



# STATES OF JERSEY

## Corporate Services Scrutiny Panel Quarterly Hearing with the Minister for Treasury and Resources

**WEDNESDAY, 29th FEBRUARY 2012**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy J.G. Reed of St. Ouen (Vice-Chairman)  
Connétable D.J. Murphy of Grouville  
Deputy S. Power of St. Brelade  
Deputy R.J. Rondel of St. Helier

**Witnesses:**

Senator P.F.C. Ozouf, Minister for Treasury and Resources  
Deputy E.J. Noel, Assistant Minister for Treasury and Resources  
Treasurer of the States

**Also present:**

Mr. W. Millow, Scrutiny Officer

[10:02]

**Deputy J.G. Reed of St. Ouen (Vice-Chairman):**

I would like to start by welcoming members of the public and the media to this hearing of the Corporate Services Scrutiny Panel. If I could quickly draw everyone's attention to the code of behaviour for members of the public displayed on the wall and in particular to the following. All electronic devices, including mobile phones, should be switched to silent. The taking of visual images or audio recordings by the public are not permitted. If you wish to eat and drink, please leave the room. Finally, I would also ask that members of the public do not interfere in the proceedings and as soon as the hearing is closed, please leave the building quietly. Thank you. Members and witnesses may wish to make themselves available afterwards, but any communication should take place outside of the building. Welcome, Minister. Obviously, as we have a very tight schedule ahead of us and quite a considerable number of areas that we would like to cover, I would ask that you keep your answers as short and as concise as possible. We will endeavour to do the same when it comes to our questions. I would like to also draw your attention and ask that you confirm that you have read and understood the witness statement that is in front of you.

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

Thank you. If we could simply start by everyone introducing themselves around the table for the sake of the transcript. William?

**Mr. W. Millow (Scrutiny Officer):**

William Millow, Scrutiny Officer.

**Connétable D.J. Murphy of Grouville:**

Daniel Murphy, Constable of Grouville.

**The Deputy of St. Ouen:**

Deputy James Reed, Vice-Chairman of the Corporate Services Panel.

**Senator S.C. Ferguson (Chairman):**

Senator Sarah Ferguson.

**Deputy R.J. Rondel:**

Deputy Richard Rondel, St. Helier, 3 and 4 districts.

**Deputy S. Power of St. Brelade:**

Deputy Sean Power of St. Brelade.

**Treasurer of the States:**

Laura Rowley, Treasurer of the States.

**The Minister for Treasury and Resources:**

Philip Ozouf, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Eddie Noel, Assistant Minister for Treasury and Resources.

**The Deputy of St. Ouen:**

Thank you. Minister, would you like to start by perhaps talking a little bit about the Strategic Plan. You have recently presented a draft resources statement to accompany the draft Strategic Plan.

Are you confident that all your aims and objectives contained in the Strategic Plan can be delivered within the overall resources identified for the period 2013 to 2015?

**The Minister for Treasury and Resources:**

I am confident that we will present a medium-term financial plan within the resources that are available. We have to work within the envelope of available cash. Once we set the Strategic Plan there will be, obviously, the normal trade-offs that are necessary in decision making of the relative priorities of some projects and the timing of projects. For my part, partly as a result, if I may say, Chairman, of your questioning when we met informally our first time. You challenged whether or not the Strategic Plan was going to be financially viable. There are aspirations in the Strategic Plan, which are aspirations about what we are going to work on. But I am clear as far as my responsibilities as the Minister for Treasury and Resources, and the Treasury team, is that the Strategic Plan has got to be delivered within the available resources and we are not going to throw caution to the wind in terms of our public finances, while our public finances are, I am pleased to report, in a better position than we were expecting to be at this stage of the political cycle in terms of underspends and slightly better tax receipts. We still need to stick to our plan. The Council of Ministers is under no illusion that we have to work within budgets. I can say we have done a lot of work, which we are happy to share with the Corporate Services Panel, of where we think money is going to need to be applied to meet those strategic priorities.

**The Deputy of St. Ouen:**

Would I be right in summarising what you just said by actually the answer is no, because there are aspirations and issues contained with the Strategic Plan that have not been ...

**The Minister for Treasury and Resources:**

No. The answer is an emphatic yes. It has to be delivered. There are 3 stages of decision making in terms of allocation of money and raising money. The Strategic Plan is not the medium-term financial plan. The Strategic Plan is setting out the aspirations and the list of political priorities; some of which need money, some of which need legislation, some of which just need energy and political focus. We will have the debate on the medium-term financial plan at that stage. I do not think we should be turning the Strategic Plan into the allocation of money.

**The Deputy of St. Ouen:**

What it would seem to observe is the Strategic Plan as it is being presented is a 3-year plan, which allows the current Council of Ministers to deliver key priorities. It is not necessarily the 5-year plan that one had become used to.

**The Minister for Treasury and Resources:**

I think it is a 5-year plan, is it not? I think it does say what our objectives for the next 5 years are going to be, which are going to be making bold improvements in terms of housing, understanding housing supply, creating jobs, focusing on economic matters, reforming the health service. I think we do have, as politicians, choices about the focus that we put our collective political heads together on. The Strategic Plan is that focus. We are going to focus on reforming the health service. We are going to focus on getting people into work, ensuring that the economy is moving. We are going to have a special focus on housing. I think that is congruent to good financial budgeting.

**The Deputy of St. Ouen:**

However, the Strategic Plan does say that these are 6 key priorities that the Council of Ministers wishes to deliver, presumably over the 3-year period. Am I right?

**The Minister for Treasury and Resources:**

Yes. Obviously, it runs longer than just 3 years.

**The Deputy of St. Ouen:**

Okay, thank you.

**Treasurer of the States:**

May I just offer something in the papers? Chairman, we have included the Strategic Plan resources statement that the Minister for Treasury and Resources dealt with in the States in Committee debate. But, in confidence, we have also included, to help satisfy your point in particular, a fuller version that we are working on. Because, of course, as you will appreciate, we are developing this all the time as we work towards the medium-term financial plan. You will see that. Senator Ferguson, I notice, has found it within her papers. We have included a more detailed version that is beginning to develop some of the growth proposals, for instance, that are coming forward.

**The Deputy of St. Ouen:**

Thank you very much for that information. We will certainly consider that information after the meeting.

