constable of St. John, Deputy Southern, Deputy Young, Deputy Tadier to name but a few. Now many of the speeches that have been delivered by these Members have been delivered by Members who I may not always agree with either economically, politically, environmentally or whatever but I applaud them for what they have said. Their speeches have been analytical, almost forensic and I welcome this as, too often in the past, this Assembly has made too many decisions with little or no evidence or analysis, though on past performance, I fear that some Members will not know what to do with it and will revert to the default button and vote pour with the Council of Ministers on this Budget. I must also compliment Deputy Le Cornu on his speech. Leaving aside his Marxist view of the world, he told it how it is. This is a dishonest Budget in my opinion in that the Minister for Treasury and Resources and the Council of Ministers are simply trying to get by until after the election when the chickens are going to come home to roost in a way that will be painful for ... and I was going to say every man, woman and child in this Island but the truth of the matter is it will affect every man, woman and child of the lower, middle and fixed incomes and I include in that the

elderly because those who have got the money will not be affected by the measures that are going to come in. They are going to come in and we are deceiving ourselves and we are deceiving the public if we think: "We will pass this Budget, everything is okay, we have balanced it, the Minister for Treasury and Resources has found money from all sorts of sources, got it and the accounts balance." But for how long by raiding every single pot that he can find; ring-fenced funds that he can find? After that has gone, as other speakers have said, it will not be here and, therefore, the only recourse, as other speakers have said, is to either increase taxes or to cut spending or do both and every economist will tell you the same thing. There is no escaping it. So to say that everything is fine, we will pass this Budget and everything is going to be rosy, we have had a few inklings from some of the Ministers that there are going to be cuts on the way and they are going to be painful. How people can shamelessly go before the electorate and try to make out that everything is fine and we are not going to have tax increases in the next 2 years, I found as shameful. Now I have serious concerns about this Budget mainly because, as I have said, I believe it is a political budget and not an economic one. Firstly, there is no justification for reducing the marginal rate of tax to stimulate the economy as this will widen the gap between the income expenditure on a permanent basis. If you want a temporary stimulus of the economy and want to help people, you could cut G.S.T. for a limited period just as they did in the U.K. when they reduced V.A.T. from 20 per cent to 17.5 per cent. I think it was for a year or possibly 2 and then put it back up again. A temporary stimulus. Not a permanent so-called stimulus because they are going to be taking it out next year and the year after so there will not be any benefit anyway, but the point is it is a temporary measure rather than a permanent measure. As I say, they may make a few of the taxpayers grateful at the thought of some extra money in their pockets from the reduction in marginal rate but they will not be happy when the true chickens come home to roost and they see what they are going to have to pay elsewhere and the services they are going to lose. Secondly, the capital expenditure plans cause me concern. While as an economist of the Keynesian persuasion, I want to see our economy stimulated to get us out of recession and get people back to work. The truth of the matter is there are problems with what is being proposed and I am also very confident, by the way, on 1st October, we are going to be given the G.V.A. for 2013. It is going to tell us whether we have come out of recession. I do not believe we will have come out of recession in the 2013 figures. I am not even convinced how well we are pulling out of it at the present time in this 9 months into 2014 so we have had 5 years almost of recession. Now where my concerns are is that we are planning on injecting an awful lot of money into the economy on building projects. Now I have asked questions in the past in this House about our ability to cope with the extra construction and so on. I can remember asking a few months ago about how many people were from the construction and allied trades group in the unemployment figures. Now at that time, we had 1,760 people unemployed. Only 10 per cent, 176 people, came from that sector of the economy. Now we are talking about pumping millions of pounds into the economy. We have already seen in the paper in the last few days the *Jersey Evening Post* quoting the construction industry saying: "We are going to create 500 new jobs." 500 new jobs and 176 people who had the experience in that area unemployed. Where are they coming from? They are going to have to come in from outside the Island and that in itself is going to cause problems for us in this Island. Also, by so much building work coming in at the same time, it is going to have inflationary pressures. For a start, all the tradesmen will be employed on those buildings. Anybody who wants any work done is going to find their plumber's bills or their carpentry bills going up massively because those people will be in great demand, the same as raw materials are going to be going up in price as the economy is being stimulated in this way. So I have concerns about some of the aspects of the capital programme. I also have concerns, as others have mentioned, about the data upon which the Budget has been based on; the forecasts, the assumptions. For example, the assumptions that interest rates are going to go up. Well, we all thought they were going to go up. The Bank of England certainly indicated as unemployment came down in the U.K., interest rates would go up but then they realised that is

not the only measure. If interest rates go up too quickly or too soon, it is going to have a dangerous impact on the economy. There are so many people who have been overextended during this recession that any rise in interest rates could tip them over the brink and that includes many households. Their mortgages, if they go up, they are going to lose that extra income. That would help us get out of recession. We have got projections in economic growth. I do not know where they have come from. In many cases, they are based on other economies improving and growing and we are going to get a share of their business. I think they are wildly optimistic, some of the figures that I have seen in the Budget. There are all sorts of assumptions about the state of the world. Nothing has been mentioned about, for example, the latest O.E.C.D. (Organisation for Economic Co-operation and Development) papers on a core base. In fact, if I can remember the exact title of the document, there are 2 papers which could have a major impact on us. I will just get the title right. Yes, we have got the O.E.C.D. *G20 Base erosion and profit sharing project*. There is the O.E.C.D. *G20 Counselling harmful tax practices more effectively, taking into account transparency and substance*. Now whereas we have heard before Zero/Ten was acceptable once, as more and more nations have found their own tax base eroded and their own finances coming under pressure, then they are going to pile on the pressure of all those Senators who have got zero tax on company profits or on companies and so we can expect increased pressure from those quarters. There is also the E.U. (European Union) Liikanen Report, otherwise known as the high level expert group on reforming the structure of the E.U. banking sector. That is going to have an impact on banking here as the Vickers proposals in the U.K. would have. There are no assumptions made for other shocks to the world economy which can be brought about so easily, as we know.

[16:30]

We have got fighting going on in the Ukraine. What happens if that spills over or got out of control and, for example, N.A.T.O. (North Atlantic Treaty Organisation) or other powers did get involved? What effect will that have on the world economy? What effect will higher sanctions on Russia have and their retaliatory measures? We have already got the French farmers burning their tax offices and dumping their produce outside some of their public institutions because their export markets to Russia have dried up, so there are lots of factors going on in the world today which could throw us off course so easily. As the Financial Policy Panel have said in numerous reports but not quite in this term: "We have been running very close to the wind." It is finely balanced and we could be tipped one way or the other. I will not go through all the detail that everybody else has done today because they did it much clearer than I think I would have done setting out the problems with this Budget and I must say I cannot support it. I will not be part of a deception on the people of this Island. I believe - as Deputy Le Cornu did and that is why I applaud him for his speech - in telling it as it is and we are in serious trouble and I do not believe we should be deceiving the public of this Island and I think any Member who does support it - and I can see their heads rolling already - are the same people who will press the button in support because they always do. You are letting the Island down and I think it is time for us to reject this Budget and let the new Assembly start afresh. Thank you.

The Bailiff:

Does any other Member wish to speak? No? Very well, I am going to the Chief Minister.

