

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 14th DECEMBER 2021

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[9:34]

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

COMMUNICATIONS BY THE PRESIDING OFFICER

The Bailiff:

1.1 Welcome to His Excellency the Lieutenant Governor

On behalf of Members I would like to welcome His Excellency to the sitting and his presence in the Chamber this morning. **[Approbation]**

STATEMENT ON A MATTER OF OFFICIAL RESPONSIBILITY

The Bailiff:

We now move on to matters relating to the Government Plan. The first item of business is a statement to be made by the Chief Minister on the Government Plan, after which, as Members will know, there is an opportunity for 15 minutes of questions.

Senator K.L. Moore:

Before the Chief Minister starts, has the statement been circulated? I cannot see it in the chat.

The Bailiff:

It is in the chat.

2. The Chief Minister will make a statement regarding the Government Plan 2022-2025

2.1 Senator J.A.N. Le Fondré (The Chief Minister) :

I am going to attempt to do this standing up, if I can. Today, Members will begin debating the third and final Government Plan of this Assembly. Before the Minister for Treasury and Resources opens that debate I want to take this opportunity to underline the significance of this plan and also provide Members with the chance to pose questions for me directly as Chief Minister. Just on the basis before I actually go through the actual statement can I make sure people can hear me properly, particularly online?

The Bailiff:

Can anyone indicate that they cannot hear the Chief Minister? He is very clear in the Assembly of course but if people could indicate virtually if there is any difficulty. No indication, so please continue.

Senator J.A.N. Le Fondré:

This Government Plan addresses the significant impact COVID has had and continues to have on our Island. It proposes funding for our continued pandemic response as well as significant investment into our recovery. The plan also outlines spending and the priorities identified by this Assembly, including new investment proposed in each of our Common Strategy Policy priorities. It includes the consolidating of long-term improvements to our public sector, which will ensure more effective public services for Islanders utilising improved digital and physical infrastructure. Ultimately, this plan invests in Jersey's future. Funding the long-term projects our Island needs and delivering the future Islanders deserve. This month marks 2 years since the world's first cases of COVID-19 were reported. In those 24 months the entire globe has had to meet the challenges posed by the most serious public health threat in generations along with all the pandemic's implications on our mental health, education, supply chains and economy. Every aspect of Island life has been affected to some degree and every Islander has had a part to play in our response. I am proud of the collective effort our Island has marshalled to this pandemic. I want to take this opportunity to once again thank all Islanders for their diligence and for the determination they have shown. **[Approbation]** Together

we have undertaken one of the most effective vaccination rollouts in Europe. We have safely kept schools open more successfully than anywhere else in the British Isles. We have mobilised a package of financial support that is unprecedented in our Island's history. This Government Plan provides funding not only for our ongoing response to COVID, such as our test and trace programme, P.P.E. (personal protective equipment) supply and the COVID helpline but also significant investment into Jersey's recovery. We have earmarked £5 million in spending next year on projects supporting our health and social recovery. This will include investment to close attainment gaps in education caused by COVID-19 disruption, funding to build on the success of the Connect Me initiative during the pandemic, and support for those who are experiencing long COVID. We will be providing a separate £13.4 million over the next 4 years into our children's health recovery plan, which will see investment into a new neurodevelopmental and integrated therapy service for young people and their families, a dedicated C.A.M.H.S. (Child and Adolescent Mental Health Services) home treatment team and increased access to support for young people impacted by COVID. As well as our recovery, this plan includes significant spending to advance our shared priorities agreed in the C.S.P. (Common Strategic Policy). Building on our efforts to put children first, which in the past has included a £1.7 million corporate parenting package, a new intensive fostering service, and our actions to become the first jurisdiction in the British Isles to ban the smacking of children. This plan will see around £200 million worth of spending towards putting children first next year. When we took office in 2018 growth expenditure for education stood at £5.8 million.

[9:45]

In 2022, this plan will see that figure increase to around £25 million. The total growth of putting children first, already agreed by this Assembly, is around £35 million a year for each of the next 4 years. This plan includes brand new initiatives, which will see new resources to address the increasing demographic pressures anticipated within education and investment of the new targeted youth support service, as well as support for the implementation of a new model of community-focused support by C.A.M.H.S. We will be continuing to invest in investing more into the physical and mental well-being of Islanders while continuing to manage the impact of COVID on our health service. This Government has overseen a substantial increase in the funding for and focus on mental health, including the opening of a listening lounge and new mental health law. Last year's Government Plan approved almost £28 million in new funding towards mental health over the next 4 years and this plan will add a £13.4 million on top of that figure. We will work with our partners in the health and care sector to implement the Jersey Care Model, which will expand primary and community care services for a more accessible and patient-focused model of healthcare. This model will also meet the needs of our Island's ageing population, assisting those with long-term conditions to live independently and receive the care they need. Additionally, further funding will be provided to reduce waiting times and improve the support available to patients. Having worked to safeguard livelihoods and support local businesses during the pandemic, this plan offers an opportunity to revitalise our local economy. We will address the long-term challenges and seize the historic opportunities before us with the delivery of the Island's first economic framework, providing a common vision for Jersey's future economy. This Government Plan will also build on our previous commitment to ensure 1 per cent of spending goes to heritage, arts and culture and our efforts to diversify our economy continue to give encouragement of, among others, the medicinal cannabis and digital sectors. We are expanding on the work already underway to raise the minimum wage and separately to identify new sites available for housing. The implementation of the new £10 million affordable purchase product before the end of this term will help more Islanders to own their own homes and we are also freezing Andium rents for 2022. Over the course of this Government Plan, the Climate Emergency Fund will deploy some £23 million to support the switch to lower carbon transport and more energy efficient heating. Next year we will be increasing fuel duty by 3 pence per litre to support this fund and further incentivise fuel efficient and hybrid vehicles. This year's Government Plan will also consolidate the progress we have made over the last 3 years to improve

our public sector delivering long-term benefits for Islanders. This plan includes a further £20 million of rebalancing, reducing waste and increasing efficiency within the Government to deliver a more productive and more cost-effective public service for Islanders. It builds on the progress we have made to improve the Government's infrastructure, both in the physical realm of the new office strategy and digitally via the I.T.S. (integrated technology solutions) programme. The former promised to deliver significant and sustained savings to the public purse and to free up sites for housing in St. Helier, all while providing a more convenient single point of contact for Islanders engaging with the Government. The latter will assist in modernising the Government's internal workings, the benefits of which have already been made apparent during the COVID pandemic as we made the switch to home working and quickly developed systems to manage P.P.E. supply. These changes and the further funding outlined in this Government Plan will ensure that, whatever the makeup of the Council of Ministers following next year's election, the Government of the day will inherit an agile, modern, efficient and cost-effective public service. This plan also advances projects to protect our Island's unique heritage, including resources, the Island identity project, and as I have said, the 1 per cent commitment to arts and heritage spending agreed in last year's plan. We will continue to increase our overseas aid contributions and advance our global markets programme as part of our efforts to enhance our Island's relationships with key global partners and to seize emerging opportunities. We have proposed investing £20 million into the establishment of a dedicated technology fund which, as page 175 of the Government Plan notes, will be the subject of a future States proposition. If approved, this fund will be used to support our emerging digital economy, close gaps in our innovation ecosystem, and support new high-value initiatives to create digital jobs in Jersey. This plan also provides funding to advance a number of important capital projects for our Island. This will include Fort Regent, completion of the new sewage treatment works, maintenance to Elizabeth Castle, and the combined ambulance, fire and rescue headquarters, which we have proposed be named to honour our late colleague, Len Norman. We will also be providing significant funding as part of our school estates projects to expand and modernise our schools to support our education staff in delivering the best educational outcomes for all students. This funding forms part of £106 million in capital funding to put children first over the course of this plan. Coupled with the revenue growth of just under £150 million in total additional growth earmarked towards the C.S.P. this plan is putting children first. Alongside the investment we are making in our C.S.P. priority areas and in the modernisation of government, this plan also emphasises sustainable public finances. Despite the global economic uncertainty caused by COVID, we have outlined plans to borrow responsibly to cover our pandemic response, the new hospital, and the refinancing of our pension debt. The hospital debt, which has been agreed by this Assembly, is entirely new. The COVID debt was unavoidable and the measures this Assembly has already approved will more than repay that debt by at least £80 million. The pre-1987 liabilities have existed for a long time. Whatever happens in this debate they are on our balance sheet now. By taking advantage of historically low interest rates we can refinance those existing public sector pension liabilities early, saving the taxpayer £3.6 billion over the long term. This plan is therefore able to chart a course to return to balanced budgets without relying on raising taxes, delaying important projects or jeopardising our financial reserves. Before I close to take questions from Members, I want to thank all those who have contributed to this year's Government Plan. Officers have worked incredibly hard to develop this plan in line with the Council of Minister's ambitions for Jersey. I want to thank the Scrutiny Panels and States Members for their engagement and consideration of our proposals and for their amendments. Members will understand that for a variety of reasons we cannot accept all amendments but I hope they will appreciate that we have, where possible, engaged with them and suggested small alterations to their original proposals. As we outlined at the Members' briefing last week, of the 26 amendments that have been lodged we are accepting or, with the agreement of the proposer, amending and accepting 13 amendments. This plan has been prepared by the Government but it has been informed, through the wishes of the Assembly and the needs of our Island. It builds on the successes we have had since 2018. To date, we have weathered the unprecedented challenges of both Brexit and COVID, the

likes of which have not been faced by this Island for generations. We have seen significant investment into each of our C.S.P. priority areas and we have improved the culture, organisation and infrastructure of our public service, ensuring it is able to effectively deliver for the future needs of Islanders. We have done all of this while seeing a total increase of over £550 million in our Island's reserves. We have borrowed for one-off purposes to cover our essential new hospital project, our response to the pandemic, and to refinance our existing pre-1987 pension liabilities. From 2023, we have balanced the books. We have plans in place to repay all Island debt in a prudent and pragmatic manner. That concludes my statement, and I look forward to taking Members' questions.

The Bailiff:

Thank you very much, Chief Minister. There is now a period of 15 minutes for questions and the first to ask a question is Senator Mézec.

2.1.1 Senator S.Y. Mézec:

In the Chief Minister's statement there was no use of the words "improve the standard of living or reduce income inequality" despite that having been a priority signed up unanimously by this Assembly during the C.S.P. debate. Can we take that as yet a further sign that the Government's commitment to create a more equal society over this term of office lies in tatters?

Senator J.A.N. Le Fondré:

The short answer is no and if the Senator had read the appendices in appendix 4, he will see the growth that has been put into that area in the Government Plan.

2.1.2 Senator S.Y. Mézec:

The Chief Minister was not listening to my question. I was referring to the content of the statement which we are now questioning him on, which did not contain those words. I give him an opportunity, if he is so able to, because if this existed it would surely be in the other document he has just quoted, can he provide us with any statistical evidence that demonstrates that when it comes to incomes and standards of living that Jersey is now a more equal society because of the work of previous Government Plans and will be even more of an equal society because of the work of this Government Plan, or is it in fact the case that no such statistical evidence exists?

Senator J.A.N. Le Fondré:

That is actually a different question to the one the Senator originally stated. If we were to put everything into the statement that related to what we have done in the Government Plan I think I would still be talking. In fact we would be talking for most of the morning. There are quite significant sums that have been identified in the Government Plan in relation to improving inequality, and I have answered a number of questions to the Senator on that front. It is a shame he appears to have forgotten the answers on that. What I can say, in terms of statistical evidence, he will be fully aware of my frustrations that because of COVID the report that we had hoped to produce - I gave a commitment to - we put the funding in place and it started work in 2019 but was fundamentally disrupted by COVID and so we are restarting that with part of the funding that is proposed in this Government Plan. But, as a starting point, if we turn round and look at the Minister for Social Security who has put measures in place, which will assist about 10,000 to 12,000 Islanders in accessing G.P.s (general practitioners) more cheaply, that is a very tangible result and there will be others as well, which we have alluded to on a number of occasions in this Assembly.

2.1.3 Senator K.L. Moore:

The Chief Minister states that this Government will leave behind sustainable public finances yet the Minister for Treasury and Resources has suggested that the next Government will have no option but to increase taxes. Why has the Chief Minister and his Government left the Island with such a legacy?

Senator J.A.N. Le Fondré:

The analogy I have used on a number of ... I will not use that analogy. It is very clear that when we came in there was a significant under-investment in a whole variety of areas, whether it was mental health, whether it was our culture, as in the organisational culture, whether it was in our I.T. (information technology) systems. In fact I recall the Senator criticising us, I think in 2019, for the investment we were putting into I.T. and the fact that this sitting is taking place as a hybrid, but particularly for the majority of Members using Office 365, is directly as a result of the investment we put in. She, as a previous Minister, failed to do that investment. It has been a generational side of failure to invest in a whole variety of crucial systems, which has left our Island exposed in ways that I do not want to say in public. We have taken the really quite difficult decisions to resolve those matters. From that perspective, the organisation from where we have started is in a far better place. It has further to go. In terms of sustainable finances, on the basis that, as I have said, we have had a generationally unprecedented challenge for which the Senator has only criticised us from day one.

[10:00]

It would be nice to hear something positive from her once. But the unprecedented financial challenge that we have had whereby we have spent I think something like £400 million in protecting Islander's lives and livelihoods, we only propose to borrow a maximum of £200 million and that will be repaid, and over that there will be more money coming in. Then in 2023 there will be a surplus.

The Bailiff:

Chief Minister, I ask you to bring that to an end, we have already reached the 2 minutes, which is well over what is normally permitted.

Senator K.L. Moore:

Given the tenor of the response from the Chief Minister, which is disappointing at the outset of what is to be a very long week, I shall not provide a supplementary.

2.1.4 Deputy K.F. Morel of St. Lawrence:

A large part of the Island's economic future will depend on the strong skills base. I understand the Chief Minister cannot express everything that is in the Government Plan in a statement but skills were not mentioned. Would the Chief Minister please provide the Assembly with a précis of how this Government Plan will improve skills among the working population for Islanders?

Senator J.A.N. Le Fondré:

I do not have the direct numbers immediately to hand. I know where to find them. There is a further investment into skills for exactly the reason that the Deputy is alluding to. Skills are high on the priorities and there is direct investment, some of which has already been embedded in the plan by previous approvals of this Assembly, i.e. which is treated as growth in the 4 coming years. There is investment or further investment into skills because, as the Deputy is saying, it is a critical area.

2.1.5 Deputy K.F. Morel:

Unfortunately I am hearing certain programmes and skills are being downgraded in terms of the funding they are receiving. Would the Minister please assure me and the Assembly that skills will be properly funded and properly staffed as well?

Senator J.A.N. Le Fondré:

Just to note that the growth already agreed in the plan is around £695,000, £716,000 and £716,000 onwards for each year. On that basis that is growth. I would have thought that would have meant that skills were being properly funded. From memory, there are other elements as well under the COVID-recovery schemes where we again are focusing on improving skills. Perhaps the Deputy can

send me the details to cover his concerns but certainly, from our perspective, skills remains a significant focus going forward, particularly because that has to assist with growing our own with increasing productivity on the Island and all those type of things.

2.1.6 Deputy R.J. Ward of St. Helier:

One of the more public comments made on the current Government Plan was by a board of governors that identified a £23 million funding deficit in schools. Does he accept that figure and, if not, why not?

Senator J.A.N. Le Fondré:

I am trying to find the reference point I need to quote from. The short answer is, without any further detail, no, I do not accept that figure. Again, I am disappointed this does not seem to have come out. As I said in the statement, I think the growth over the next 4 years is something like £150 million in revenue. If I look specifically in the Government Plan in appendix 4, improving educational outcomes total growth already approved by this Assembly, that is growth that has been approved in the previous 2 Government Plans - so it is under this Government - is £21 million for 2022, just under £21 million in 2023, just over £21 million in 2024 and the same in 2025. I do not understand how, with those numbers, that the stakeholders that the Deputy is referring to can come up with the suggestions they have done. I am very happy to try and understand it, but my understanding is part of it has been around a very early consultation exercise but probably it feels like imprecise figures. But the fact, and that is the items that have been approved as opposed to the relatively lower additional growth that is approved, are being sought for approval this year.

2.1.7 Deputy R.J. Ward:

Just to confirm then that the Chief Minister is not accepting the £23 million deficit as detailed by the board of governors?

Senator J.A.N. Le Fondré:

No, I do not. I would like to see the breakdown on how they come to that conclusion.

The Bailiff:

There are a few minutes left. Does any other Member have any questions of the Chief Minister on his statement?

2.1.8 Senator T.A. Vallois:

I would like to ask the Chief Minister, and I thank the Council of Ministers for accepting my amendment, all the numbers that he was referring to in terms of growth, how does he expect to see the changes in performance under the performance framework as a result of this Government Plan?

Senator J.A.N. Le Fondré:

The performance framework, as the Senator I am sure knows, has a variety of indicators that are produced and updated by, in essence, the Statistics Department under the chief statistician. They also then feed down into further key components, which are also updated on a periodic basis. Some are quarterly, some are annually, and the frequency will depend on the indicator. The chief statistician has accepted the fact that there was a lag in getting them updated for this year and, I understand, since that was commented in the hearing that we were in significant progress has been made in improving that position. My expectation, that is the whole point of the performance framework, is that those indicators that will capture what we have put in will, over time, hopefully show an improvement. We have always said when it came in, because it came in literally effectively pre-COVID, that it will take some time to show that kind of improvement but the theory should be for the next Council of Ministers - plural - that as the system beds down it will identify key areas where further work needs to be done. That is the whole point of it.

2.1.9 Senator T.A. Vallois:

Can I ask the Chief Minister, in terms of the indicators and the way that it has worked so far, bearing in mind we have had COVID, whether there are any particular indicators that he would look to change considering this is the last Government Plan?

Senator J.A.N. Le Fondré:

At this stage, because of COVID, I would prefer to let the system have a year of stability, i.e. let us get out of COVID, let us bed it down, and then essentially I would expect the next Council of Ministers to perform a review maybe mid-term to suggest are there any improvements that need to be made, but basically I think the system is fairly innovative. In fact from memory, and the Senator has a better memory on these things than me, it was held up and presented at certain international fora and it was praised at the time of it being very much of a very global high quality. It does tie through, through those performance indicators, into that thread that goes from the C.S.P. into the Government Plan, into the mid-year review and downwards. So there should be a common thread, which is again unique in terms of its new, under this Council of Ministers, which can then in theory tie the actions of this Government and of this Assembly directly into how they improve lives for Islanders.

The Bailiff:

There are 2 persons who have indicated a desire to ask questions and we are now almost out of time. Senator Mézec, you wish to propose an extension of 15 minutes?

Senator S.Y. Mézec:

Yes, please, Sir.

The Bailiff:

That is a permitted proposition within the context. Is that seconded? **[Seconded]** Does any Member have anything to say about that? I will assume not. I will take this on a standing vote unless someone indicates they wish to have a vote placed in the chat. Anyone who wishes to register a contrary vote or wishes the vote placed in the chat could they indicate now please, otherwise I will take it as agreement by standing vote. The Deputy of St. Peter has asked for a vote. I will ask the Greffier to place a link within the chat. The vote is on extending the question period by 15 minutes. Only one such extension is possible. I will ask the Greffier to open the voting and members to vote. Members have had the opportunity of casting their votes. I ask the Greffier to close the voting. The proposition is adopted:

| POUR: 31 | | CONTRE: 9 | | ABSTAIN: 0 |
|----------------------------|--|---------------------------|--|-------------------|
| Senator S.C. Ferguson | | Connétable of St. Saviour | | |
| Senator J.A.N. Le Fondré | | Connétable of St. Ouen | | |
| Senator T.A. Vallois | | Deputy K.C. Lewis (S) | | |
| Senator K.L. Moore | | Deputy S.J. Pinel (C) | | |
| Senator S.W. Pallett | | Deputy R. Labey (H) | | |
| Senator S.Y. Mézec | | Deputy L.B.E. Ash (C) | | |
| Connétable of St. Lawrence | | Deputy G.C.U. Guida (L) | | |
| Connétable of St. Brelade | | Deputy of St. Peter | | |
| Connétable of Grouville | | Deputy of Trinity | | |
| Connétable of Trinity | | | | |
| Connétable of St. Mary | | | | |
| Connétable of St. Martin | | | | |
| Connétable of St. John | | | | |

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| Connétable of St. Clement | | | | |
| Deputy G.P. Southern (H) | | | | |
| Deputy of Grouville | | | | |
| Deputy M. Tadier (B) | | | | |
| Deputy J.M. Maçon (S) | | | | |
| Deputy of St. Martin | | | | |
| Deputy of St. Ouen | | | | |
| Deputy L.M.C. Doublet (S) | | | | |
| Deputy S.M. Wickenden (H) | | | | |
| Deputy of St. Mary | | | | |
| Deputy G.J. Truscott (B) | | | | |
| Deputy K.F. Morel (L) | | | | |
| Deputy M.R. Le Hegarat (H) | | | | |
| Deputy S.M. Ahier (H) | | | | |
| Deputy R.J. Ward (H) | | | | |
| Deputy C.S. Alves (H) | | | | |
| Deputy K.G. Pamplin (S) | | | | |
| Deputy I. Gardiner (H) | | | | |

The Bailiff:

Accordingly, the time is extended by 15 minutes from now.

The Greffier of the States:

The Members who voted contre were: the Deputy of St. Peter, Deputy Guida, the Constable of St. Ouen, Deputy Lewis, the Deputy of Trinity and Deputy Labey. In the chat: the Constable of St. Saviour and Deputy Pinel.

2.1.10 Connétable A. Jehan of St. John:

Can I thank the Chief Minister, both for his statement and for the helpful briefing we had last week? Would the Chief Minister agree with me that the Island needs this week's debate, like all debates, to be constructive and that all views should be aired and treated with respect?

Senator J.A.N. Le Fondré:

Yes.

The Bailiff:

Deputy Morel, you wish to ask a second question. There is no one else indicating and wish to ask at this point.

2.1.11 Deputy K.F. Morel:

As the Island transitions to try and reduce its carbon emissions and become a more environmentally friendly Island in general, would the Chief Minister please provide a précis of how this Government Plan will help stimulate the green economy?

Senator J.A.N. Le Fondré:

In terms of stimulating the green economy there are 3 sides to that and it is just happening within the financial services and J.F.L. (Jersey Finance Limited), which is about the global side of, for want of a better expression, green-backed investment. Locally within the economic framework that the Minister is bringing forward, I would expect there to be - and I am not citing those areas - green

initiatives in there. Finally, as I have understood from the environmental side and also within some of the areas that the Minister for Economic Development, Tourism, Sport and Culture is also proposing in terms of the maritime resources, my understanding is that there is quite a lot around that that would support - I do not have enough knowledge about it - the blue carbon side of things.

2.1.12 Deputy K.F. Morel:

In the Chief Minister's view, is the technology fund that is proposed within the Government Plan one channel through which funding could be provided to environmentally-minded start-ups or businesses that will help the Island meet some of its environmental goals?

Senator J.A.N. Le Fondré:

I thank the Deputy for the question. We have been quite clear that the terms of reference, if you like, of the technology fund very much have to come back to this Assembly and are under development. I bear in mind the Deputy's position as an Assistant Minister for Economic Development, Tourism, Sport and Culture, his input would be very much welcomed in how those terms of reference continue to take shape.

[10:15]

There has been reference as to whether it should reflect, for example, green technology and I certainly saw that in an early draft. At this stage, my initial view was very much focusing on ... when I say technology and the digital sector but that does not preclude the technology and digital sector side that would have an environmental or a benefit, so, therefore, would be captured by that side. It is not particularly intended to look like an innovation fund, I hasten to add, but whether it could assist. The idea is it helps this investment into this part of the economy to diversify the economy and, therefore, not only improve productivity to assist us in our population challenges but also, again, to give alternatives to youngsters on-Island from their future career prospects. In all of that kind of objective - and I am sure we will hear more of that later - Jersey has a global edge which will probably last about 6 years. If we do not invest in that sector it will, potentially, risk just withering. But with all that aside, as I said, if the Deputy has specific amendments on those terms of reference which are, as I understand it, in draft and being produced by S.P.3 (Strategic Policy, Performance and Population), then his input would be very welcome.

The Bailiff:

Thank you very much. Just to let Members know some are asking for second questions; I am obviously prioritising those who have not yet asked a question.

2.1.13 Deputy K.G. Pamplin of St. Saviour:

I also would like to echo the words of the Constable of St. John and on that thank the Chief Minister for the briefing last Friday and ask the question I asked him then about where are we now with the COVID-19 response, pots of money, to use a turn of phrase. What are his concerns with the rising inflation that keeps being reported, not just across the United Kingdom but Europe and around the world?

Senator J.A.N. Le Fondré:

Sorry, Sir, and perhaps this can be injury time. Could the Deputy just repeat his question? I lost the very end of it and I did not know if he meant inflation in terms of increasing COVID numbers or inflation as an economic indicator.

The Bailiff:

Yes, Deputy, I am afraid I did not catch the last part of the question either, so perhaps you could repeat that.

Deputy K.G. Pamplin:

Yes, no problem. The first question was about the COVID funds and what is available and flexibility, similar to my previous question on that, and his response was to the economic effects of inflation, not the inflation of the COVID numbers.

Senator J.A.N. Le Fondré:

Certainly the last update I had on inflation was that it was expected to be short term and that things would then revert back to more usual levels, all the usual lowish levels we have had. I have not had a more recent update on that. In terms of the first part I think was: is there provision in the Government Plan for future impacts of COVID? The short answer is yes and they are found in at least 2 areas, part of which is under general reserves and the COVID recovery amount.

2.1.14 Senator S.Y. Mézec:

Can I ask the Chief Minister if the spending and income that is forecast over this period of the Government Plan is based on current population growth projections and is there a risk of those becoming out of date if P.116 is adopted?

Senator J.A.N. Le Fondré:

The short answer, I do not know the full answer to that. My understanding is that that was to be very much a detailed question for Treasury, which, hopefully, the Minister for Treasury and Resources can pick up at some point in her closing speeches. My understanding is that, in essence, it will look at working population and obviously one of the issues around the population because it is the ratio of under-16s and retired is the second area. I do not have the projected figures going forward but it will also be factors of projected growth, general R.P.I. (retail price index), state of the economy and things like that, which tends to be, I believe, a great awaiting.

2.1.15 Senator S.Y. Mézec:

I confess that I was being facetious with that previous question and in actual fact what I am asking the Chief Minister: is it not the case that the projections are safe because P.116 will make no difference whatsoever?

Senator J.A.N. Le Fondré:

I would not agree with that in any shape or form. What I will say - and it is something that one will have to look at in 10, 15 years away - is as technology improves you will, potentially, have to look at different ways we raise revenue if we maintain productivity but also a stable population. But that is not something for now, it is not something for 5 years' time, it might not be something for 20 years' time. But there will come a point when one will have to look at those revenue structures and how we operate, not in the near term in any shape or form, and always Jersey will maintain a stable and competitive tax base.

