

2.3 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the C.S.R. proposals for 2011 to 2013:

Is the Minister satisfied that the C.S.R. (Comprehensive Spending Review) proposals for 2011 to 2013 are balanced and fair and, if so, would he explain why he holds this view?

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

I believe the package of both the C.S.R. and F.S.R. (Fundamental Spending Review) is both balanced and fair. The 2011 C.S.R. savings approved by this Assembly equate to 2 per cent of budgets and are, in the main, sensible and prudent efficiencies at a level which any organisation should be actively undertaking every year. The 2012 and 2013 C.S.R. savings are detailed proposals and some of these will need further assessment and evaluation, which will be undertaken before they are submitted for approval by this Assembly in the Business Plan next year. The package is balanced as it comprises savings of £65 million against the F.S.R. tax package of £45 million, both of which are staggered over 3 years. It is fair on the community because both businesses and individuals are contributing. In addition, while not all services are unaffected, the majority are protected. The whole package is designed to protect services that are valued and important to Islanders. So the C.S.R. proposals put forward show that it is possible to achieve the level of savings required and, before approval in any subsequent Business Plan, each will be challenged to ensure that they are the best way of saving taxpayers' money.

2.3.1 Deputy G.P. Southern:

I will go to the F.S.R. first if I may. Does he agree with the Chief Minister that the tax changes he proposes are, in fact, progressive rather than regressive as he suggests or, at the very best, proportional?

[10:00]

Senator P.F.C. Ozouf:

The element of the tax package includes G.S.T. and the 2 per cent supplement on incomes above the social security cap. Taken together, I think that they justify the position that the package itself is progressive in terms of its effect.

2.3.2 Deputy G.P. Southern:

Will the Minister study definitions of the word "progressive"? You cannot get a progressive package out of an element which is regressive and an element which is simply less than proportional. They cannot be described as progressive. That is a twisting of the English language that is beyond belief. Does the Minister not agree?

Senator P.F.C. Ozouf:

The Minister does not agree. The fact is that the proposal is put forward to change the current arrangements where currently there are no social security levies raised on incomes above £44,000. That is changing the situation therefore the more you earn, the more you will pay which is different from the current situation and, as far as G.S.T. is concerned, the Deputy and I will continue to disagree on the impact of G.S.T. I will argue with information from the I.F.S. (Institute for Fiscal Studies) in the U.K. that G.S.T., in the same way that V.A.T. (Value Added Tax) is, is generally proportional on incomes.

2.3.3 Deputy D.J.A. Wimberley of St. Mary:

Returning to the question which was about C.S.R. The Minister in his opening answer talked about sensible and prudent efficiencies and claimed that the 2 per cent cuts that we have already seen were sensible and prudent and, by implication, that where we are going is also going to be sensible and prudent. Can the Minister explain how removing support for the key post of Intelligence Analyst to stop drugs coming into the Island at Customs and how withdrawing school visits to Durrell can be described as sensible and prudent?

Senator P.F.C. Ozouf:

Those individual questions need to be asked of the individual Ministers that have put forward proposals. The Treasury has been co-ordinating an overall plan in order to achieve the objective of cutting 10 per cent off targets. Now, I am advised, and the Council of Ministers has been through many of the individual proposals, that where there are post reductions, they can be dealt with by efficiencies, by new working practices within the organisations. That is certainly the case for all of the proposals that have been brought forward by Home Affairs, as I am advised, and in relation to the visiting programme for Durrell, there are going to be some key difficult decisions to be made. At the margin, there are going to be higher priorities for public money and Durrell clearly falls within that.

2.3.4 The Deputy of St. Mary:

The Minister is trying to shuffle-off responsibility. Where the 10 per cent cuts came from, where the 2 per cent cuts came from is from the Minister's desk and now he is saying: "Oh, it is up to the individual Ministers to cut this and cut that." I am sorry, can the Minister accept some responsibility for these cuts that do so much damage and that is only 2 per cent, we have yet to see the full impact of the 10 per cent?

Senator P.F.C. Ozouf:

I do not think I am ever going to convince the Deputy that it is possible to make cuts in terms of public expenditure. I take full responsibility for setting out a programme designed to share the problem of dealing with £100 million deficit. The deficit reduction programme consists of partly cutting expenditure, partly increasing taxes and not going down the slippery slope of borrowing money or eating into our savings which bequeaths the subsequent generations' problems. The Deputy does not want to face up to these issues. I do and I take full responsibility for that.