1.2.23 Senator I.J. Gorst:

Sorry, Sir, I had seen somebody else flashing their light earlier but they have perhaps changed their mind so it is my turn to go now. I must apologise that in my absence over lunchtime, I fear I was invited to a party by Deputy Tadier but perhaps he could remind me where it was. It has been a good debate about the Budget and some of the issues that have been raised have been pertinent. As we saw at the vote of no confidence last week, some who are glass half full and some who are glass

half empty and we have just heard Deputy Higgins again telling us because of the uncertainty in various security issues around the world - I think that was one of his arguments - that we should not vote for this Budget. I hope that Members will consider that as they will but I think there were some very important issues that have been raised during the course of this debate, particularly around education and particularly around health and I just want to speak to some of those issues for a short period of time. Perhaps I could take health first. Many Members have said they have not wanted to hear overly positive - they might not have used the word "spin" but I think that is what they were trying to drive at - but they wanted to hear balance and I believe that they heard balance from the Minister for Health and Social Services and they have heard balance from the Council of Ministers throughout this process but sometimes that balance is difficult to hear. By the end of the M.T.F.P., we will have spent an extra £30 million on health. We believe that that is the right thing to do. We believe it was the right thing to do when we inscribed it into the M.T.F.P. and I believe it is still the right thing to do today but be in no doubt, maintaining that health spend causes difficulty particularly when what has happened has happened, i.e. that the income line has not held up in the way that was initially forecast. We knew when we started the M.T.F.P. that there was a potential - because reality is never as forecast - that there might be the difficulties that we have encountered but we all agreed in this Assembly that the spending that was being proposed was the right spending, that it was appropriate and that it was being funnelled into the right departments and the right area. We have the Fiscal Policy Panel, those independent experts, to tell us that that is what we should be doing but it seems that some Members today, I would not say they wish to reinvent history, but they wish to, with hindsight, suggest that some of the things that we proposed perhaps they might not have proposed them if they had known what they know today. But I believe absolutely that the extra money for Health is right and I believe that we have to deal with the difficulties that it is now causing us but as far as I am concerned, it is the right course of action and we have to find ways of funding the health service. Other Members have tried to say that we have not been honest with the public; that we have not told the public as it is. I do not agree with that. We have. We are doing a piece of work that is looking at how we are going to fund the cost of rising health care and the changes that are needed to the primary care model right now. The work is being undertaken. It has taken slightly longer than we thought and I think all Members understand why that is because we have to build a consensus. Deputy Le Hérisssier I think from giving a great speech at the vote of no confidence - and I thought he gave an excellent speech - today seemed to indicate that he thought there might be some easier solutions and that we have not built a consensus in the way that we should have done. Well, there is a piece of work that is taking longer because we are having to build a consensus. We do not apologise for it. We believe it was absolutely the right thing to do, to take people with us. We have got people from differing traditions and professions and they need to come together for the best interest of the health care of our community into the future. So we are building a consensus and I believe that we are doing the right thing. I want to congratulate the Scrutiny Panel that has looked at the health reform because I believe that they have been a model Scrutiny Panel in working carefully, looking at all the facts and coming forward with challenge where they felt it was appropriate, with support where they felt it was appropriate, but they have held no punches and Ministers I believe have been grateful for their input, and I believe that they have moved that process forward because of their work. The vice-chairman of the panel asked today ... I think there remains 2 concerns despite Health's response to their Scrutiny Panel which I hope will give them considerable comfort. But the 2 concerns, if I understand it, were that we should not be necessarily constrained by the Budget that we are currently proposing and that they would want this Assembly to understand the cost comparisons between a dual and a single site to inform them to make the decision about the site which this Assembly will make. Let us address the cost first, and I do not want to steal the Minister for Treasury and Resource's thunder but I think it is important that I make a comment on that. The Budget currently has been allocated, as Members know, and it is proposed to just under the £300

million and that would enable the dual site option to go forward. But we have or are in the process ... I do not know whether it has physically happened or not but certainly Ministers have instructed officers to do much more detailed cost comparison work between the dual site option and a single site option in town. That will then help us to consider whether the budget that is currently allocated is appropriate or not or whether we would really need to consider a different or increased budget if a single site were deliverable elsewhere. Now it has got to be affordable and Ministers are absolutely clear about that but let us say if those 2 sites came in and there was not a great differential but there was a differential between the 2 - I cannot say exactly how much it would be – I think that Members would rightly want to know what it was and then make the decision based on those detailed cost comparisons. That is what Ministers have asked officers to do and that is what we commit to and the Scrutiny Panel will be involved, I have no doubt, in helping Ministers come to the right decision in that regard. I hate to use the words “breathing space” but I think that is largely where we are now, that this detailed work will be undertaken and it will then help all of us to deliver a more informed decision. I am looking across to my own Deputy and I am not sure whether I have given him the reassurance he is looking for or not. I hope that I have – and I see that Senator Ferguson is still dissatisfied – because they were constructive suggestions made by the Scrutiny Panel and we have accepted them and want to work together with them. Deputy Vallois spoke about productivity and I know it is a theme again that Senator Ferguson likes to talk about and rightly challenges us about and perhaps if I could just remind Members of the King’s Fund recently issued report that talks about health care and how it is going to be funded into the future. That report, we know, was chaired by then Kate Barker, a member of our own Fiscal Policy Panel, who said that the priority for the incoming government in the United Kingdom when it comes to health care is going to be around productivity and the Health Department themselves know. They have been focusing on productivity but they know that they have got more to do and that is what our independent expert panel that came to review the work of the health transformation also said, that there needed to be greater focus on productivity so we absolutely accept that point. It is a point well made and that has to happen in our Health and Social Services as well. Is Health going to make it difficult to make savings? Yes, they are. The Minister for Health and Social Services has been absolutely clear but she is committed, with her officers, to doing that because they were already committed to making savings so that they could allocate funds to those areas that they felt were critical to improve service delivery into the future. I think that it was our colleagues in the Reform Party that tried to suggest that the Council of Ministers were not being honest and I touched on this about the funding. We seem to have heard a lot of Members in this Assembly saying that they think G.S.T. is going to rise but, by my calculations, those Members that have been saying that G.S.T. is going to rise are members of the Reform Party. I do not believe that G.S.T. needs to rise and nor I believe that it should rise during the course of the next government but we have also been clear that in order to fund health into the future in the way that is proposed, we have to consider how we are going to do that and we have started to see in manifestos some are suggesting a Health Insurance Fund. I believe it is going to be some reworking of the existing Health Insurance Fund and we will have to consider over time what level those contributions are going to be needed to be set at in order to deliver that spending. But this is nothing new. I, for one, was speaking about this 3 years ago during the election period then so it should not be a surprise and we should not say that Ministers are not being honest with the electorate. We have been absolutely clear. We need to spend more money on health, we are going to spend more money on health and we will have to find a mechanism to enable us to spend more money on health.