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

In his statement the Chief Minister alluded to the quite extraordinary success that the Island has had in dealing with the pandemic, that due to the perhaps prevailingly negative tone of the questions that have followed the statement that perhaps has been lost. Would the Chief Minister join me in thanking and complimenting and congratulating the hundreds or thousands of staff and volunteers who have been part of Jersey's response to the pandemic and who even today are administering much needed booster jabs to our population to keep them safe from the next wave? Would he agree with me that our public sector workers, particularly in medical science and treatment, who have been at the forefront of our response to the pandemic, deserve our praise and thanks? **[Approbation]**

Senator J.A.N. Le Fondré:

I have absolutely no hesitation in agreeing wholeheartedly with all of the sentiments of the Connétable on this matter and particularly I think I did say somewhere in my statement I am proud of where we have landed and I am proud, ultimately, to have led the teams that we lead. Obviously it goes down politically into the senior levels of the public sector and then further down into the operational side. Absolutely we should be very proud of everybody who has contributed to our response to date to the COVID pandemic and we know we have further challenges to come. But this Island is in, to date, a very good place and it is because of all the actions of everyone who has brought us to this point. I thank the Connétable for his question.

2.1.17 Senator S.W. Pallett:

One of this Government's key priorities has been improving Islanders' well-being and mental and physical health. I will just ask the Chief Minister whether he believes there is enough ambition and investment in the Island's sports facilities within this Government Plan.

Senator J.A.N. Le Fondré:

I do not have the figures directly to hand as to the amount of investment that is going into sports but there are some reasonably sizeable sums. As the Senator will be aware, we did release the sports strategy and indeed under the fiscal stimulus we have funded certain new sports facilities. We do have to recognise there is more to do but there is a fair degree of funding that is going to sports during the course of this Government Plan as a starting point.

2.1.18 Senator K.L. Moore:

When the Chief Minister was chair of the Corporate Services Scrutiny Panel he often berated previous Ministers for not saving enough in terms of public expenditure. The economic adviser to this Corporate Services Scrutiny Panel states in his report: "Whether a public authority should engage in a form of financial engineering as ambitious as the plan's proposal merits rigorous scrutiny. Moreover the precise steps and risk involved in the proposed financial strategy should be fully exposed and exemplified in a manner that is lucid to the satisfaction of elected Members and the public body involved." He continues to say: "The proposal should be further clarified and reviewed." Would the Chief Minister agree?

Senator J.A.N. Le Fondré:

I certainly agree that I felt in the past that not enough was being done in relation to making the public sector more efficient. Certainly one prime example I had was the fact that trying to get the consolidated office strategy has taken 10 to 11 years. When we came in we started it and it is now being delivered; demolition has started on an agreed site. Just to mark that down, we have achieved just under £60 million recurring savings. We have plans for a further £20 million, those are identified in this Government Plan. If the Assembly approves this plan we will be saving in total somewhere between £3.4 billion and £3.6 billion. Therefore, I very much stand by my view that we were not doing enough in terms of producing a more efficient organisation. There is more to do, there is no question. There will be more challenges ahead and, equally, at the same time I stand by what had been an eye-opener revelation, is the consequence of the lack of investment in other areas, which, firstly, have inhibited things like productivity and performance management and all those type of areas, have inhibited and, frankly, brought down the culture of the organisation and that is an organisation in which we should be very proud but it needs to be fit for purpose for the modern times.

The Bailiff:

Thank you very much. That brings the time allocated for questions to the Chief Minister, as extended, to an end.

PUBLIC BUSINESS

3. Proposed Government Plan 2022-2025 (P.90/2021) - as amended

The Bailiff:

We now move to deal with the first item of Public Business, which is the proposed Government Plan. As Members will have noted yesterday, circulated later in the afternoon was a note to all Members indicating that the Government is accepting a significant number of amendments, including amendments to amendments. It is possible that we read, therefore, the proposition as amended by all of those amendments, if Members agree. But just to remind Members, the amendments accepted into the Government Plan by Ministers are amendments 1, 4, 5, 7, 8, 9, 10 as amended, 13 as amended, 14, 15 as amended, 19 as amended, 23 as amended and 26 as amended. It is understood that those who have brought those amendments have agreed that the proposition may be read incorporating them. But I wished to give Members the opportunity to say that they did not agree, if they wished not to agree for the main proposition to be read as amended, with regard to all or indeed any of the amendments that I have just read out. It is a matter for Members that we can proceed, as I say, to present a consolidated proposition incorporating all of these amendments or we can take things separately. I just want to give Members the opportunity to indicate a dissent with regard to any of those amendments being incorporated in the proposition. It is understood by the Council of Ministers, as I understand it, that everything that I have read out has been agreed as being incorporated but if Members would like to indicate either in the Assembly or in the chat that they do not agree, otherwise I will ask the Greffier to read the proposition as amended. No one has indicated any difficulty with that. I hope I did not make the explanation too convoluted. Unfortunately the word “amendment” and “Member” sounds rather too close and it could have got somewhat confusing along the way. But I will ask the Greffier to read the proposition as amended by all of the amendments that I have set out.

[10:30]

The Greffier of the States:

The States are asked to decide whether they are of opinion to receive the Government Plan 2022-2025 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2022 as set out in Appendix 2 - Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law: “except that, in Summary Table 1 - States Income, the Return from Andium Homes and Housing Trusts shall be reduced by £2,750,000 in 2022 to allow for a social housing rents policy whereby rents are frozen for 2022 and capped at 80 per cent of the market rate from 2022 onwards and that Government shall continue to work with Andium to finalise a solution to minimise the impact on both Andium and the Consolidated Fund: (b) to approve the Changes to Approval for financing/borrowing for 2022, as shown in Appendix 2 - Summary Table 3 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9(2)(c) of the Law, of up to those revised approvals, except that in Summary Table 3, for the row entitled “Fiscal Stimulus, including Refinancing”, in the column headed “Change to Approval” there shall be inserted the figure “-20,359” and in each of the columns headed 2022, 2023, 2024 and 2025, the figure “50,000” shall be replaced with “29,641”: (c) to approve the transfers from one States fund to another for 2022 up to and including the amounts set out in Appendix 2 - Summary Table 2 to the Report, noting that the transfer from the Consolidated Fund to the Technology Fund is subject to the Assembly’s approval of a proposition to create such a fund in 2022, in line with Article 9(2)(b) of the Law; (d) to approve each major project that is to be started or continued in 2022 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report; (e) to endorse the efficiencies and other re-balancing measures for 2022 contained in the Government Plan, as set out in Appendix 2 - Summary Table 6, with amendments made as appropriate to reflect the establishment of the

Ministry of External Relations, as provided for in (f) and reflected within each gross head of expenditure in Appendix 2 - Summary Table 5(i); (f) to approve the proposed amount be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 - Summary Tables 5(i) and (ii) of the Report, except in Summary Table 5(i) 2022 Revenue Heads of Expenditure - the head of expenditure for Customer and Local Services shall be decreased by £1,849,000 to allow for a reduction in expenditure arising from a Social Housing Rents Policy whereby rents are frozen for 2022 and capped at 80 per cent of the market rate from 2022 onwards and that the head of expenditure for COVID-19 response be reduced by £901,000 to meet the net impacts of the rent freeze; £772,650 should be transferred from the general reserve head of expenditure to the Infrastructure, Housing and Environment head of expenditure to reinstate the original business case funding request for regular 3 sustainability; the head of expenditure for Children, Young People, Education and Skills should be increased by £53,266 to allow the Youth Service to ensure the retention of a full-time assistant youth worker to support the Inclusion Project and the head of expenditure for Children, Young People, Education and Skills for 2022 should be increased by £27,000 to allow the Youth Service to employ an additional part-time assistant youth worker to support a 2-year pilot Transition Programme within the Inclusion Project; the head of expenditure for Children, Young People, Education and Skills should be increased by £30,000 to allow for additional resources to reinstate the Jersey Child Care Trust's full grant for 2022; the general reserve head of expenditure shall be decreased by £500,000 with the head of expenditure for Health and Community Services increased by the same amount, in order to increase the 2022 allocation for mental health; the head of expenditure for Central Planning Reserves shall include as part of the existing allocation by £100,000 to allow for a feasibility study of appropriate sites, including Piquet House for States Members office space; £200,000 should be transferred from the general reserve head of expenditure to the head of expenditure for Strategic Policy, Planning and Performance to facilitate and support the creation of a taskforce in relation to improving women's safety, such body to collect views from Islanders and to develop and propose direct and achievable action points, to achieve that objective to a new Government for inclusion in the next Government Plan; an additional role should be inserted in the departments with the name Ministry of External Relations and with 145 inserted into the column for income, 2,918 inserted into the column for expenditure allocation and 2,918 inserted in the column for head of expenditure, with the figures for the office of the Chief Executive, with which External Relations is currently based, being adjusted down accordingly, so the full establishment of the Ministry of External Relation in this Government Plan is cost neutral; the head of expenditure for Children, Young People, Education and Skills should be increased by £330,000 and the head of expenditure for the COVID-19 response shall be reduced by £330,000 in order for funding identified to support Early Years within the COVID Health and Social Recovery Project to be placed within the base departmental budget for Children, Young People, Education and Skills; the head of expenditure for Central Planning Reserve shall include £150,000 as part of the existing allocation for First Tower playing field; (g) to approve up to £480 million to be appropriated from the Consolidated Fund for the Past Service Pension Liabilities Refinancing head of expenditure, subject to the availability of funding, which may include, in full or in part, use of the borrowing/financing referred to in paragraph (b); (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2022 in line with Article 9(2)(h) of the Law and set out in Appendix 2 - Summary Table 7 to the Report; (i) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2022 for each head of expenditure in line with Article 9(2)(1) of the Law and set out in Appendix 2 - Summary Table 8 to the Report; (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2022, as set out in Appendix 2 - Summary Table 9 of the Report, except that the proposed expenditure within the Climate Emergency Fund shall include an amount of up to £250,000 to fund and implement an air quality monitoring policy to include provision of all necessary equipment; (k) to approve an

amendment to the policy of the Strategic Reserve Fund to enable that Fund to be used as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required and: (1) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2022-2025, as set out in Appendix 3 to the Report, with amendments made as appropriate, including in R.150/2021 to reflect the establishment of the Ministry of External Relations has provided for in (f) and except that on page 139 of Appendix 3 after the words “A freeze in the rent levels” there should be inserted the words “(based on a policy that social housing rents should be set at 80 per cent of the market rate)”, in addition to any further changes to Appendix 3 identified as required by the Council of Ministers to reflect the implementation of such a policy; on page 168 under “Health Insurance Fund” the following words to be inserted: the following safeguards and transparency measures will be put in place in relation to the establishment of the Jersey Care Model: the independent non-executive board (establishment of which was approved in P.114/2020) will be supported to publish a review of the Tranche 1 and the use of 2021 funding by the end of March 2022 at the very latest; and the digital health team within Modernisation and Digital establishes a protected, separately resourced sub-team (that includes a Manager grade role), to focus solely on the delivery of the Jersey Care Model digital systems and the Digital Care Strategy. Regular updates on these work streams should be regularly report on to the J.C.M. (Jersey Care Model) Programme Board; the Independent Oversight Board and the Health and Social Security Scrutiny Panel. The following safeguards and transparency measures will be put in place in relation to the operation of, and any transfers made out of the Health Insurance Fund. The Minister for Health and Social Services will annually publish a report, which will also be presented in advance to the Health and Social Security Scrutiny Panel, to detail the information provided to the Minister for Social Security relating to the costs incurred on the Jersey Care Model that require a transfer of funds from the H.I.F. (Health Insurance Fund). The Minister for Social Security will publish a report, within 2 weeks of any transfer, to detail how any funds transferred out of the H.I.F. for the purposes of the J.C.M. or its related digital strategies costs have been verified. An actuarial review of the Health Insurance fund is prioritised in 2022 and will include: specific analysis of the use of the H.I.F. for the purposes of the Jersey Care Model and its related digital strategies; consideration of the impact of all withdrawals on the fund since 2020 and the future of the H.I.F., should withdrawals take place, as per envisaged by P.130/2020. As part of the wider review of sustainable healthcare funding to be undertaken in 2022, there will be a specific consideration to repaying the H.I.F. (from the Consolidated Fund) for funding withdrawn for the establishment of the Jersey Care Model and its related digital strategies if no sustainable healthcare funding is operational by 2025.

3.1 Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

I am speaking from the States Chambers today and, as the Minister for Treasury and Resources, I am going to present to you the financial part of the Government Plan. While we are still feeling the effects of the COVID-19 pandemic as individuals, within our community and as a Government, we are focusing on recovery and renewal for Islanders and our economy by outlining a plan for the long term sustainability of Government finances. This plan, which, as well as covering areas for investment, also looks at how we can use our balance sheet to secure the future financial sustainability of the Island, including the borrowing we will need to fund Our Hospital and the costs of the pandemic. It also takes action to save taxpayers’ money on the repayment of our existing pension liabilities and addresses legacy issues inherited by this Government. First, I will turn to the economic outlook; COVID-19 continued to disrupt the global economy throughout 2021. The outlook has improved in advanced economies due to the widespread success of vaccination programmes, which includes our own one here in Jersey. Our closest partner, the U.K. (United Kingdom), saw one of the largest falls in output among developed nations but has been recovering strongly this year. Our local economy has also taken a hit from the pandemic with an unprecedented 8.7 per cent fall in G.V.A. (gross value added) in 2020; despite this the outlook is positive. The headline indicator from

the business tendency survey turned positive in June this year, for the first time since the beginning of the pandemic. The number of businesses employing staff in Jersey has reached record levels, surpassing the pre-pandemic number. Survey results have continued to reflect increasing business sentiment during the final stages of the reconnection roadmap. The co-funded payroll scheme has been successful in preventing widespread job losses, following recommendations to gradually unwind support as the economy recovers the scheme has now closed. We continue to support businesses facing lingering challenges from the pandemic through a variety of targeted schemes. The payroll scheme will be reintroduced if there is a need for public health restrictions to return in the future. As a result of Government's rapid response and support, together with the understanding and responsibility accepted by employers and employees, actively-seeking work numbers have now fallen below pre-pandemic levels. Total employment has returned to 2019 levels, indicating that payroll scheme has achieved its aim of supporting a robust economic recovery. The recession and subsequent recovery have been uneven between sectors and the hospitality events and tourism sectors are still experiencing difficulties. The visitor accommodation support scheme will continue to support hotels facing detriment and the visitor attractions and events scheme will support those firms who have been hard hit in the events sector. Economic recovery is not without challenges however, as with many other advanced economies Jersey saw a fall in inflation, as demand was curtailed during the lockdowns and the uncertainty in 2020. Inflation has picked up again hitting 3.5 per cent in June and 2.9 per cent in September. As demand recovers from the pandemic, short-term supply constraints look likely to push inflation higher next year with Jersey's Fiscal Policy Panel forecasting a temporary period of high inflation in 2022. In response to inflationary pressures in the U.K., markets expect the Bank of England to raise interest rates early next year, if not sooner. Though it is fair to say that much of the current price pressure policies relates to global energy and commodity prices, which will not respond to U.K. monetary policy. Any increase to interest rates will, however, support the recovery of profits in the banking sector. House prices have continued to grow, driven in part by very low interest rates. This is in contrast to forecasts at the start of the pandemic, which were for a fall in house prices, both here and in other economies. The bridging Island Plan sets out plans to build over 4,000 homes, including 1,500 affordable homes over the next 4 years.

[10:45]

Andium and the States of Jersey Development Company will play a key role here, combining to deliver more than 900 affordable new homes by 2023. Looking forward, the Fiscal Policy Panel is forecasting a strong recovery in the coming years and said in their November report that they believe there are more upside risks than downside risks, which is welcome news after the challenges of Brexit and the pandemic. However, we have seen coronavirus case numbers increase in Jersey as we have come into the winter and new mutations of the virus still pose a risk to the Island. We must remain vigilant and continue to prioritise both lives and livelihoods. While the pandemic is not yet over, the unprecedented support provided by this Government means the economy is well-placed to recover strongly. As the focus moves from immediate emergency support into long-term economic renewal, this Government Plan dedicates significant resources to ensure that we build a vibrant and sustainable economy. For example, we will support economic renewal through an expansion of Jersey businesses support services. We will also produce a roadmap for the recovery of the tourism sector, develop a new strategy for our retail sector, work towards implementing 5G to bolster our world-class connectivity and invest in our arm's length organisations to develop key sectors, such as finance, hospitality and digital. Before looking in more detail at the financial aspects of the plan, it is important that I set out our financial strategy for 2022 to 2025. This is framed around the following principles: the Government proposes to borrow to cover the impact of COVID-19 on the public finances and for Our Hospital. We will fund Our Hospital through new debt and pay the costs using future returns on the Strategic Reserve Fund. Savings generated over the Government Plan period are the primary source of funding for new investment. Public finances should be balanced in 2024 to 2025, meaning expenditure should be equal to or less than income after depreciation. We will run

deficits until the economy has recovered, in accordance with Fiscal Policy Panel advice, and we will refinance past service employees' pension liabilities to save money for future taxpayers. These are underpinned by the principles enshrined in the Public Finances Law to support long-term financial sustainability and the long-term well-being of Islanders. This Government Plan is the final one of this current administration and we remain focused on the commitments that we have supported the work of this Government and that were established in our Common Strategic Policy of 2018. In our financial strategy we have made it absolutely clear that we intend to run our finances at a deficit until we begin to see recovery. Nonetheless, it is our firm intention that we will return to balanced budgets over the period of this Government Plan. Due to our commitment to invest in public services and our common strategic priorities through savings and efficiencies, we are committed to not making any severe cuts to spending or significant increases in taxes to cover the deficits. Also, as I have said consistently throughout the pandemic and I will reiterate it again, we will not be using the Strategic Reserve to meet the costs of the pandemic and other spending requirements. This is also in line with the recommendations of the Fiscal Policy Panel. The Government Plan also states that we should not undertake borrowing to fund recurring expenditure and so, apart from responding to COVID-19 and the Our Hospital project, we expect our only additional borrowing will be to meet the cost of refinancing existing pensions' liabilities. The strength of the Strategic Reserve and the investment returns on it are enabling us to finance the borrowing for Our Hospital, which was approved by the Assembly in October 2021. The pandemic has continued to have significant impacts on our finances but to a lesser extent than previously envisaged. The net financial impact of the pandemic will peak at £209 million next year, with the final impact over the period 2020 to 2025 now estimated to be £177 million. I am pleased to report that this is significantly lower than was estimated in the previous Government Plan, as income has held up more strongly than anticipated. As you would expect, we are continuing to provide funding to cover the cost of responding to COVID-19 and its variants. For 2022 this will be £34 million of direct funding with a further £53 million being held in reserve. This is the sensible approach, as we are still learning about the Omicron variant and its impact over the next few months and there will be other variants appearing next year that we may also need to respond to. Turning to the refinancing of past service employee pension liabilities, we are proposing to pay them back more quickly. By taking this approach we will incur much lower interest costs and achieve long-term cash savings estimated at more than £3.6 billion. I believe this is a prudent measure, if somewhat overdue. We have put in place a robust debt framework and we have a plan to repay all of these borrowings. This ensures that we can afford the cost of the debt and that we will be able to repay it without replacing additional burdens on future generations. Now to reserves. In the Government Plan we are forecasting a 2022 opening balance on the Strategic Reserve of more than £1 billion and the Social Security Reserve Fund is forecast to have an opening balance of £2.1 billion. As I outlined in my speech at the start of last year's Government Plan debate, it is proposed that the States grant should not be paid into the Social Security Fund in 2022 and 2023 to support the costs of the pandemic. As you will be aware, the grant was also not paid in 2021. This will allow an additional estimated £225 million to be allocated to urgent financial pressures. Spending and growth. This brings me to the issues of public spending and investment in our priorities. As I mentioned earlier, one of our priorities in 2022 will be responding to the economic and financial impact of the pandemic. During the next 3 years we will fund new economic growth initiatives to drive the recovery, which build on the recommendations of the Economic Council. While the co-funded payroll scheme ceased at the end of October, other support schemes will continue to the end of March 2022. Eligible businesses, those still most affected by the pandemic, can also defer their social security contributions and G.S.T. (goods and services tax) for the final quarter of 2021 and the first quarter of 2022 for up to 5 years. Affected businesses have until 9th January to apply for these deferrals. We have also been proactive in supporting our local economy through the Fiscal Stimulus Fund; 47 projects have received funding, totalling nearly £30 million. As we intended, the funding is providing a much-needed short-term boost to the economy. The majority of the projects will be completed in the first quarter of next year. In 2022 we will also focus on addressing long-term

challenges and opportunities for our economy by delivering the Island's first economic framework. This will provide a common vision and strategic objective for Jersey's future economy. Investment. In this Government Plan we are continuing to invest in our future by delivering the priorities set out in the Common Strategic Policy 2018 to 2022. These include new initiatives funded in this Government Plan, continuing the projects identified in the last Government Plan and the ongoing modernisation of the essential public services provided to Islanders. The investment in our Common Strategic Policy priorities will total £45 million in 2022; £8 million identified in previous plans and £37 million of new investments, including hospital financing costs. I will now go through these in more detail. Under putting children first we will spend an additional £6.6 million over the next 4 years, with increased expenditure in 2022 estimated to be £1.1 million. In 2022 we will be providing extra investment for support services targeted at children who are most at risk, conducting a review of our school sites and provide resource to mitigate increasing demographic pressures within the education system. This is in addition to the £35 million that will also be invested in programmes and projects that were included in last year's Government Plan. These include the education reform programme, a redesign of C.A.M.H.S. and implementing aspects of the Care Inquiry. To help improve Islanders' well-being and mental and physical health, there will be additional spending of £41.2 million over the life of this Government Plan with an estimated £17 million being spent next year. Along with continuing to fund the COVID-19 helpline, the test and trace programme and vaccination and boosters for Islanders, we will also be launching a health and social recovery fund and a children's health recovery plan. We will continue to implement the Jersey Care Model, which will reduce dependency on secondary services by expanding primary and community services and provide more care in the community and at home. The Jersey care record will also be developed to integrate patient records in digital form, so they can easily be accessible to both healthcare providers and patients. Creating a sustainable and vibrant economy will be more important than ever as we recover from the pandemic and over the next 4 years we will be looking to spend an additional £9.2 million. We are expecting to spend £2.5 million of this next year in 2022. Reducing income inequality and improving the standard of living for Islanders remains a priority and there will be an additional £4.2 million to support this until 2025; an expected £1.2 million of this will be spent in 2022. Finally, over the next 4 years we will be spending an additional £2.3 million on protecting and valuing our environment and of this an expected £1.5 million will be spent next year. There will also be £4.5 million from the Climate Emergency Fund to support new policies in 2022. These will promote a faster transition to low carbon travel and the introduction of more energy, efficient heating and cooling systems. Modernising Government. Next year we will continue to support the Government's ongoing commitment to deliver a modern and innovative public sector which meets the needs of Islanders. We will be building on the progress we have already made by our digital technology projects, such as the integrated technology solution and the cybersecurity programme. If you had been past Cyril Le Marquand House in the last few weeks you will have noticed that work has started to demolish the building. This work will continue into next year and then the new Government offices will be constructed on the site. This new office development will bring together more than 1,600 public servants in one building and it will create a central hub for Islanders to access government services. It will also, on completion, free up current government office sites for development for housing. Our biggest asset as a Government is our people and we will continue to develop our employees and improve our services. We will carry on the work to update our policies, to make the Government an employer of choice, as well as providing training opportunities for all colleagues and nurture and promote talent to grow our own on-Island skills.