**The Minister for Treasury and Resources:**

We have put numbers behind all the strategic priorities. We do not want to have a financial debate at the Strategic Plan debate, because that is not the right time. It is the right time to talk about priorities. Of course, we are busy calculating what we think the costs of those priorities are. You have our very, very early thoughts based upon the department of the work that the Treasury has

been doing on what the costs are. Some of this is known; in terms of reforming health and all the rest of it. Some of this will not be news to you.

**The Deputy of St. Ouen:**

We appreciate that and we accept that it is in draft form.

**Deputy S. Power:**

Vice-Chairman, can I ask the Minister for Treasury and Resources, in your view as an important Minister in the new Council of Ministers, do you feel that in the next 3 years the Strategic Plan would effectively address the fourth and fifth objection, which is controlling population, migration and housing the community?

**The Minister for Treasury and Resources:**

On housing, you were Minister for Housing and you started a lot of good work in terms of transforming the Housing Department. I am very clear that the way in which we fund some States departments on an annual capital allocation basis does not meet their requirements. It is odd that Housing has to bid for capital for investment into a earning asset, which social rental property is, alongside Health that are wanting money on an asset which they do not get a return on, a new operating theatre or a new intensive care unit. Housing is almost more similar to Harbours or a commercial operation. We need to reflect a different capital approach to Housing. I think the Jersey Homes Trust is an interesting example of where we have allowed borrowing. We have supported that borrowing in terms of housing trusts and they have now made good progress in repaying their borrowings, as we expected them to do over 20 years. The Housing Trust, the Jersey Homes Trust, has a strong balance sheet and cash which we want to get deployed into social housing. So, yes, we will make significant improvements and we are going to take to the Council of Ministers next week proposals for further investment in social housing. We are going to lend the Housing Department some money to get on with some social housing schemes. It is a good time to buy construction, because you get good value for money. Yes, I think we are going to make, to a great extent, improvements in terms of housing. We have issues on planning policy. You are chairman of the Planning Committee. I think there is a lot of work to be done in terms of affordable homes share equity, which we need to do. If I may say, I am not the Chief Minister of population. I am a member of the Council of Ministers and I am not going to try to solve all these issues to do with population, but I think we need a realistic debate about population. I note that the committee ...

**Deputy S. Power:**

The question was, in the Strategic Plan that has been put forward, do you think there are sufficient provisions in it to deal with controlling population and migration? Yes or no.

**The Minister for Treasury and Resources:**

Sean, I invented, if I may say, the new Work and Housing Law. I carefully commissioned it originally and did the proposals. The new law represents the work that I did 10 years ago in bringing together housing and Reg. of Unds. I think that is going to be much stronger in terms of a data set, better matrix in terms of population, not having to wait for a census every 5 years. I think if it is run properly, if the politicians who make the decisions on population use the new tools that are going to be available, then we will satisfy the Island requirements of appropriate immigration arrangements for Jersey. We do need to keep an eye on the economics of the population and we must not be populist in what we say about population. We have to keep the working population up, to keep enough people in work, paying tax, to look after the increasing ageing population.

[10:15]

**The Deputy of St. Ouen:**

We have a lot to get through and we will come on to property matters later on in the questions. Perhaps we can address some of these issues at that point. Coming back to the Strategic Plan resources statement, on page 1 you speak about Jersey has a history of prudent planning and investment. However, this does not seem to have been borne out by evidence that has been contained in various reports written by both the Comptroller and Auditor General and the Public Accounts Committee on the subject. Can you explain why your view is different to that of the P.A.C. (Public Accounts Committee) and the C.A.G. (Comptroller and Auditor General)?

**The Minister for Treasury and Resources:**

Goodness, where would I start? Of course, there were going to be reports about areas of necessary improvement and with the benefit of hindsight, which of course the P.A.C. and the Comptroller and Auditor General always have the benefit of hindsight of doing things better. Again, I am not saying that I have been involved in everything, but having created the office of C.A.G. and suggested the P.A.C. being set up and brought the legislation to the States as a Member of Finance and Economics, I was aware that we would be coming out and that those bodies would be coming out with critical reports. You must take critical reports and you must improve upon them. But there must be no doubt that the report card of the States Assembly of the last 30 years is pretty good. There are areas where things need to be improved. But we are an Island that has significant reserves, no debt. We did not push the tin can down the road when we had a deficit 3 years ago and put off the decisions necessary to close the deficit. We collectively, those of us that were in the Assembly, took those decisions. Those are the statements that reflect, I think, my statement that we have a long track record. The Social Security reserve fund calculations, the Actuarial report that was published a few weeks ago, the media of course seized on the issue that

it was running out of money. We happen to have the best Social Security fund arrangements, bringing in money today for tomorrow's pensions obligations rather than the current pay as you deficit go arrangements in other places. Are we saying that we have not got a well-funded Social Security scheme? Have we not got strong public finances, with low tax? Of course we have.

**The Deputy of St. Ouen:**

I hear you Minister, but I do ask that you stick to the point.

**The Minister for Treasury and Resources:**

I am.

**The Deputy of St. Ouen:**

The one thing that I would question and think is very clear, one of the main criticisms made by the Comptroller and Auditor General and the P.A.C. is that the Minister for Treasury and Resources presents annual business plans and within those annual business plans they identify, obviously, at 3-year expenditure levels. Every year those expenditure levels increase. We are now seeing, in this Strategic Plan Resources Statement, something very similar in the 2012 Business Plan we agreed a firm expenditure level for 2012 and indicative levels for 2013 and 2014. The statement of financial figures that you have provided for us, I accept they are in draft form, are significantly different, especially as you look forward.

**The Minister for Treasury and Resources:**

We are sticking to our plan in terms of spending. We have indicated we are likely to have to spend more money on areas such as health. We are clearly saying that we cannot meet that gross level of expenditure without having to make some cuts and more efficiencies in later years later on. So, we are warning people that we are going to see some pressures, but we need to deal with them. Publishing a draft set of expected expenditure is not the end of the story. We have to work out how we are going to afford to do it. We have to work, as I said earlier, within the spending envelope. I regret the view that now seems to be held that somehow Jersey is a failure and that public financial administration is a failure. We are in the good category. We are in the excellent category. But there is always room for improvement. I am hopefully going to be with Eddie in the next 3 years continuing the historic prudent approach to budgeting, to public finances, to keep our taxes low, keep services high, in terms of quality, and not incurring reckless fiscal decisions of which we have not done. History seems to be getting reinvented and I regret that. We have not got an infrastructure which is falling apart. We have a fantastic infrastructure, which does need some more repairs and maintenance and we have capital requirements, but we are in a far better position than anywhere else in the world.