[16:45]

Because if it were not for the extra money that we were spending on health, we would not be having all the angst and debate that we seem to be having about the current year’s Budget because that is what is putting pressure on the Budget today. But we do not make any apologies. We

believe it is the right thing to do and that is why this Budget, as we present it, is one which balances the Consolidated Fund. It gives me no pleasure whatsoever but I feel I must address, albeit briefly, the comments of my good colleague the Deputy of St. John. He made his case around the Council of Ministers' table on why he believes that the issues that he talked about today were a special case, as it were, and that his department should not play its part in reducing States expenditure. I do not want to dwell on that because the Council of Ministers, on balance, felt that his department should play its part in trying to reduce States expenditure. Any Members who might feel the opposite view, I would just remind them if they are standing on an electoral platform near you in due course, I would feel that it was perhaps a little bit disingenuous if they feel that cuts should not be made to then say that further cuts can be made so we just need to be careful in that regard. Two points that the Deputy made which I think bear me to pass comment on and that is the Trackers scheme and raising standards in education and the Deputy knows that officers have been instructed by the Council of Ministers to go away and to find ways to expand the Trackers scheme because, let us be honest, it is doing a fantastic job, as the Deputy said. It is not oversubscribed but it cannot take any more people into it and yet that is exactly the sort of scheme that we do want to promote and we do want to expand and I have been on the record as saying that we should be expanding it quicker than we are, so money will be found to expand that scheme. Whether it is exactly the amount that the Minister voted, I cannot say at this point. Likewise with the standards. Standards in our schools need to be raised and money needs to be found to deliver those increasing standards and officers are working on finding that and reallocating funds so that that work can start during 2015 and not in 2016. I see that the Deputy is shaking his head but officers are working on that and only yesterday, there was an indication that there might be a greater underspend in the Minister's department which could be allocated towards that. So officers have been instructed and they are working to deliver on those 2 particular agendas because the Minister is right. They are important agendas and they need to be started as quickly as possible. Senator Ferguson seemed to me to look back with, it seems to be, rather rose-tinted spectacles in that, in the past, everything was excellent and the decisions of the past were absolutely the right ones but the decisions of more recent years have been where the problem is. Well, Senator Ferguson knows about the financial services sector because she has worked in it for a number of years. She worked also for the regulator so she will know that the genesis of the zero in the Zero/Ten is based around the exemptions for businesses and international business companies and the zero that was applied to them. That was not a recent decision. That was a decision made many years ago and that was the right decision. I stand by that decision but that decision has led to subsequent decisions which led to the Zero/Ten and that zero being for companies which use Jersey for all sorts of reasons but the finance companies that are doing activity, they are taxed - as you well know, Sir, and do not need any lecture from me - at 10 per cent. So the decisions that Senator Ferguson talked about, they were right, but they led to other decisions that we have had to make to sustain and maintain the base of our financial services sector in Jersey and I believe, difficult as those decisions were, they were the right ones and they remain the right ones. Yes, from time to time, one or 2 people might say: "Well, we should change the Zero/Ten regime." I believe it continues to be the bedrock of our financial services sector and I cannot see any need to move to the Ten/Ten/Ten and just for clarity, that would be 10 per cent for income tax, 10 per cent for G.S.T. and 10 per cent for corporation tax. So I think we just need to be clear about what it is that some Members are suggesting would be better than the Budget that is before them. Are we really saying that better than the Budget that is before them is a system of 10 per cent income tax, 10 per cent G.S.T. and 10 per cent corporation tax? I certainly do not believe that to be the case. I do not want to dwelling on Deputy Higgins' comments again about the O.E.C.D. and the base erosion and profit shifting because I answered questions about that in the Assembly the last time. Ministers are aware of these issues. Ministers are in conversation with the O.E.C.D. Ministers' officials are round the tables at these international bodies making our case; making the case for what Jersey does as a benefit to the U.K. and the European economy. There

are always going to be challenges that lie ahead. That is why Ministers are prepared. That is why Ministers and their officials engage. That is why I was at the Labour Party conference on Sunday and Monday. That is why other Members will be at the Conservative Party conference later next week and why we will be having a stand as well at the Liberal Democratic Party conference. Of course there are challenges, the Deputy is right, but we must meet those challenges. We must prepare for them and that is exactly what I believe this Assembly and members of the public would expect Ministers to be doing. I think it was Deputy Young who was critical of the health spending and not being honest. I think I have addressed that particular issue, although he did seem to suggest that perhaps we should consider a public-private partnership. Perhaps we should, but I think that recent experience from across the water in the United Kingdom would say that in the long term, in the full cost of something like that, it is far more expensive than it is being in the very fortunate position that we are, i.e. (*id est*) being able to give a dividend back to the public for the difficult decisions we have made by using the Strategic Reserve. Therefore, while I understand his point, I am not sure that that is the right option for Jersey. Deputy Southern seemed to suggest that modernisation had come to a halt. Well, not as far as I am concerned. Modernisation has not come to a halt. Senator Maclean has been working hard and continues to work hard to drive that particular agenda forward. Yes, some of the issues that we are needing to address are difficult and, yes, we have seen media reports recently suggesting that some union members do not want to modernise and do not want to change. We continue to negotiate. We continue to consult, but we are absolutely committed to modernising the public sector, to redesigning it, to reforming it. It is far from coming to a halt. In actual fact, the recent presentations given at the Hotel de France, when asked privately, members of the public service said they felt that it should go faster and I agree with them. It should go faster. We should be making more efficiencies. We should be saving more money and I believe that any incoming Government will do exactly that. Deputy Southern also made a very strange, to my mind, observation, if I could put it like that. He said that he was not supporting this Budget because it was a one-year patch up. So, instead of supporting a one-year patch, he was going to do nothing at all. I am not sure how doing nothing at all improves 2016, 2017, 2018 and 2019, but there we are. Perhaps I missed the point that he was trying to make. The Connétable of St. John said, and he was right - I understood his sentiment - about middle Jersey and we have not done enough for middle Jersey, and yet many other Members have suggested that we should not have reduced the marginal rate of tax. The marginal rate of tax was the right thing to do because it helps out middle Jersey. So I stand or sink by that measure and I am not sure how many Members in this Assembly now, if that vote were before them again, would change their mind because we hear “middle Jersey” used in this Assembly often and I have got no doubt we are going to hear it increasingly on the election platforms. This Assembly has done something, albeit in a small way, to recognise the difficulty that many people have felt throughout the recession and have reduced the marginal rate of tax. He did go on about our international representations and going to France through the embassy in London. I think he seems to have lost 3 years. Perhaps that is what other governments, but certainly it is not what this Government does. We have used the embassy, of course, as diplomatic channels to bolster our case, but Senator Bailhache and myself have met, I believe, probably with more French Ministers over the course of the last 2 or 3 years than was met with in the preceding 6 years. Only a fortnight ago I met with the French Foreign Minister in Normandy and only last week or 10 days ago Senator Bailhache met with the Interior Minister. I think it was the Interior Minister. We have started to build those links, so the comments of the Connétable of St. John I no longer recognise. We did the capital economics work to show that we were of value to the United Kingdom economy and to overcome the negative narrative that we have heard of late and I have spoken about why we go to party conferences as well. We are realistic in our engagement. At a fringe event yesterday morning I was speaking there about the challenges in our own community, the concerns about the use of zero hours contracts and the abuse of zero hours contracts and also the issue of the minimum wage and how

we deal with that and wanting to make sure that economic growth is felt by all of our community and not just the few. We are realistic. We are honest in our engagement, but we live in an increasingly globalised and connected world and it would be naive in the extreme to think that we could simply put our head in the sand and the world would ignore us. That is not the world we live in anymore. We must engage. We must talk about what we do and we must meet international standards and that is exactly what we are doing. That is one of the reasons why we are early adopters on the O.E.C.D. common reporting standards. This Budget deals with the situation that we find ourselves in. We know that the income line is reduced. We know that we will continue to have difficult times ahead, but this Budget balances the Consolidated Fund. I would suggest to those Members who are thinking of rejecting the Budget that that would be irresponsible because the only arguments I have heard for rejecting the Budget are that Members want to deal with 2016, 2017, 2018 and 2019 now and not just one year. As I said at the briefing, and as I said last week, that would be irresponsible. Today is the day - well, I hope it is going to be today - to agree the Budget for 2015 and then we will need to - and we have been quite clear and open about this - deal with the following 4 years.