[11:00]

Additional spending over this plan period will be £12.9 million, with an estimated £3.4 million being spent next year. This excludes the borrowing costs for Our Hospital. Efficiencies and rebalancing. For the period of 2020 to 2021 we are on target to deliver £57 million in efficiency savings out of the original target of £60 million. The vast majority of these savings are recurring reductions; given the

context of the last 2 years this is a significant achievement. This Government Plan continues to emphasise the need to secure efficiency measures, to balance public finances and, therefore, remains a central tenet of our financial strategy. There will be a further £20 million savings per year between 2022 and 2024, in addition to delivering the shortfall from the previous years. Now on to capital spending. This Government Plan provides for a bold programme of investment in capital projects. Included within this investment will, of course, be the funding to deliver Our Hospital. I am delighted that this Government Plan will realise our longstanding ambition to create a modern, fit-for-purpose hospital facility that is capable of supporting the provision of world-class healthcare services for decades to come. Alongside funding for Our Hospital, the Government Plan proposes £388 million of investment to deliver vital improvements to the Island's infrastructure and the technology that underpins government services. New capital spending in this Government Plan has primarily been targeted towards delivering on the Government's priority to put children first. Additional investment of £37 million is proposed to support new school and educational developments. Substantial investment is also provided in new and upgraded youth facilities. The proposed capital spending will continue to support the technological transformation of Government. Investment totalling £96 million would be made in technology projects that will support a revolution in healthcare and through the integrated technology solution to ensure that government systems meet our ambitions for a modern and effective public service. I am pleased to say that funding is also proposed to allow us to breathe new life into some of our most precious heritage assets. Funding will enable new facilities to make Elizabeth Castle more accessible to Islanders and we will begin realising a new chapter for Fort Regent. I now turn to my specific budget proposals for 2022. Our fiscal position and tax system remain, by international standards, extremely stable. In line with Fiscal Policy Panel advice to avoid significant revenue-raising in the short term, revenue increases in the Government Plan are restricted to increases in impôts and only where there are good reasons for doing so. I recognise that many Islanders have found themselves in a difficult financial position as a result of the pandemic and it is right that we continue to provide breathing space to help them recover. Personal allowances, the Council of Ministers has decided to increase the main tax allowances by 3.3 per cent in line with the increase in the average earnings between June 2020 and June 2021. The increase means that the single person's allowance is increased by £550 to £16,550. The income exemption threshold for married couples and civil partners increases to £26,550. After a period of gradual convergence the age-enhanced allowance for couples born before 1952 is now subsumed within the standard allowance. These proposed increases benefit around 46,000 taxpayers, reducing a single person's annual tax bill by around £140 and that of a married couple or civil partnership by £220. The allowances continue to compare favourably with Guernsey's proposed individual allowances for 2022 of £12,175 and the U.K.'s current allowance of £12,570. I am also proposing a £250 increase in the second earner's allowance to £6,550. This will maintain the parity between married couples and unmarried couples where both individuals are working. We increased the additional child allowance available to a single person last year to £4,590. A small change is made to the qualifying income threshold for childcare tax relief to ensure these 2 figures are once again aligned. Moving to independent taxation. 2021 has witnessed the start of one of the most fundamental changes to our personal tax system. I am delighted that in September we adopted P.78 which set out the first 2 stages of the journey to full independent taxation. Following that decision Revenue Jersey started an awareness campaign telling Islanders how these changes may affect them. We held a number of roadshow events across the Island, a livestream event, which around 1,500 people joined for parts of the session and launched an online tax calculator, allowing Islanders to assess the financial impact of independent taxation. In 2022 the next Government will need to bring forward the remaining legislation to complete this work and to initiate the proposed compensatory allowance, which will help ensure that taxpayers are not materially financially disadvantaged when independent taxation becomes mandatory. This will be something for the new Assembly to consider early in its term. I want to reaffirm my commitment to providing that allowance to ensure 7,000 or so lower income couples, who would otherwise financially lose out, are protected for a transitional period of at least

10 years. A review will be conducted before the end of the transitional period to see whether the allowance needs to continue beyond the 10 years. P.Y.B. (prior year basis), The introduction of independent taxation has been made easier by our previous decision to remove the prior year basis of paying taxes. The Treasury will be writing to former P.Y.B. taxpayers during 2022 to provide more information about the options which will become available to repay the frozen 2019 prior year basis tax liability. A range of payment options will be made available during 2024, while those who want to start repaying earlier will be able to do so. Business interest rules. Turning now to some of the specific measures, the draft Finance Law enhances existing rules that allow relief for interest paid in respect of businesses' borrowing costs. Historically some rules were set out in extra statutory concessions published by the Comptroller. In the modern world it is right that these fundamental provisions are given the full backing of statute. Provisions affected in this way include the rules for allowing relief to be claimed for interest paid where a property is acquired as part of a commercial letting business and where shares in a trading company are acquired and the borrower is working in the business. Personal tax residence. A review of extra statutory concessions given by the Comptroller of Taxes over the years has been underway since 2017. This year's Finance Law begins the process to put more of our professional tax residence rules on a firmer statutory footing. In addition, where a person arrives or leaves Jersey during the year their income and allowances will be apportioned by days of residence, rather than by completed weeks. This provision does not extend to so-called high-value residents who have access to the preferential tax regime by virtue of having been admitted to Jersey under the high-value residence scheme. This much needed modernisation work will continue in 2022 and beyond. I now turn to impôts or excise duties. The Council of Ministers has considered carefully the matter of duties and their impact on certain sectors but also their impact on people's health and our environment. It is normal practice to revalorise excise duties to maintain their real value. As with 2020, the hospitality sector, in particular, has continued to struggle towards recovery in 2021. The Government Plan proposes freezing duties on all strengths of beer and cider but proposes an increase of 5 per cent for wines and spirits, which have a higher alcohol content. The Corporate Services Scrutiny Panel has suggested a different tack in amendment 24 to the proposed Government Plan, which would see across the board an increase of 2.5 per cent to alcohol duties, which the Council of Ministers is asking Members to reject. Tobacco. Once again the Council of Ministers is resolute in its position of applying above inflation increases to tobacco duties, which is consistent with the Tobacco Strategy 2017 to 2022. I am therefore increasing the duty on cigarettes by 9.5 per cent and on cigars and hand-rolling tobacco by 13.5 per cent. This represents an extra 65 pence on a pack of 20 cigarettes. Fuel. The Government is committed to above inflation increases in fuel duty to fund work to tackle climate change and discourage the demand for fossil fuels. We are continuing to apply the strategy of increasing by R.P.I. plus a real increase within this year is proposed at 3 pence per litre. The cost of a litre of petrol or diesel will therefore increase by around 5 pence. The additional 3 pence will be allocated to the Climate Emergency Fund helping fund future actions relating to the climate emergency. Vehicle emissions duty, which is payable when a vehicle is first registered in the Island, will also increase for non-commercial vehicles from April 2022. This is to discourage the purchase of vehicles that emit high levels of CO₂ or at least to help recover the costs of their impact to the general taxpayer. The additional revenue from this increase will also be put into the Climate Emergency Fund. While our carbon neutral roadmap continues to be developed, there are no proposed increases to the V.E.D. (vehicle emissions duty) rate for commercial vehicles. In fact, V.E.D. rates will be reduced for those commercial vehicles that meet the highest euro emission standards. G.S.T. It is a longstanding commitment of successive Governments since G.S.T. was introduced to quickly follow the E.U. (European Union) and now, post-Brexit, the U.K. is reducing the discrimination in favour of goods imported personally by Islanders. The G.S.T. *de minimis* level exists only as an administrative easement to ensure we do not spend more collecting G.S.T. at our borders than the G.S.T. is worth. The U.K. abolished this version of the *de minimis* level in January 2021 and the E.U. followed suit in July 2021. Now, in most cases large retailers across Europe are charging V.A.T. (value added tax)

at the point of sale according to the rate of V.A.T. in force at the point of destination of the goods. We are now asking them to do the same for Jersey at marginal cost. This Finance Law creates an obligation on all larger offshore retailers to register for G.S.T. from 2023 where their annual supplies into Jersey are expected to exceed £300,000. A year's clear notice of this change placed in statute will allow the affected businesses to make any required changes to their systems and procedures over the course of 2022.

[11:15]

This will allow the largest offshore retailers to charge G.S.T. at point of sale and remit the tax direct to our Exchequer. I recognise, of course, that it is not a universally popular development but it will ensure goods have the smoothest passage through Jersey customs as is possible. It does remove more discrimination from our tax system and it does improve the revenues available for our public services. Smaller retailers, below the £300,000 threshold would be able to register for G.S.T. voluntarily to benefit in the same way. If they do not register voluntarily then, as now, it will remain the responsibility of the Jersey customer to pay the import G.S.T. if it exceeds the G.S.T. *de minimis* level. It is expected these changes will then make it viable for Jersey customs to operate with a lower G.S.T. *de minimis* level for imported, unaccompanied goods for personal use and I have asked officers to take the necessary steps to reduce the *de minimis* level from £135 to £60 with effect from January 2023. I do want to make 2 things clear. Firstly, I personally remain absolutely committed to working for the abolition of the G.S.T. *de minimis* level as soon as possible to create increasingly fair competition in our marketplace. I will the support of the Corporate Services Scrutiny Panel for this position. I have asked Revenue Jersey and Jersey customs to review their experience of operating the £60 level during 2023 and to consider the scope for a further reduction or complete abolition. Secondly, in light of further representations from States Members and stakeholders I have asked Revenue Jersey to review the case for limiting the availability of the G.S.T. *de minimis* level only to Islanders importing goods for private use from small, unregistered retailers. This may enable larger offshore retailers to charge G.S.T. on all of their supplies regardless of value. This does not affect the draft Finance Law which will be considering after this debate. Tax policy plans for 2022. I would like to say something about our tax policy development plans for 2022. Among the priority work, I have asked Treasury officers to prioritise the following which I believe will be important items for the next Government's first Government Plan and for early consideration by the next States Assembly. Firstly, a stamp duty review. I recognise the cost of housing in Jersey is of pressing importance and I share the desire of most States Members for change, particularly to dampen down the buy-to-let market, which may improve the availability of housing for first-time buyers at less inflated prices. The Council of Ministers' amendment to amendment 22 registers our belief that such changes do need careful, albeit speedy, consideration and an appropriate level of public and business engagement on the best ways ahead. As I have already mentioned, work will continue to deliver independent taxation, including the compensatory allowance. On the tax technical side, we will undertake a review of the tax appeals provisions which I discussed with the Corporate Services Scrutiny Panel in October. Public consultations will also be carried out on tax administration proposal for partnerships and the corporate income tax filing deadline. Finally, in relation to the climate emergency, work is under way to find a long-term substitute for fuel duty, both to maintain government revenues and to support our environmental objectives. The lead policy options to my mind remain some form of road user charging or a tax on car ownerships. Finally, you will be pleased to hear, in conclusion our finances are stable and well-established, as has been recognised by our latest Standard and Poor's rating, which remains unchanged and strong. Through careful fiscal management we continue to build on our strategic priorities and the future prosperity of the Island. The Government Plan has been constructed and agreed by the Council of Ministers and we present this to the Assembly together. I commend this plan and the finance measures that underpin it to the Assembly. Thank you.

The Bailiff:

Thank you, Minister. Is the proposition seconded? **[Seconded]** There is an amendment, the first listed in the running order for the Government Plan, the 22nd amendment lodged by the Corporate Services Scrutiny Panel. There is an amendment to this amendment lodged by the Minister for Treasury and Resources, Senator Moore, do you accept that amendment?

Senator K.L. Moore:

No, Sir, we do not.

3.2 Proposed Government Plan 2022-2025 (P.90/2021): twenty-second amendment (P.90/2021 Amd.(22))

The Bailiff:

Then I ask the Greffier to read the 22nd amendment.

The Greffier of the States:

1. Page 2, paragraph (a) - After the words “Article 9(2)(a) of the Law” insert the words “, with the proposed taxation and impôts duties changes to include the introduction, following a review by the Minister for Treasury and Resources and no later than 31st December 2022, of a higher Stamp Duty rate for ‘Buy to Let’ investment properties, second homes and holiday homes”. 2. Page 3, paragraph (l) - After the words “to the Report” insert the words “, except that, on page 155 of Appendix 3, after the words “this review will conclude in 2022.” there shall be inserted the words “The Minister for Treasury and Resources will introduce a higher Stamp Duty rate for ‘Buy to Let’ investment properties, second homes and holiday homes no later than 31 December 2022.”, in addition to any further changes to Appendix 3 identified as required by the Council of Ministers to reflect the implementation of such a policy.”

3.2.1 Senator K.L. Moore (Chair, Corporate Services Scrutiny Panel):

The Corporate Services Scrutiny Panel has long called for action to be taken by the Government in regard to stamp duty and land transaction tax. We have identified that it can be used not only as a revenue-raising measure but also as a means to guide the property market. It has been well-rehearsed that the Island is facing unprecedented demand for residential property with this showing no sign of slowing. Indeed, the house price index for the third quarter of 2021 has shown overall housing market activity on a rolling 4 quarter basis to be 40 per cent higher than in the corresponding quarter of 2020. It is clear that timely actions to reduce the continued demand and increasing property prices is needed. The panel believes that introducing a higher rate of stamp duty and L.T.T. (land transaction tax) for buy-to-let investment properties, second homes and holiday homes will aid in reducing demand for those properties, allowing the property market to be fairer to first-time buyers and owner occupiers. The definition of those purchases impacted by this amendment can be identified as those in which a property is purchased specifically to let or any other residential property other than a main residence. The panel would highlight that the fastest growing area of the economy is currently the buy-to-let market, placing investors in competition with people who are trying to purchase their home in a rapidly increasing market. The introduction of a higher rate is not unprecedented. In the U.K., H.M. (Her Majesty’s) Treasury announced the introduction a stamp duty land tax on the purchase of additional properties in 2015. In that jurisdiction it is 3 per cent higher than standard stamp duty. It has been highlighted that the changes in the U.K. resulted in an increased sale to owner occupiers or to more sanguine, less affected, landlords and reduced overall residential property transactions. Indeed, there was a drop in the ratio of buy-to-let mortgage completions to 8 per cent in April 2016 versus 18 per cent that took place in February 2016. The panel has not proposed a specific higher rate for the Minister to implement, which it had intended and wished to do. However, we would suggest 2 per cent to be a fair amount. The panel leaves this to the Minister for Treasury and Resources to calculate. Additional revenue raised by the higher rates could be used in many ways to aid Islanders, for example, in affordable housing schemes. In summary, this amendment is a call to

action requiring the Minister for Treasury and Resources to bring about changes to combat an issue that is of vital importance to Islanders. It will allow up to a year for these changes to be implemented. The panel commend it to the Assembly.

The Bailiff:

Is the amendment seconded? **[Seconded]**

3.3 Proposed Government Plan 2022-2025 (P.90/2021): twenty-second amendment (P.90/2021 Amd. (22)) – amendment (P.90/2021 Amd.(22)Amd.)

The Bailiff:

There is an amendment to the amendment brought by the Minister for Treasury and Resources. I ask the Greffier to read the amendment to the amendment.

The Greffier of the States:

1. Page 2, part 1 - After the words “the proposed taxation and impôts duties changes to include the introduction,” delete the word “following” and insert the words “subject to” and after the words “following a review by the Minister for Treasury and Resources and no later than” delete the date “31st December 2022” and insert the date “1st January 2024”. 2. Page 2, part 2 - After the words “this review will conclude in 2022.” there shall be inserted the words “Subject to the outcome of this review, the Minister for Treasury and Resources will propose a higher rate of Stamp Duty for ‘Buy to Let’ investment properties, second homes and holiday homes no later than 1st January 2024.”

3.3.1 Deputy S.J. Pinel (The Minister for Treasury and Resources):

The Council of Ministers has sympathy with the desire expressed by the Corporate Services Scrutiny Panel amendment for action to address Jersey’s housing problems, which were well-articulated in the report of the Housing Policy Development Board earlier this year. That report concluded that increases in stamp duty were not the most viable way forward for affecting the housing market, without better understanding of the views of the public. In particular, the buy-to-let market remains fully in the sights on the proposed stamp duty review during which fuller public engagement is envisaged. The review was delayed by COVID-related reprioritisation but is now scheduled to take place during 2022 with a view to public engagement and a consultation taking place in 2023 with measures being brought forward in the draft Government Plan for 2024. Any tax measures would be presented in the draft Finance Law for 2024, which the Assembly will debate in December 2023. I would stress that a healthy private sector rental market is an important component of a healthy housing market. But, equally, we recognise that the demand from investors and aspiring private landlords is contributing towards house price inflation and making it more difficult for younger Islanders to get on the housing ladder. The Government has already announced a review of stamp duty and land transaction tax in the draft Government Plan to improve matters. On the matter of these taxes I would ask the Corporate Services Scrutiny Panel to bear with us while the full review is undertaken. Were their amendment to succeed without the amendment suggested by the Council of Ministers then the implementation project to deliver this change to the structure of stamp duty, involving quite complicated legislative changes to define scope and to prevent avoidance, would take officers away from that more fundamental review. Unaltered the C.S.S.P. (Corporate Services Scrutiny Panel) amendment also seems to deny the possibility that public engagement on this issue might lead to a different conclusion and I want to make it clear that there would indeed be limited scope during 2022 for full engagement with stakeholders and the public given the constraints of election purdah. I ask all Members to support this amendment to amendment 22.

The Bailiff:

Thank you, Minister, is the amendment to the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment to the amendment?

3.3.2 Senator K.L. Moore:

The Corporate Services Panel is disappointed that the Minister has chosen to propose delaying action to reduce property demand and rebalancing the market towards owner-occupiers and first-time buyers. The panel lodged its amendment to introduce a higher rate of stamp duty and L.T.T. for buy-to-let investment properties, second homes and holiday homes following continued promises of reviews in this area but very little action from this Alliance Government. The Government Plan 2020 to 2023 indicated that the Housing Policy Development Board is continuing to develop its work around housing policy, stamp duty and land transaction tax are within the scope of the board's work. A review of stamp duty was specifically proposed in the Government Plan 2021 to 2024 indicating that it would start in 2021. Review of stamp duty and land transaction tax and the taxation of enveloped property outlined in the Government Plan 2022 to 2025 stated that the review would conclude next year. However, the report to the amendment to the amendment indicates that consultation on the matter will now not take place until 2023.

[11:30]

As noted by the panel, reviews in this area have been numerous. We specifically link to R.101 of 2014, the property tax review in our report, as an example. The panel surmises that the information pertaining to the information required for implementation on differing rates is already in the Government's possession. The panel had originally considered requiring the Minister to bring forward changes earlier in 2022, however agreed to allow time to ascertain necessary legislative elements. This time can be used by the Treasury and Exchequer to collate the existing information that they already hold. Although the panel would suggest that consultation may have already taken place as part of the previous Government's work, this time could also be used to gain further views on the matter and, in fact, we have had to point out to the Minister and her team on several occasions that the consultations they have conducted on serious and major new issues of policies have been carried out in periods of time that have not met their own consultation guidelines. They clearly do not have that problem with undertaking quick reviews and consultations. So the panel would suggest that the consultation may have already taken place as part of the previous ... apologies, the panel was surprised that it is the view of the Minister that she is unable to carry out consultation concurrently during next year and aims to ask the Treasury and the Exchequer to do so in 2023 instead. The panel would highlight that, if adopted, the implementation of any different rate would be subject to the Minister's review. This risks that no action will be taken at all. The amendment to the amendment notes that the panel's proposal would require redeployment of resources from existing tax policy development work. The panel believes that the importance of providing a steer to the housing market indeed warrants this action. In all, if this amendment to the amendment is accepted it will allow 2 further years of inaction by the Minister. The panel's amendment, as proposed, will allow the Minister to carry out a review and consultation in a timely fashion. If the Minister is unable to conduct the work prior to the next Government term, the next Minister should be in a position to decide what action to take. The panel asks the Assembly to reject this amendment to the amendment.

3.3.3 Senator S.Y. Mézec:

I completely agree with what Senator Moore has just said. I listened intently to the Minister for Treasury and Resources and remain unconvinced by the case that she made. However, she did make one point, which I thought was very interesting, and it certainly demonstrates some progress in the attitudes that there are when it comes to the housing crisis. In fact by the end of this week they might even be calling it that, although they are not at this point. The Minister for Treasury and Resources said that the Government accepts that the levels of buy-to-let are affecting young people's opportunities in purchasing homes, or she said something along those lines anyway. That is something I was pleased to hear her say because I think most people will recognise that that is the case and that the problem in housing in Jersey is not just about the supply but it is also about the distribution of the supply that we do already have where young people can go to buy their first

property and find that they are outbid by somebody who has got capital they can fall back on and can therefore offer more to be able to get that property. Then when they do get that property they can rent it out at a level that is above what the mortgage repayments would be if it were an owner-occupier property, which is causing inflation and is depriving people of opportunities to buy their homes. For a Government Minister to recognise that is a good thing. Then the Government says: "But we are going to do nothing about it for a longer period of time than is necessary." I am very pleased that the Scrutiny Panel has proposed this measure. I think the timescale that they have proposed could be delivered upon and the Government amendment is simply to kick the can down the road and not deal with this issue and leave the problem to get worse and worse in the meantime. The Minister referred to the ongoing review on stamp duty and said that it is possible it could reach other conclusions. Well, I would happily put down a bit money on that as a bet that in fact it will not reach other conclusions, it will reach this, and so that begs the question: why do we constantly have to delay action while we review, review, review, consult, consult, consult when sometimes the answers are just staring us in the face? It would be a better demonstration of leadership to say: "Okay, there are perhaps other things that we can be looking at with stamp duty too" but it is obvious this is part of the solution, it is obvious that this is one of those conclusions it is going to reach so let us just get on with it. Let us take the action to benefit those people seeking to buy their own homes to give them an advantage when trying to purchase them. Let us do that sooner rather than later. I would urge the Assembly to reject the amendment from the Council of Ministers and to put their wholehearted support behind the Scrutiny Panel's amendment unamended.

The Bailiff:

Does any other Member wish to speak on the amendment to the amendment? If no other Member wishes to speak ... Chief Minister. If I could ask Members to indicate in the chat.

3.3.4 Senator J.A.N. Le Fondré:

Just to be very, very clear. I have absolutely no issues with the concept of this amendment. In fact I do not think any Ministers do. All we are trying to do is bring an element of realism to the debate and also to be - I will use the word - coherent, perhaps consistent. What I just want to do, if I can find my note, is obviously read the unamended amendment that we are being asked to consider if the Minister for Treasury and Resources' amendment is not accepted. Basically it says: "The proposed taxation and impôts duties changes to include the introduction following a review by the Minister for Treasury and Resources, by no later than 31st December, of a higher stamp duty rate for buy-to-let investment properties, second homes and holiday homes." The point is that in this instance, bearing in mind the Government Plan is already alluding to a review taking place, this is suggesting that the Minister for Treasury and Resources performs a review and then implements a higher rate of stamp duty. In other words, it is predetermining the outcome. So there are 2 elements to it. First, it is predetermining the outcome and saying this is a good idea. Both of these are legitimately a decision for the Assembly, but usually we are criticised for having reviews that have then got a predetermined outcome. In other words, why bother having the review because actually we have made the decision. Secondly is the date. I will deal with the latter first. At the end of the day we have basically 4 months left of work before the purdah period. By that I am saying when we get to the end of this week, we are into the Christmas week and that is it until January and then we have January, February, March and April and on 10th May we go into purdah or whatever the expression is for it these days. We emerge from that around the middle of July, we have the summer recess and at that point the new Council of Ministers, the new Assembly and the new Scrutiny Panels will be very much focused on the new C.S.P. and the Government Plan. So there is a lot of work that will be going on in that period of which a chunk of time has been taken out for, as we know, the election process. From a realism point of view, on the basis that on these type of areas one is meant to consult and go through that process, it is purely a note of realism to suggest that, bearing in mind, it will be a decision not of this Assembly ultimately but a decision of the next Assembly and of the next Minister for Treasury and

Resources, whoever that is, to consider the outcomes and to determine whether there is further work to be done and how they want to implement it. That is why we were suggesting the realism of implementing it in a Government Plan to be debated at the end of 2023 and, in fact, implemented on 1st January 2024 rather than trying to implement it effectively on 1st January 2023 with the various time issues that I have referred to. The other point in terms of issues around just the understanding on the unintended consequences, I am going to try and refer, I believe, to part of the Scrutiny report. It does say that the panel has, through correspondence with the Legislative Drafting Office, ascertained that further time is required to review the legislative elements that would be required upon implementation of a higher rate of stamp duty in Jersey. In other words, there are some complications to it. It is not something that would be as straightforward as we might all imagine. The second point, which is around unintended consequences, which is a direct quote, says, yes, there is the point the Senator has made around the change in percentages on buy-to-let homes but it also says it should be pointed out that the introduction of the surcharge will potentially have a knock-on effect on longer-term revenues from the U.K. S.D.L.T. (stamp duty land tax). I think the point there is that there is a recognition on these things. Sometimes there are unintended consequences that we possibly have not considered and therefore that is the only other reason on a precautionary basis we are suggesting having an extra bit of time and making sure it is not a predetermined outcome; in other words to do it properly. There will be allegations saying that is delay, it is prevarication, all that type of stuff, and I make the point absolutely that from my perspective, inherently as a concept, I have absolutely no objection to it whatsoever. I do not think it is a panacea, I do not think it is going to solve the housing problem and, indeed, what I will say, which I am sure there will be a number of members who are delighted to hear this update, is that imminently I am expecting a Ministerial Decision to come to my desk which will change the policy of H.A.W.A.G. (Housing and Work Advisory Group) to end share transfer and therefore to end that element of the buy-to-let market ... sorry, the ability to do buy-to-let on that area in Jersey. I expect that to be with me some time in the next few days. That is a tangible and quick action that we are taking. As I said, some others take longer if you want to make sure about unintended consequences. So in principle, absolutely no problem with the concept. I note that the panel does not recommend, it suggests, a 2 per cent rate; it does not recommend an additional rate. I would suggest any review might wish to consider that and usually that requires consultation. Bearing in mind there will be a large chunk of next year that will be taken up by both purdah, the consequences afterwards of establishing a new Council of Ministers and the fact that that Council of Ministers will be required to produce a Common Strategic Policy, a new Government Plan, which will include an update to the population as well. That will be a considerable amount of work to do in the period from, let us say, August to December of next year. If the Assembly wishes to ignore that, that is purely, if you like, a suggestion from ourselves, that is very much a matter for the Assembly but it will add quite significant consequences, I suspect, on to the workload that future Members will face.

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

What a classic speech we just heard there. Seven minutes to say next to nothing and to excuse this Chief Minister from doing anything at all to help ... to help, not to solve, we are not talking some pantomime fairy's magic wand. No, it is not going to solve the entire housing problem that we have, housing crisis that we have, but it might help to go some way to doing it and the sooner we start that the sooner we can get it done. Not only that but this Chief Minister ... and it will not be the only Minister that we will hear in this debate as we go through who will find any number of reasons not to do anything. It will not be the first time or the last. We are to hear all through this. He managed to extend purdah by 4 months. Effectively saying we are not doing it now because we will be into purdah in 4 months' time. Hang on, now is not 4 months' time. So let us all stop, all departments, all Ministers, stop work now, waiting, anticipating purdah.

[11:45]

It is on its way, we will not take any serious judgments in that time. So let us just stop now, sit on our hands and do nothing. That is the formula being proposed by the Chief Minister today, now, as we have just seen. Seven minutes to say: “I am doing nothing even though I am in favour of this move in principle.” Oh come on, pull the other one, please. I have heard that too often and it is the last resort of somebody who is losing the argument, suspects they are going to lose the argument because the argument makes sense the other way around and it just says do nothing. “I do not have the staff to do anything. They are going to be vastly busy doing other things.” Well, I am sorry, but if you cannot do any initiatives in response to what this Chamber says because you are understaffed, then that is your fault. Get some more staff and get it done. If this body says this is the way forward, we want you to do it, then do it.

The Bailiff:

I remind Members to address remarks through the Chair, please.

3.3.6 Connétable R.A. Buchanan of St. Ouen:

I am not quite sure what to say after the last speech but if we get back to the facts on this, from my point of view I think the proposition and the amendment both make sense to me. The buy-to-let market is an investment market and I think there is scope for the Government to take money out of that in terms of taxation on property transaction costs. I do not think we should kid ourselves that is going to have much effect on the market because the market is largely driven by the lack of interest rate returns in the banking market or deposit market and investors are simply looking for higher yield by investing in properties which they can rent out between 3 per cent and 4 per cent compared with the probably half per cent they can get at the bank. I think a 2 per cent upfront charge is going to benefit the Government more greatly and will have less impact on the dynamics of the market. It will add an additional cost and it may, perhaps, put some people off but it is unlikely to put many people off. I think if you want to have a real impact on Jersey’s housing prices frankly we need to build more houses because the dynamic is driven by the fact that we have lots of people looking at property, either to rent or to buy, and there is a shortage of property. The market dynamic just simply drives the price upwards and takes it out of a large number of people’s affordability zones. We can see the impact of people leaving the Island and, indeed, suffering in the housing market. Now, I think there will be a lot of criticism that Government are not doing anything - and I see Deputy Labey is due to speak in a few minutes - my view is the Minister for Housing and Communities is doing everything he can to increase supply and while I will support both the amendment and the proposition, to my mind that is the way forward to bring more houses to the market and provide more homes for Islanders either to rent or to buy because there is no doubt in my mind that they are desperately needed at the moment.