**The Deputy of St. Ouen:**

Thank you.

**Treasurer of the States:**

May I add something, Vice-Chairman, on the detail? In the back of your pack, you will find some information. One of the things that we have been doing within Treasury is to look back over the 5 years that we have had the Comptroller and Auditor General. I had one of my colleagues to do me an A4 summary - it is not supposed to be comprehensive - of each of the C. & A.G. reports, so we could see where we are, what the C. & A.G. had to say, what have we done about it? Certainly in relation to the C. & A.G.'s comments on commercial planning and what we have done is absolutely to adopt his proposal in terms of looking forward. As you know, we brought forward the medium-term financial planning law last summer. As you may recall from our previous discussions, we are bringing forward a second tranche of changes to the finance law, based upon the C. & A.G.'s recommendations. The other thing I would mention to add to the Minister's comments, we have also done an analysis over a number of years to look back at what were the reasons for the differences as between the original budget set by the States and where we ended up in terms of the spending. Most of the increases are related to particular amendments made by States Members in the Assembly or they are to do with Article 118 amendments for things like the flu, the historic child abuse inquiry, court and case costs and other matters. So, I think it is wrong for you to be left with an impression that there is just some kind of expansion of the budget without any States' decision or discussion behind the reasons for those changes.

**The Deputy of St. Ouen:**

I hear what you are saying. Thank you very much for providing that information. I would just also perhaps make a comment, in that one of the significant increases in expenditure in the 2009 Business Plan was £10.5 million increase in expenditure promoted by the Council of Ministers at that time. I hear what you are saying, that States Members are inflating. If you include the Council of Ministers in that heading ...

**The Minister for Treasury and Resources:**

That was the Council of Ministers you were part of?

**The Deputy of St. Ouen:**

No, this was the previous one that I think you were a part of or at least ...

**The Minister for Treasury and Resources:**

I was the Minister for Treasury and Resources.

**The Deputy of St. Ouen:**

... Assistant Minister for Treasury and Resources.

**The Minister for Treasury and Resources:**

No, I was not Assistant Minister for Treasury and Resources. I was Minister for Treasury and Resources.

**The Deputy of St. Ouen:**

Sorry, anyway ...

**The Minister for Treasury and Resources:**

Where the Council of Ministers before an election set aside the recommendations of the F.P.P. (Fiscal Policy Panel).

**The Deputy of St. Ouen:**

We need to move on.

**Senator S.C. Ferguson:**

Yes, I think probably if I can just ...

**The Minister for Treasury and Resources:**

I am not a Minister that set aside the recommendations of the F.P.P.

**Senator S.C. Ferguson:**

If I can follow this up, there was a Corporate Services review of the forecasting. To some degree it agreed with the comment that States Members' amendments have not been helpful as far as keeping to budgets. I think the work of the P.A.C. and the C. & A.G. in the past has highlighted the fact that nobody was taking responsibility for controlling spending. This is a philosophical thing that I think needs to be dealt with under the machinery of government amendments, do you not agree, Minister? That all this is part of the corporation sole and so on and all needs to be dealt with under machinery of government. Because, as I say, there has been no real responsibility and accountability for control of States spending up until the C. & A.G.'s report pointing these things out.

**The Minister for Treasury and Resources:**

These are broad-brush suggestions.

**Senator S.C. Ferguson:**

Policy suggestions.

**The Minister for Treasury and Resources:**

Again, we must not reinvent history, must we? I will say, from my own part, that 3 and a half years on in my time at the Treasury, with the new Treasurer sitting to my right, there is a completely reinvented, reinvigorated Treasury Department that is highly regarded among, I think, Members that attend breakfast briefings, that attend the work that the Treasurer has done in redesigning and putting together the Treasury. We have better management information. There is a C.S.R. (Comprehensive Spending Review), which has been run largely by Treasury over the last 3 years. I think we are in a better position than we were previously. As far as accountability is concerned, we agree, in relation to the public finances law changes. We have already made some and there will be more to come over the next few months in terms of strengthening governance and strengthening some arrangements. There is also this odd situation, is there not, that it is not the Minister for Treasury and Resources that proposes or that used to propose spending? It was the Chief Minister. So, you are right, that it was a bit confusing as to who was responsible in recommending to the States who was responsible for budgets. Clearly, the Chief Minister is a collegiate individual that needs to work within the Council of Ministers. I am pleased to say working very well with the new Council of Ministers, I hope. Ultimately, it will be now for the Minister for Treasury and Resources to take the spending arrangement through the States not the Chief Minister. I think that is a better situation. It means the Chief Minister can almost be the intermediary between the spending demanding Minister and the one that holds the purse strings. That is probably a better discipline. So, I agree with you in terms of accountability. There is going to a clearer accountability. Ultimately it must be said, of course, as the Treasurer has pointed out, the Minister for Treasury and Resources or Chief Minister can propose, but it is States Members who vote on budgets. They vote. So, we do not have a right in the States Assembly on votes. It is the States that decides, for better or for worse. Town parks get voted on, you know, with one or 2 votes. Lots of other things have got voted through on one or 2 votes. Yet the Treasury is to be accountable. Well, I will be accountable for the things I propose, but I cannot tell Members how to vote.

**The Deputy of St. Ouen:**

May I ask, again, please, we have a bit agenda to get through, please ...

**The Minister for Treasury and Resources:**

Very broad-brush questions, Vice-Chairman, means ...

**Senator S.C. Ferguson:**

Sorry, I threw a wobbly in there.

**The Deputy of St. Ouen:**

Please, everyone keep the questions and answers as short as possible. Chairman?

**Senator S.C. Ferguson:**

I suppose my view is coloured by the fact that some time ago I sat and asked the Treasurer of the day who was responsible for controlling State spending. The reply was: "Not me." Anyway, let us move on from that. As the Minister says, the situation is changing, the management information is tightening up, the control of spending has been tightened up and that is excellent.

**The Minister for Treasury and Resources:**

I think the Treasurer should be able to respond.

**Treasurer of the States:**

I would just say, Chairman, that behind number 11 in your pack there is a note of the work that we are bringing forward for this summer. For the summer's amendments to the public finance law which is recommended. That includes strengthening the role of the Treasurer in relation to the point that you make. In any event, I feel responsible, whatever the law says.

**Senator S.C. Ferguson:**

How confident are you that the Council of Ministers can deliver the £65 million of savings?

