

### **3.4 Deputy G.C.L. Baudains of St. Clement of the Minister for Treasury and Resources regarding the use of departmental underspends:**

Does the Minister consider it would be more prudent to convert departmental underspend into savings rather than finding new ways of spending the money?

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

I will try and be concise. The underspend and department savings should not be confused with recurring budget savings. The States agreed a challenging spending limit in the Medium-Term Financial Plan which required departments to work effectively within them across 3 years. The certainty over carry forward arrangements is important to departments to enable them to manage changes in priority and allow them flexibility to manage their funding across the 3 years of agreed funding. In addition, departments have been encouraged to hold and develop appropriate contingencies to manage their own pressures and priorities as they arise. They must demonstrate that they have considered all other measures before they need to approach the Treasury for central contingencies. The carry forward process is designed to encourage longer-term thinking, funding targeted to priorities and better procurement to deliver value for money. Departments are not always, if I may say, finding new ways of spending money. All requests must be justified and reviewed and evaluated by the Treasury and then the Council of Ministers to ensure that they support strategic and operational objectives. Departments have already achieved £60 million of recurring savings as part of the Comprehensive Spending Review and I am grateful for the huge amount of effort by hundreds of employees across the States in delivering that.

#### **3.4.1 Deputy G.C.L. Baudains:**

Would the Minister agree with me that it is somewhat delusory because if the departments save money... I will rephrase that. If the departments spend less money through capital projects not going forward or whatever, and then the money which is saved ends up going back to those projects in the first place, it is just a merry-go-round. Why can this not be resolved so that the amount of money which is underspent goes into savings so we can reduce the outrageous cost of running this Island?

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

The Deputy I think is careless in his language. He says the “outrageous cost of running this Island.” If outrageousness is about putting more money in the Health Department to improve our healthcare system and design it for the future so that unlike other places we are prepared for the increasingly ageing society and that we are integrating primary care and secondary care, if that is outrageous, I am sorry, I do not agree. If he regards outrageous spending as the money that Social Security has had to protect people through the downturn or engage in the fiscal stimulus that is not outrageous. We are delivering better value for money, the States is more efficient than they used to be...

#### **The Bailiff:**

Concise answer, Minister, please.

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

We are delivering medium- term decision-making, not short-termism.

#### **3.4.2 Connétable A.S. Crowcroft of St. Helier:**

At the risk of being called callous, would the Minister agree that in the happy circumstance of a Parish enjoying a multi-million pound overspend that surplus will be offered up at the

Annual Rates Assembly for the ratepayers' decision on how it should be spent? Would the Minister further agree that the residue of last year's overspend, after his various philanthropic gestures, would have been more than sufficient to meet the States liability to pay Parish rates had that been included in the Medium-Term Financial Plan or indeed could have been used to offset the cost of G.S.T. on the public?

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

That may well get some footstamping and it is all very well having cheap shots by the Constable, which I am sure he was not trying to do, but the Constable knows that there is a divided debate on the States paying rates. I implemented with my Assistant Minister to finding a solution to that and I will do so. I do not think that anything in the carry forward approvals could be regarded as philanthropic. The only things that I would say that States decisions are perhaps better in terms of than - no disrespect to the Parishes - but States decisions on spending are now medium term. They are over a 3-year period rather than the bad old days of Government doing year to year. Parishes have their own systems. They work, but please do not compare what is appropriate for Parish decision-making with good decisions that this Assembly and Government should make.

### **3.4.3 The Connétable of St. Helier:**

Would the Minister not agree that one of the great advantages of the Parish system of financial control is that the Constable is reminded every year that it is not his or her money?

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

Absolutely, and that is what I try and tell Members when we are discussing a budget, when we are raising taxes, and we are doing a Medium-Term Financial Plan. The Parishes have good accountability. I work with Parishes all the time on delivering projects, and I hope we can do more with St. Helier, but we should recognise that States spending has now been better controlled and is better managed as a result of incentives which allow departments to save money and carry it forward rather than simply spending it.

### **3.4.4 Senator L.J. Farnham:**

Notwithstanding the good question asked by Deputy Baudains, because it is a good question to ask, I would like to ask the Minister if previous policies of the Treasury and the States to take back all and any underspends led to unnecessary pressure being put on departments to spend money without the due diligence, and since the new policy of allowing departments to keep some of their underspend has led to an increase in the level of underspend?