3.3.7 Deputy R. Labey of St. Helier:

I just wanted to bring the Assembly up to date with what I am doing in this area. I have spoken about it quite a lot with the Scrutiny Panel that examines me. I have always said on this issue that if one person’s nice to have, second, third, fourth, sixth, whatever, buy-to-let property is depriving another person of their necessity to get a foot on the housing ladder then that is not ethical. Since the last housing price index came out in August, I have led discussions on the Council of Ministers looking at ways in which we could try to restrict slightly the buy-to-let market. The Constable of St. Ouen is absolutely right, we are in a low inflation environment, we have been for some time; it is more attractive to put your money in property than it is to leave it in the bank and that is why we are where we are along with many other places around the world. We recently engaged Arup to scope a market review of what commercial financial mortgage products are available in the Island for first-time buyers, what products are not available here but are available elsewhere and it would be good if they were available here and what we can do about that. How best we can use the £10 million coming onstream next year and the year after to assist people buy their first property, how best we target that

money. Arup is doing that and we also broadened the scope of that review to look at how we can use allocated funds for flipping properties that are not currently being used to get them back into domestic use and we have also asked them to take a look at the buy-to-let issue on the Island. They are working right now and they are going to just extend it beyond Christmas because we added the buy-to-let thing to their terms of reference. We have scoped some ideas already, some ideas that have got majority appeal to the Council of Ministers but I do disagree with Senator Mézec on this issue and Deputy Southern, let us just do it, we do not need to consult, we do not need to review. We absolutely do need to consult on this, we need to establish the intended consequences as well the unintended consequences, what is it going to do to the rental market. The last thing we want to do is put rental prices up. Will the costs be passed on? How do we stop that from happening? Obviously stamp duty and tax levers like this are an obvious way to try to take the heat out of the buy-to-let market a little bit but there are other measures that we can put in place. I will not speculate on them because I do not want to set the hares running but we absolutely fully have to consult on them and really explore all the consequences. That is being done as we speak. I am quite impatient to get results on this and I am working towards it. I just wanted to bring the Assembly up to date on that and I will update them when I get the results of the Arup review hearing in the new year. I just think if it was as hard and fast and simple as Senator Mézec indicated in his speech just now, why did the Policy Development Board not make a definite recommendation on that? But they did, I think, allude to us looking into it and that is what we are doing. I just wanted to update the Assembly on that fact.

3.3.8 Deputy D. Johnson of St. Mary:

My point simply is that I am concerned that the proposal embraces buy-to-let investment properties, second homes and holiday homes. There is justification obviously to encourage the buy-to-let market because there is a need for landlords but I am concerned that the same treatment is being given to second homes and holiday homes. I question why people should be able to have second homes or holiday homes on the Island and some more fundamental appraisal of that, if it does exist, needs to be carried out. I have to say I am unsure as to which way I am going to vote on this. I accept the need for a root and branches review of the whole situation, as against that I see the need to show the public at large that this matter is being taken seriously and that in a fairly general way the original amendment seems to do that. I will hear what other people have to say first.

3.3.9 Senator S.W. Pallett:

I will be very brief. Members of the public listening to this debate know very well that there are a large number of Members that are landlords and have second homes and I think they are looking with a beady eye on what goes on within the Assembly. We do need to start taking action in the housing market and, as much as I accept some of what has been said by the Chief Minister and others, all I ever hear is delay. This is going to be yet another area where this Alliance-led Government is going to delay. I am pleased the Chief Minister mentioned that there is going to be some move in changing the share market but personally I think it is because this Government has been dragged kicking and screaming into making changes and making moves towards making the housing market fairer. Not because they want to do it but because they have no choice but to do because it is in such a mess. It is not a problem, it is a crisis. At some point Ministers are going to have to understand that Rome is burning and the Island in terms of the housing market, both socially rented and for people to buy, is in an absolute mess. Members need to support this, it is a small measure towards making, hopefully, some small changes to the market. Small changes lead to bigger changes but to do nothing is just not good enough. We had a long debate in Corporate Services around this particular amendment and I think we are unanimous in terms of wanting this to be done in the shortest possible timeframe. I would urge Members, please reject this amendment. What we need to do is make sure that we can provide some comfort to people that are looking for homes, that people are listening, people in this Assembly are listening, people in Government are listening because they are looking at the actions we are taking in the run up to the next election and we really need to start taking some action. Deputy

Southern is quite right, there is 4 months to go before we go into purdah, let us not keep delaying things, let us do something.

3.3.10 Deputy J.M. Maçon of St. Saviour:

One wonders whether the Council of Ministers cannot win. The very Members of this Assembly who have criticised other government programmes because there has not been enough consultation, because they have not done this, that or whatever properly because that time was devoted to developing plans. Now the Council of Ministers is going: “Okay, this is a good idea but we want to be able to refine it and we want to talk to the relevant people” and Members are saying: “You are not going fast enough.” It is unbelievable.

3.3.11 Deputy R.J. Ward:

I would like to say I think there is a lack of understanding as to what the issue is here. Things can be agreed with. I can agree with lots of things at home. I have agreed for the last - if I am honest - 2 years to fix a small hole in the kitchen ceiling. I agree, I think it is exactly the right thing to do, I think it should be done, I think we need to commit to it, it would improve the home but I have not done and that is because I have delayed it and delayed it and I have put it off and I have put it off. I hope no one is listening to this at home. We have a parallel here. Those from this Government are saying: “This is just delaying it a little.” I am going to reiterate something. We have 6 months left, now should be the time for urgency, for taking action, so that there is some form of positive legacy from these things. Let us take the action, let us do this now rather than delaying for a time that is so far in the future we cannot see it will happen. I urge people to reject these amendments for exactly the reason as to why we reject all delays in actually taking action in this Assembly. People sat out there do not want to see this delay, they want to see a small action taken, it is not going to solve the housing problem, it is not going to solve the housing crisis, whatever you want to call it, however it is going to be part of a solution and that is the key. I urge Members to reject the amendment to this amendment and go with the main one.

The Bailiff:

Does any other Member wish to speak on the amendment to the amendment? If no other Member wishes to speak then I close the debate and call upon the Minister to respond.

[12:00]

3.3.12 Deputy S.J. Pinel:

I do not want to comment or repeat every contributor’s comments but I thank them for them and to Senator Mézec for recognition of my position with reference to young people and property. As the Council of Ministers’ amendment has explained in its amendment to amendment 22, timing is the issue here. There has been a difficulty where Scrutiny, C.S.S.P., has asked for full consultation and engagement with the public in many topics and that is what we are trying to do with this amendment, is to extend the period; a quick review on something that affects taxation of stamp duty quite significantly is not the way forward. While I agree with some Members’ comments that it is review after review and the extent of the reviews, we have had the rather extreme distraction of a pandemic which has delayed quite a significant amount of business as normal. I do think we need to examine this correctly, the significant impacts that it might have on the finance industry, on people individually across the board, and so I will ask for the consultation as in the amendment will be extended for the next 2 years and I commend the amendment to the Assembly.

The Bailiff:

Thank you very much, Minister. I ask the Greffier to place a voting link into the chat. The vote is on the amendment to the amendment. That is the amendment to the 22nd amendment. I open the

voting and ask Members to vote. We are not going to go until we have reasonable number who have voted.

Deputy J.H. Young of St. Brelade:

Apologies, the link we have been sent says amendment 21. Can I just clarify that we are voting on the amendment to amendment 22? Do I have that right?

The Bailiff:

The link you have may say that, it actually relates to the 22nd amendment, the amendment to the 22nd amendment. It may be wrongly titled but that is what we are voting on at the moment. If Members have had the opportunity of casting their votes, then I ask the Greffier to close the voting. The amendment has been defeated:

| POUR: 18 | | CONTRE: 23 | | ABSTAIN: 0 |
|---------------------------|--|----------------------------|--|-------------------|
| Senator L.J. Farnham | | Senator T.A. Vallois | | |
| Senator S.C. Ferguson | | Senator K.L. Moore | | |
| Senator J.A.N. Le Fondré | | Senator S.W. Pallett | | |
| Connétable of St. Brelade | | Senator S.Y. Mézec | | |
| Connétable of Trinity | | Connétable of St. Helier | | |
| Connétable of St. Ouen | | Connétable of St. Lawrence | | |
| Connétable of St. Clement | | Connétable of St. Saviour | | |
| Deputy J.A. Martin (H) | | Connétable of St. Mary | | |
| Deputy K.C. Lewis (S) | | Connétable of St. Martin | | |
| Deputy J.M. Maçon (S) | | Connétable of St. John | | |
| Deputy S.J. Pinel (C) | | Deputy G.P. Southern (H) | | |
| Deputy of St. Ouen | | Deputy M.R. Higgins (H) | | |
| Deputy R. Labey (H) | | Deputy of St. Martin | | |
| Deputy S.M. Wickenden (H) | | Deputy L.M.C. Doublet (S) | | |
| Deputy L.B.E. Ash (C) | | Deputy of St. Mary | | |
| Deputy G.C.U. Guida (L) | | Deputy G.J. Truscott (B) | | |
| Deputy of St. Peter | | Deputy J.H. Young (B) | | |
| Deputy of Trinity | | Deputy K.F. Morel (L) | | |
| | | Deputy M.R. Le Hegarat (H) | | |
| | | Deputy S.M. Ahier (H) | | |
| | | Deputy R.J. Ward (H) | | |
| | | Deputy K.G. Pamplin (S) | | |
| | | Deputy I. Gardiner (H) | | |

The Greffier of the States:

Those Members who voted pour: Senator Le Fondré, Deputy Wickenden, the Constable of St. Ouen, Deputy Lewis, the Deputy of St. Peter, Deputy Guida, Deputy Martin, the Constable of St. Clement, the Constable of St. Brelade, Deputy Labey, the Deputy of St. Ouen, Senator Farnham and the Constable of Trinity, and in the chat also votes pour from: Deputy Maçon, Deputy Ash, Deputy Pinel, Senator Ferguson and the Deputy of Trinity. The Members who voted contre were: Deputy Ahier, the Constable of St. John, the Constable of Grouville, the Constable of St. Helier, Deputy Higgins, the Constable of St. Lawrence, the Deputy of St. Martin, Senator Moore, Deputy Le Hegarat, Senator Vallois, Senator Mézec, Deputy Ward, Deputy Gardiner, Deputy Pamplin, Senator Pallett, the Constable of St. Mary, Deputy Southern, the Constable of St. Martin, Deputy Truscott, and in the chat: the Constable of St. Saviour and the Deputy of St. Mary.

3.4 Proposed Government Plan 2022-2025 (P.90/2021): twenty-second amendment (P.90/2021 Amd.(22)) - resumption

The Bailiff:

We now resume the debate on the 22nd amendment which is not amended. Does any Member wish to speak on the 22nd amendment?

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

I will not speak for long but I want to reiterate some points that Senator Pallett made, more especially a point that Deputy Ward made that this is a small change, if you like, and it is one of very many small changes we need to make in order to even start to address this housing crisis, but it is one that needs to be made. It is a small tweak to things like stamp duty and stamp duty is an issue that we need to look at, not just for buy-to-let but for other issues as well. I encourage Members to continue to support this amendment. It is a very small step in the right direction.

3.4.2 Senator S.Y. Mézec:

Just very briefly to say that I hope that Members who have acknowledged previously that the principle behind what the Scrutiny Panel are trying to do with this amendment is the right thing to do, will stay strong and vote in favour of this amendment even with the Minister for Treasury and Resources amendment having been rejected. The Scrutiny Panel have made the case in support of this. The Assembly has said we would prefer not to have delay on this so I hope that Members will stick to this and get it across the line so that we can take at least one tangible step to alleviating the housing crisis in one form or another. I will be wholeheartedly supporting this amendment.

3.4.3 Deputy R.J. Renouf of St. Ouen:

There is one point I would like to make, which I have made before, and that is when we have these debates about stamp duty we tend always to think about people purchasing property and we forget that this stamp duty regime also affects people who are registering wills. Surreptitiously we are creating, as the rates of stamp duty go up and up, a tax on inheritance. That may be something that is desirable but we have never had a debate on that and I think we need to be mindful of this because we just think this is about people purchasing property, this is about people with money, this is about people coming to the Island, buying up our property, this is about people unnecessarily buying second homes. But what we are doing is we are also impacting on people inheriting property. Now, is that something we want to do? That is a different question that deserves consideration because what it may do, if rates of stamp duty get too high, is that it will disincentivise people from making wills. If it becomes too expensive for the people you want to inherit to register their will, it is possible that some testators will not register a will. Now, you can do that. You can die without leaving a will and what happens is that people will inherit who are the heirs at law. They do not have to pay anything because they are not registering anything, so there is no inheritance tax, if you like, for them. But you might not want your heirs at law to inherit, you might want a favourite nephew to inherit or something similar. This issue tends to affect people who do not have direct family. Their choices in this are being inhibited. That is my concern, that we are effectively entering a regime in which we are discouraging people from making wills. It is always desirable that people make wills because it means that their wishes can be carried out and it means that there is certainty as well as to the ownership of land because it is recorded and something is registered. Some might say: "Well, people are getting the benefit of a valuable property so they should pay the same as everyone else" and that is true. Those receiving property under a will are getting that benefit. My point is it is not their choice, if you like. They are different to those who are buying a second home or buying an investment property. They have not chosen to inherit but they are receiving the benefit, but I think they are in a different category. As I have asked before, I would like the Treasury to make a commitment at some time to treat this question separately and carve out inheritance from the purchase provisions relating

to stamp duty because I think that does need careful consideration. We want to encourage people to make wills and we want to ensure that only those who are perhaps acting in ways we do not wish to encourage - that is the purchase of second homes - are the ones we are targeting and not innocent Islanders who may simply be inheriting under a will.

3.4.4 The Deputy of St. Mary:

I was not going to speak again until I heard the Deputy of St. Ouen, just to add something to what he said, which is that a certain rate is payable on the value of a property when owned direct by a testator. If it is held through a share transfer arrangement it passes as personal estate and does not attract the same level. I just simply wish to support the Deputy's submission that this whole aspect does need to be looked at with a view to equalising the inheritance provisions and the taxation burden on inheritance.

3.4.5 Senator T.A. Vallois:

Just very briefly on the point of consultation, which I think is an extremely important point to make, sometimes it is used as a reason to delay things and sometimes it is with good intentions to do so but is not necessarily reaching the people that need to be consulted. The Scrutiny Panel heard in a briefing recently about an issue with the consultation around enveloped property transaction tax. I think as a constructive criticism to feed back, in actual fact maybe we want to look at streamlining and ensuring that our consultation process is fit for purpose and that we are hearing the voices of the people, whether they are pro or con, against any recommendations or proposals that are being brought forward by the Government so that we have a fair representation when we are determining whether it is appropriate for our Island. I thought it was appropriate to make those comments and I think we would have less of the arguments about whether we should or should not consult going forward.

3.4.6 Deputy S.J. Pinel:

As I said in proposing the Government's amendment to this amendment, the Council of Ministers has full sympathy with the desire for action to address Jersey's housing problems. The buy-to-let market remains fully in the sights of the proposed stamp duty review, during which fuller public engagement is envisaged. The stamp duty review is intended to address all of the key issues around the operation of stamp duty, including, for example, the existing differentials between the treatment of commercial properties and private dwellings, and the concerns of Deputy Renouf and Deputy Johnson have exemplified that as well.

[12:15]

It could also look at other ways to encourage the supply of housing, for example, by discouraging people from holding on to empty properties. I should point out that if this amendment is accepted by the Assembly as drafted, it will clearly prioritise the stamp duty increase for buy-to-let and other properties as an implementation, including law drafting, project. This may delay work on the wider tax policy review but it would perhaps largely remove the need for engagement with the public or with affected business stakeholders, especially the legal profession on this particular issue, which would be difficult to conduct, as said by the Chief Minister in the amendment to the amendment, in an election year with the constraints of election purdah. I should flag that Ministers cannot at this stage guarantee an implementation date. The necessary legislation could be complicated to draft and robust provisions, including against tax avoidance, would need to be created to address situations where the use of a property quickly changed from that originally intended at the time of completing the sale. New obligations may need to be placed on the legal professionals who largely transact land and property transfers and new powers given to those who need to assure compliance with the duty regime. If the amendment is accepted by the Assembly, I will ask officers to prepare draft legislation for consideration by the new Government for its first Government Plan and its first Finance Law. In terms of rates of differential duty, I note that the U.K. has a 3 percentage point premium on buy to

let and similar transactions at every duty band. As a general rule, quite significant changes to our tax system should be given fuller consideration than is available to any of us at this time, be we Ministers, Back-Bench States Members, Government officers or Islanders. This is a view I know that C.S.S.P. (Corporate Services Scrutiny Panel) members share based on their previous reports; for example, on P.Y. (prior year) abolition in last year's Government Plan. This to me feels rushed. The Government would have been happy to support this amendment had the panel accepted the Government amendment. In the circumstances, the Government does not support this amendment as drafted and I urge Members to reject it.

The Bailiff:

Thank you very much, Deputy. Does any other Member wish to speak on the amendment? If no other Member wishes to speak, then I close the debate and call upon Senator Moore to respond.

3.4.7 Senator K.L. Moore:

I would like to thank everybody who has contributed to this debate and particularly for their votes in the amendment to the amendment. This is certainly not a rush. As pointed out in my opening speech, a considerable review of property taxation was conducted back in 2014. The Corporate Services Scrutiny Panel has consistently considered elements around stamp duty at the Government Plan debates because of the great importance that we place on the difficulties that Islanders are reporting in terms of seeing property prices escalating and becoming increasingly unaffordable for many. We would have very much liked to have made the change to the stamp duty rate for buy-to-let properties in this Government Plan, as we have done last year and we have attempted to in previous years make amendments to stamp duty rates. However, this amendment is a compromise following our discussions with Government to allow time for the law drafting that is required. The Deputy of St. Ouen raises a very interesting and important point about the impact that such a change may have on inheritance. However, I am sure that most people would take into account the impact of stamp duty when they are doing their planning for the inevitable. I do, however, agree with the Chief Minister that a review is unnecessary. As I stated earlier, considerable review has already been conducted. So our amendment is to bring forward some action in terms of using a lever that Government has with regards to property taxation and this is the quickest form of action that we could deliver in this particular area. As the Constable of St. Ouen stated, we cannot all resolve the property issues that we see in the Island with one fell swoop, sadly. I am sure all Members would absolutely love to do so if there was such a magic wand. This is a small but considerable manoeuvre that could assist, hopefully, to achieve some easing in the property market for owner/occupiers, and particularly for first-time buyers, as we have seen in the United Kingdom where they introduced a similar procedure for buy-to-let stamp duty. So, I commend the amendment and ask for the appel.

The Bailiff:

The appel is called for. I ask the Greffier to place a vote into the link. I open the voting and ask Members to vote. Very well, if Members have had the opportunity of casting their votes, I ask the Greffier to close the voting. The amendment has been adopted:

| POUR: 35 | | CONTRE: 11 | | ABSTAIN: 0 |
|----------------------------|--|---------------------------|--|-------------------|
| Senator I.J. Gorst | | Senator L.J. Farnham | | |
| Senator S.C. Ferguson | | Senator J.A.N. Le Fondré | | |
| Senator T.A. Vallois | | Connétable of Trinity | | |
| Senator K.L. Moore | | Connétable of St. Mary | | |
| Senator S.W. Pallett | | Connétable of St. Clement | | |
| Senator S.Y. Mézec | | Deputy K.C. Lewis (S) | | |
| Connétable of St. Helier | | Deputy S.J. Pinel (C) | | |
| Connétable of St. Lawrence | | Deputy of St. Ouen | | |

| | | | | |
|----------------------------|--|---------------------------|--|--|
| Connétable of St. Saviour | | Deputy S.M. Wickenden (H) | | |
| Connétable of St. Brelade | | Deputy L.B.E. Ash (C) | | |
| Connétable of Grouville | | Deputy G.C.U. Guida (L) | | |
| Connétable of St. Ouen | | | | |
| Connétable of St. Martin | | | | |
| Connétable of St. John | | | | |
| Deputy J.A. Martin (H) | | | | |
| Deputy G.P. Southern (H) | | | | |
| Deputy of Grouville | | | | |
| Deputy M. Tadier (B) | | | | |
| Deputy M.R. Higgins (H) | | | | |
| Deputy J.M. Maçon (S) | | | | |
| Deputy of St. Martin | | | | |
| Deputy L.M.C. Doublet (S) | | | | |
| Deputy R. Labey (H) | | | | |
| Deputy of St. Mary | | | | |
| Deputy G.J. Truscott (B) | | | | |
| Deputy J.H. Young (B) | | | | |
| Deputy K.F. Morel (L) | | | | |
| Deputy of St. Peter | | | | |
| Deputy of Trinity | | | | |
| Deputy M.R. Le Hegarat (H) | | | | |
| Deputy S.M. Ahier (H) | | | | |
| Deputy R.J. Ward (H) | | | | |
| Deputy C.S. Alves (H) | | | | |
| Deputy K.G. Pamplin (S) | | | | |
| Deputy I. Gardiner (H) | | | | |

3.5 Proposed Government Plan 2022-2025 (P.90/2021): twenty-fourth amendment (P.90/2021 Amd.(24))

The Bailiff:

The next amendment for debate is the 24th amendment lodged by the Corporate Services Scrutiny Panel, and I ask the Greffier to read that amendment.

The Greffier of the States:

(1) Page 2, paragraph (a) - After the words “Article 9(2)(a) of the Law” insert the words - “, except that the 2022 Estimate for Impôt Duties Total shall be decreased by £231,000 by increasing the Impôt Duties for Spirits, Wine, Cider and Beer at 1 per cent under R.P.I., with the relevant figures for 2022 in Appendix 2 - Summary Table 1 updated in line with the following table, and subsequent figures updated accordingly - 2022 Estimate (£000) Impôt Duties Spirits 7,364, Impôt Duties Wine 9,211, Impôt Duties Cider 842, Impôt Duties Beer 6,299.” (2) Page 2, paragraph (f) - After the words “of the Report” insert the words - “except that the Head of Expenditure for the General Reserve shall be reduced by £231,000 to accommodate a drop in States income caused by increasing the Impôt Duties for Spirits, Wine, Cider and Beer by 1 per cent under RPI”.

Senator K.L. Moore:

Sir, the rapporteur for this amendment will be Deputy Ahier.

3.5.1 Deputy S.M. Ahier of St. Helier (Vice-Chair, Corporate Services Scrutiny Panel - rapporteur):

The Government Plan 2022-2025 proposes to freeze alcohol duty on all strengths of beer and cider while increasing the duty on all wines and spirits by 5 per cent. This amendment seeks to level this increase across all alcohol in order to keep the duty broad, simple and fair. Alcohol duty was frozen in 2021 but the Government Plan 2020-2023 introduced above-inflation increases to higher-strength drinks, raising them by 14 per cent, being R.P.I. plus 10.9 per cent. In a public hearing with the Corporate Services Scrutiny Panel the Minister for Treasury and Resources indicated that the exclusion of beer and cider had to be compensated for, so hence the increase in wine and spirits. The Minister was not able to explain why it had been decided that beer and cider should continue to be frozen. When questioned on the potential impact on the hospitality sector, the Minister opined that the effect would be negligible. However, the Jersey Hospitality Association has, in a submission to the panel, expressed concern on the target above inflation about inflation increase in the excise duty, highlighting that it may encourage individuals to purchase cheaper duty-free spirits, reducing the amount of revenue that the Government may receive. The Council of Ministers has brought out a comments paper on this amendment. Please reference the reissue rather than the original, which stated that there would be a need to suspend the debate before final approval. This comment has been removed from the updated version. The Council of Ministers quote from the Jersey Opinion and Lifestyle Survey that there is evidence that too many adults are drinking at potentially hazardous levels. Perhaps it would be better to address the economic dilemma faced by many locals rather than increasing duty on spirits and wine excessively, which leads me to believe that the Council of Ministers wish to make the worst solution appear the better resolution. The comments paper goes on to say that alcohol duty was frozen last year in order to assist the hospitality industry. Well, perhaps the Council of Ministers could have considered freezing duty again this year to assist the hospitality industry and to enable it to recover from the situation it found itself in because of the COVID epidemic. It also states, and I quote: "Furthermore, duty rates for wine are now much lower than both Guernsey and the U.K." but interestingly it does not mention the duty rates for spirits, which according to the GOV.UK website since February 2019 have been at the rate of £28.74 duty at 100 per cent alcohol by volume, which was the same figure that was implemented in March 2017 and remains at such today. The Jersey rate is already £16.98 per litre for 40 per cent alcohol by volume, which equates to £42.45 at 100 per cent. It is intended by this Government Plan to increase it to £44.56, so it would be vastly more expensive in Jersey than it is in the United Kingdom by £15.82 per litre. It is to be noted that the Government Plan 2020-2023 states that it is estimated that the total duty collected on all alcohol will be approximately £23.7 million in 2020. If we look at table 1 of the proposed Government Plan 2022-2025, the total estimated income from alcohol duties in 2022 is for £23.9 million.

[12:30]

So it seems clear that the suggestion that increasing the rate of alcohol duty leads to a decrease in the amount of consumption is not proven. It was suggested by the Council of Ministers' comments that alcohol pricing is an important tool for discouraging the consumption of alcohol. This approach seems to have been unsuccessful. Will the Government Plan proposal decrease these levels? I think not. The problem with addiction should be addressed at a personal level and those requiring support should receive it. Raising duty to such high levels will not decrease consumption but may well affect inflation in the future, which is something we should all be working to avoid. The panel is conscious that an increase in alcohol duty will impact upon those selling and consuming, yet it is also aware of the need to weigh up the balance of revenue raising, economic support and public health measures. The panel, being sympathetic to the potential impact upon the hospitality sector of any increase in alcohol duty, has proposed a reduction in the planned 5 per cent increase in duty on wine and spirits and a halt to the freeze on duty on beer and cider to bring a level alcohol duty increase which is 1 per cent under the retail price index of 3.5 per cent, introducing a rise of 2.5 per cent across the board.

The panel has been informed that this amendment, if adopted, would amount to a decrease of £231,000 revenue being raised. Although slight, this decrease will act as additional economic assistance to those sectors hit most by the pandemic; for example, hotels, restaurants and bars, which saw a 45 per cent contraction of the gross value added in 2020. Statistical evidence of the impact of the pandemic on hospitality is clear. This negative outlook for the sector can be seen in the September 2021 business tendency survey, for whom profitability and future business activity is pessimistic. The panel believe that amending the Government Plan to include a level increase in alcohol duty will aid in keeping taxes low, broad, simple and fair. It is sympathetic to the potential impact upon the hospitality sector of an increase in alcohol duty. The panel also believes that specifically targeting wine and spirit drinkers is fundamentally unfair. The panel, therefore, believes that an increase of 1 per cent under R.P.I. is a reasonable compromise between revenue raising, public health and economic support. I make the amendment.

The Bailiff:

Thank you very much, Deputy. Is the amendment seconded? [**Seconded**]

Senator L.J. Farnham:

Sir, I wonder if I might place on the record for the sake of good order that I do have a business involvement with a business operating in the hospitality sector. I do not believe there is a direct and pecuniary interest.

The Bailiff:

It is not a direct pecuniary interest.

Senator L.J. Farnham:

Thank you, Sir, but I just wanted to place that on the record.

The Bailiff:

But you are right to bring it to the attention of the ... very well. Does any Member wish to speak on this amendment?

3.5.2 The Connétable of St. John:

As Deputy Ahier said in his opening, we have all received a letter from the Jersey Hospitality Association in support of the amendment. The Association support a below inflation rise across the board. They are not looking for a freeze. If I can quote a small piece from there: “That [referring to the amendment] seemed to us like a sensible compromise that considered the Government objectives of promoting health while raising revenue to pay for services.” The Minister for Treasury and Resources, in her opening comments, spoke at length, I thought, about the hospitality industry and the help that they have been given, the support during COVID, as well as a welcome roadmap for tourism recovery. Well, here is a clear signpost on that roadmap being given by the industry. We recently heard from the Chief Minister in the previous debate when he spoke about a desire to be coherent and consistent, and again I would encourage him and other Ministers to support the amendment and show coherence and consistency when it comes to impôt duty. I will be supporting the amendment.