**The Minister for Treasury and Resources:**

I think there are challenges. I think the top 3 challenges are the extant States' decisions on education. Education was 11 of the £65 million. Obviously the States has decided again to ring-fence and to insulate all schools from any spending reductions until certain things have been done. So, that remains a risk, you will be aware, of the governance framework that we have with C.S.R. in terms of green, amber and red.

[10:30]

In terms of every single one of the C.S.R. actions is monitored to make sure that it is on track. Education is red, because of States decisions and because of all the things that went on last year in education. Terms and conditions are an important issue which have yet to be resolved, obviously. I have been very clear. The Island generally, while I am confident about the economic recovery of Jersey being capable of happening with effort and enthusiasm and a more confident

feeling in Jersey, which I think can be borne out by facts, we do need to make sure that wage settlements across the board, public and private, are kept in check, because we will end up running fast at a standstill if we allow wage inflation to cause damage to the economic recovery. It is important that the terms and conditions targets are met. They must be met. Procurement have got some bold and tough targets in terms of £6.5 million of savings. I am pleased to report good progress in terms of procurement. All the other C.S.R. matters of which we have and can share with you every single item of C.S.R. is monitored, is going well. We had a contract with the public in terms of we had £100 million deficit problem. We shared that £65 million worth of spending reductions. Some of which meant service cuts; £35 million of tax raising measures. I think we owe it to the public to maintain our commitment to keep on the £65 million. I am under no illusion that some of these issues are going to be difficult. They are not only for the Treasury to decide upon. They are for States Members to vote on in the medium-term financial plan.

**Deputy S. Power:**

In terms of terms and conditions, how much tangible progress do you think - I think it was being led by the Chief Executive to the Council of Ministers and the States Employment Board - in negotiating with States employees on rationalisation of grades, all of that kind of that? Is there anything you can see, as Minister for Treasury and Resources, that is a tangible progress?

**The Minister for Treasury and Resources:**

Deputy Noel is my representative of S.E.B. (States Employment Board) and is better placed to answer that for me.

**Assistant Minister for Treasury and Resources:**

You may or may not be aware that currently S.E.B. through its offices are in negotiations with the various pay groups. So, that and terms and conditions are something that are very much going to be part of those discussions.

**Deputy S. Power:**

Because terms and conditions in the review of C.S.R. is now coming into its third years. So, there must be some kind of importance.

**Assistant Minister for Treasury and Resources:**

We are, as I say, in negotiations currently. It is obviously a very sensitive area and that really is as much as I would like to say at the moment. It is in progress.

**Deputy S. Power:**

Do you expect to make progress?

**Assistant Minister for Treasury and Resources:**

We have to make progress.

**Deputy S. Power:**

You expect to make progress?

**Assistant Minister for Treasury and Resources:**

We have to make progress, yes.

**Deputy S. Power:**

Okay.

**Senator S.C. Ferguson:**

Do you have a plan B in case the corporate savings, which total something in the order of £20.5 million, cannot be delivered?

**Assistant Minister for Treasury and Resources:**

Corporate savings is £14 million to cover terms and conditions. I am confident that we will find solutions to that £14 million. We have to honour our agreement with the taxpayers. We agreed to make £65 million in cuts over 3 years. We have to honour that.

**Senator S.C. Ferguson:**

All right.

**The Minister for Treasury and Resources:**

I will say that I think that some of the C.S.R. savings are definitely challenging. They are going to be difficult. We may need to look at the some of the timing of some of the C.S.R. savings. Some of them may well be able to be delivered, but on a slightly longer timeframe. But then we will be looking for other areas. We are doing better in some areas, active management of the balance sheet, looking at income is an important area which helps on net expenditure and helps contribute to reducing net public savings. So, there will always be issues that we will do well on, we will exceed expectations on and there are others that we will not. So, there is some flexibility. But you have my commitment to continue to deliver on the C.S.R. programme, which I think has gone well in the circumstances. It is difficult. It is tough. It will be extended, because we need to find further savings to find where we are going to find the money for the service improvements that we know are going to be required in 2015.

**Treasurer of the States:**

Chairman, can I add a detail in response to Senator Ferguson's point about plan B, specifically in relation to if we were to underachieve a procurement savings, we have within the base budget a provision for C.S.R. restructuring monies. We have deliberately set those 2 things one against the other. So, if we fail to achieve our procurement savings, we are going to reduce the amount that we can spend on C.S.R. restructuring. So, we do have a plan B in some areas, like that. If we were to not achieve the planned 0 per cent increase for 2 years on A, which delivers the £14 million savings. If we were not to achieve that then our plan B there would be to be looking at other ways of finding savings within the pay budget. So, the clear steer that we have had as officers from the Council of Ministers is exactly as the Assistant Minister describes, to deliver the £65 million. Where we, for good reason, cannot quite achieve what we originally planned to find a compensating savings as an alternative.

**Deputy R.J. Rondel:**

Could you say where that provision is and how much it is?

**Treasurer of the States:**

Yes. Each year it is around £10 million. It is within the C.S.R. restructuring budget.

**Assistant Minister for Treasury and Resources:**

If you go to page 7 of the document that was released to States Members last week, which is in the front of your packs, it gives you there restructuring provision, £10 million for 2012, £8.1 million for 2013, £8.1 million for 2014 and £8.1 million for 2015.

**Senator S.C. Ferguson:**

Presumably this is one reason why restructuring in central reserves were underspent by £13.6 million, because you are keeping some in your back pocket to cover contingencies.

**Treasurer of the States:**

Yes.

**The Minister for Treasury and Resources:**

Well, contingencies are there to deal with C.S.R. ...

**Senator S.C. Ferguson:**

Contingencies in their broadest sense.

**The Minister for Treasury and Resources:**

Absolutely. So, contingencies are there for the unexpected, which I am pleased to say we did not spend to a great extent contingencies last year. They have been brought forward and they remain in accounts, which means that we have a big number, which has now built up for contingencies, the unexpected. That is a good thing. Restructuring is phasing. Some of the restructuring money is going to be underspent from last year and spent this year, on delivering the overall £65 million of 2013. Some of it is being kept back.

**Treasurer of the States:**

On the C.S.R. restructuring. So, we do not see the States' overall contingencies, as the Minister is saying, as a fallback for underachievement on C.S.R. But we do see the C.S.R. restructuring as a part of our plan B. We do not need to spend that. If we cannot fully achieve our savings, we should not be spending the money that is set aside to help us deliver those savings.