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

I think that is absolutely right. I think that this experience of underspends, and understanding real pressures within departments, is going to inform the next Medium-Term Financial Plan of what appropriate levels of spending are. We all know in the bad old days, fences, shiny new machinery bought in the last couple of months of the year, no incentive for departments to not use their budget. It is difficult but trusting departments, which I do, giving them the responsibility to deliver savings and long-term planning achieves better value for money and we should celebrate it. It is a model, by the way, that is now being held up in other small places that they should be doing the same thing.

### **3.4.5 Deputy J.M. Maçon of St. Saviour:**

With regards to the Education underspends, will the Minister review the position of Property Holdings with regard to purchasing a strip of land next to Grouville School in order that the school can meet its basic requirements?

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

Property Holdings is looked after by my Assistant Minister and both of us, in fact last week we were talking about the importance of the States buying land and ensuring that there is a land bank for the Minister for Housing, for the hospital and other areas. We are more than happy to use the abilities that we have to invest to buy land for land banks for areas. I do not know what the answer is to the Grouville School issue but of course we are prepared to listen if that is a case, and Education would need to ask us to help with that, and of course if that would be the will of this Assembly and others, we will of course help.

**3.4.6 Senator S.C. Ferguson:**

Does the Minister not consider that the way his department presents underspends to the public allows the taxpayer to think that budgets have been set too high?

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

I had a very interesting quarterly Corporate Services Scrutiny Panel hearing, of which the transcript will be available next week. Let us be clear, we have not seen States spending in the last 3 years fall. We have had to put investments in health, housing and the automatic stabilisers for keeping Jersey moving in the worst financial crisis and we have engaged in fiscal stimulus. We have not had a deficit because we took responsible decisions on tax and savings, and if we would not have done that we would now be facing a deficit. We are not. We are in a very strong position. Not everything is great, as I was reported to say in the *J.E.P.* yesterday. Times are not as good as ever. We have got hard work to do but we are in a better position because of the responsible decisions that this Assembly has taken, and I thank colleagues for making these in the last few years.

**3.4.7 Senator S.C. Ferguson:**

The Minister for Treasury and Resources has not answered my question. It was a very simple question. Does he not think that the way underspends are presented to the public allows the taxpayer to think budgets are too high and perhaps he should publish an analysis of the underspends, showing timing differences and so on in a couple of sheets of A4 paper so that people can understand it?

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

I emphatically do not agree. I think the difficulty is, is that Senator Ferguson is not getting the answer that she wants. She believes, I think, that States spending overall could have been and should be cut. The transparency, the clarity of financial information, given more regularly than at any time in the past shows very clearly where public money is spent and I think is a model for other places. She just does not agree with the answer. She wants spending to be cut and not investing in the key areas that I have just described.

**Senator S.C. Ferguson:**

Will the Minister please just answer the question? Does he not think the way he presents ...

**The Bailiff:**

You have had your 2 questions, Senator, I am sorry.

**Senator S.C. Ferguson:**

So, he does not agree with me obviously.

**The Bailiff:**

He said he does not agree with you.

[10:15]

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

It is presented accurately.

**3.4.8 Deputy G.C.L. Baudains:**

The Minister for Treasury and Resources mentioned several times the word “savings” and yet when I look at the paper I see that virtually all the underspends are going to be spent on matters which would come under their normal expenditure anyway, so I do not see any savings. Does the Minister agree with me that States spending generally - the Budget - must be sustainable because each year we see the Budget is above the previous years, even allowing for inflation and is that not unsustainable?

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

The work that we are currently doing on the long-term revenue plan - because now we are not just focusing on next year’s spending because we have set a budget - means that we are now focusing on the medium-term financial planning. We are now getting all the requirements that we think departments and they think are going to be required into the period between now and 2020. We are examining those and looking at how we can find solutions to the real problems that this Assembly has got to tackle in terms of housing and health. I am determined, and the Chief Minister and other Ministers - the Minister for Economic Development - are determined to ensure that we continue to have balanced budgets. The question is how we are going to pay for these demands and I would challenge the Deputy, and that is the debate that we are having. We have never had that as early as this before, and I would ask the Deputy to name one issue in these carry forward issues that he would not spend money on and which the department is not right to allocate those underspends to paying for? I can see lots of good projects here which are benefiting Jersey, benefiting infrastructure and benefiting jobs in the economy.