3.5.3 Deputy K.G. Pamplin:

I think I have already said it, and I think I will be saying it many more times: I echo the words of the Constable of St. John. I just wanted to add in on this because I, too, had read the submission from the hospitality industry and read through the Corporate Services amendment and listened intently to the rapporteur’s speech. Because it is curious, this. When we get to this section of the Budget, as we used to call it in the old days, of the duty, impôt taxes, et cetera, this is slightly different obviously but it did raise a few eyebrows with me because of its different approach to what the U.K. Chancellor

did very recently. I see that the Minister will be speaking very shortly so I will be listening again to her speech because the rise in wine, et cetera, interests me. Is that based on it is a higher consumption on this Island as opposed to why it was not the reverse on beer and cider? That to me is the only conclusion I have been able to come to, and I am glad that the Minister will be speaking because I think the argument is there. I am not a big drinker and I do have friends who enjoy their drink, and I am not a judgmental person in that regard as well. I have always been more concerned about the easiness of addiction and the support that must be put in place. This is slightly different. This is important business and I think listening to those who have gone through and are going through a very difficult Christmas again I cannot see how I cannot support this amendment, but I will listen with interest to the Minister.

3.5.4 Deputy K.F. Morel:

Similarly, I am going to look forward to hearing from the Minister because I never quite understood the original proposition and genuinely cannot see why cider and beer were being excluded, except ... and as I have said before, the I hope unintentional consequence of that is that beer and cider, which I hate the fact I have to kind of fall back on to stereotypes in order to make my own point against stereotypes, is that beer and cider tend to be consumed more by men; wine, certainly when out and about in pubs, tends to be, I believe, consumed more by women. So it seemed to me to be penalising women in favour of men, which is something I have not been able to shake. My experience of going to pubs is that it tends to be men who buy beer, it tends to be women who buy wine. I am sorry and I apologise profusely for using a stereotype there but it is the only way I can say it. So there is an underlying sexism in the original proposition, which I just cannot stand by. It often happens that unintentionally women are discriminated against through government policy, and that is not this Government, I am talking about Governments all around the world, everywhere. This is one small example of it. So, at the moment I am very minded to support the amendment because it seems fairer, quite simply. While I do not like the small shortfall in income that it is likely to bring, it is fairer and that for me is more important.

3.5.5 Deputy S.J. Pinel:

The Council of Ministers does not support the C.S.S.P.'s amendment, which reduces impôt income by around £230,000. The council remains concerned at levels of alcohol consumption in Jersey and the prevalence of consumption of wine and spirits among younger consumers and even school children. Emerging survey information suggests that the recent lockdowns, if anything, may have increased consumption across all population groups that drink alcohol. That said, we are, of course, mindful of the position of our hospitality sector. In addition to all of the other financial support which has been provided during the pandemic, last year the Government froze all alcohol duties and this year proposes still to freeze the duty on beer and cider category of alcoholic drinks. Beer and cider are relatively lower strength by volume and perhaps less susceptible to abuse. Additionally, since 1995, the duty on wine and spirits has not increased in line with beer and cider, which has seen increases of almost twofold comparatively. Regarding wine in Jersey, duty rates are still much lower than both Guernsey and the U.K. However, in Jersey wine is the type of alcohol most often consumed in a hazardous and harmful way by a much larger number of people. Regarding spirits, our health officers have flagged concerns that this is the type of alcohol consumed most by younger people. Given the increased harm of alcohol to the developing adolescent brain and risks of dependency into adulthood, there are significant public health gains in ensuring that impôt duty reflects harm and reduces consumption among this vulnerable group. The impôt remain an important source of government revenue and, being specific duties levied on liquid volumes, it is important to maintain their real value, both to maintain government revenues and to maintain the impact that duty-inclusive pricing has in affecting consumption levels.

Senator J.A.N. Le Fondré:

I was just wondering if it was an appropriate time to propose the adjournment.

The Bailiff:

What I propose to do is ask if anyone wishes to speak, I think. You can propose the adjournment but it is slightly early, Chief Minister. Deputy Pamplin is seeking a point of clarification from you, Deputy Pinel. Do you give way for a point of clarification? Sorry, is that yes or no?

Deputy S.J. Pinel:

Yes.

The Bailiff:

Deputy Pamplin, what is your point of clarification?

Deputy K.G. Pamplin:

It was around the consumption levels. Did I hear her correctly that the consumption levels of spirit are high in young people and people of this Island? That was the clarification. Thank you.

Deputy S.J. Pinel:

Was the Deputy questioning whether the consumption of spirit levels in young people were high?

The Bailiff:

That is what I understood the question to be.

Deputy S.J. Pinel:

That is what I understood and, yes, health advisers have said that is the case.

LUNCHEON ADJOURNMENT PROPOSED

The Bailiff:

Thank you very much. The adjournment is proposed. Very well, I have a number of Members wishing to speak so I propose that we adjourn now and resume at 2.15 p.m.

[12:42]

LUNCHEON ADJOURNMENT

[14:16]

PUBLIC BUSINESS - resumption

The Bailiff:

We continue with the debate on the 24th amendment to the Government Plan. Next to speak I have Senator Moore.

3.5.6 Senator K.L. Moore:

I just wanted to make a very brief point. Sometimes it is important to state the obvious somewhat. My contribution is simply this. Lager louts and beer bellies, they are 2 public health issues that relate to the consumption of beer. Therefore, I would ask the remaining Minister from the Treasury and Exchequer Department, who has yet to speak, to please explain to the Assembly where is the evidence for removing both beer and cider from their duties. That is all I have to say.

3.4.7 Senator S.W. Pallett:

Like Senator Moore, I cannot see how the argument has been made for just freezing the duty on beer and cider. Why only beer and cider? Deputy Morel has made the point already. If this is some sort of concession to the working man, and again I am going to go into stereotypes, what about women?

Where is the fairness and the equitable side of this, please? I do not deny, because I have been involved with an alcohol strategy prior to leaving ...

The Bailiff:

I am sorry, Senator, I think we have lost you.

Senator S.W. Pallett:

Sorry, I must have just touched ... am I back?

The Bailiff:

Yes, you are back.

Senator S.W. Pallett:

As I was saying, I do not deny more needs to be done to promote better health and less alcohol consumption, but it needs to be done in a fair and equitable way. What I think we need to accept is that levels of drinking and harmful levels of drinking I think have improved over recent years, so it has been working to some degree. But there have been comments made today, and the previous speaker, Senator Moore, has said it: where is the evidence to back up some of what has been said? The alcohol and licensing strategy is now 7 years old. This Government has had an opportunity to update that. It has also had an opportunity to look at some of the issues around the Alcohol Licensing Law but it has failed to do so. I think if the Government had been serious about looking at this issue, then they would have got to grips with all of these issues. By looking at the licensing strategy again I think we would have had the evidence to back up some of what was said today, but that work just has not been done. Again, there is a statement in the report around health officers identifying spirits as being the type of alcohol consumed by most younger people. Where is that evidence in Jersey that that is actually the case? Anecdotally it might be wider afield, but I want to know what the evidence is on-Island, not what anecdotal evidence from around the world is. Again, to be fair to Government, Ministers have tried to be consistent to some degree over this pandemic in trying to support the hospitality industry in what has been a very difficult time, but we are neither out of this pandemic nor over the effects of Brexit. I think both remain a threat to the hospitality industry in the short term. Although I agree with raising the impôt duty, 2.5 per cent is below R.P.I. and I believe is a concession to the industry while they get to terms with some of the issues that they are currently struggling with. The J.H.A. (Jersey Hospitality Association) have commented to States Members on various issues in their letter, but they have endured several years of damaging duty increases. Those increases were there for a purpose. They were there to improve health and lessen alcohol consumption, but we do have a tourism sector in the Island. We do have a hospitality sector that we want to be successful, and we need to balance that up. We need to balance the economy with health concessions. Another issue, which again Senator Moore brings up, is around antisocial behaviour. All these issues need to be dealt with in the whole and not singularly. Another issue they bring up is around the potential for more duty free being brought into the Island. That again is damaging I think to the taxpayer. It is also damaging to people's health. So, again, we do not have evidence on how much people are beginning to bring in or how much more people are bringing in. It all needs to be evidence based. Again, one other issue I am going to bring up and that is around ignoring the F.P.P. (Fiscal Policy Panel). What they have said is that revenue-raising steps, including higher taxes, impose a burden and would not be appropriate at present. They have also said that the technology fund is not appropriate at the current time either. Are we going to ignore panels that we put in to provide us with advice, not just once but twice? For me, that is not what we should be doing. We should be looking at the professional advice we are getting and relying on that advice. So I would urge Members to support the amendment, which we believe is a fair way forward. We did not attempt to bring no increase in duty because we do realise that it is important to keep the opportunity to raise more tax and it is important at this particular time, but I think it is important that it is balanced and it

does not do harm to an industry that has already been through a really difficult time. I would urge Members to support this amendment.

3.4.8 The Deputy of St. Ouen:

I find I cannot support the Scrutiny Panel's amendment and I would urge Members to reject it for reasons that I will explain. As stated by myself and my predecessors as Ministers, and evidenced many times through our local statistics, Jersey has high rates of alcohol consumption and alcohol-related harm compared to other jurisdictions and we should not be surprised that Jersey has high levels of alcohol-related harm when our local data consistently shows we have some of the highest per capita consumption rates in Europe. We know that higher consumption rates at a population level are directly linked to higher rates of alcohol-related harm, including hospitalisations, alcohol-related domestic violence and, of course, the plethora of preventable diseases which we as a Government have given our commitment to address in the Government Plan. The Government has a breadth of policy responses to address the balance of harms from alcohol, including fiscal measures through impôts. As a community, we are fortunate to have a range of offers engaging our children and young people in understanding risks from alcohol, and this is well-evidenced to delay onset and reduce levels of alcohol abuse. Our C.Y.P.E.S. (Children, Young People, Education and Skills) Department has a good personal, social and health education curriculum supporting understanding, prevention and delay. Previous investments in alcohol services ensure we are able to both intervene early and to support higher-risk groups. Government officers are now working on the foundations of a new substance use strategy, which will provide the future Council of Ministers with proposals to develop and to build on these evidence-based approaches. So these impôt measures are not to be seen in isolation. They are part of a broader response that together will have the best impact on improving health outcomes. But, as ever, we are here again with an annual Assembly discussion on alcohol, so as the Minister for Health and Social Services it stands to me to argue the importance of price and affordability as a part of balancing the benefits and harms of alcohol. While I appreciate the concerns of local business and the impact of COVID-19 on hospitality, we must also balance business needs against the need to protect the health and well-being of Islanders, which we know has also been greatly affected by the pandemic. Our most recent local data from the Jersey Opinions and Lifestyle Survey for 2020 shows that 29 per cent of Islanders now report drinking more often compared to before the COVID-19 pandemic and that an increase in drinking is associated with stress and worry. We also see in our local data that almost a quarter of adults now report drinking more than the recommended weekly limit of alcohol, which is an increase from 2019 when the previous survey was taken. While that also means three-quarters of the population are drinking within lower risk limits, we must bear in mind that there are still risks associated with low levels of alcohol, including the risk of certain cancers. There is a greater risk to health, both mental and physical, associated with moderate drinking, which has historically been purported as being beneficial to health, although it is increasingly reported now in scientific literature that this is not the case. We know that price is indisputably linked to consumption levels and public health officers have set out the breadth of research demonstrating this previously. It is a lever that the World Health Organization recommends Governments with high consumption levels, such as Jersey, employ to reduce alcohol-related harm. We know that targeted price measures are effective in addressing the most harmful consumption patterns and can impact affordability of those beverage types used in the most harmful way. Our minimum unit price of 50 pence per unit helps prevent some of the strongest alcoholic drinks being sold at the very lowest prices and helps to balance prices in off-licence premises, such as supermarkets, with the price of alcohol in on-licence premises, such as bars and restaurants. The most recent data regarding off versus on-licence drinking shows that almost two-thirds or 63 per cent of money spent on alcohol was spent at off-licence premises. Officers will be assessing this balance again as soon as data becomes available to understand any impact of minimum unit pricing. But aside from minimum unit pricing, tax measures are still needed to address broader population-level harm and harmful consumption in higher income groups. Our local data shows that in Jersey it is

those with higher incomes that are more likely to report drinking 14 units or more a week. These higher-income drinkers will not be impacted by minimum unit pricing and taxation is an effective way to capture the health harms and risks associated with harmful consumption among these groups and to ensure that the price broadly reflects the harm and costs to our health and social services. In other words, as well as disincentivising widespread harmful levels of consumption, this allows additional revenue to be collected to fund our health system and services dealing with addiction and alcohol-related harm. These measures are a key tool in our armoury to address alcohol-related harm as part of a wider substance misuse strategy. So I support the Government Plan, which proposes to target increases on both spirits and wine. Since 1995, as has been mentioned, duty on wine and spirits has not increased in line with beer and cider, which has seen increases of almost twofold comparatively. Regarding spirits specifically, public health officers advise this is the type of alcohol consumed most by children and young people, almost a quarter of whom reported in the recent school survey that they would reduce their consumption of alcohol if price was to increase.

[14:30]

Given the increased harm of alcohol to the developing adolescent brain and risks of developing dependence into adulthood, there are significant public health gains in ensuring duty reflects harm and reduces consumption among this vulnerable group. Regarding wine, as the Minister for Treasury and Resources has already stated, our local data in Jersey shows that this is the type of alcohol most often consumed in a hazardous and harmful way by adults and also by a much larger number of Islanders than any other category of alcohol. To conclude, while the cultural and social importance of alcohol cannot be overlooked, we must ensure through a continuing evidence-based action that we protect our population health and well-being from the risks it poses. So I cannot support this amendment but support taxation that is proportionate and prioritises our most vulnerable and the health and well-being of Islanders.

3.4.9 The Connétable of St. Helier:

It is all about balance, as a speaker said earlier in today's debate. Indeed, as the Minister for Health and Social Services has said, it would have been unbalanced for the Scrutiny Panel or, indeed, a private Member to have proposed a zero increase in impôt on alcohol. I think the problem with what we have heard from the Minister for Health and Social Services, and it is a very well-expressed but familiar argument that we hear every time we debate duties on alcohol, is that it has not been a balanced speech. It has simply been about the ability of our technical experts to link the price of alcohol to the consumption. There has been no reference in the Minister's speech to the needs of the hospitality industry and all that hospitality brings to Jersey. I am very pleased that the Hospitality Association has lobbied States Members and I do hope that Members will listen carefully to the arguments of this beleaguered industry that has had to cope not only with Brexit and the huge pressures on staffing caused by Brexit, and indeed who have had to cope with increased regulation and all kinds of laws passed by this Assembly which have made the cost of running a hospitality business much greater than it used to be, but, of course, they have also had to cope with the pandemic and all of the stops and starts that have been necessary to secure our public health. Hospitality is, despite all of the pressures in Jersey, a truly remarkable sector of our industry. It gives me enormous pleasure in my role as Constable of St. Helier to visit and, in some cases, to open brand new hospitality premises, including one just a couple of weeks ago in town. It is quite remarkable to me that our hospitality entrepreneurs are still willing, in spite of all the difficulties and obstacles and red tape, to commit their money and their time to opening or reopening venues so that we and, most importantly I think, visitors to the Island of Jersey can enjoy a night out. Inevitably, I think some of the arguments have focused on people who abuse alcohol, but in my experience the majority of people who want to go out in the evening or, indeed, at some other time of day for a drink or a meal, these consume in moderation and I do not believe that it is fair to put up the prices of what they are doing. I think in particular at this difficult time for hospitality it would be wrong to send out a message that

the States of Jersey simply is not listening to the hospitality industry. In the grand scheme of things, the amount of lost impôt is very small but I think the message we can send out today as an Assembly is that we listen to the hospitality industry and that we are prepared to support their willingness to back this amendment, which simply looks at a cost-of-living rise in alcohol across the board and does not target any particular part of that consumption. Beer drinkers possibly would be sorry because they could have had an impôt-free budget, but I think the key point here is that the hospitality industry would like us to support the Scrutiny amendment and it is for that reason that I will be supporting it.

3.4.10 Deputy L.B.E. Ash of St. Clement:

I would certainly in normal times wish to support something that is reducing an impôt duty, but unfortunately this is not ... had it been a straightforward: "We will not put impôt duties up across the board", I would vote for that, but this is not that, is it? It is a sort of amendment to make everybody look good and feel better but it is really just rearranging the deckchairs. It is: "We will now tax beer more and we will lower the tax on spirits," which, as we have heard from the Minister for Health and Social Services, perhaps have more of a negative impact on health. If people really want to help hospitality, I will give you an example. I received an email the other day from a restaurant in town. They said: "Dear Deputy Ash. Did you or did you not change the law on alcohol and price promotions?" They said: "Because what we have been doing, we have had a £25 menu, 5 courses, and should you wish to take advantage of that, you can then take advantage of having a £20 drinks package, which for 2 hours includes house wine, house beer." I do not think spirits were involved in this. "It has proved enormously popular. We have full bookings for Christmas and we have very good bookings at weekends because of this. But we have been visited by the police, who have told us very pleasantly [and he was insistent on that, very pleasantly] that we should stop or they might not be so pleasant." So he has. He wanted me to clarify the position and I said: "But the States did vote through that we would ask the licensing bench but it is not our decision, it is the licensing bench as to whether we can have price promotions and whether the hospitality industry can promote itself in that way." So we cannot do that. We also have a problem with the competition regulation where we have considerable amounts of problems with what many perceive to be restricted practices, but again ... and I told him the Assembly voted against that. They voted for restrictive practices and to have no investigation into that. Fortunately, recently we have seen that the Jersey competition regulator is now going to look into pricing and how prices are progressed. I am very pleased to hear that and we should have that verdict in January and February. It is very salient to this debate because we can fix the tax wherever we want. We could knock a per cent off the tax. Do you think that would help the average person in Jersey who goes into a licensed premises? No, it would not. When we left beer alone probably for the best part of 18 months, beer in some pubs went up by a pound. It went up nearly 15, 20 per cent. So what we need is another look into ... and this is different from what the Treasury makes it but it is very salient for what the average man and woman on the Island pay. So whatever we decide today will make no difference to the average man or woman on the Island, whatever we decided on Senator Moore's proposition. I was also very disappointed to hear Senator Pallett's comment on the Licensing Law. He had a chance, and I do not like to put it too strongly, but he failed when he had that chance and failed abjectly. I believe - I was not in the Assembly at the time - that it never really even appeared before the Assembly. In fairness to Deputy Morel, who now has the task of looking at and changing this, he seems to have got a grip with it. Unlike others in this Assembly who get impatient and complain that: "It is X amount of time since my proposition was passed", I do realise that COVID has brought changes and I realise it has made it difficult for Deputy Morel and that team. COVID also has brought different challenges and so I have been patient. They have kept me up to date throughout and they are going to have a new law that we will fortunately be able to debate, and we can look then at how we help the hospitality industry. Do we say that we cannot have promotions in pubs but restaurants can promote? Do we limit certain times in pubs? There are a whole host of things that we can then decide, but we cannot decide as an Assembly at the moment because that, as you would well be aware, rests with the

licensing authority. As I say, the great thing of this, whether it is passed or not passed, is that we are now going to have a new law. We are going to have the Jersey competition regulator, and I really have a lot of faith in them now. I think they are going to do a tremendous piece of work that will also show us concerning things such as shipping costs, which we always hear: “Oh, it is shipping costs”, and that is not with alcohol generally, it is with everything in Jersey: “Oh, it is shipping costs.” Well, we will see because they are going to look into that. So, in closing, I would urge people to reject this. It is a nothing piece of work. It is just rearranging the deckchairs. I would also say as a lager lout with a beer belly, I am glad that no one would wish to be as sexist as that in the other direction.

3.4.11 Deputy M.R. Le Hegarat of St. Helier:

It is interesting the comments that have been made and I am fully supportive of what the Minister for Health and Social Services says, and I for many years worked alongside Health in relation to alcohol-related matters. But for me it is about equality and making sure that we increase across the board. The reason I say that also is the fact that probably the consumption of wine in particular will be when people go out for a meal, as well as other places, but that is a significant sort of area where people may consume more wine than they would beer. Everyone knows that the consumption of food while drinking alcohol is significantly better for you than just drinking alcohol alone. I would say that if somebody is having a meal and a glass of wine it is better than maybe sitting in a bar and just consuming a pint of beer or cider. There are also arguments that will say that wine, of course, as well as spirits, are of a higher percentage than beer and cider but, of course, that is not in all cases. Of course, now there are many wine producers who are trying to lower the percentages of their alcohol. From my perspective, I will be supporting this amendment because I do think it is about a fair playing field. There are a number of new restaurants that have turned up within the confines of St. Helier around some of the smaller streets, and so I would like to be able to support them and the hospitality industry in this particular time. From my perspective, I will support this. As I said, I am fully aligned with the fact of health and fully supportive of that, and I think the more we can do to help Islanders in relation to these matters, and particularly those who are dependent on alcohol and other substances, then I would be supportive of that as well.

3.4.12 Senator T.A. Vallois:

I am just going to respond to Deputy Ash, as the panel received correspondence from the Jersey Hospitality Association and they referred particularly to the drinks promotions. They stated: “When the States Assembly voted to allow drinks promotions on licensed premises, the industry was not consulted. There have, though, been numerous occasions when commentators have clearly articulated how damaging drinks promotions would be for the industry. The J.H.A. is welcoming the review currently being conducted by the J.C.R.A. (Jersey Competition Regulatory Authority) and remains hopeful that the licensing authorities maintain the current policy not to allow them. All that drinks promotions will achieve is an increase in government revenue as it will receive the same impôt duty from each drink sold while the business selling it will receive less in return. It also flies against the message of responsible drinking that the industry supports and that the Government promotes. During the debate the measure was being put forward as a welcome boost for sales that would support the industry.”

[14:45]

That is just a brief quote from the submission received by the panel and I think it is very important for us to listen to that and understand what they are saying. Emphasising the speech made by Deputy Ahier, of course, the mainstay of our fiscal strategy that we have is about low, broad, simple and fair and that is exactly what the panel are trying to emphasise here. I think one of the arguments that has not been pointed out is, of course, the possibility of beer and cider being the gateway to the more stronger spirits and wines. I think that is very important to identify as an issue, especially for our

younger people. I suppose I could be really radical and say if we were extremely serious about the health of our young people and our Islanders we could be suggesting for alcohol like New Zealand is suggesting for tobacco. At a point in time, if you were born in a certain year you cannot buy alcohol after that. That is radical, that is coming from a completely different point of view. What the panel are asking here is really to state that we should have an increase in impôts to recognise the health issue but also recognising the impact that the industry has experienced and continued to experience. We have seen the response from J.H.A. about the fact that there are cancellations happening due to the concerns around COVID as it is at present. I would plead with Members, although understanding the health arguments, we are not suggesting as a panel to remove any increase; what we are saying is low, broad, fair and simple which is the fiscal strategy that this States Assembly supported.

3.4.13 Senator J.A.N. Le Fondré:

I am glad to follow the last speaker. It will come as no surprise to Members that I am asking or urging Members to not support this amendment. At the end of the day, firstly, what we are being asked to do is spend £231,000. That is the impact, it produces revenue, it is therefore an increase in deficit or an increase in borrowing but effectively it means it is an increase in expenditure. Therefore, one has to decide where one wants to apply £231,000 for the best impact. Either that could be in supporting hospitality or it could be in maintaining and increasing disincentives for certain groups of drinkers to disincentivise drinking the higher alcoholic content such as spirits particularly. That is the choice. We all around this Assembly, or I think most people usually, support hospitality and I would hope we all support children, particularly those of us who are parents. Just to remind Members from the comments in the Council of Ministers' comments, the Jersey alcohol strategy also says that alcohol pricing is an important tool for discouraging the consumption of alcohol. The report notes that alcohol pricing is more effective in discouraging consumption in some key target groups, in particular, young people and problem drinkers. Certainly, from what I see and from what I am informed, it is at the younger age group that one sees considerable consumption or preference in consumption on spirits particularly, and very much less so on beer and cider. As with all these things, it is a balance and that is why we went for the position of not increasing impôts on beer and cider but particularly targeting the higher, more intensive areas, shall we say, of spirits and wine. As a wine drinker, just to correct at least one assertion from Deputy Morel, yes, I am obviously in touch with my feminine side if I follow his logic. But anyway, to correct something else in terms of the F.P.P. (Fiscal Policy Panel), the F.P.P. note in their report that there are only small revenue-raising measures in 2022 limited to duty increases which is in line with the panel's advice to avoid implementing significant new revenue streams too quickly. I hope that clarifies that matter as well. Obviously as an accountant, Members will no doubt expect me to say this, if the Assembly does decide to vote for the amendment, we will have to find £231,000 from somewhere. I have informed the Minister for Economic Development, Tourism, Sport and Culture it will come from his budget on the basis that it will be deemed a preference to supporting hospitality and, therefore, it seems fair that that comes out of the Economic Development budget. I have left him to digest that consideration as he was only informed just before lunch. I think I do need to make the point, we absolutely do support the hospitality industry. We have spent and supported hospitality over the last, I will say, 15, 18 months, depending when you take the point of the support starting; we have spent millions of pounds on hospitality since the pandemic. We obviously introduced in the wider economic sense the Spend Local card, that by itself was £10 million, and that considerable amount was spent within the hospitality industry. Let us have no attempt here to infer that by not supporting this, one is not supporting hospitality and that by supporting this, this is going to make a huge difference to the hospitality industry. It is an argument that comes through every year and of course in every year, everybody would prefer not to pay tax or increase levels. I think Deputy Ash has commented already on how little the consumer sees in terms of, even if one freezes duties or even if anyone only puts prices up by less than the cost of living, well the impact is upon the consumer and that retail price. I

have covered the F.P.P., I have covered the spending implications, and I have covered the general principles. But, for me, fundamentally when we had the discussion it was around the impact or at least disincentivising the alcohol consumption within the younger age group, and that is what the trend appears to be, that is what we are informed of greater consumption of particularly spirits in that category. For me, despite various assertions, we do often - and very often - consider children in our considerations and that, for me, is the deciding factor. That, for me, I would rather maintain the disincentivisation, particularly on spirits, aimed particularly at that younger age group of drinkers rather than in this instance, if you like, what is said to be targeting across to assisting the hospitality industry but that has not been quantified. We do support the hospitality industry, we do it in a huge variety of ways, and we will continue to do so. I would suggest this is not the best way of spending £231,000 in an untargeted way which will have undefined results essentially. If that is the view of the Assembly, that is absolutely fine, but hopefully we have made our position clear.