**The Minister for Treasury and Resources:**

That money has been set aside to restructure the States to deliver savings. It cannot be used to negate the ... the restructuring is just a one-off amount of money. The C.S.R. are recurring every year.

**Senator S.C. Ferguson:**

We have in the papers somewhere, that we have £14.5 million in the contingency fund to cover the terms and conditions.

**Treasurer of the States:**

What we did, Chairman, was when we did the budget for 2012 and 2013 ... ordinarily we allocate pay awards out to departments, so ordinarily the provision for pay awards, call it 2 per cent, would be within departmental budgets. For 2012 and 2013 we decided not to do that. We held that £14 million centrally. So, at the moment that money is held centrally. Against it there is an exactly matching savings target. So, in effect, we have a net nil provision for pay in 2012 and 2013. So, that is, I think, what Senator Ferguson is referring to.

**The Minister for Treasury and Resources:**

On C.S.R., I must say I am pleased and I want to recognise the hard work that is being done by hundreds of people in the public sector to deliver a more efficient States. We, as States Members, I think, need to recognise the effort that is going in to make our organisation more efficient. There is more to be done, but things are going better than we thought that they ever were going to be a few years ago. We have to keep the progress up.

**Senator S.C. Ferguson:**

Okay.

**The Deputy of St. Ouen:**

If I could just pick up on the restructuring central reserves, because recently you have made announcements about under-expenditure. I would like to explore a little bit further, if I may. I am grateful for your honesty in answering the C.S.R. question, because I read in your quote that was attributed to the media statement that the Council of Ministers agreed a range of measures that will make the best use of the underspent funds, while still meeting the Comprehensive Spending Review savings target. I know understand and recognise, as you rightly say, that there are ... that statement needs to be qualified because it could be over an extended timescale. It may not be within the 3-year period it originally planned and that we need to manage resources appropriately. Can you explain why the restructuring central reserves were underspent by £13.6 million in 2011?

**The Minister for Treasury and Resources:**

I am just pulling up my detailed note on that. That is the question we answered before.

**Treasurer of the States:**

We would not expect to spend those, Chairman. Those central reserves are there *in extremis*. So, we would expect them to be underspent.

**Assistant Minister for Treasury and Resources:**

They are not free money. It is not money that can be turned into a self-serve buffet. Those are there for legitimate contingencies.

**The Deputy of St. Ouen:**

The report for your Ministerial Decision suggests that a lot of that money is going to be spent.

**The Minister for Treasury and Resources:**

No, let us be clear. The underspends for reserves and contingencies; the contingency is the contingency. The contingency is the amount of money set aside in budgets so that we do not have to repeat 118 requests. We did not have any calls with the exception of the States decision on the Tourism Investment Fund and I think there was one or 2 uses of the contingency last year so we have rolled that forward. You would not expect, unless you had something unexpected, to spend the contingency. That is that first step and that remains money unspent and it builds up the contingency pot. It is a good thing. The restructuring is underspends in 2011 which we expect to spend on reforming things across the States in 2012 and 2013. The restructuring will be spent. It will be spent to deliver the £65 million worth of saving, whether that is a new I.T. (Information

Technology) system in Planning or a restructuring or re-grading of a department taking out a layer of middle management in a department. The restructuring is used and will be used to reduce spending. All the advice that we have had, if you are going to cut spending, you cannot just go and take the budget out. You have to give people the capacity to reorganise themselves to live within a smaller budget. That is what the restructuring is and we always imagined that it would be spent. We allocate an amount of money every year. It will be spent during the course of the 3 years. I want to make a point, if I may, about the carry forward process. There was a time when States departments had a budget, obviously we have changed the law now because we are going to give 3-year budgets, where we gave a budget every year. What was the benefit of a department to underspend its budget at the end of the year? There was none and we had the syndrome of the December spend or, if they were a bit cleverer, the November spend where you were expected to have a balance at the end of your year and you spent it because there was no benefit because the Treasury would take away that budget at the end of the year. No motivation for underspending. We want departments to manage their own budgets properly. If you set a budget at the start of the year with good intentions and good information and you do it properly, then frankly if a department chooses to underspend its budget this year in order to meet its C.S.R. next year, then we will allow them the flexibility of doing so. If they are motivated to have more devolved responsibility for managing their own money, then we should do so. Some departments do have benefits at the end of the year which are not really as a result of what they have done. Social Security will have a certain number of people attending upon them for income support or education for university grants. Those are different kinds of underspends but where departments are managing effectively, where we are giving them tough targets to deliver their £65 million, I say give them the flexibility and that is why I have signed off and the Council of Ministers supported our recommendation that we give departments, to a large extent, their underspends back.

[10:45]

**The Deputy of St. Ouen:**

Right so basically you are not suggesting, as some have reported, that this £40 million underspend is a saving? It is the fact that the departments are managing their budgets accordingly and providing for future needs?

**The Minister for Treasury and Resources:**

Sounds like a saving to me but there are certainly extra savings that were delivered as a result of them and the facts speak for themselves. The departments underspent their budgets in 2011. I expect them to underspend their budgets in 2012 and we will meet the overall objective of £65 million. Yes, some departments have made decisions that have meant that there are extra savings available which will provide new services like bowel cancer screening.

**The Connétable of Grouville:**

So what you are saying really is if you have got a £40 million underspend this year, at the end of 3 years that is not necessarily going to be there?

**The Minister for Treasury and Resources:**

I am not really saying that.

**The Connétable of Grouville:**

It could be spent between that period so, in fact, it is not really an underspend. It is really you are tucking a little bit away to save yourself for the last year and it is going to end up the 36-month spend rather than the 11-month spend?

**Treasurer of the States:**

There are 2 different elements to it, Chairman. It is exactly as the Minister for Treasury and Resources describes. Some of the money is never intended to be spent unless *in extremis* and that is the £13 million to which you refer. So my apologies, I should have included this in your pack but I will send it to you separately, the 2011 year end carry forward report which I think might be the report to which you are referring.

**The Minister for Treasury and Resources:**

It is published because it is on the ministerial decision.

**Treasurer of the States:**

Yes. So the £13 million is there was £2 million for the annually managed expenditure Central Reserve that was set aside but not required. There was around £7 million for the Departmental Expenditure Limit Central Reserve of which only £1 million was required so £6 million could be carried forward. In addition, we have set aside £5 million from our Insurance Deductible Fund to meet future needs so that is the £13 million. Then Mr. Murphy describes we also have the departmental expenditure and the departmental underspendings. The answer is, Constable Murphy, we would not expect those same underspends to be recurring in future years. What some of the departments are very sensibly doing is they are generating underspends in this current year in order to reinvest and help to improve services which will deliver their long-term savings and help them to meet their C.S.R. targets.