[17:00]

I want to finish with the words of the Deputy of St. Martin. He does not want to see us in this position again I understand that. I think that we are in the first M.T.F.P. period and we will have to consider how we deal with the second M.T.F.P. period, but this is the first time that we have started to plan into the medium and the long term. Some Members in this Assembly seem to have forgotten how far we have come in the course of the last 3 years. We have now got a long-term capital plan. We have now got a Medium-Term Financial Plan. We are starting to look at long-term revenue planning. It is not perfect. There are still things that we need to do, but let us remember 3 years ago we had none of these long-term plans. Today we have. We know they are not perfect but we will continue to work on them. Today we have to deal with Budget 2015 and I ask Members to support this Budget. As I said, it is not easy. There are some measures in there that are difficult, but it balances the Consolidated Fund and I think to do anything other than to support this Budget would be irresponsible and I do not believe that any Member of this Assembly wishes to be so.

1.2.24 Deputy C.F. Labey of Grouville:

I was not going to speak in this Budget, but that is famous last words. It was really after the Minister for Health and Social Services' speech in that she outlined all the efficiency savings that her department are making and she concluded by saying that they are doing their bit with efficiency savings and, after having heard the Minister for Education, Sport and Culture's speech this morning, it is with some concern that I heard his speech and I think you will admit it is a speech that should have been made at least 2 years earlier. With these 2 departments especially doing their bit for efficiency savings, these are 2 departments, and the services they provide, that have an optimum level and we cannot go below that optimum level because then we start to seriously erode the services that they provide. Having, unfortunately, to visit the Oncology Department on a regular basis with a family member, I am only too aware of what efficiency savings are being made. While they open a beautiful new department, I then realise it is half the size to what it was scheduled to be. If that is doing their bit for efficiency savings, I think we have got ourselves into a bad place. What I really wanted to say was, after Deputy Hilton's speech this morning, she said virtually everything that I wanted to say, which is why I am not going to speak for long, but it is really with regard to clause (f) of the proposition. I too am concerned that if we are voting for this it is not going to be thrown back in our faces in a few years' time that we have agreed to a 2-site hospital because I am very uncomfortable with a 2-site hospital. I was heartened by the Chief Minister's speech just now in that it will be brought back to this Assembly to make a decision on

this. I will reiterate what Deputy Hilton was saying in that we do need options; we need alternatives; we need costings. I will add to that in that we need a timeframe and I think that is very important. We need a timeframe and we also need not only the cost comparisons. We need the cost comparisons for 2 sites and one site but not just the comparisons in financial terms. We need it on inconvenience terms as well because, as I say, I am uncomfortable with this 2-site proposition. I am heartened to hear the Minister for Health and Social Services acknowledging - and indeed the Chief Minister's speech just now - that the current financial framework is not sustainable and I would go as far as to say likewise with Education. If there is not a piece of work started right now for Education then I think we need to start one immediately, but the piece of work that has been started with Health should be extended to our education. I will be very interested to hear the Minister for Treasury and Resources sum up, especially with regard to clause (f) because I am not sure if I want to vote for this and then have it waved in front of me that I agreed to a 2-site hospital.

The Bailiff:

Does any other Member wish to speak? I call upon the Minister to reply.

1.2.25 Senator P.F.C. Ozouf:

Can I thank all Members who have spoken? There has been, on the last count, I think about 50 per cent of Members of the Assembly that have spoken. With the additional of the last 2 speakers, I think we have had 23. It is perhaps a little surprising but perhaps I have to be the cheerleader or at least the balanced speaker in the Assembly because I think we have had an imbalanced debate on effectively what is in this Budget. Balance is at the heart of this Budget, but we have heard some unremittingly, if I may say, negative comments and maybe that is the job. Maybe we are just here to make improvements, so I am not going to feel despondent at all about the comments that I have received. May I, first of all, just signal immediately to you and to Members exactly how, at the end of my remarks, I would like to take the package of the proposition...

The Bailiff:

Yes, and can we all agree that we work from the amended paper which has been circulated to all Members and which has some of them in red.

Senator P.F.C. Ozouf:

... because I will address my remarks effectively on these packages. I propose to take the financing package to balance the Consolidated Fund, which is parts - if Members want to make notes - (a), (c), (h), (i) and (l). I will just run through those. That is the States income: (a), which is States income and amended tax proposals; (c) - which is Jersey Car Park Fund - £2.6 million; (h) - transfers of the H.D.F. (Housing Development Fund) of the £6 million Stabilisation Fund; (i) - transfer of D.H.L.F. (Dwelling Houses Loans Fund) - £6.5 million; and (l) - the repayment of the Jersey new waterworks shares. Those are all of the measures that are designed as a package. Then I would propose, if I may, to take the Capital Programme together, which is part (b), which is the capital programme; (d) - the waste water strategy; and (f) - the Strategic Reserve funding for the hospital, although I will be addressing the remarks hopefully to convince those Members that have spoken about it because they seem to me to be non-dissolvable parts of the capital programme. Then I see no reason why the trading operations should not be separate. So then the separate parts would be (e) - the capital programme; (g) - the H.D.F.; (j) - the Strategic Reserve; and (k) - the Stabilisation Fund. I think that is an immovable set of proposals. I think that makes sense and I hope Members would appreciate the reasons why I am doing that. I would like to thank those positive Members, but I would like to thank the negative Members, too, because I am certainly going to do my best to try and address some of the fears and concerns that Members may have. I know I have probably got about 20 minutes and I do not want to really speak much longer, but I do just want to reflect some background. I am grateful for those Members who say that I work hard.