3.4.14 Connétable M.K. Jackson of St. Brelade:

I have spoken in previous debates in a similar vein and that is to say my feeling is that we are taxing alcohol in the wrong way. I contend that the Government should be looking in more detail at alcoholic content. The difference of effect of a 14.5 per cent wine as opposed to an 11 per cent one is significant; likewise, perhaps, a 6 per cent beer as opposed to a 4 per cent one and thus I feel more aligned with the Council of Ministers' way of thinking on this particular matter. It would not be difficult in this technical age with sophisticated point of sale systems to be able to achieve this selective alcohol content-setting process. This in turn would give the public a broader option as to how much they might wish to spend on a drink. This must be a fairer approach. And this suggestion that wine is for ladies and beer is for gentlemen I think is a bit nonsensical in this day and age. I have difficulty in sympathising with the hospitality industry, I have to say, in the light of the significant margins being included in their drinks prices and suggest that, while for the more well-off any increases will be unnoticed, for others who may be less well-off and enjoy the occasional social drink with friends, it will hurt the most. I have to say that is said with the experience over the past few weeks of looking at drinks prices as part of my licensing obligations within the Parish and they do vary significantly. While I empathise with the arguments put forward by the panel, I would rather they had focused on alcoholic content rather than price, so feel unable to support the amendment as put forward at this point.

3.4.15 Deputy S.M. Wickenden of St. Helier:

I come at this from an area where I have tried to freeze duty back in 2018 and significantly lost within this Assembly and made my arguments about consumption and price. I have to say, I am going to stand up with the Chief Minister and say we have supported the hospitality industry over the last couple of years in so many significant ways to try and keep jobs, to keep the industry going, to make sure that restaurants and bars and hospitality is open as much as is absolutely possible. It would be really, really unfair for anyone to say that we have not, in the ways that we have been working. There was the £100 card, and £200 for some people, that we put out to be spent within the local economy. I remember seeing a young child desperate to pay for the coffees for her mum and dad when she was sat in one of our local coffee shops because she had her £100 card, and that is how she wanted to spend it. But there is the low, broad, simple and fair argument which seems to have been kind of misconstrued into this argument. We do not, and have probably never, put up duties in an even manner through many, many years in the past. We have significantly put up duty on the likes of spirits and wines over what we have on beers over successive years, so it is not as if they are all at the same level now and we are now coming to change the levels between the different types of alcohol. That is not what we are doing here and that is what we have never done. It cannot be low, broad, simple and fair when there are such varying differences in percentages on duty across the different bands that we have set out here. There is also, I have to say, from being out in hospitality since COVID, I have seen the hospitality industry work in different ways on how they are already

pricing. I have been to one establishment in St. Helier where a large glass of Sauvignon Blanc is £14.75 a glass now where before COVID it was about £6.25. That hospitality industry itself has already decided to significantly put up the price of the alcohol within their establishment. Then you go to another one and a glass is £7.40 and then you go to another one and it is £4.25. The hospitality industry has always had the ability, no matter what the duty is, to set their alcohol prices at a level they feel they want to for their profit margins. I can go back to, in my amendment to the 2018 Budget on amendment 6, I did a whole lot of work looking at the duty increases over 10 years and the price and volumes and the likes. In 2007 when duty went up on spirits by 3.5 per cent, the prices went up by 10 per cent. In 2018, duty went up 4 per cent, the prices went up 19 per cent and it goes on. The duty here, what we have been trying to do in this Government Plan ... and I would have liked them to be zero again. I still think that we keep putting them up for the wrong reasons and it causes more harm than good. Certainly there is a level of revenue raising; there is a lot more spending that we have been trying to put in in key areas. There is COVID that we have been dealing with and the expenditure that goes on there; trying to target the biggest increases on the most harmful areas and change people's behaviour, so maybe not have the glass of wine, have a nice glass of cider. There are plenty of good opportunities for different ciders out there that are tasty but this Government Plan is trying to target to change behaviours in the way that we do with pricing. To say that this is going to have a massive effect in the hospitality, they are already doing that to themselves in some aspects, that is not what this is about. But the Chief Minister raised very carefully, this is about over £200,000 of lost revenue in the change in this amendment.

[15:00]

Where we have plenty of amendments asking to spend money with no idea where the money is coming from, the idea that we are going to remove revenue at the same time as asked to spend more seems a little bit in the realms of insanity. I do see what the amendment is trying to achieve but it is not targeted, it is more, as Deputy Ash said - I will not get his name wrong there - it is just moving the deck chairs around.

3.4.16 Deputy R.J. Ward:

This is a very interesting debate and I think, to some extent, I agree, the change is very small. I do not see a problem with having across-the-board increases in prices, and there are a few points to be made, but there is a wider issue here, a much wider issue for our society. What we do not have is a decent building-a-safer-society strategy because it has been lost. It was diminished and it was lost in the plan to replace it with a more structured system. Then there was a change of personnel and it seems to have been lost in the entire change to government structure, and I think that is something that needs to be addressed first. Because we can raise prices on one type of alcohol above another in whatever way we want to but until we look in our society at the key drivers as to what causes people to drink unhealthily, what causes people to use alcohol as that sort of substitute for other things that should be in their lives, then we are really tinkering around the edges. That is the wider societal problem that we have. I am pleased to hear Members of the Government talking about raising revenue because obviously they will be supporting the removal of the social security cap, which raises significant revenue. That is nice to hear at this stage; that is a really nice part of the day. I would say that I will be supporting this amendment simply because it is across the board. It does not isolate any part of our population and, as I have said, I do not think it is that huge an impact. In terms of the amount of money that is being lost, well it has not been raised yet. I raise one simple thing - I do not know, I am not an accountant, that was not a life choice for me - there is a World Cup at the end of next year. If it is stereotyping day, let us go along with this, therefore, there may be a lot more beer consumed. This could be an absolute genius move in terms of taxation for this Assembly. We could be really benefiting from the World Cup, particularly if our home nations do really well. So there is always that in the background because a glass of beer or cider, watching the football match, it is very unhealthy. Obviously, my body is a temple and I would not touch a drop, therefore, I do

not know whether I could comment on this. I will forgive you that, Chief Minister; at last we get a bit of humour out of the day, that is lovely to see. But I will be supporting this amendment because it is across the board and I do not think that significant change is there. The evidence we need is on our approach to alcohol and its use and the antisocial level of drinking. In terms of young people, yes, absolutely we need to support young people but why is that happening? One of the reasons is in the centre of St. Helier - I am sorry, I have to say it - there are not the facilities that are needed by the young people in the centre of St. Helier because they have just not been there. The projects that were meant to have been happening are not being built and they could be. It is those things that impact long term and get young people away from that habitual use of alcohol as some sort of past-time. I am not one for demonising young people, so therefore we should be very careful in the way that we are judging that. I do not think there is a reason to target one area of alcohol without a much wider strategy. If the next Government comes back with a really good strategy in terms of the way we are dealing with alcohol, in the way we are dealing with drug use, rather than criminalising people, we treat people and we help them change their behaviour for the good, then perhaps we can look at this use of taxation as the main driver in terms of habitual change because it simply does not work. I will be supporting this amendment.

3.4.17 Deputy M. Tadier of St. Brelade:

I think we need a bit of levity in this debate, partly because Deputy Ash is not on his usual good form because he is having to vote against his own manifesto pledges, which means that he is probably slightly less enthusiastic in his speech-making because he does not really believe in it. It is interesting to see in fact a number of members of the Council of Ministers who have previously opposed any increases in duty and even proposed amendments to them who are now slavishly following the Government party line on this. That is a shame because I do not think they were elected to follow a party whip for an invisible party that does not exist yet. There is a risk of course when Deputy Ward makes comments like: "My body is a temple" that somebody will come back with a comment: "I suppose that you are Buddha." I would not say that of course because I know that Deputy Ward keeps himself in top shape. My favourite response of course is always to say: "Why have a 6-pack when you can have a keg?" I am sure there are many other alcohol-related jokes that one could make. Let me read from a manifesto, or at least some pledges that somebody made somewhere along the line only a couple of years ago, saying: "Well, you could argue that the introduction of a sugar tax, which in a way I do not agree with because you should be able to do what you like, but you could increase taxes on some things." This person went on to say: "The health argument is always used but if that is the case that there is an increase in A. and E. (Accident and Emergency) dealing with sports injuries, then you could say 'tax sports clubs' but you would not do that." Deputy Ash speaking to the *J.E.P. (Jersey Evening Post)* in 2019 who said that he was bringing amendments to quash the then Government's increases which were above inflation on alcohol duty. It just goes to show how quickly one can rip up one's manifesto pledges when it comes to pressure from your particular Government and no doubt party. But of course we know they are not a party yet until the election, even though they are opining on all sorts of things on social media and they have said that the Government Plan is their manifesto. I will let the listeners decide which one of those statements they think is or are true. My concern here is that we hear these health arguments time and time again. We have heard a remarkable argument saying that this is to try and protect children. Now, I am not sure if everybody knows, but when it comes to young people these days, alcohol is not the neatest thing anymore, if you will excuse the slightly subtle pun. Because there has been a downturn in alcohol among youngsters; that does not mean we should be complacent of course for those who do tend to use it. But they do not see it as very trendy, it is not fashionable to drink, there are other things that they often do to get their highs and it often involves clean living and a healthy lifestyle and sport. That is what you will find if you talk to many teachers and educationalists, which I think is a really positive thing to remind ourselves of when we hear so many often disproportionate negative comments sometimes about young people in the Island and generally. I think young people are

leading us by example. Are they giving up alcohol in droves because it is too expensive? No, because they probably cannot legally buy it anyway. I would ask this Government, like many Governments going before us, if you are genuinely concerned about alcohol among young people when setting the trends for the next generation, then why do you allow alcohol to be sold in places where young people frequent which are very public? You can go to any of the big supermarkets and next to the cakes and the chocolates or the washing powder or whatever, the newspapers, you will find alcohol being sold at probably the cheapest price that you can find it anywhere in the Island, whether you go to Waitrose, Co-op, et cetera. It is there, it is being advertised, it is on display. I have even said it before, it has been a few years since I went to the bowling alley, but you would have advertisements for Fosters - and I am sure other brands were also available - when you are throwing your ball down the alley looking at: "Maybe in a few years' time when I am old enough, I can buy some Fosters." Why do we allow supermarkets to sell alcohol in the first place if the Government wants to restrict alcohol sales? Surely it should be a specialist place that you need to buy them. This is if, of course, you want to clamp down on alcohol. Of course, there is another addiction in the room that we have not really talked about and that is the addiction of successive Governments to duty and impôts on alcohol. The same argument, I am sure, could be made for tobacco, but the difference of course between tobacco and alcohol is that it is possible to consume alcohol moderately - we know that the health advice is changing - but alcohol consumed moderately by some people who might just have a drink every now and again on special occasions. We had some really forensic detail about the pricing of alcohol in different establishments from Deputy Wickenden which I thought was helpful for those of us who are maybe not quite as familiar, and we know exactly how much alcohol can cost on different drinks in different bars. But people who do not drink a lot and who do not have a lot of money, this is going to be another issue for them when they go out. Now I did read the very good letter from Miss Boscq who sent it around on behalf of the Jersey Hospitality Association. I always read these kind of letters with an open mind and I do think that the industry has been through a particularly tough time. When we simply apply any increases at or above the rate of inflation R.P.I., we sometimes forget, well, R.P.I. is not a thing that applies equally to everybody or to every industry. R.P.I. is often something that is done to us even though we are told that it is the economy which dictates that. But in fact if you ask a lot of the industries have they seen an uptake in their business by R.P.I. you will probably find that, no, they have not, it has been a really tough year. Yes, Government has stepped in, there has been furlough, but many businesses nonetheless have struggled, they have put in extra marketing and extra work that they might not have. There has been a lot of give and take and I think a lot of goodwill from customers and their own staff who have been working on the front line of COVID, often very exposed. It simply does not make sense here to say that we are going to put a price rise on one type of alcohol but not on another. If we come back to the sugar argument. I took on board what my Constable of St. Brelade said in the sense that he would like to see it more targeted but do we then start selecting on the basis of sugar? Is the next step to say: "Well I do not like spirits, so I am going to tax that, but I prefer lager because I think that is a good working-class drink and therefore will support a freeze on lager and cider." But what about cider having a high sugar content? What if somebody wants to try and avoid their sugar intake and opt for a drink like vodka or gin? I have a very good male friend that I went to school with. He does not drink a lot but he will allow himself a drink every now and again and his choice of drink is gin and tonic. He does that because he likes the taste but it is also, he thinks, one of the less calorific drinks. He tries to look after himself, he goes to the gym quite a lot. If I go out and maybe I am having a wine or half a lager with him, or more often a cappuccino, he might be going for the gin and tonic. Should we be saying to somebody like that who is trying to make the right health choices: "Well, no, you should be paying more for that"? This is where the health argument becomes very, I think, difficult because is it for the Minister for Health and Social Services to start dictating exactly and micromanaging which types of alcohol should be being put up? Are we going to reduce tax on non-alcoholic beverages? Luckily, we have seen the choice in the industry of not only non-alcoholic beers now but non-alcoholic gins right across the piece has flourished because there is a demand for people wanting

those kind of drinks that do not have any alcohol content. But they are still taxed with G.S.T. I do have a challenge to the industry to be fair, just to try and remain even-handed, I think it is really important that non-drinkers or people who want to try and cut down be not penalised when they go out. Because you can see if you are charged, say, £4 for a pint of lager but you are paying virtually the same for a pint of lemonade or Coca-Cola, which is not necessarily even real, it could be syrup with just fizzy water, you can understand why people think they want to get value for money. I would like to see the kind of initiatives we used to have at Christmas - I do not know if they still exist - where soft drinks would be free for the designated driver or at least cost price or cheap for those who do not want to drink alcohol. It is not an easy area to discuss, we are not going to solve all the issues today, but we are certainly not going to help the problem by relying on above-inflation prices for issues which have fundamental reasons and motivations for people's health and people's choices.

[15:15]

I think this is a way that we can, not just help the industry, because it will give them a reason to keep prices down, but it is also a way to acknowledge that our Island has been through a very difficult time, and it stops the divisive nature of what is being proposed by the Government. I do say to the Members of the Government who would normally be inclined to support this, who did not bring an amendment to try and, what they say is, make it fairer across the board, is that they should be supporting this because this is a fair flat rate which is going to be applied to all types of alcohol below inflation. I think it is something that we can accommodate at the moment and I commend the panel for bringing the amendment.

The Bailiff:

Does any other Member wish to speak on the amendment? If no other Member wishes to speak, then I close the debate, and call upon Deputy Ahier to respond.

3.4.18 Deputy S.M. Ahier:

I thank all Members for their contribution to the debate. Deputy Pinel is concerned about young people's consumption of spirits specifically which is of concern to the panel but this should be addressed by education, not by duty rises. The Deputy of St. Ouen said that it was not to be seen in isolation but these rises do isolate wine and spirits. He mentions the risks to health and welfare of Islanders, which is what this amendment speaks to across the alcohol types. The Chief Minister is apprehensive about the costs of the amendment but did not mention the unbiasedness of the amendment. Deputy Wickenden said that not all duty rises are historically the same; well perhaps it is time that they were. The Constable of St. Brelade believes that we are taxing alcohol in the wrong way; well, this is certainly a question for another day. The Constable of St. John quoted the Jersey Hospitality Association's letter and is concerned about a recovery in the tourism industry, which we all are. Deputy Pamplin is worried about addiction which, again, we are all concerned about. Deputy Morel could not understand why beer and cider were excluded from impôts duty rises. This amendment, of course, rectifies that anomaly. Senator Moore is troubled by the inequity of the impôts duty increases, as is Senator Pallett who asks: "Where is the evidence?" and wonders why the alcohol and licensing strategy has not been updated which is an issue that does need to be reviewed. The Constable of St. Helier mentioned that it is all about balance and is anxious about the effects on hospitality. Deputy Le Hégarat stated that it is about equality and a fair playing field, which the panel is in accord with. Senator Vallois mentioned the radical regulations being introduced in other jurisdictions. Deputy Ward was concerned by the causes of why people drink excessively and antisocial drinking, which is obviously of concern but difficult to determine. Following a freeze of alcohol duty in last year's Government Plan which was aimed at supporting the recovery of our hospitality sector, the Corporate Services Scrutiny Panel were surprised to see the proposal to impose a 5 per cent rise on wine and spirits in the coming year. The Government Plan outlines that consideration of the impact of this increase has been given with the need to provide continuing

support to the hospitality sector due to COVID-19 specifically mentioned. However, during the course of the panel’s review, it has received a submission from the Jersey Hospitality Association who expressed concern over the increase. They have specifically stated: “The industry has endured several years of damaging duty rises and, due to the pandemic, businesses have faced what is effectively 5 winter seasons in a row.” They go on to say that they firmly believe any increase in duty will further increase the costs of doing business at a time when the pandemic is still having an effect. The J.H.A. is also concerned that pushing up the price of duty-paid spirits will encourage more people to purchase the cheaper duty-free alternatives, especially as the restrictions on travel are eased. As indicated by the association, the Fiscal Policy Panel have highlighted in their 2021 annual report: “The economy is recovering but is still weakened and the outlook remains unclear. While inflation is forecast to be higher over the next year, revenue-raising steps, including higher taxes, impose a burden and would not be appropriate at present.” The Jersey Hospitality Association in their letter to Members asked us all to support this amendment to the Government Plan saying it seemed to them like a sensible compromise. They also mentioned that the last 20 months have had a devastating effect on the hospitality industry. With the exception of last year, the industry has endured damaging duty rises for a number of years, including just before the pandemic hit our shores. When costs are put up, it creates a much more difficult environment for businesses to flourish. The panel believes that any increase in duties should be in line with the mantra of keeping taxes low, broad, simple and fair and believes the current proposition does not achieve this. We believe the small drop in revenue should be met by a reduction in allocation to the general reserve. In summary, the panel are proposing a rational, level-headed approach and concludes that this amendment is a balanced approach between public health, revenue raising and the needs of the Island’s economy. I maintain the amendment and call for the appel.

The Bailiff:

The appel is called for. I ask the Greffier to place a voting link into the chat. I open the voting and I ask Members to vote in the usual way. If Members have had the opportunity of casting their votes, then I ask the Greffier to close the voting. The amendment has been adopted:

| POUR: 29 | | CONTRE: 16 | | ABSTAIN: 0 |
|----------------------------|--|---------------------------|--|-------------------|
| Senator L.J. Farnham | | Senator I.J. Gorst | | |
| Senator T.A. Vallois | | Senator J.A.N. Le Fondré | | |
| Senator K.L. Moore | | Connétable of St. Brelade | | |
| Senator S.W. Pallett | | Connétable of St. Ouen | | |
| Senator S.Y. Mézec | | Deputy J.A. Martin (H) | | |
| Connétable of St. Helier | | Deputy K.C. Lewis (S) | | |
| Connétable of St. Lawrence | | Deputy J.M. Maçon (S) | | |
| Connétable of St. Saviour | | Deputy S.J. Pinel (C) | | |
| Connétable of Grouville | | Deputy of St. Ouen | | |
| Connétable of Trinity | | Deputy S.M. Wickenden (H) | | |
| Connétable of St. Mary | | Deputy of St. Mary | | |
| Connétable of St. Martin | | Deputy J.H. Young (B) | | |
| Connétable of St. John | | Deputy L.B.E. Ash (C) | | |
| Connétable of St. Clement | | Deputy G.C.U. Guida (L) | | |
| Deputy G.P. Southern (H) | | Deputy of St. Peter | | |
| Deputy of Grouville | | Deputy of St. John | | |
| Deputy M. Tadier (B) | | | | |
| Deputy M.R. Higgins (H) | | | | |
| Deputy of St. Martin | | | | |
| Deputy L.M.C. Doublet (S) | | | | |

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| Deputy R. Labey (H) | | | | |
| Deputy G.J. Truscott (B) | | | | |
| Deputy K.F. Morel (L) | | | | |
| Deputy M.R. Le Hegarat (H) | | | | |
| Deputy S.M. Ahier (H) | | | | |
| Deputy R.J. Ward (H) | | | | |
| Deputy C.S. Alves (H) | | | | |
| Deputy K.G. Pamplin (S) | | | | |
| Deputy I. Gardiner (H) | | | | |

3.5 Proposed Government Plan 2022-2025 (P.90/2021): twenty-fifth amendment (P.90/2021 Amd.(25))

The Bailiff:

The next amendment listed in the running order is the 25th amendment lodged by Senator Gorst and I ask the Greffier to read that amendment.

The Greffier of the States:

1, page 2, paragraph (b) after the words “of up to those revised approvals” insert the words “, except that, in Summary Table 3, the figure for “Refinancing of past-service liabilities” will be amended in each column to £135 million, so that the borrowing in this Government Plan only covers the liability in respect of the Jersey Teachers Superannuation Fund”; 2, page 2, paragraph (g) for the words “up to £480 million” substitute “up to £135 million”. For the words “Past Service Pension Liabilities” substitute “Jersey Teachers Superannuation Fund Past Service Pension Liability”; 3, page 3, paragraph (l) designate the existing paragraph as paragraph (m) and insert the following paragraph as paragraph (l): (l) “...” “to agree that borrowing relating to COVID-19 and Fiscal Stimulus Fund requirements should be of a short-term nature only, for no more than 5 years (and, for example, funded from the revolving credit facility) and, accordingly, that: (i) the Council of Ministers be requested to bring forward proposals in future Government Plans to reduce this borrowing to zero by 31st December 2026; and (ii) that the Minister for Treasury and Resources be requested to prioritise the application of any unspent funds at the end of 2021 and 2022, be these in respect of spending related to COVID-19, departmental revenue expenditure or capital expenditure, to be returned to the Consolidated Fund and that these funds, along with receipts relating to the move of all taxpayers to current year basis, be used to minimise the borrowing requirements for COVID-19 and the Fiscal Stimulus Fund and support the repayment of debt”.

3.5.1 Senator I.J. Gorst:

I am very mindful that pensions can be a niche subject and not very interesting but, from my part, this is an important amendment. I want to start by saying thank you to my Ministerial colleagues for their support of part 3 of my amendment, which is around COVID debt and ensuring that we pay that back as quickly as we can and that we do not extend it unnecessarily. We can do that initially through an extended or the revolving credit facility in the coming year and also replicating the amendment which was in the previous Government Plan. This amendment is reasonable, sensible and prudent and it is most certainly in our long-term interest to give this proposal further consideration. My arguments are threefold, I suppose, but, most importantly, I believe it is the wrong time to make this decision to refinance the P.E.C.R.S. (Public Employees Contributory Retirement Scheme) debt by taking on external borrowing. It is the wrong time because, as the Chief Minister said in his statement at the start of this sitting, and as the Minister for Treasury and Resources said in her opening comments, we are still in the throes of a global pandemic and the economy is still suffering from the effects of that global pandemic. Therefore, it must - it absolutely must - be the wrong time to make

a decision to take our borrowing from that figure that it was in 2018, £250 million that we all know about, to invest in appropriate social housing to rent and to buy, to, during the course of this plan, £1.7 billion. In any view of the history of our economy and the history of the strength of Jersey's economic position, in the midst of a global pandemic must be the wrong time. The only argument that I can see in favour of this being the right time is because money is cheap.

[15:30]

It sounds strange to say this, money can be expensive, money can be cheap, but at the end of the day the money that we spend we have to pay back. The money that the Government has of course belongs to all Islanders. They have contributed to it and they expect for it to be managed carefully, prudently and in their best interests, so I contend that it is the wrong time. I also contend that we do not, in the proposal before us in the Government Plan, have sufficient detail. I was surprised to read the independent Scrutiny adviser's view that they also thought that there was not sufficient detail in the Government Plan. Pleasantly surprised. I have found over the years, I have not always been pleasantly surprised by Scrutiny reviews or the independent advisers but in this case I absolutely was. That adviser rightly, to my mind, says that there is not enough detail about how this debt would move over the 40 years if we did not borrow in the market. I do not think that the department have been asked to do work on other options to reduce this debt. We know that a previous Minister for Treasury and Resources reduced the length of time that the debt would be paid over by increasing the contribution. We do not have before us comparable figures to do that. Therefore, I believe that that work should be rightly undertaken during the course of 2022 so that an incoming Government can understand the economic conditions better and can make the comparisons about what the right approach is to reprofile this debt over the coming years. It is well-known that for the last 3 years I have argued with my Ministerial colleagues about the level of borrowing. I have been clear with them, they have been clear with me, I talked about this during the hospital borrowing debate. For me, to move in one parliamentary cycle from those low levels of borrowing to extremely high levels of borrowing is a risk. It is a risk that has not been quantified and I think it is a risk that we do not need to take. I know that those in favour of maintaining this proposal will say, as Ministers have said in their comments to my amendment, the refinancing of pension liabilities is long overdue. There have been changes and I am not saying that it is wrong that there should be changes because we know that one of the reasons that the P.E.C.R.S. debt is growing in the way that rightly needs to be addressed is because we in the States and in Government are employing more people. That is one of the driving factors of the increasing cost of this liability. The Chief Minister reminded us that this liability is already on the Government's balance sheet and of course it is. But what we are doing is taking it from the way that it is categorised now, making a number of financial assumptions, calculating the cost or savings of those assumptions and using those assumptions, using the low cost of money today - and I use the word "today" advisedly - which means that we will make over the life of the 40-year debt a saving of £150 million. I am not going to criticise those assumptions but I would just remind Members that there is no proposal to make any savings during 2022. The proposal is that any borrowing would be in place for the start of 2023 so that you could start to see savings in 2023. But, equally, there are no savings attributed to this action in the Government Plan during the life of this plan. They are assumed to take place. They are assumed to take place. I have no reason to question or to doubt that they would not take place but what that would require is, during the course of 2022, officials in Treasury to go to the market - the debt market that is - and to seek to borrow money on at least 2, if not 3 occasions, depending on whether they ultimately decide to go to the market once or twice for the hospital borrowing. We know that the hospital borrowing, all things being equal, can be launched on the market around Easter or just before Easter. It would then, I believe, require an incoming Government to go again to the market to refinance this pension liability and they would start that process towards the end, middle, third quarter of the coming year in order to have it in place for the beginning or early in 2023. That would be going to the market for over £1 billion of debt in one financial year. I am not sure that is a sensible or prudent financial policy. It is

certainly something that we have never done before, nor is it something that I think any of our predecessors would have considered doing. It has been absolutely right, and the Minister for Treasury and Resources reminded us in her opening speech, that we did not use the Strategic Reserve to pay for the costs of COVID and economic support during the COVID pandemic. Let us be clear, we do not, as we sit here, know whether we will have to provide further economic support to keep Islanders in jobs during the course of 2022. We do not know that. We hope not but we do not know it. During the course of this year, the Government produced a borrowing strategy. In that borrowing strategy it basically laid the ground for higher borrowing with the potential that that would affect our credit rating by saying that we could live as an Island with a lower credit rating than we currently have. None of us know what the effect ultimately of COVID might be on the economy and therefore on the strength of our credit rating; of course we do not. None of us were quite sure what the effect of Brexit might have been on the strength of our credit rating. These are unknowns and because they are unknown I believe that there is a risk that is unknown in maintaining this particular decision in the Government Plan. Now I have looked at the need to deal with the teachers' pension in a totally different way because Members will know from looking at the numbers that that payment in effect balloons during the course of the length of financing. Therefore, it is eminently sensible for a much smaller amount of borrowing to manage that risk and deal with it appropriately in this way. But it is not sensible. In my view, it is not reasonable. It is not prudent at this moment in time, on 14th December 2021, to commit to this level of borrowing in the midst of a pandemic with insufficient detail. I started by saying I know pensions are terribly boring, of course they are, but they are terribly, terribly important for future Islanders as individuals if we have a pension, as a Government, as we have a pension for staff. It is right that we have not used the Strategic Reserve but let us be open about what we have done. We are relying on the Strategic Reserve to continue to return good returns and to continue to grow as the only strategy to pay back the borrowing, the only strategy to pay back the borrowing on the hospital, the only strategy. While we have not spent it, and that is right, we have in effect used it as collateral to pay off the borrowing because we now cannot use it for anything else. I support that policy. It was and is the right thing to do, to pay for the hospital, but we should not add on top of that momentous decision the risk that the Government is asking us to add today. I remind Members that our own independent economic advisers tell us that while they are broadly supportive of this plan, the next Government, if this plan is maintained as it is, will have to raise taxes. Surely it is right to pause, it is right to review and ask ourselves: "Is this the right decision today or should we give ourselves a few more months to properly quantify the risks, properly understand the economic conditions and properly understand the other options?"