**The Connétable of Grouville:**

Yes, okay, well, apart from the C.S.R. targets, which obviously we are all involved in, when you are talking about £40 million underspend this year, it is not going to be carried forward as an

underspend for 3 years' time. It probably will not be there in 3 years. Is that correct? I just want to know the facts.

**The Minister for Treasury and Resources:**

It is a bit complicated because there are 3 different parts, there are 3 different types of the underspend. There is the deferred ...

**The Connétable of Grouville:**

I know but as a simple country Constable, can you just tell me?

**The Minister for Treasury and Resources:**

Okay, let me try that. Right, look, there is ...

**Treasurer of the States:**

We will have some underspends but not the same ones.

**The Connétable of Grouville:**

No, okay.

**The Minister for Treasury and Resources:**

Yes exactly. Some of it is deferred expenditure. Some of it is genuine underspends which will be spent but will reduce the growth those departments require in the future so it is an extra saving and it is going to make a difference and some of it is prudent accounting, money that we hope we continue to roll forward if we do not have the unexpected. We did not have an unexpected item of large expenditure last year. We may well have one this year.

**The Connétable of Grouville:**

So really it is an internal reserve, that is what you are saying, is it not?

**The Minister for Treasury and Resources:**

Yes and it is good.

**The Connétable of Grouville:**

Three years?

**The Minister for Treasury and Resources:**

It is all good and it is all to be encouraged.

**The Connétable of Grouville:**

It is not bankable money, it is not money you can say about: "I have saved £40 million. I am going to stick that away somewhere and leave it grow."

**The Minister for Treasury and Resources:**

No. It is not ...

**The Connétable of Grouville:**

No, that is really ... I just wanted to clear that up.

**The Minister for Treasury and Resources:**

But I just put a note of caution, that we need to continue this good work because we are going to need to expand our savings target upwards from £65 million in 2014 and 2015 in order to create a bandwidth to deal with some of the service pressures that we are going to have and some of the political priorities. We have been realistic in terms of what we think in terms of spending growth that is going to be required. We also must not forget that we must hopefully see economic growth, which is going to mean that we are going to be in a better position generally in the longer term as well. But if you look, Constable, at the Health items, Health underspent their budget by £1 million last year. We have gone away from a Health Department that has lurched from one month to the other with overspends. Andrew McLaughlin and his team and Julie Garbutt seem to me to have done an excellent job and they have used that underspend and we have approved that underspend for a whole series of issues, individual care packages, helping bed-blocking, reduced delays, discharges, sensible decisions in relation to cancer screening. All this is good stuff and means that we will be able to deal with today service improvements that might have taken a few years to deliver. This is really good.

**The Connétable of Grouville:**

Yes, I think you have answered my question. I am absolutely ...

**The Deputy of St. Ouen:**

Minister, the reality is and I quite understand, that the makeup of the £41.5 million underspend is nearly £23 million which is the revenue cash limit departmental as you have been discussing about how ... but and I come back to the first question which I asked you which was, and which you have explained, we have got £13.6 million of restructuring in central reserves that was not required in 2011. We know that in 2012 and beyond, we have allowed for additional funds to provide for those unforeseen expenditures. My question is what are you doing with that £13.6 million that you no longer require?

**The Minister for Treasury and Resources:**

The restructuring money is required and will be spent. It is just the timing of it. It will be spent in 2012 not 2011. I am absolutely clear if we are to make the States more efficient, we have to put the investment up front in restructuring. That is what it is there for and I would regard it as a failure of not spending it because it means that we would not be delivering a more efficient States.

**The Deputy of St. Ouen:**

So the States cash is in the bank?

**The Minister for Treasury and Resources:**

So that is the first thing. The second thing is one of the Comptroller and Auditor General's refrains over a long period of time is that you did not budget for the expected unexpected. There will always be something in a year in any organisation that you will not expect. We have no bandwidth at all to deal with an outbreak of bird flu, of foot and mouth, a really serious court problem, a public disorder problem, a disaster, no bandwidth at all. We have now put in place contingencies for that. Let us keep those contingencies ring-fenced for that. Let us build up our contingency reserves. They should be regarded like the Stabilisation Fund, as there for the problem. Let us not be tempted, please, because we have not spent them in one year that we can do away with that contingency and we can fritter them away or spend them. Let us keep them there for the unexpected and we will never be in a position again where we have to go back to the States and ask for extra allocations within a year.

**The Deputy of St. Ouen:**

We will be interested to see how you have maintained and ring-fenced those monies to ensure that they are only just used for the purposes as you have described. I will move on.

**The Minister for Treasury and Resources:**

Well, I would say, Deputy, that we have published reports of how the governance arrangements of those issues are done and I am confident that you will be satisfied. The now former member of Corporate Services, Deputy Vallois, wanted to see governance arrangements and I think we have done a jolly good job in putting in place proper governance arrangements and they have worked so far.

**The Deputy of St. Ouen:**

Just moving on, again I have briefly read the report that accompanies the underspend decision and you speak about an over-achievement of income received, which is obviously taxed in some shape or form. Money that has been generated from income tax is added and included in this overall figure. What amount is it that we are talking about?

**The Minister for Treasury and Resources:**

There is an audit in relation to our published accounts which is now going on so I cannot confirm what the actual amounts are because they have not been audited yet and there is still work being done and obviously the accounts are closed but obviously these are not published until the normal May publication of the 2011 results. What I can say is that there has been certain older tax receipts from a variety of different sources from where we were expecting them and we are examining exactly the source of those. More people being in work, less people ... and we have got this very odd situation that we have got the highest levels of unemployment but we had record numbers of people in work. That was not what we were expecting. The last recession we saw 1,000 people lose their jobs in financial services. We have not seen that this time. We certainly were budgeting for that in the post Lehman Brothers and all the difficult issues that we had to deal with. We were firmly expecting that there would be a greater fall-off in terms of employment. Jersey has done very well, much better than we were expecting, but of course we are now dealing with a situation where the expected economic output internationally is going to be worse for longer. Low interest rates are going to be clearly low for a long period of time.

**The Deputy of St. Ouen:**

Minister, I understand that you have got a lot that you would like to say but the question was what amount of the total £41.5 million can be attributed to the over-achievement of income received?