Well, I do not think I am the only one that works hard. I do not think I am the only one that has worked hard now or in the past. I sit in Cyril Le Marquand House a lot of the time and I think about the late Senator Cyril Le Marquand, a founding father. Senator Ferguson mentioned him. At lunchtime I had opportunities to reflect because I saw all of my predecessors who have taken Budgets in the last, I think, 25 years. I saw former Senators Jeune, Horsfall, Walker and Le Sueur all together. I did a selfie with Senators Walker and Le Sueur which I have not posted yet. **[Members: Oh!]** Maybe I am waiting for the result. But I was going to ask them whether or not they had also such a tough time in Budgets in recent years. It really is a shame that I think we have not discussed some of the things that are in this Budget proposition that I have just been through. I do not criticise Members, but I just remind them, very quickly and politely, there are propositions in this Budget which confirm the rules of the Housing Development Fund, that confirm and strengthen the rules of the Strategic Reserve, that confirm a new strengthened rule for the Stabilisation Fund, but there has not been, I do not think, any comment, apart from the hospital, on any capital programme, any of the issues that we are going to put forward. There has been nothing about the trading accounts and what they are doing. There has not been a single comment, apart from the Constable of St. John, about the liquid waste strategy. This is not a negative debate, in my view. This is not a debate about an unbalanced Budget, a declining economy, a deteriorating set of public finances. We are strong. We are stronger than we were at the start of this Council of Ministers' term of office. We were strong yesterday. We are strong today and this Budget is about being strong tomorrow. I want Members who have been so analytically critical to go out after they leave tonight, to go and say what this Budget is about for the community in which we are serving. I want them to go and say that in the last 3 years and, as a result of the continuing allocations that are here, we have revolutionised our financial planning. We have had a negative debate because we are looking forward, because Members have now got full sight of the challenges that we have got and we are no different in that. This is a debate and a Budget which is a move away from short-termism, the scourge of public finances around the world. I am disappointed that Deputy Southern is leaving. I want him to hear this. I want him to hear the fact that we have avoided a reoccurring £100 million deficit that we inherited and we took corrective action. I want Members to go out and say to the people listening and outside that together - not the Minister for Treasury and Resources and not the Council of Ministers - we have fought the financial crisis and that we have made difficult decisions. There are some difficult decisions in this Budget, but we are making efficiencies. The States is more efficient than it ever was before. Yes, we have made sacrifices together and for those that we said that there would be a dividend, there is the dividend. There is the dividend of a restored relationship with the U.K., a U.K. ministerial team of the left or the right that understands the value of the Jersey economy to the U.K. In this last 3 years and with more budget measures in this proposition we have fought off the detractors and the people in Brussels that said Zero/Ten would not be agreed. We have defended ourselves in terms of getting off a French blacklist and got complementary remarks from the French Finance Minister who is now in Europe. We have got to decide upon the site issue of the hospital but I have delivered the *grand projet* for the Constable of St. Mary when we said that there would be a dividend in not dipping into our savings and we are going to be paying for a hospital, which this Budget - and I am going to convince, I hope, those Members in a minute - is going to deliver that hospital out of the investment returns from the Strategic Reserve.

[17:15]

Where else is there a Minister for Finance that is bringing a proposition like that in proportion? I want Members to go and tell members of the electorate and the Island community that we have reduced unemployment. We have avoided it going up to 3,000. We have delivered better benefits for working families. We have delivered better benefits for parents with children at university. We have got lots of issues and challenges on health, but we have reformed health. That was not done

for 10 years. We have repaired, drains, roads, insulated homes. We have built hundreds of homes. We have restored mental health facilities and there is more in this Budget. Yes, we have built a new cancer wing. I do not think it is smaller, if I may say, in its total because I went round with the Chief Minister and the Minister for Health and Social Services. I saw the nurses and the people at the frontline and said: "How is this? What has this £4 million delivered?" I am a good friend of the Deputy of Grouville. I understand the comments that she has made so passionately, but I am told that there has been no scrimping and saving in terms of that and it is, of course, just the interim cancer solution for the new restored and completely refurbished hospital that is to come. We have built a new St. Martin's school. We have built new classrooms. We are going to be building more. We have rolled out fibre. We have created Digital Jersey with more funding in this Budget. We have secured easyJet. We have seen hotels that have had the highest occupancy that they have had in, I am told, years. I have spoken to hoteliers. Where is all this negativity? We have seen budgets allocated for events. I have enjoyed, as I hope you did, a fabulous Battle of Flowers and air display; last week Jersey Live; this week Branchage; next week the marathon. That is all as a result of budget decisions that are made in this Assembly.

Deputy R.G. Le Hérissier:

On the 7th day, Sir, he did rest. **[Laughter]** **[Approbation]**

Senator P.F.C. Ozouf:

But I have been proposed 3 years ago as a negative individual dealing with a deficit and saying that doom is going to come upon us and I have heard the booming voice of Deputy Le Hérissier saying that we are all going to be cast into the everlasting economic decline, but we have got new funds. We have got new banks. People are getting back to work. At the weekend the company that is going to deliver us a better Jersey Post dividend that we said was bust because we lost L.V.C.R. (Low Value Consignment Relief), they have not only restored their balance sheet and going to provide us a dividend, they won a national award, the Best Community Award in the United Kingdom. **[Approbation]** We have done all of this without sacrificing my, my predecessors and every single prudent Member of this Assembly's prudence. We are traditionally prudent and this Budget is just as prudent as before. This Island is not weaker. It is stronger and it is better as a result of their work. To use Gordon Brown's speech words that he said in the Scottish referendum, I say to those people who are thinking - and they have not heard my remarks yet - about voting against this Budget, we have created a better Jersey and a stronger Jersey and let no negative vote split us asunder. There we go. That is my party political broadcast **[Laughter]** but I believe it. Yes, I am the optimist apparently. I have been the negative individual but we need to remind ourselves of just what is good about what these proposals are. Yes, we have got challenges but, as nowhere else in the world, we are tackling them and we are in a stronger position as a result of it. I am not the Minister for Finance for having £4 billion of debt; wasting money on interest payments; wasting money on a declining economy. I have avoided the use of the word "deficit". I refuse to use the word "deficit" because I want to use the word "investment" because, in making more and putting more money in the economy we are not wasting and burning money. We are investing and that is why our balance sheet, whether or not it is a better Victoria Avenue ... yes, it has no value to be sold. Of course it cannot be sold, but it is a balance sheet which is not mortgaged and public assets which are mortgages with P.F.I.s (Private Funding Initiatives) and all that imprudent spending of elsewhere and I make no excuse for saying: "It is not a deficit Budget. It is an investing Budget designed to secure even better times in the future." This debate is really dominated about health because that is the big issue. I will come to Education because it is the second big issue. It is the big debate in politics. It is the big debate in our public finances in the past because we did not do enough early enough. We have a much bigger problem, so it is much bigger. If you put a problem off it becomes much bigger. Now, we have been tackling that 10