The Bailiff:

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

[15:45]

3.5.2 Deputy S.J. Pinel:

Senator Gorst was very clear in his eloquent speech during the debate on Our Hospital that he was concerned about the total level of borrowing, as he has just reiterated in his current initial speech proposed in this Government Plan. To address that concern, he is asking Members to consider this amendment. I thought it best to deconstruct the Senator's amendment since the 2 key themes of borrowing related to COVID-19 and the Fiscal Stimulus Fund and the refinancing of the Public Employees Contributory Retirement Scheme, the P.E.C.R.S., liability. As Senator Gorst highlights in his amendment, the borrowing required to respond to the COVID-19 pandemic was largely unavoidable. However, I would add that due to the robust performance of Jersey's economy, the financial impact has been significantly better than originally forecast. In last year's Government Plan debate this Assembly supported the Senator's amendment to prioritise the application of unspent funds to minimise the borrowing requirement. This has also contributed to a reducing in the overall level of borrowing relating to COVID-19. It may seem strange to Members that a member of the

Council of Ministers is proposing an amendment to that same council's Government Plan, but the sentiment of the Senator's proposal in relation to the COVID-19 borrowing is broadly aligned to the council's view that debt should be minimised. Given this alignment, I propose to vote in favour of part 3 of the amendment relating to the COVID-19 and Fiscal Stimulus Fund borrowing. However, I find the remainder of the Senator's amendment in relation to financing the P.E.C.R.S. more difficult to support. The refinancing of pension liabilities has been considered on several occasions in the past. A lack of action previously has led to the position we have today and a liability to the P.E.C.R.S. of almost £350 million, which will potentially grow further without further action. Now is the time to address this issue and replace the liability with borrowing that can be repaid in a similar timeframe but at a lower cost. In fact, the full saving in cash terms across both pension schemes, as we have already heard, is £3.6 billion. Possibly worth repeating: £3.6 billion. I know some Members are concerned about burdening future generations with debt but these liabilities already exist and should be dealt with. The proposal in the Government Plan to do exactly that is fully funded and does not require any increase in taxation or reduction in government services. While the borrowing will be in place for a period of probably 30 to 35 years, it will be repaid at roughly the same time as the current P.E.C.R.S. liability but at a far lower cost. There are many reasons why I support the refinancing of this existing liability: (a) the current interest rate environment is conducive to entering into longer-term borrowing at a fixed cost; (b) there is strong investor appetite for the States of Jersey to issue bonds; (c) the total level of borrowing proposed at £1.7 billion still only represents approximately 36 per cent of G.V.A. This is a position that would be the envy of many developed economies. Our key reserves will remain intact to protect the Island against any future shocks whether they be economic, environmental or social. Some Members have indicated that they are concerned about the impact that the proposed level of debt will have on the States credit ratings. Total debt is only one factor considered by rating agencies. They are just as focused on the support provided by our investment reserves, the economic outlook for the Island, and our ability to service the costs of borrowing. While maintaining a strong credit rating is important, the credit rating itself is the output of an assessment of our balance sheet and the Island's economic outlook. I do not believe that the borrowing proposed in this Government Plan will lead to significant changes in Jersey's credit rating. Senator Gorst is concerned about generations of Jersey people being saddled with a legacy of debt. I prefer to take a more optimistic outlook on that observation and see this as an unburdening of future generations of liabilities, which successive Governments have failed to tackle. This Council of Ministers has been brave but sensible in its determination of the right level of borrowing for Jersey and this is presented in the Government Plan. I am unable to support this part of the amendment from Senator Gorst and I would urge other Members to reject it too.

3.5.3 Senator K.L. Moore:

I, along with my colleagues in the Corporate Services Scrutiny Panel, support Senator Gorst in his amendment. Personally I only regret that he did not seek to limit the necessity for borrowing that was offered in the amendment to the hospital funding issue but we are where we are, as they say. Senator Gorst is quite right that this borrowing proposition from the Alliance Government that we are asked to support today requires a great deal more consideration because there is no plan B. We have heard from the Minister just now how she considers that this is ... well, she prefers a more optimistic outlook upon her proposition to the Assembly today and she considers that 36 per cent of G.V.A. borrowings would be the envy of many other developed economies but, of course, we have a long history of much, much smaller levels of debt. It is her and her Alliance Government who have taken us away or are trying to steer us away from that long and well-trodden path that has brought us the financial stability that we have enjoyed for many, many decades and even centuries. If I may refer Members to the excellent adviser's report to the Corporate Services Scrutiny Panel. At page 138 the adviser states: "What policymakers in Jersey, however, should note is that borrowing, including prudent borrowing, is a cost to taxpayers and strictly only changes the timing of taxation, not the need for it. In the formal argot, economics borrowing represents an intertemporal preference

about the timing of tax bills, not a mechanism for avoiding them.” We have already heard from the Minister for Treasury and Resources that she considers the next Government will need to increase taxes to cover the spending of this Government. As our economic adviser points out, future Governments will then be faced with further decisions to increase taxation to pay for this level of borrowing. It is not one tax bill coming down the track; it is potentially 2 unless Members implement some restraint and support the amendment that is before us now. As the debate continues, I would be happy that other Members of the Government will be able to express perhaps what the plan B is, as the Minister for Treasury and Resources has so far failed to do so.

3.5.4 Senator S.Y. Mézec:

In the interests of balance, with my contribution to this debate I intend to upset the proposer and the Minister for Treasury and Resources equally with the position that I will take, although the Minister for Treasury and Resources may find some commiseration in the fact that I will be voting with her at the end of this debate. I guess we had a bit of an inkling that this debate would be coming based on the contribution to the debate from Senator Gorst in the hospital financing proposition recently. In fact, there were a few of us who were sat wondering if he was going to break ranks in that debate and perhaps end up voting for the Scrutiny amendment to the hospital funding proposition on the basis that there is, I would suggest, a degree of sense in the position philosophically that he has taken and which I think he summed up with one sentence in his opening speech, which I made a note of, where he said: “The move from low levels of debt in Jersey to extremely high levels is a risk.” There is absolutely no doubt that that is a risk. You cannot go on borrowing for ever. At some point that becomes unsustainable. It will reduce confidence in the Government’s ability to finance its day-to-day business and pay back the debt that it has taken on. It cannot go on for ever and so you have to be smart about how you choose to borrow and what you choose to borrow it for. That is why I find some inconsistency then in wanting to hold back our ability now to borrow some money to pay off another debt which, in the long run, is actually better value for money when instead we have borrowed more than we need to for the hospital and more than we need to for the government office. I told you I would be balanced in who I tried to upset with my remarks in this speech. That is a position that I think risks our ability to be financially prudent in the future when we finance the projects that will be fundamental to our well-being as a community over the coming decades. By that I mean the prospect of having to borrow money to fund our carbon neutral ambitions, not just because it is a morally responsible thing to be carbon neutral but because there is infrastructure we may well have to fund to secure our well-being in the future, whether that is flood defences from rising tides or whether it is energy efficiency in homes. We may want to borrow money to be able to deliver. The fact that we are in a housing crisis and to fund the building of homes up front usually requires a substantial amount of debt. Our ability to take on that debt and to pay it back sustainably is undermined when we have such large levels of unnecessary debt, and that is where I think that both the proposer and the Government have got the wrong position on this. Debt is not a bad thing, in fact many households base their entire security on debt in the form of a mortgage. Taking on debt can be a good thing so long as you are taking it on to pay for the things that you need and you have a sustainable way of funding it. Senator Gorst talked about his worries about our ability to pay back debt in the future and I could not help but wonder, based on some of what he said and some of what has come from Members of the Government, whether they are intended on ultimately walking us down austerity avenue again where the only way to pay back the large amounts of debt we have taken on they will claim will be to cut back public services. Heaven forbid we might look at our tax system and try to rebalance that fairly so that we have got an appropriate amount of income coming in to pay for our public services and to pay back the debts, hopefully the good debts, we will have taken on to pay for those things that we need. We take on very substantial amounts of debt. I think the Scrutiny Panel made the case very well in the hospital funding debate, taking on more than we needed. We are taking on tens of millions of pounds of debt to pay for an office block that we will not even own at the end of it, being delivered by a private developer rather than our own developer who are too

busy borrowing money to build homes that nobody can afford. So I think that our management of debt in the Island is poor but what Senator Gorst is proposing at this point actually in my view represents imprudence and, therefore, I will not be voting to support it.

[16:00]

3.5.5 The Connétable of St. Ouen:

I am sure Members will be delighted that I am not going to bang on about actuarial calculations. The first comment I would like to make is about where we are in terms of the interest rate cycle. As I am sure everyone will know, we have been in a low interest rate environment for an incredibly long time, an historically long time. However, the outlook is not quite as rosy as what we have had in the past. Inflation is starting to move up again and in fact in the U.S. (United States) inflation has hit record levels. Looking forward, the picture is not quite as good as it is at the moment. The first risk in accepting my estimated Minister's proposal is the cost of borrowing will probably move upwards not downwards, so the cost of funding the P.E.C.R.S. liability could well become more expensive, which frankly, given that we have the opportunity to do something about this now or some time in 2023, would be a shame. Secondly, talking about the P.E.C.R.S., and I am sure Senator Gorst knows this, P.E.C.R.S. is a closed scheme as far as I am aware and if we are taking people into the scheme I shall be very cross. We are not taking any more people and we are not building up any more P.E.C.R.S. liability. This is not true, in fact, in the teachers scheme where we are keen to take people into that scheme despite the fact it is our most expensive scheme and that liability is quite likely to increase. However, reducing that liability and accepting the Senator's proposition still remains a good idea. The other point I would like to make, and I am sure the Minister for Treasury and Resources made this very eloquently, we owe this money. This is not new debt we are taking on. The money is owed to the scheme and currently we are paying somewhere in the region of 5 per cent of that debt. As I am sure Members will be aware and will have seen in the comments paper, what is being proposed in the Government Plan is the opportunity to refinance its debt at half that cost. Effectively, if you do a simple calculation, that could reduce our costs by some £8 million a year in terms of interest costs. That, to me, seems to be a sensible way forward given that the money that is saved there could be used for other things. So, essentially, as we said in the comments paper, there is a possibility that doing this will save the taxpayer between now and 2053 some £260 million, and that is a lot of money. In summarising what I want to say, we are not increasing our liabilities by doing this. We are simply reducing the borrowing costs and there has been some mention about Standard and Poor's and perhaps risking our credit rating by doing this. However, I think if you take a wider look at Jersey's ability to repay, we have a strong finance industry and it has remained strong throughout the pandemic. Our tax take remains good and, therefore, our ability to repay debt remains strong and if we do borrow the money we said we are going to borrow for the hospital we must not forget that we are not creating a huge exposure of £850 million. Set against that we have assets of a similar amount, so essentially while we are borrowing that we always have the option for selling those assets and repaying that debt if times become more difficult. So it is not as simple a picture as is being painted. For my mind, this is a sensible time to do this. We need to reduce the cost of borrowing this money. We also need to put the money back into the scheme because we owe it. I will not be supporting, unfortunately, Senator Mézec's ... Senator Gorst's first part of the proposal.

3.5.6 Deputy M. Tadier:

It is the psychology of these debates, not just the words that are spoken, that fascinates me, right down to the Freudian slip we had there by the previous speaker: "That is why I am opposing Senator Mézec ... I mean Senator Gorst." What a strange world it is that we live in when in fact it is one of the Minister's own colleagues who is bringing something that is fundamentally opposed to the Government's own stance on this, not just any Minister but a senior Minister and one who no doubt still has pretensions of wanting to be the next Chief Minister after the next election. It is correct that when the Minister for Treasury and Resources said: "It might seem strange that another Minister is

bringing an amendment to his own Government"; yes, it is strange. It is very strange and it is one that should be noteworthy because when it comes to lesser Ministers they are not even allowed to think freely nowadays even on minor amendments that they would wish to support because there is a Government whip, but clearly the Government whip does not apply to the Minister in question, presumably because he is too strong to tame. He does say in his comments in the comments paper towards the end that he has been consistent in his stance on debt. Indeed he has, he has been consistently wrong in his stance on taking on new debt. This is not like an A-level maths exam where you get points for being consistently wrong as long as you follow your workings through. Unfortunately politics does not work like that. Senator Mézec has really covered a lot of the main points here and he mentioned good and bad debt. For example, there are things that the Government need to fund and they can do so from a strong position when they have money in the bank. I like to think of it in the sense that we are not taking on debt because we do not have any money. We are taking on debt because we do have money and we can, therefore, borrow at cheap rates. I think that is good economics and it is good economics that applies across the board whether you are on the left, in the centre or on the right, but for some reason I think that Senator Gorst seems to have a pathological disagreement with borrowing in any circumstances, it would seem, or certainly in many circumstances. Forgive me if I am wrong here, but it seems very simple to me. This debt already exists. It is not as if we are taking on a new debt. The debt is there, so this talk about saddling future generations with more debt is simply nonsense because it is a pre-existing debt and we simply have the choice today as to whether we pay that debt back at a high interest rate or at a low interest rate and you do not need to be an economist, you do not even need to be an accountant or a rocket scientist, to know which one we should be doing. It seems obvious that if you had a credit card and you owed £10,000 on that and you could not afford to pay it back straightaway and the interest rate was 19 per cent, you might want to take a consolidated loan that you could afford to pay back at only 5 or 6 per cent and you would save money in the long term. It seems to me that is the kind of principle we are doing today. I do remember having a conversation early on - I think it was in this term, it may have even been in a previous term - with the now Chief Minister about this. I was saying: "Why are we not doing this now? It would save us money. It seems the obvious thing to do." I am pleased that this is being brought forward by this Government and credit where credit is due, I think. Let us look at the financial implications because this is another serious issue here. We have a complete conflict between the financial implications that are put forward by Senator Gorst. I say a complete conflict, it is certainly very selective in its wording. Senator Gorst says: "This amendment will reduce the borrowing in this Government Plan by £345 million and it will pay back £259 million of debt within a shorter timeframe." But, of course, that only focuses on what he sees as the positives because, of course, we have what I would call the real story being told to us in the comments paper which says that: "The refinancing of the P.E.C.R.S. debt is forecast to save £260 million by 2053, £150 million in real terms." What we have got here is we have a former Chief Minister who is advocating racking up an extra £260 million of extra spending, additional spending, that has to be paid by future and current generations and that is £150 million in real terms that will be lost if we vote for Senator Gorst's proposal. That is why I think we find ourselves in a very strange position where both the Opposition, if we are to call ourselves that, and the Government find ourselves in agreement because we want to save future generations money. Senator Gorst for some reason, because of his pathological fear of all debt being bad, wants to cost future generations £260 million. Remember that figure because Senator Gorst with his invisible party is going to be coming round asking for your vote in the far eastern block. He will be knocking on some of the doors with his invisible party colleagues throughout the whole Island saying: "Is it not terrible that this Government and even the Opposition just want to spend your money profligately and we want to save you money?" but that is not true. Senator Gorst wants to make sure that you pay more money on servicing debts at a higher interest rate and who benefits from that, who has lent us this money? They are going to be getting that extra £260 million not the Jersey taxpayer. I say this is not the right thing to do. It should be opposed and there is a reason that most of the Assembly are united in this opinion.

3.5.7 Deputy J.H. Young:

Senator Gorst I think makes a lot of very, very sophisticated arguments, which initially when you consider them offer some positives. Indeed I can see why there may be Members who will be attracted to them, the idea of, if you like, a reaction to a higher level of debt than we have ever seen before. We have seen some of the letters in the *J.E.P. (Jersey Evening Post)* and articles how we have broken with the past and broken the Jersey mould and so on in terms of not borrowing and prided ourselves, but of course the end result of that has been we have ended up with an archaic and collapsing public infrastructure in so many areas. We are having to make a decision to invest huge sums of money in a hospital because our health system has been allowed to lapse into a situation where it is no longer at all possible to keep it going. We did the same with our housing estate until the wisdom of borrowing and making investment into putting the estate right ... Andium saw the sense and thankfully we have been able to have emerged in that time. Of course we have faced other major issues and there is no question we are in a housing crisis, personally I believe, and a crisis of affordability. I have said that and I personally believe that it will be necessary in the future, as we look to the years ahead, to invest very significant sums of public money. But it is right that borrowing is not bad as long it is for investment. Borrowing for spending and day-to-day spend is bad but this is intended for ... the Government Plan is about investment. Of course, the argument that Senator Gorst advances is if we do not repay this public employees pension debt, which as Deputy Tadier has got, we have already had, we have had for years, at an opportunity when it is possible to do so on the most favourable financial terms I can ever recall in life ...I have had a mortgage at 16 per cent in the past and people do not even dream that. We are told these terms are fixed, they are good, but of course Senator Gorst raises the possibility with all these other potential unknowns of capital investment, we need the flexibility. I think, though, clearly Deputy Tadier is absolutely right. How can we ignore what we are told here to repay a loan that we have already got under an arrangement which is massively financially advantageous over the long term, even £150 million in real term value, which presumably is some sort of discounted cash flow calculation? My view is and I ask this question, it must be right, surely, to repay that loan but I would very much like to see that £150 million saving appropriated somewhere in the accounts for these other areas, as Senator Mézec has absolutely said, to help us with our carbon neutral programme, which I very much hope will gain the States support and will be in the hands of future Assemblies and future Governments to see how fast they can go. Of course, picking up from the situation we are in on housing and in other areas of public investment that we definitely need to do, to have that earmarked there in some way would, I believe, be a help.

[16:15]

Having thought what possible advantage there was against the major disadvantages, I am not going to support it.

3.5.8 Deputy L.B.E. Ash:

I am not going to talk long on this because I think Deputy Young has just covered many of the points.
[Interruption]

The Bailiff:

Please continue.

Deputy L.B.E. Ash:

It was not me. I could have broken into a little bit of Gilbert and Sullivan, “and Sullivan” not “Anne Sullivan” but I will not. Just to reiterate what Deputy Young said, we have tremendous funds. We have tremendous assets in the Island and that is a tribute to past administrations and I think we should acknowledge that. I know Senator Gorst often does. In doing that, we have a sport and leisure complex in Fort Regent that is almost beyond repair. We have a hospital that is becoming

increasingly unfit for purpose and we are assured by 2026 it will be so we have to cover that. We have pension liabilities. We have a government building that was not fit for purpose and is now needing replacement. We have social housing that was, to be honest, an absolute disgrace. Fortunately, that element of it has been replaced in my own area of St. Clement, and we are now attempting to renovate that. In building up these funds we have put a tremendous amount of issues upon ourselves. We now have a chance, as the Constable of St. Ouen said, to remedy that, borrowing at all-time low rates. If we do not do that, in 10 years' time people could look back and say we have this pension liability, so why do we not borrow? Why do we not borrow at 8 per cent? That is where we could end up. I was watching a fund manager, a top American chap on one of the breakfast programmes and he feels inflation will now run ahead of interest rates. We could have interest rates of 8 per cent and inflation running at 10 or 12 per cent. While we have this chance to borrow at these rates, I think we would be letting the future generations down badly if we do not cover that pension liability now. I think the COVID-19 debt is a different issue and we can look at that and I would advise the Senator to take them separately but we have a chance to close the pension debt out now and I think we would be doing a tremendous job for future generations in the Island as well as saving considerable amounts of money.

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

When Senator Gorst was speaking, he said that other alternatives to the pension debt had not been then explored. It explains some things that happened in the past. He mentioned, for example, that refunding previously was partially financed by increasing the contribution rates made by teachers, and they also did away with the final salary scheme. Is he proposing to increase contribution rates to the teachers when we have enough trouble trying to recruit them anyway, and is it fair that he does so? Or is he proposing that the Government will renege on its pension commitments to previous employees, which in my view would be a despicable thing to do? I will support the Government on this issue but not Senator Gorst, because Senator Gorst has not always got things right. In the past, if I am not mistaken, he was arguing that we should balance the budget every single year. In other words, there should not be a surplus and there should not be a deficit. Anyone who has studied economics will tell you that you balance over the economic cycle. This is what we have been doing because the States have in the past seen sense and followed the advice of the Fiscal Policy Panel. Even on this topic, in the Fiscal Policy Panel's latest report they say: "The fiscal framework sets a guide and the Government should borrow only to finance investment or refinance liabilities, except under times of economic duress and monitor the impact on net financial assets. On this basis, the panel's view is that the plan to borrow to refinance existing liabilities provides support during economic duress and finance investment through Our Hospital project is appropriate." I am grateful that we set up the Fiscal Policy Panel and for the advice they have been giving us because they were external to this Island and anyone who raises issues like this in the Island normally gets poo-pooed and put down. We have leading economists advising this and I think we should take their advice. I am also of the view that interest rates are at a very low level and it makes economic sense to do so. Senator Gorst also mentioned that taxes may go up next year. He does not want this to go through at the moment because he may be putting up taxes. I do not necessarily believe this will lead to taxes going up next year. There may be other things that could lead to taxes going up, and if they do go up they must be fair across the board. Not the usual piling it on the middle ground of Jersey. We know that those on income support get protection. Those who are very wealthy can afford it and avoid tax anyway because they do not pay tax on their investments. They pay it on their income and we have even cut that. Do not listen to threats about taxes may go up in the future. We will have to see what the future brings and then we need to see how we address those tax things. Borrowing at this moment in time is a sensible economic choice and I will support the Government on this measure.

3.5.10 Senator T.A. Valois:

I have a little trepidation in speaking because I have worked in finance previously and I understand, having been a former Assistant Minister at Treasury, the valuation process of pension funds. When we talk about the liability and debts that are required with regard to the Government's position on this amendment and Members talking about the pros and cons of getting the debt on the books now, and when I look at the responsibilities around P.E.C.R.S. in particular, there is a whole framework set out about our responsibilities and liabilities with regard to that. I wonder whether the arguments that are being made around the sum required for the borrowing is prudent in considering the valuation process that is taking place. I am quite shocked that within the Government Plan and the expected borrowing that is required for these pension funds, we have had no independent formulation of response from those committees that are asked to carry out this type of work. I say that because when we are talking about the liability, P.E.C.R.S. is an example because I have done a bit of further work on that and I am looking at the agreement that was in place for it to be paid off by 2053, in terms of a framework that was agreed originally. I raise these questions now because I do not think every single Member will necessarily understand everything we are talking about in terms of the fund situation and what that means for liabilities and process for funding that position we have as a Government and as a responsible employer to our former employees for their pensions. I think that is an important point to make because the Members I have heard so far maybe have an understanding and knowledge in this area but this is something we all have to understand and ensure we are not creating a further and higher liability for younger generations going forward in terms of lending and borrowing by the States. I want absolute understanding, and I am sure many others would like absolute understanding of that, in terms of even though it has been mentioned it is on the balance sheet, it is not in debt form and therefore we are creating a debt form by agreeing this pension liability.

The Bailiff:

Do you have a point of order, Deputy Young?

Deputy J.H. Young:

I think Senator Vallois' speech has prompted me to raise a point with you, having already spoken. This amendment concerns the financial transaction involving the Public Employee Pensions Fund. I should have addressed that as one of many thousands of pensioners in that scheme I do potentially have a conflict of interest. I would welcome your advice whether or not I need to abstain on this.

The Bailiff:

On one level this is an interest that many people share, but more significantly it seems to me this is about how an existing liability is funded. It does not change the liability to the individual Members and therefore I do not think individual Members have any particular interest in the outcome as Members. Therefore, I do not think you have any difficulty in continuing to participate. Does any other Member wish to speak on this amendment?

3.5.11 Senator J.A.N. Le Fondré:

Members will be delighted to know I have shortened my speech quite considerably but it is just recapping, and I want to check something. I am delighted to be in the slightly incongruous position of agreeing once with Senator Gorst, saying this is a very important position. But, and it does happen on occasion, I am complimenting Senator Mézec and Deputy Tadier and other Members who I think have it spot on in terms of what we are trying to do. I will not say on the office financing, I think that is a different thing and I was shaking my head at that point, but in terms of what we are trying to do on the pension side. There is an existing liability and it falls between 2 funds. One is a very long-term position and that does not seem to be in discussion and that will save £3.4 billion, if the Government Plan is approved and we can get the finance in the right place. That is a huge sum of money and therefore it dwarfs the sum of money we are debating at the moment, which is in the order of £260 million. However, I suspect for everybody involved in this debate, £260 million is also a

considerable sum of money and that size should not be overlooked. The very simplistic point is that liability is there. It is absolutely true it will go from a liability we presently owe to an arm's length body. I am not using the technical decision. It is a separate body run by the committee of management. I can confirm I met with the chair of that committee who raised no concerns at all of the proposal. In fact, on one of the funds they are very keen to receive the funding. What we are doing, in the same way as anybody with a mortgage who may have locked in at high rates in the past, we are going to take this opportunity with these historically low rates to refinance them and reap the benefits. Someone somewhere suggested in the debate not having any plans to repayment other than using the reserves. What I will say is twofold. Firstly, we would hope we can borrow between 2 per cent and 2.5 per cent. That is significantly below the returns for the reserves that we see.