**The Minister for Treasury and Resources:**

None.

**The Deputy of St. Ouen:**

None at all?

**The Minister for Treasury and Resources:**

No, none, that is underspends.

**The Deputy of St. Ouen:**

Well why then do you mention that in the report?

**Treasurer of the States:**

Could you just give me a reference, Chairman?

**The Deputy of St. Ouen:**

Yes, it is a Ministerial Decision that was published and supports ... a decision made on 20th February 2012.

**Treasurer of the States:**

I have got the paper in front of me but I cannot see a direct reference to it in the underspend report.

**The Deputy of St. Ouen:**

I will share it with you afterwards but I can assure you ...

**The Minister for Treasury and Resources:**

Just pop it across to us and we will see which one you are looking at.

**The Deputy of St. Ouen:**

Because I have further questions and time is limited as I said before.

**Deputy R.J. Rondel:**

Minister, can I just chip in there on something you said there about high levels of employment and highest of unemployment and you were quite surprised at that. Is that then a surprise that the population and immigration and the amount of people over here is a surprise to you as well?

**The Minister for Treasury and Resources:**

Not really a Treasury question really but I will answer it. I think there is a lot of work to be done to understand what the census number means and where these people are and where they came from and why they stay because I think that that is one of the reasons I think we have got a situation where more people stayed in Jersey, perhaps because of the international situation elsewhere where people did not get jobs back from the countries they were coming from and I think there is a lot of work to be done on that. But certainly from a Treasury point of view, and also from an ageing society point of view, certainly there were some unintended beneficial consequences of that situation which certainly will help us in the longer term.

**The Deputy of St. Ouen:**

The final question regarding the underspend is around the back-to-work programme that you have allocated £7.5 million to for 2012. As I understand it, the back-to-work programme is going to be required to be maintained for much longer than that. What plans have you got in place to ensure that that particular programme is funded after the end of 2012?

**The Minister for Treasury and Resources:**

Can I just ... I have now been referenced that comment that has been made on the Consolidated Fund.

**The Deputy of St. Ouen:**

We need to move on, Minister. I am sorry, but ...

**The Minister for Treasury and Resources:**

Okay, right. We, of course, started the back to work initiatives with the fiscal stimulus funding and we started Advance to Work as a fiscal stimulus project. Such, I think, is the success of the Advance to Work programme of getting long-term unemployed into work, getting them aware of job opportunities, reskilling and retraining, building their motivation, building their own self-worth and self-esteem of being able to be productive members of society, I think that Advance to Work is going to be a long-term feature of our spending in the longer term. I have had good discussions with the Chief Minister and the Minister for Social Security and the Minister for Economic Development about that and I think that we should be planning to continue Advance to Work certainly for the next 2 or 3 years. We have got money aside to do that this year from the underspend as we said and we are planning to use some of the growth allocation ... if I revert back to the report on the resource statement and if you look at page 7, I think it was, in terms of ... if I just draw your attention to the allocation for growth, the 2013 and 2014, we have put in place unallocated money for future growth, £6 million 2013, £16 million in 2014 and £26 million in 2015. Clearly, that is going to be an important potential use of some of that growth money.

**The Deputy of St. Ouen:**

So you are making a commitment now that will ensure that the back-to-work programmes will continue to be funded for as long as they are required?

**The Minister for Treasury and Resources:**

I think that is absolutely right and I have got another meeting at lunchtime with ministerial colleagues on the back-to-work initiative. It is our number one priority and we are putting all ministerial effort into creating jobs, boosting enterprise, motivating people to get the jobs that are available but we have got a long road ahead. I agree with the Chief Minister in terms of unemployment numbers. It is likely to get more difficult before it gets better. A lot of this is dependent also on the outcome of the L.V.C.R. (Low Value Consignment Relief) decision and we have got a lot of work to do and it is a whole multi-agency, multi-ministerial effort here. We as an Island have got to create confidence in the Island. I think we really think that we have got a confidence story to say.

[11:00]

We need to give businesses the optimism and the confidence to employ people. Jersey has got everything going for itself but we need to promote ourselves more, we need to help those workers that are seeking work to find opportunities, we need to align their skills. It is a whole series of initiatives that are required and they will be funded and the good news is Ed Balls keeps on asking George Osborne what his plan B is. I do not have a plan B. I have a plan A plus, because our plan is working and it is working better. That means that because our plans are working better, we have got more money to invest in enterprise, in job creation, than other places have and we can afford it without reverting to debt.

**The Deputy of St. Ouen:**

Thank you very much. Again, I will ask you please try and keep the answers as concise as possible and we will do likewise.

**Deputy R.J. Rondel:**

Yes, I think we could move on to the next bit.

**The Deputy of St. Ouen:**

Do you want to pick up on the medium-term financial plan?

**Deputy R.J. Rondel:**

Yes, thank you, Minister. Could you please let us know how the development of the medium-term financial plan is progressing, if you could elaborate?

**The Minister for Treasury and Resources:**

Extremely well. We are obviously starting a lot of work on that now. We are not just going to wait for the Strategic Plan to start our planning. I think we have shared with the panel what our timetable for the medium-term financial plan is and what we are doing. If we have not, it is shortly to come to you. If we have already, we will be obviously working. This is major major decision, a lot of work ahead, a lot of difficult discussions, a lot of challenge at the Council of Ministers table, a lot of them sharing with Scrutiny on it. It is going to go well and we are going to make sure it is done properly.

**Deputy R.J. Rondel:**

Okay and what about the long-term capital plan?

**The Minister for Treasury and Resources:**

I am very pleased with the work that the Treasury has done in relation to long-term capital requirements. We now have a good line of sight on all capital requirements for the next 25 years for all departments. We have now an understanding of which bits can be funded and which bits cannot be funded.

**Deputy R.J. Rondel:**

Can you be a bit more specific on certain things?

**The Minister for Treasury and Resources:**

Yes, your briefing that I gave this morning, and all Members will have it, you will have seen all the capital requirements of ...

**Deputy R.J. Rondel:**

Did we get this one in the pack?

**Treasurer of the States:**

No, Minister, we have not. We can forward it.

**Deputy R.J. Rondel:**

Members have already had it?