years of decline and 10 years of lack of investment and we have been able to put more money in. I am sorry to the Minister for Health and Social Services that she is going to have to have slightly less of an increase than she thought, but her department has been doing a brilliant job in providing the same services for less. That is efficiency and productivity I say to Deputy Vallois. There has been a change on advice in the Treasury and the Interim Treasurer who is welcomed back in the Treasury and I am grateful to Senator Le Gresley - I hope he is going to be back shortly - because I think the Interim Treasurer has been looking at all of the package that was proposed in an early Budget and looking to see whether or not we can deliver all the measures to consider what the sustainable funding model is. We know we have got to do more on the health sustainable funding model. We have all got big challenges but that King's Fund report set all of those issues in terms of what the U.K. Government has got to do as well and they are in a much worse position than we are. I just say, very respectfully, to colleagues at Health that the number one King's Fund report conclusion for Health is a renewed drive to increase productivity. That is their number one objective. I know I got a little bit of a scolding from the Minister for Health and Social Services but I say to her and her colleagues - but it is said in good heart because she has been the most reforming and delivering Minister for Health and Social Services that we have seen in 20 or 30 years, in my view, and she has tackled the issue and not put it off - we have got to deliver more money but it has to be productivity led and I know that she believes that. I congratulate all people who have delivered lean. That is why we can have confidence in delivering the 2 per cent. Health is the biggest issue. We need to transform health and social care. We need to be honest with people about how much it is going to cost. This scaremongering about increases in taxes: yes, we are going to have to change the Health Insurance Fund. It is wrong that probably unearned income is not charged. It is probably going to have to be looked at as to whether or not you only pay it when you work. That is what the King's Fund report said and, again, the King's Fund report said: "Look at prescriptions." They said: "Reintroduce them. Do away with some of the exemptions and save money." They said: "Deliver social care in an integrated way." They said: "Get a new deal for general practice." We know the burden of G.P. (General Practitioner) costs and we have got to integrate the whole thing; social care, G.P. care, the hospital brought together. We are probably going to have to make some big decisions in relation to funding. Senator Le Gresley was right. We have revolutionised the way we are going to be dealing with elderly people. I say to the Constable of St. John: what have we done for middle Jersey? Elderly middle Jersey have the security of being able to be in their own home and looked after in their home as a result of what the Minister for Social Security said. **[Approbation]** This is not spin. This is fact and this is going to be delivered in a way that the Minister for Social Security has said. We have to work at the de-stigmatising of mental health. These are big issues and I am proud. Again at the weekend I walked around St. Saviour's Hospital north and south. I was taken there by the Minister for Health and Social Services at the start of her term of office and she showed me the despicable conditions that they were in and we solved it together, but there is more to do. There is a lot more to do in terms of the stigma of mental health and there is funding in this Budget which is going to deliver that. The Chief Minister has said much about the dual site issue and I want to say 3 things about this. The first thing is something that I have never said before. We agree that, if possible, we should extend the hospital site by the acquisition of the 2 hotels and I can say to Members that we have been negotiating directly, upon advice - Property Holdings, Deputy Noel has dealt with this - with the owners of those sites who have those sites on the market for sale. They want to sell them, but I have to say to Members that the valuation, independently and properly received, which would comply with the Comptroller and Auditor General's requirements and her observations of the lessons learnt - not for me but others of Lime Grove, if I may say, all the lessons learnt and dealt with by Property Holdings - of those properties and the asking price has got a massive difference. Now, that is the truth. If we go out and say: "We need these sites," and we do not ... it is preferable, I agree. Perhaps the only way of moving this forward is going to be through

compulsory purchase, which will settle the market price of those issues. I do not say that lightly and that is not an issue for me, but that may be the only way that the States is not put in a ransom if the decision ... and I say to Deputy Hilton and the excellent, thoughtful, hardworking members of the Health and Social Security Panel that that needs to be looked at. We have made a comment just as they have asked. We have kicked the tyres. We have seen whether or not the Health White Paper is right. We have got those experts. That report has been published and we have responded within 7 days as a joint ministerial team on that. I hope that I have given all of the assurance that Deputy Hilton needs. For the avoidance of any doubt, the decisions that Members are being asked to make in respect of the allocations for health in that £22 million are not absolutely required in order to be the issues for the dual site. I can break down the issues. I have got the paper of what is in there. The £22 million is Overdale, which has got to be done anyway. Everybody knows that Overdale has got to be demolished and effectively have measured taken on it. The General Hospital is needing to be kept going for a period of time. We are very clear. I agree with the expert panel report that has been published on Saturday to Members. We are going to need to accelerate, not extend the refurbishment of the hospital and there are some further cancer care works and Planning votes to do it, so nothing is going to compromise that. We have accepted the fact that this Assembly is going to decide on the dual site. It seems to us to be totally sensible and right that the next Assembly does that. I hope Members will have the time to read the detailed comments on that. There are huge challenges with Health, but we are not alone and we are in a better position than most others and I believe we can deliver a health service that is a model of elsewhere. Education: it pains me, frankly, to listen to the Minister for Education, Sport and Culture. It seems that the penny had dropped to the Minister that the initiatives and pressures in Education cannot all get a sort of money tree additional funding. They are going to have to make some savings and efficiencies just like everybody else, but that should not compromise and should not compromise the delivery of education. I live in a world of education. I would remind the Minister that we did not ask for any additional savings in 2014 and there has been an enormous amount of investment in Education and in the Education budget: Prince's Trust, Trackers, capital works at Crabbé, which Senator Le Gresley mentioned, more money for Heritage Trust. I wish that I had been aware of some of the concerns that the Minister for Education, Sport and Culture has. It is easy for us to deal with the Health concerns because we have got a strategy, not a static strategy but a strategy that must evolve. If we do not have a strategy we cannot put funding to it, but we have certainly been patching it and we will work. I say in this Assembly it appears to me that there was a disconnect between the advice that I have from officials, from the Finance Director and the Chief Officer, and those of the Minister. I understand that they do not regard the issues as, in his words or others, a disaster. The Interim Treasurer has assured me that the proposals are deliverable and we will work with Education and particularly with the welcome remarks of both the Minister ... I am not giving way, Sir. I am not giving way.

[17:30]

Treasury attempts at all times to find solutions because of contingencies. We have been asked to fund effectively a standards improvement programme and we will do our best to do it. That is why we hold contingencies. It is new. It looks urgent and it should be funded and we will help, but Education has to play a part. Education is part of team and Education needs urgently to have a strategy that we can put appropriate funding for and we have put funding over the last few years. There has been discussion about fiscal stimulus and this is about a lot of the, I think, frankly unfair and non-evidenced criticism. There is a distinction between the previous fiscal stimulus and the capital programme that we are doing, but we are trying to use capital spending to keep the economy going and we are trying to use the excess capacity in the construction industry now, before it starts accelerating and the economy gets to growth. We are being criticised for doing so. We are not only just simply getting on with projects and it is wrong to say that we have not done a lot to get