2.3.5 Senator J.L. Perchard:

The question was about balanced and fair C.S.R. proposals. Even the U.K. Tribal consultants said that there were real opportunities at the Education Department to save money but the immediate pressure to save money required them ... they did not use the words "slash and burn". I will use the words "slash and burn" in the department to harvest easy revenues from easy targets. Will the Minister accept that sometimes it may be better to take longer over these cuts and not necessarily go for the easy targets?

Senator P.F.C. Ozouf:

I have some sympathy with Senator Perchard. I think we have achieved a great deal over the last 9 to 10 months. We have started to change the culture where there was not a belief or an acceptance that you can reduce States expenditure. We were on a

trajectory of year-on-year, as the Comptroller and Auditor General said, increases in States spending. We have carried out the second part of the comprehensive spending review. We have published the initial conclusions of that. The States are not being asked to approve cash limits in the budget. They are being asked to approve an overall envelope of States spending. There is much work to be done on individual savings proposals between now and when we lodge the Business Plan next year and yes, there are going to be some departments. If the Minister for Education, Sport and Culture cannot deliver his private school grant reduction within the period that he has been asked to do, then the first issue is he is going to be asked to find alternative ways of delivering his savings target. That work will be ongoing over the next few months, and I am not going to criticise any Ministerial colleagues. They have been doing a difficult job well and have we got it all right? No. Will we get to the stage where we get everything right? Absolutely, by Business Plan time next year.

2.3.6 Deputy M. Tadier of St. Brelade:

Does the Minister accept that the Social Security proposals, while they may be less regressive than the current situation, can by no means be called progressive in the sense that higher earners will still pay a lesser percentage of social security contributions than lower earners under the current threshold?

Senator P.F.C. Ozouf:

It is what it is.

The Deputy Bailiff:

Minister, one moment, please. I am sorry, Deputy. I am going to rule that out of order. I did allow wrongly I think, Deputy Southern to put in a supplementary question. It is about C.S.R. not about raising revenue. Senator Le Gresley.

2.3.7 Senator F. du H. Le Gresley:

I may be straying slightly away from C.S.R. but I hope I am not. **[Members: Oh!]** **[Aside]** It is very close. It is the other part of C.S.R., F.S.R. I would just like to ask the Minister to explain why he considers a 66 per cent increase in G.S.T. to be a moderate increase, which are his words.

The Deputy Bailiff:

I am sorry, I think that is the same problem.

Senator P.F.C. Ozouf:

I have other questions on tax which he can come back to, I think.

2.3.8 Deputy G.P. Southern:

I will stay within the bounds of my original question then. Will the Minister give a categorical assurance - he is quite fond of those - that he will not be seeking a 2-year pay freeze as the mechanism for achieving his £40 million cuts from the conditions and terms of all public sector workers?

Senator P.F.C. Ozouf:

What I will be attempting to ask for is a target of £40 million delivered from terms and conditions within 2 years. How that is delivered is going to be by extensive communication, discussions with union representatives and staff. Certainly the mathematics are that it would have the effect of a 2-year pay freeze, but the Deputy is

aware of my strong views in relation to some pay groups being others. I do not think that there is one policy that should fit all pay groups. Some pay groups will inevitably have a pay freeze, and maybe for a longer period of 2 years because of the differential of earnings compared to U.K. benchmarks.

2.3.9 Deputy G.P. Southern:

A final supplementary, if I may. Will the Minister guarantee to negotiate any such changes to terms and conditions and not, as he just said, discuss and consult?

Senator P.F.C. Ozouf:

Certainly I do not believe that wage negotiation should be negotiated over the floor of this Assembly, and that view has been known, and we were put in the position last year in relation to the pay freeze. It is quite difficult to answer Deputy Southern - especially when he is interrupting - but it is quite difficult to argue with Deputy Southern as he does not believe there should be any cutbacks in terms of pay and remuneration.

Senator G.P. Southern:

The Minister is putting words into my mouth. I have never said that and I do not say it now.

The Deputy Bailiff:

Deputy, please sit down and let the Minister finish his answer.

Senator P.F.C. Ozouf:

I think I have finished, Sir.