[16:30]

Secondly, already in the finances of the Government we pay 5 per cent on this money. The reason we have not banked that benefit, first, is from prudence to make sure we nail that down, and that is subject to the agreement of the Assembly today. Also, until one gets that loan in place, then we will be able to quantify those amounts and, to an extent, that means the benefit can be determined by future Councils of Ministers and future Assemblies. Yes, it is looking long term. It is looking many years ahead in certain instances, and I want to put that into perspective. Many Members will know, wearing a different hat, I still remain an honorary trustee on one of the housing trusts locally. In 1989 this Assembly granted that trust a loan, in essence, that had to be paid back over 25 years. With various things that happened it was ultimately repaid a couple of years later. The point was, I was the one who gave that last cheque to Senator Gorst in his capacity as Chief Minister to mark the end of what created the reason for that loan and for showing that particular estate was debt free. The point I make is although 30 years may feel a long time, it comes quicker than we would all like. It is absolutely conceivable that future Members sitting here in those years to come may well be wondering why on earth this Assembly missed the opportunity, but supported, for example, parts 1 and 2 of Senator Gorst's amendment, to grasp that nettle and lock in those savings when it had a very clear opportunity to do so. It is a fundamental issue that we often have not looked long term. We have not taken what sometimes can be seen as difficult decisions but certain Members, who have showed the simplicity argument, I think have put that across exceptionally well. This is not a new liability. It has been with us for a long time and this is the right time to address that and to refinance that, and reduce that long-term liability to future generations. If not, that long-term liability will get more expensive and will get greater. I want to look at one or 2 remarks, having completely skipped my speech. It is a matter for future Councils of Ministers in terms of addressing a comment by Deputy Young. In the various proposals we have put together in dealing with debt, we have the COVID-19 debt, the hospital debt and this liability, the pre-1987 pension debt. Over the next 30 years the pre-1987 pension debt will save approximately £300 million. It does not all come in even cycles. It will not all happen in day one, obviously, and it does not all happen in year 30 either. The profile is in the Government Plan. We support the third part of Senator Gorst's amendment that builds on various discussions we have had in the Council of Ministers. The COVID-19 debt, that is estimated at present to be a maximum of £209 million, the position of the steps we took and this Assembly has approved was the switch from the prior year basis to the current year basis. That is estimated to generate somewhere around £340 million. That is a significant amount higher than, I would say conservatively, £80 million. People who do the maths will note that is higher if you take £340 million less £209 million, and if we reduce that debt through some measures that Senator Gorst has identified, that amount that will be raised over the years to come will stand to benefit future Councils of Ministers and, to my knowledge, it has not been banked particularly in our future projections. It is illustrated in the reserve projections. We have given several options over and above the repayment of the suggested loans through the returns on the reserves. There will be additional sums of money coming in over that period of that loan term which can be used to either boost reserves or for alternative measures or can be used for alternative issues that the then Assembly and Council

of Ministers so decide. Going back to the particular elements we were talking about - parts 1 and 2 of this debate - this leave the next generation of Islanders £260 million better off by 2053 in cash terms is huge. To put that into perspective, it is the equivalent of more than 5.5 times the building costs of the new Le Quennevais school that opened last year. That does encapsulate the challenge and the reason that to date many speakers have supported not voting for part 1 and 2. There are 2 issues I would like to address. There has been a suggestion in the Scrutiny report that if interest rates went up the amount borrowed would be much lower. It will depend on the circumstances because if interest rates had gone up you can still end up paying more interest in absolute terms even though it is on a lesser capital amount. It depends on the circumstances. I am reminded of a quote that was used at me many times in the Assembly at various points; the enemy of a good plan is the dream of a perfect plan. I believe we have a good overall plan but, in this instance, in terms of how we are dealing with the pension liability, Senator Gorst, with the greatest respect, is in search of a perfect plan and I do not think that should be supported. The alternative is the old expression of a bird in the hand is worth 2 in the bush, and the bird in the hand is we can see the cost of not doing this at £260 million and we should seize the opportunity, be decisive and address that level of liability while we can. The delay of waiting another year sounds like let us put off and not make a decision today. I go back to my analogy of the Le Quennevais school and invite them to think about those pupils in that school and their peers among our younger generations. In 30 years' time new Assembly Members could be some of those students that may well sit right here in this Chamber and look back at the decisions of previous Assemblies and will they see that we decisively seized a historic opportunity, leaving them a windfall of millions of pounds? Or will they observe that we dithered and deferred this decision, missing our chance to utilise the low interest rates before us and leaving them to then work out how to pay off our debt. That is why I urge Members to consider the long term, vote to leave future generations better off, reject parts 1 and 2 of this amendment and we are happy the Government is supporting part 3. I am not taking any points of clarification.

3.5.12 Connétable A.N. Jehan of St. John:

I was not going to speak but I am minded to following some correspondence I had with a parishioner who wrote to me saying: "Please think very carefully about how future generations will repay the mountain of debt you are considering and, if that does not concern you, first having to pay interest as well as capital repayments before you can spend anything you want to do locally out of a diminishing pot." I will remind Members what Senator Gorst said. He said it was not reasonable, it was not sensible and it was not prudent, and that there was insufficient detail. We just heard from the Chief Minister that it depends. If interest rates go up it depends on the level of debt. We have heard from Senator Vallois and Deputy Higgins about the economic cycle, which is really important. Senator Vallois spoke about the valuation of the pension debt. Senator Gorst is asking us to pause, review and quantify the risks, and I think that is quite sensible. We heard some quotes just now. I like quotes as well. Living within your means, and if you cannot afford it, do not get it. I was worried about the hospital debt and even though the Constable of St. Ouen says we can now sell the hospital to raise the funds, that worries me even further. The other saying I like is: if it sounds too good to be true then it probably is. So at this time I will be supporting the amendment.

3.5.13 The Deputy of St. Martin:

I was not going to speak but I will just say a few words. I did mention during the hospital debate that we are borrowing money and using our investments to pay off that borrowing and I pointed out to Members then, as we will all have heard if we see the adverts on television, that investments can go up as well as down and there is no guarantee that our investments will continue to pay off that level of borrowing. If that is the case, we then have to find it from somewhere else. As Senator Gorst said at the beginning, money can be cheap or money can be expensive, but whether it is one or the other, it is still money that has to be paid off and its returns, servicing, the coupon or whatever it is that needs to found, £1 billion worth in one financial year is what the Government are meant to borrow.

The Chief Minister made a big play about the best time to borrow and I found myself thinking why does one borrow in the first place? As much as I do not like borrowing; it is very tempting to think the money is cheap so let us borrow it. But one borrows because you accept you have to pay more to buy yourself time or because it allows you to do something else that in the long run ends up being beneficial. I say to Members, as strange as it may be, do not be lured by this Alliance Government telling you that cheap money is the best answer, because if it allows you time to get through the crisis we have at the moment, COVID-19, Brexit, climate change, all these things, if it allows us time to get through to a situation where we are better placed to service that level of borrowing, surely it is the right move. In my farming career I did lots of things; vegetables, flowers, dairy farming, oysters, mussels. My last enterprise was free-range egg production and if I had worked on the basis that my 8,000 chickens were going to produce the same number of eggs this year, next year and the year after, I would have been out of business pretty quickly. Investments go up as well as down. I finish with these words. I ask Members to think very carefully. Cheap money is very tempting but it is still money that has to be repaid and sometimes you are better off to pay a little bit more over a longer period of time and use that time to best effect to get over other crises that you may have. I will vote with Senator Gorst.

[16:45]

3.5.14 Senator L.J. Farnham:

I want to make a quick point and other Members have alluded to it. In relation to the pre-1987 P.E.C.R.S. debt, it is a debt we already own and the States have on at least 2 previous occasions - I remember because one was on the back of an amendment lodged by myself in 2013 - have agreed in principle to deal with this. Somewhat ironically, had we taken this step a number of years ago we would be in a significantly stronger position with it now. It is not about in this instance acquiring new debt. It is about finding a more efficient and less expensive way of repaying that debt. I wanted to push that point across. I completely understand Senator Gorst's position on this. He has always been prudent in fiscal matters. We are generally aligned. But on this one it is certainly in our long-term interests to find a more prudent way of dealing with the debt with this liability that we already have. The only real difference is, if we take a loan out to clear that and service it at a much lower cost, it will appear on our balance sheet. While some Members have talked about saddling our future generations with debt, it is far better to ensure we protect our cash reserves. Because, if we face further challenges similar to the challenges we faced with Brexit and the pandemic in the future, then I would argue that we are far better served by having large reserves than having to go and take out debt because we have used our reserves too soon to take out debt in a future world where doing so would be considerably more expensive than it is now. I just ask Members to bear that in mind. But the crux point I am making is we do already own that liability; we are just finding a better way of servicing it.

The Bailiff:

Senator Moore, you have a question for the Attorney General?

Senator K.L. Moore:

Apologies, I should have asked the Attorney General at an earlier point in the debate. However, Senator Farnham just referred to the liability of the pension debt and I thought it might be helpful, particularly following your ruling earlier, if the Attorney General could inform the Assembly where exactly the liability of this debt does rest. Is it with the States and the public purse or is it with those beneficiaries, the debt?

Mr. M.H. Temple Q.C., H.M. Attorney General:

I would need quite significantly more time. I am not aware of the factual details in relation to this particular debt, so I would need to find out what those arrangements were.

The Bailiff:

If we continue with the debate it may be that Members will have to determine whether they need the Attorney's advice before they can vote or the matter can proceed without the benefit of that advice if the Attorney cannot come back to us within a time before the debate closes.

The Attorney General:

It may be that if Treasury officials could send me the relevant details that would assist me in looking at the question. But I would need to have those details before I can attempt to answer it.

The Bailiff:

Very well. Does any other Member wish to speak on the amendment? If no other Member wishes to speak on the amendment, then it does not sound like we are going to have the opportunity of reverting before the matter closes. The question cannot therefore be answered by the Attorney General. I wonder if anyone who has not yet spoken is in a position to give the information required, if it is simply a question of obtaining information.

Senator I.J. Gorst:

Either the Chief Minister can address it or I can seek to address it in my summing-up.

The Bailiff:

The sensible course is for you to address it in your summing-up, Senator Gorst, because the Chief Minister has already spoken. I was thinking of if we could make some kind of ability to give clarification but the matter has passed. So, if no other Member wishes to speak, then I close the debate and call upon Senator Gorst to respond.

3.5.15 Senator I.J. Gorst:

My understanding in answer to the Senator's question is that, as part of the 10-point plan, which of course the Chief Minister will remember as well because a lot of this was happening while he was the Assistant Minister in Treasury. It seems a long time ago now but not quite 30 years that we brought forward the requirements to settle these debts, even though it was the pre-1987 debt, it took a long time to get it agreed and sorted out. The liability is with the employer. I purposefully in my opening comments did not get into all of the technicalities around the pension. Because some Members have said things today about the pension, which seemed perhaps to not quite understand this liability. But if we get dragged down that rabbit hole, I fear what is already a potentially long session is going to be even longer. For example, a Member said that P.E.C.R.S. is closed to new members. Of course that is quite right. But this is an agreed way of dealing with previous service liabilities all rolled up. The way that the liability or the payment required of the employer to the scheme is connected with current number of employees that is just in the calculation. It is not connected, as I understand it, with the number in the scheme because rightly it is closed. That is one of the reasons why this amount is greater than it was previously and has grown in the way that it has. We have had a lot of contributors saying it should have been done earlier. But actions of previous Governments and this Government in increasing the number of employees has led to a growth in the required payment by the employee into the scheme. Other contributors seem perhaps not even to have read the amendment or the comment because this has nothing to do with teachers. We heard a contributor suggesting that they wanted to support teachers. This is not about the teachers scheme. I fully support the changes that are proposed in the Government Plan to the teachers scheme because that was the £3.4 billion balloon payment, again because it was never dealt with and previous Assemblies, when Ministers for Treasury and Resources have tried to deal with it, have not dealt with it. It is not straightforward the way that this money is currently presented under the States balance sheet. That is why this amendment is saying and asking us to consider, and I am quite clear on my view, whether it is right to take it from how it is currently regarded in the balance sheet, and I am not

sure that everyone in this debate has fully understood that either, with an external debt that is raised to cover it. It might be if more work is undertaken. We heard from my good Constable, who I think is probably up the hill from where I am sitting now, his view was we should simply do it because money is cheap. That is perfectly legitimate. Money is cheap so we should do it. But there are lots of other things, projects and pressures, that the Government faces that we could use that argument for. But we are not. We recognise that the overall level of debt on the Government balance sheet is important. It is important that it is mitigated to the largest extent possible. We even heard somebody suggesting that I was not in favour of borrowing, despite being one of my Governments that brought forward the borrowing for the Andium provision. Sometimes history can help us, sometimes it can hinder us if we are not fully understanding it all or reviewing it appropriately. Somebody also tried to indicate that they knew what my intentions were, either at the election or post the election. I hope it is clear to everyone that I am thoroughly enjoying my current job. I will leave it in response to that individual, who I know was simply trying to cause trouble and win votes. That is what debate is all about, to make that observation. But the leader of the Reform Party made some observations, which I would ask him to consider carefully. He indicated that he might be in favour of borrowing for capital infrastructure for the carbon neutral programme. He might be interested in borrowing for affordable purchase schemes and the purchase of land to deliver new housing. Of course he is right. None of us, as we sit here, know whether they will be of such magnitude that we might want to borrow. That leads me, and I would have thought that it would lead him as well, to recognise that you cannot borrow up to the maximum when you have other issues, which need to be addressed, that the next Government will no doubt say are legacy issues that this Government is being quite clear about. There are some things that, for all sorts of reasons, it has not been able to address. Every Government of course is the same. Is this now absolutely the right time to do this? There is only one argument in favour of doing it now that I think is credible. That is because borrowing is cheap. But that has never been a sensible argument to borrow. One contributor said that they thought the F.P.P. were excellent and they were pleased to read that the F.P.P. supported the Government Plan. I will not comment on whether F.P.P. broadly speaking supports the Government Plan and have done. That shows and gives credit to the officials working, particularly in the Economy Department and particularly in the Treasury Department that they do a good job in understanding the economics as well as the finances of the proposals that they have brought forward. But what he did fail to remind us of was that the same F.P.P. that gave support to this Government Plan, and I disagree in this area, also said that an incoming Government would need to raise revenue, would need to raise taxes.

[17:00]

It is not me scaremongering. It is not me wanting to raise contributions. It is not my political philosophy; of course it is not. It is what the independent Fiscal Policy Panel are saying is the implication of approving this Government Plan. This amendment, which allows Members, at the appropriate time ... I remind Members that an independent reviewer, adviser to Scrutiny, said also that more work needed to be done in this regard. It gives Members the opportunity to consider that detail and to better understand the fuller implications of COVID on the economy before we remove what in all likelihood would be all flexibility to borrow for anything else and all flexibility around use of the Strategic Reserve. That does not mean that I am saying we should use the Strategic Reserve. But the Strategic Reserve is there for a purpose. We should maintain flexibility to be able to use the Strategic Reserve for a purpose. But if we have tied ourselves into a position where the only thing we can do is leave the Strategic Reserve in order for it to grow, which is a good thing, because it is the growth in that reserve that we are using to pay back the borrowing, then we have to be open with the public and acknowledge that limits and constrains what we can do with the Strategic Reserve. That is projected to be required for the next 40 years while we are borrowing for the hospital, and then on top of that other borrowing that we might need as well. So it is taking away some of the few elements of flexibility that any Government has to deal with a crisis. I do not call that dithering and delay when what we are being asked to do is a change. I could use “a

transformation” but it is a pretty big change to the way that we have always run public finances in Jersey. You can call me a dinosaur, I am used to that, getting to my age. You can call me a traditionalist. This will be a change to the way that we have always cautiously, prudently, carefully, efficiently, run public services. In fact, most of the criticisms from the public are not that we are not spending enough. It is that we have areas of waste in what we are spending money on. We have to carefully change that approach. But I recognise there is a great alignment today between my colleagues in Government and the Reform Party. I cannot today make this decision. We in politics are used to being put in a difficult place. That is part of the decision-making process. But it will, for me, be a great disappointment if we jump in today with both feet, without, as that independent adviser said, more detail, knowing as the Fiscal Policy Panel said to us that this plan, as drafted, will require tax rises from the next Government. I cannot do that. Perhaps I am wrong. I have been wrong in the past; I will be wrong in the future. All of us, each of us, is human. But when I look and think that we stand on the shoulders of giants who were prudent, who ran the Government as they ran their farms, and then they ran the Government as they ran their legal practices, they ran the Government as they ran their hotels, they ran the Government as they ran their households, I think it is a mistake to move away from that model because it has served us well. We are not an Island of tens of millions of people. We are successful because of our entrepreneurial spirit and the people who choose to call this Island home. I do not want to saddle them with this level of debt at this point in time. Because the risks to the economy for me are still unknown.

Senator J.A.N. Le Fondré:

Is it possible to ask whether Senator Gorst is prepared to take the votes in parts?

The Bailiff:

Yes, thank you very much, Chief Minister. Senator, do you want take the entire amendment?

Senator I.J. Gorst:

Sorry, I should have made it clear. As I have said, I am grateful to colleagues for supporting part 3 but 1 and 2. If I can take 1 and 2 together and then part 3 separately, thank you.

The Bailiff:

That is right. It seems to me that 1 and 2 have to be taken together and then part 3 taken separately. So I would ask the Greffier to put a vote into the link. The vote is on parts 1 and 2 of the 25th amendment. I open the voting and ask Members to vote in the normal way. If Members have had the opportunity of casting their votes, I ask the Greffier to close the voting. Parts 1 and 2 have been defeated:

| POUR: 20 | | CONTRE: 26 | | ABSTAIN: 0 |
|----------------------------|--|---------------------------|--|-------------------|
| Senator I.J. Gorst | | Senator L.J. Farnham | | |
| Senator S.C. Ferguson | | Senator J.A.N. Le Fondré | | |
| Senator T.A. Vallois | | Senator S.Y. Mézec | | |
| Senator K.L. Moore | | Connétable of St. Helier | | |
| Senator S.W. Pallett | | Connétable of Trinity | | |
| Connétable of St. Lawrence | | Connétable of St. Mary | | |
| Connétable of St. Saviour | | Connétable of St. Ouen | | |
| Connétable of St. Brelade | | Connétable of St. Clement | | |
| Connétable of Grouville | | Deputy J.A. Martin (H) | | |
| Connétable of St. Martin | | Deputy G.P. Southern (H) | | |
| Connétable of St. John | | Deputy K.C. Lewis (S) | | |
| Deputy of Grouville | | Deputy M. Tadier (B) | | |
| Deputy J.M. Maçon (S) | | Deputy M.R. Higgins (H) | | |

| | | | |
|----------------------------|---------------------------|--|--|
| Deputy of St. Martin | Deputy S.J. Pinel (C) | | |
| Deputy L.M.C. Doublet (S) | Deputy of St. Ouen | | |
| Deputy of St. Mary | Deputy R. Labey (H) | | |
| Deputy K.F. Morel (L) | Deputy S.M. Wickenden (H) | | |
| Deputy M.R. Le Hégarat (H) | Deputy G.J. Truscott (B) | | |
| Deputy S.M. Ahier (H) | Deputy J.H. Young (B) | | |
| Deputy I. Gardiner (H) | Deputy L.B.E. Ash (C) | | |
| | Deputy G.C.U. Guida (L) | | |
| | Deputy of St. Peter | | |
| | Deputy of Trinity | | |
| | Deputy R.J. Ward (H) | | |
| | Deputy C.S. Alves (H) | | |
| | Deputy K.G. Pamplin (S) | | |

The Bailiff:

We now come to the vote on part 3 of the 25th amendment. I ask the Greffier to place a vote into the link. I open the voting and ask Members to vote in the normal way. Members have had the opportunity of casting their votes. Then I ask the Greffier to close the voting. Part 3 has been adopted:

| POUR: 37 | CONTRE: 9 | ABSTAIN: 0 |
|----------------------------|--------------------------|-------------------|
| Senator I.J. Gorst | Senator S.Y. Mézec | |
| Senator L.J. Farnham | Connétable of St. Mary | |
| Senator S.C. Ferguson | Deputy G.P. Southern (H) | |
| Senator J.A.N. Le Fondré | Deputy M. Tadier (B) | |
| Senator T.A. Vallois | Deputy of St. Ouen | |
| Senator K.L. Moore | Deputy of St. John | |
| Senator S.W. Pallett | Deputy R.J. Ward (H) | |
| Connétable of St. Helier | Deputy C.S. Alves (H) | |
| Connétable of St. Lawrence | Deputy K.G. Pamplin (S) | |
| Connétable of St. Saviour | | |
| Connétable of St. Brelade | | |
| Connétable of Grouville | | |
| Connétable of Trinity | | |
| Connétable of St. Ouen | | |
| Connétable of St. Martin | | |
| Connétable of St. John | | |
| Deputy J.A. Martin (H) | | |
| Deputy of Grouville | | |
| Deputy K.C. Lewis (S) | | |
| Deputy M.R. Higgins (H) | | |
| Deputy J.M. Maçon (S) | | |
| Deputy S.J. Pinel (C) | | |
| Deputy of St. Martin | | |
| Deputy L.M.C. Doublet (S) | | |
| Deputy R. Labey (H) | | |
| Deputy S.M. Wickenden (H) | | |

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| Deputy of St. Mary | | | | |
| Deputy G.J. Truscott (B) | | | | |
| Deputy J.H. Young (B) | | | | |
| Deputy L.B.E. Ash (C) | | | | |
| Deputy K.F. Morel (L) | | | | |
| Deputy G.C.U. Guida (L) | | | | |
| Deputy of St. Peter | | | | |
| Deputy of Trinity | | | | |
| Deputy M.R. Le Hegarat (H) | | | | |
| Deputy S.M. Ahier (H) | | | | |
| Deputy I. Gardiner (H) | | | | |

3.6 Proposed Government Plan 2022-2025 (P.90/2021): third amendment (P.90/2021 Amd.(3))

The Bailiff:

The next amendment listed in the running order is the 3rd amendment lodged by Deputy Southern and I ask the Greffier to read that amendment.

The Greffier of the States:

On page 2, paragraph (c), after the words “of the Law” insert the words “, except that the proposed transfers from the Health Insurance Fund to the Consolidated Fund shall be reduced to £0 in 2022 in each case, and that the proposed transfer from the Consolidated Fund to the Technology Fund shall be reduced to £7 million in 2022”. (2) Page 3, paragraph (l) after the words “to the Report” insert the words “, except that, on page 169 of Appendix 3, after the words “worth of expenditure.” there shall be inserted the words “Eligibility for the Health Access Scheme shall be expanded to include all those ordinarily resident in the Island by 2023, with a proposed funding mechanism to be included in the 2023 Government Plan.”, in addition to any further changes to Appendix 3 identified as required by the Council of Ministers.” (3) Page 3, paragraph (l) after the words “to the Report” insert the words “except that, on page 169 of Appendix 3, after the words “sustainable model for health funding” there shall be inserted the words “, but the role of the Health Insurance Fund in meeting the requirement to subsidise the cost of G.P. consultations and the cost of prescriptions and other primary care services shall be maintained during the review”, in addition to any further changes to Appendix 3 identified as required by the Council of Ministers.”

Deputy G.P. Southern:

I find it most inconvenient to start now, give it 10 minutes and then have to start again tomorrow. I am in your hands as to whether you wish me to continue tonight and start again tomorrow, because I will have a speech of more than 10 minutes, 12 minutes, whatever we have.

[17:15]

The Bailiff:

Deputy, it is entirely open to anyone if they think that this is better organised to propose the adjournment. It is not a matter for the Presiding Officer. I must keep the business going until 5.30 p.m. unless someone makes an application or a proposition to adjourn, which is accepted.

Deputy G.P. Southern:

Could I make that proposition then?

The Bailiff:

A number of people have asked to adjourn. That is seconded. **[Seconded]** Does anyone wish to speak on the question of an adjournment? I would suggest that it is a matter that does not need to be spoken upon. Very well, then in which case I propose to put the matter straight to the vote. I will do it on the basis of a standing vote. If anyone would indicate in the chat. Deputy Ward, you wish to speak?

Deputy R.J. Ward:

Just very briefly. I know it inconveniences people. But we have so many debates here that have been really thought through and so much has been put into the amendments. Just to have a few minutes at the end of the day because of the way it fits in does inconvenience, particularly in the setup we have. Because we are in the Assembly, there are a few people who have come in to present and many are not. A bit of leeway at the moment for those sat in the Assembly would be very appropriate for the Assembly. We start again tomorrow afresh and we get through the amendments the best we can.

Deputy J.H. Young:

Following Deputy Ward, I would like to just briefly say why I proposed. Having read through all the papers on this, this is a very significant matter of public policy regarding the whole development and the futures of our health service. In terms of the mechanics of funding I think to try to pick that up in the way by going ahead and starting the thing now would be a mistake. We should give it proper time tomorrow.

The Bailiff:

Does any other Member wish to speak? I am going to take it that you proposed the matter first, at least as far as I saw it, Deputy Southern. Do you want to respond? I close the debate and do you want to respond? Very well. I will take it as a standing vote. If anyone indicates that they wish a vote to be taken could they please do so in the chat now. Otherwise I will take it as a standing vote. Deputy Morel asks for a vote. Could the Greffier please place a vote into the link?

Senator L.J. Farnham:

I had just missed the last minute or so. Can I confirm what we are voting for please?

The Bailiff:

We are voting as to whether or not to adjourn immediately and start with Deputy Southern’s amendment first thing tomorrow morning. I open the voting and ask Members to vote. If Members have had the opportunity of casting their votes, then I ask the Greffier to close the voting. The proposition has been adopted:

| POUR: 37 | CONTRE: 5 | ABSTAIN: 0 |
|----------------------------|------------------------|-------------------|
| Senator L.J. Farnham | Senator I.J. Gorst | |
| Senator S.C. Ferguson | Connétable of St. Mary | |
| Senator J.A.N. Le Fondré | Deputy L.B.E. Ash (C) | |
| Senator T.A. Vallois | Deputy K.F. Morel (L) | |
| Senator K.L. Moore | Deputy S.M. Ahier (H) | |
| Senator S.W. Pallett | | |
| Senator S.Y. Mézec | | |
| Connétable of St. Lawrence | | |
| Connétable of St. Saviour | | |
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| Connétable of St. Ouen | | |

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| Deputy J.A. Martin (H) | | | | |
| Deputy G.P. Southern (H) | | | | |
| Deputy of Grouville | | | | |
| Deputy K.C. Lewis (S) | | | | |
| Deputy M. Tadier (B) | | | | |
| Deputy J.M. Maçon (S) | | | | |
| Deputy S.J. Pinel (C) | | | | |
| Deputy of St. Martin | | | | |
| Deputy of St. Ouen | | | | |
| Deputy L.M.C. Doublet (S) | | | | |
| Deputy R. Labey (H) | | | | |
| Deputy S.M. Wickenden (H) | | | | |
| Deputy of St. Mary | | | | |
| Deputy G.J. Truscott (B) | | | | |
| Deputy J.H. Young (B) | | | | |
| Deputy of St. Peter | | | | |
| Deputy of Trinity | | | | |
| Deputy of St. John | | | | |
| Deputy M.R. Le Hegarat (H) | | | | |
| Deputy R.J. Ward (H) | | | | |
| Deputy C.S. Alves (H) | | | | |
| Deputy K.G. Pamplin (S) | | | | |
| Deputy I. Gardiner (H) | | | | |

The Bailiff:

The Assembly accordingly stands adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

[17:20]