forward with projects. We are now planning forward about increasing the capacity of the construction industry; getting the right people skilled now. I was up at Fort Regent seeing long-term unemployed getting their skills back rejuvenating Fort Regent. I met the manager of the long-term unemployed scheme this morning at Fort Regent at 7.30 a.m. and I spoke to him about how he is getting people back to work. That is what we are going to do in terms of planning for the future and, those Members who are saying we are not planning and thinking ahead, please can they just think about the work that we are doing. I am taking the economic advice of the Fiscal Policy Panel and the Economics Unit and I think that that is the right approach. They are the advisers and those are the people that I listen to and they are balanced. They are certainly no shrinking violets. They have certainly criticised and they have certainly given a good work programme and a big work programme of things to be done. I accept all, without reservation, the work programme that they have set. It must be delivered. There has been a lot of comment about monitoring in this debate. Lots of people have said we do not know what we are doing; we are rowing blind. Well, let me just remind Members how much better financial information they are getting. Senator Le Gresley now gets a monthly report and, yes, Ministers should read it. The Council of Ministers gets a quarterly report and we have published, for the first time, a 6-monthly report in public. We also have the most detailed set of accounts with granular detail of where public money is spent. I am disappointed that any Member would say that they have not got the information in order to make decisions. More importantly, to those Members who are thinking of voting against this Budget and who did not bring amendments, I say to them that they had the opportunity with the information that they have to come up with alternative plans. That is the sadness. It is easy perhaps for people to be on the side of the football pitch or the cricket pitch and to be making criticisms without being on the field, but we all, the Members of this Assembly, are in the game of politics. It is not a game, but in the field. We are making decisions. So where are the amendments of all these critical individuals who said this, that and the other? If they have an alternative why did they not bring it? I ask Members ... **[Aside]** Well, it is hard, but it is the fact and I hope we have improved on the amendments that some Members have brought. Bottlenecks: we have been speeding up. There is no doubt about that. Long-term planning: we have been doing more long-term planning than anybody. Members have a medium-term revenue plan. They have a long-term tax policy. They have a fiscal framework. They have new and improved rules. They have got a light shone into a longer-term future of Jersey, which they have never seen before. Maybe that is why we are getting criticised. I do not believe the economic model of Jersey is broken. I also do not think that it is only, if I may say to Deputy Higgins, G.V.A. which is the only dial that you look at in the cockpit of the Jersey economy. It is not. G.V.A. is not the issue that we can control because of interest rates to a great extent and so let us look at the granular detail. Yes, we have a productivity issue. Yes, we have other issues, but please let us not beat ourselves up when we see a fall in G.V.A. because of interest rates in decline. We have been through a financial crisis. Many Members are saying that there is this issue that we are somehow completely insulated from all of the world, the contagion of the world. We are in a better position than most other places. Tax policy: I do not think I want to say anything else about that. I think the Chief Minister has rightly warned Senator Ferguson and please, if I may say through the Chair, on a Ten/Ten/Ten model. I do not favour a Ten/Ten/Ten financial model. Ten per cent for financial service would mean it would be going, 10 per cent for G.S.T. would mean some controversy, and 10 per cent on income tax would be unfair and would not raise revenue from higher earners in the way that we are delivering with 20 means 20. Deputy Southern has never asked me another question in relation to the progression of income tax since I answered the question a few months, which showed how income tax rises in its effective rate. I am not giving way. Income tax forecasts: I think we have done this to death, but no new information. It continues to be criticised and I am sorry about that. I am grateful for Scrutiny. Even though we do not agree on everything, scrutiny has shone the light into some good areas of work and I do sincerely thank the C.I.P.F.A. who has done some good work and made some good

recommendations in relation to informing on how to improve decisions. It is pleasing that many of the panel's recommendations have been identified by the Treasury already and are underway. Structural deficits: I think we have really had an awful lot of discussion about this. The issue of structural deficits is all about growing the economy, making sure we are in the best position going forward and making sure that we get the economy going. If Members do not want to have tax rises they need to get the income and we need to get the income in terms of economic growth. I say to the Deputy of St. Martin that he is right - we need to do a lot more - and other Members who have spoken about getting economic recovery underway. I say to Deputy Young, contrary to his opinion on carry-forwards, they are reviewed each year and departments are required to justify underspends and we do that detailed analysis. It is not, I am afraid, those heady days when he might have been a chief officer and he might have worked in the Treasury. It is not the heady days when money was easy. It is much more difficult and that is much more difficult for us to deal with as an Assembly, but we are doing better than most. I have spoken about the challenges. They are about health, they are about education and they are about reinventing our economy and this is what this Budget is about. Deputy Vallois is tempted not to vote for this Budget. I really hope that she does and that she thinks again. I do want to answer directly the issues that she said. All returns to the strategic investments in the utilities are negotiated by the Minister for Treasury and Resources upon advice and included in the individual plans. Investment returns are put into the Consolidated Fund and the Currency Fund surplus is put into the Consolidated Fund. All of the other surpluses are all set out in the States accounts and nothing that she raised is not already in the public domain. I do thank Senator Le Gresley. He is the voice of reason. This is not a disaster. This is a big debate and I thank him for his unstinting analysis. There have been questions about whether Ministers are challenged. Well, I say come to a Council of Ministers meeting without your papers prepared because Senator Le Gresley has been through every single line with a highlighter and probably twice and will have asked repeatedly ... **[Approbation]** There are those Ministers that have not read their papers sometimes, but watch out if you have a Minister trying to get something through with Senator Le Gresley and indeed Senator Le Marquand and others have done and do so, too, but it is the departing Ministers that we should be thankful for. I am grateful, too, to Senator Le Marquand with his flexibility that he has shown. His department is going to be able to deliver savings as a result of the good work that they have done. There is no austerity coming, I say to Deputy Le Cornu. There is only austerity if we wreck Jersey's economy and if we make bad decisions we chase the finance industry away and we carry on talking Jersey down and we do not have the confidence. Then we will have austerity. Then we will have lots of problems, but I want to be an optimist. I want to convince Deputy Le Cornu that we have got a great Island, that we have got balanced public finances and that we are strong. I want to say to Deputy Higgins this is not a dishonest Budget. This is not a Budget with taxes going up. We have got challenges. We need to raise more charges. We have got big debates on health and education, but we can tackle this and we can tackle this together. I do not think many Members might change their votes because we have had a vote of no confidence. We have had questions. We have had a big debate and it is now 5.40 p.m. and I think Members want to vote. I am confident about this Budget. There has been a lot of analysis. It is difficult in some terms, but it is reactive and I think that we should be proud of what we have achieved and I move to the vote, if I may.

The Bailiff:

Do you ask for the appel?

Senator P.F.C. Ozouf:

I do on the packages that I have said. **[Approbation]**

The Bailiff:

Very well then. So just to be clear for Members, the first vote will relate to paragraphs (a), (c), (h), (i) and (l), so (a), (c), (h), (i) and (l), they are taken together. I invite Members to return to their seats and the Greffier will open the voting.

POUR: 33		CONTRE: 16		ABSTAIN: 0
Senator P.F. Routier		Senator A. Breckon		
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Connétable of St. John		
Senator B.I. Le Marquand		Deputy R.G. Le Hérisssier (S)		
Senator I.J. Gorst		Deputy G.P. Southern (H)		
Senator L.J. Farnham		Deputy of St. Ouen		
Senator P.M. Bailhache		Deputy J.A.N. Le Fondré (L)		
Connétable of St. Helier		Deputy S.S.P.A. Power (B)		
Connétable of Trinity		Deputy M. Tadier (B)		
Connétable of St. Clement		Deputy T.A. Vallois (S)		
Connétable of St. Peter		Deputy M.R. Higgins (H)		
Connétable of St. Lawrence		Deputy J.M. Maçon (S)		
Connétable of St. Mary		Deputy G.C.L. Baudains (C)		
Connétable of St. Ouen		Deputy of St. John		
Connétable of St. Brelade		Deputy N.B. Le Cornu (H)		
Connétable of St. Martin		Deputy S.Y. Mézec (H)		
Connétable of St. Saviour				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				

The Bailiff:

The next vote will be on paragraphs (b), (d) and (f). So they relate to capital and they are to be taken together and the Greffier will open the voting.

POUR: 35		CONTRE: 14		ABSTAIN: 0
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A. Breckon		Deputy R.C. Duhamel (S)		
Senator A.J.H. Maclean		Deputy R.G. Le Hérisssier (S)		
Senator B.I. Le Marquand		Deputy G.P. Southern (H)		
Senator I.J. Gorst		Deputy of St. Ouen		
Senator L.J. Farnham		Deputy M. Tadier (B)		
Senator P.M. Bailhache		Deputy T.A. Vallois (S)		
Connétable of St. Helier		Deputy M.R. Higgins (H)		

Connétable of Trinity	Deputy J.M. Maçon (S)		
Connétable of St. Clement	Deputy G.C.L. Baudains (C)		
Connétable of St. Peter	Deputy of St. John		
Connétable of St. Lawrence	Deputy J.H. Young (B)		
Connétable of St. Mary	Deputy N.B. Le Cornu (H)		
Connétable of St. John	Deputy S.Y. Mézec (H)		
Connétable of St. Ouen			
Connétable of St. Brelade			
Connétable of St. Martin			
Connétable of St. Saviour			
Connétable of Grouville			
Deputy J.A. Martin (H)			
Deputy of Grouville			
Deputy J.A. Hilton (H)			
Deputy J.A.N. Le Fondré (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy K.C. Lewis (S)			
Deputy E.J. Noel (L)			
Deputy A.K.F. Green (H)			
Deputy S.J. Pinel (C)			
Deputy of St. Mary			
Deputy of St. Martin			
Deputy R.G. Bryans (H)			
Deputy of St. Peter			
Deputy R.J. Rondel (H)			

The Bailiff:

The remaining paragraphs are to be taken separately and the first one will be paragraph (e) and the Greffier will open the voting.

POUR: 39	CONTRE: 8	ABSTAIN: 0
Senator P.F.C. Ozouf	Senator S.C. Ferguson	
Senator A. Breckon	Connétable of St. John	
Senator A.J.H. Maclean	Deputy G.P. Southern (H)	
Senator B.I. Le Marquand	Deputy M. Tadier (B)	
Senator I.J. Gorst	Deputy J.M. Maçon (S)	
Senator L.J. Farnham	Deputy G.C.L. Baudains (C)	
Senator P.M. Bailhache	Deputy N.B. Le Cornu (H)	
Connétable of St. Helier	Deputy S.Y. Mézec (H)	
Connétable of Trinity		
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 Grouville		
Deputy R.C. Duhamel (S)		
Deputy R.G. Le Hérissier (S)		

Deputy J.A. Martin (H)			
Deputy of St. Ouen			
Deputy of Grouville			
Deputy J.A. Hilton (H)			
Deputy J.A.N. Le Fondré (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy K.C. Lewis (S)			
Deputy E.J. Noel (L)			
Deputy T.A. Vallois (S)			
Deputy A.K.F. Green (H)			
Deputy of St. John			
Deputy J.H. Young (B)			
Deputy S.J. Pinel (C)			
Deputy of St. Mary			
Deputy of St. Martin			
Deputy R.G. Bryans (H)			
Deputy of St. Peter			

The Bailiff:

The next vote is upon paragraph (g) and the Greffier will open the voting.

POUR: 41	CONTRE: 6	ABSTAIN: 2
Senator P.F.C. Ozouf	Connétable of St. John	Senator A. Breckon
Senator S.C. Ferguson	Deputy G.P. Southern (H)	Deputy N.B. Le Cornu (H)
Senator A.J.H. Maclean	Deputy M. Tadier (B)	
Senator B.I. Le Marquand	Deputy G.C.L. Baudains (C)	
Senator I.J. Gorst	Deputy of St. John	
Senator L.J. Farnham	Deputy S.Y. Mézec (H)	
Senator P.M. Bailhache		
Connétable of St. Helier		
Connétable of Trinity		
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 Grouville		
Deputy R.C. Duhamel (S)		
Deputy R.G. Le Hérisssier (S)		
Deputy J.A. Martin (H)		
Deputy of St. Ouen		
Deputy of Grouville		
Deputy J.A. Hilton (H)		
Deputy J.A.N. Le Fondré (L)		
Deputy of Trinity		
Deputy S.S.P.A. Power (B)		
Deputy K.C. Lewis (S)		
Deputy E.J. Noel (L)		

Deputy T.A. Vallois (S)			
Deputy M.R. Higgins (H)			
Deputy A.K.F. Green (H)			
Deputy J.M. Maçon (S)			
Deputy J.H. Young (B)			
Deputy S.J. Pinel (C)			
Deputy of St. Mary			
Deputy of St. Martin			
Deputy R.G. Bryans (H)			
Deputy of St. Peter			
Deputy R.J. Rondel (H)			

The Bailiff:

The next vote is on paragraph (j) and the Greffier will open the voting.

POUR: 38	CONTRE: 8	ABSTAIN: 2
Senator P.F.C. Ozouf	Senator A. Breckon	Deputy G.P. Southern (H)
Senator S.C. Ferguson	Deputy of St. Ouen	Deputy M.R. Higgins (H)
Senator A.J.H. Maclean	Deputy M. Tadier (B)	
Senator B.I. Le Marquand	Deputy J.M. Maçon (S)	
Senator I.J. Gorst	Deputy G.C.L. Baudains (C)	
Senator L.J. Farnham	Deputy J.H. Young (B)	
Senator P.M. Bailhache	Deputy N.B. Le Cornu (H)	
Connétable of St. Helier	Deputy S.Y. Mézec (H)	
Connétable of Trinity		
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 Grouville		
Deputy R.C. Duhamel (S)		
Deputy R.G. Le Hérisier (S)		
Deputy J.A. Martin (H)		
Deputy of Grouville		
Deputy J.A. Hilton (H)		
Deputy J.A.N. Le Fondré (L)		
Deputy of Trinity		
Deputy S.S.P.A. Power (B)		
Deputy K.C. Lewis (S)		
Deputy E.J. Noel (L)		
Deputy T.A. Vallois (S)		
Deputy A.K.F. Green (H)		
Deputy of St. John		
Deputy S.J. Pinel (C)		
Deputy of St. Mary		
Deputy of St. Martin		
Deputy R.G. Bryans (H)		
Deputy of St. Peter		

Deputy R.J. Rondel (H)				
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The Bailiff:

Finally, we come to paragraph (k) and the Greffier will open the voting.

[17:45]

POUR: 39		CONTRE: 9		ABSTAIN: 0
Senator P.F.C. Ozouf		Senator A. Breckon		
Senator S.C. Ferguson		Connétable of St. John		
Senator A.J.H. Maclean		Deputy G.P. Southern (H)		
Senator B.I. Le Marquand		Deputy M. Tadier (B)		
Senator I.J. Gorst		Deputy J.M. Maçon (S)		
Senator L.J. Farnham		Deputy G.C.L. Baudains (C)		
Senator P.M. Bailhache		Deputy of St. John		
Connétable of St. Helier		Deputy N.B. Le Cornu (H)		
Connétable of Trinity		Deputy S.Y. Mézec (H)		
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 Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy A.K.F. Green (H)				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				

Senator P.F.C. Ozouf:

I suggest, Sir, that we adjourn and the Assistant Minister tomorrow will be leading all of the legislation through, but I am grateful for Members' overwhelming support of the Budget so far.

Senator P.F. Routier:

Sir, I hesitate because I understand that the Connétable of St. Helier was wanting to ask an urgent oral question. No? It will be tomorrow, will it? Okay.

The Bailiff:

Very well, so the Assembly will stand adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

[17:45]