**The Minister for Treasury and Resources:**

Yes you have already had it and there are 2 capital challenges that we have to deal with. I know that there is an assumption among some people that we are going to rebuild the hospital. I do not know whether the hospital is going to be rebuilt on the site or on a new site. We need to do a proper piece of work as to what represents value for money but I am clear that we have got a lot of money to spend on the hospital and we are going to have to find the resources for that. We have obviously important inward potential sources of revenue. The States' involvement in S.o.J.D.C. (States of Jersey Development Company), better exploitation of our property assets, getting good value for properties that we will sell, including Esplanade Square being the shareholder of that. We have solutions for funding but, of course, the hospital is the biggest problem. There was an interesting media story a few days ago and I read an editorial in the *J.E.P. (Jersey Evening Post)* that said we had a crumbling infrastructure and the Island was in a parlous state and no planning had been done. I do not recognise that criticism. I think that we ought to have been more long term in our capital spending than we are now. We have certainly repaired all the deficiencies in long-term planning that we had.

**Deputy R.J. Rondel:**

Would you not agree a lot of our property is substandard?

**The Minister for Treasury and Resources:**

I would agree that Property Holdings have had a very difficult job to do in terms of repairs and maintenance, Property Holdings having been set up and the departments that were responsible for maintenance not having handed over the budget for property maintenance as they ought to have done. That was not challenged a number of years ago and Deputy Noel and I have encountered a difficult situation. I also do not think we made enough progress in relation to Property Holdings. We are doing that now.

**Deputy R.J. Rondel:**

So you would agree there has been a lack of capital investment in infrastructure?

**Treasurer of the States:**

In some areas, Chairman, but in other areas, the investment has been very strong so you will know from your previous involvement in Education that the quality of the schools stock is very strong but in other areas, it is not so. In Health and Social Care, considerably more investment is required in stock.

**The Minister for Treasury and Resources:**

Also roads, the media stories were about sea defences. We have put millions into our sea defences in recent years and they are in an increasingly good situation. We used, I think prudently, the Fiscal Stimulus Plan to improve significantly drainage, roads. Roads are now being improved across the Island. There is a planned organised reorganisation, resurfacing programme for our roads. When we drive around Jersey in a few years, we will drive on comfortable roads to a great extent. We talk ourselves and history gets reinvented. We paid for an incinerator in cash, in cash. That is infrastructure; we have spent millions in infrastructure. In the last few years, we have had to cut our cloth according to what is available but we are absolutely prepared to properly put our infrastructure and maintain it to a good standard state of repair and we will do so and we can do so positively.

**Deputy R.J. Rondel:**

Okay, thank you. Can we just move on to the next ...

**The Deputy of St. Ouen:**

One moment. I just wanted to comment on something. A few years ago you remember we agreed that as regards the States Property Holdings, whatever it was then, it has been a mish-mash since

then, but that we would not draw more than £4 million out of the family silver, which was the States Property Holdings, in order to support our budget. Has that now gone by the board? The second point I want to make is that you quickly touched on roads which is something that obviously the Constable would be quite interested in. Five years ago when it was suggested that instead of taking over the welfare payments, we should take over the roads and we did an investigation into it with T.T.S. (Transport and Technical Services), the deficit on roads spending then, I am going back 4 or 5 years again, was something like £40 million. This is the sort of money you are talking about, is it not?

**The Minister for Treasury and Resources:**

I know but that is a few years ago and we have made huge progress. We are getting better value out of our roads budget by better tendering and procurement. We are getting excellent value for money when we do resurface roads and it is a good quality product and on our capital programme, Constable, if you look at that, T.T.S. is pretty well all now accounted for in future plans for planned expenditure. We have got our roads sorted and we are going to get them sorted but you cannot do it all in one year.

**The Deputy of St. Ouen:**

Can you guide them to the east of the Island when you have a chance, please?

**The Minister for Treasury and Resources:**

Talk to the Minister for Transport and Technical Services. He has obviously got some choices to be made.

**The Deputy of St. Ouen:**

Yes, definitely.

**Deputy S. Power:**

Yes, I have got a number of questions here but I am not going to deal with it that way because we are running out of time.

**The Minister for Treasury and Resources:**

How long have you got by the way until you ...

**The Deputy of St. Ouen:**

11.30 a.m.

**The Minister for Treasury and Resources:**

Oh right, I thought we were here till 12.00 p.m., sorry.

**Senator S.C. Ferguson:**

That is all right, we can carry on, yes.

**The Minister for Treasury and Resources:**

I can be here until 12.00 p.m.

**Deputy S. Power:**

Okay, tax policy in general first of all. Are you comfortable with current tax policy and is it fit for purpose? I am specifically relating to the shift in change and onus on personal taxation as distinct from what we were doing in 2010.

**The Minister for Treasury and Resources:**

I understand the analysis of the move from corporate taxes to personal taxes. I think we have got to be realistic about where we were. Jersey had a situation where a greater percentage of our services was paid for by corporate tax of which we lost corporate tax because of the move to Zero/Ten. Not the move to zero but the move to 10 per cent and that was an internationally competitive rate. If we would not have moved to 10 per cent, we would have lost large areas of our financial services industry. We further faced a squeeze because of the economic situation and I understand Islanders who recognise the fact that their personal tax bills have gone up while corporate tax receipts have gone down. What I would now say is ...

**Deputy S. Power:**

Personal tax has gone up, Minister, and indirect taxes have gone up.

**The Minister for Treasury and Resources:**

Yes, indeed.

**Deputy S. Power:**

There is a lot of pain out there.

**The Minister for Treasury and Resources:**

You hail originally from Ireland and you will know friends and family ...

**Deputy S. Power:**

Let us stick to Jersey.

**The Minister for Treasury and Resources:**

I know that people will say it is important to compare what we used to pay but we live in a globalised world and we have to recognise that if citizens of Jersey want public services, they have to be paid for and we were not able to collect the amount of corporate tax because of the changing rules at the E.U. (European Union) level and international competition. We were not able to collect the amount of corporate tax that we used to so we had to make an adjustment. But what I would say now, Sean, is that we have normalised our tax system. One of the most clear statements that the F.P.P. advises was you have normalised your tax system. We have now got a normal system of indirect/direct/corporate tax. Of course, the Treasurer and Assistant Minister and I want to boost and grow our corporate tax regimes and we are putting all hands to the pump in terms of tax policy of how we can boost corporate revenues and that will be good money that we can allocate to some of our political priorities in the future. I want to give you a sense of stability. We have made difficult decisions. I do not see a case now of having to make further massive changes in terms of that balance. It is normalised.

**Deputy S. Power:**

You have said that publicly and I will get back to that in a few minutes but can you give an indication as to what Treasury are doing in relation to U.K. (United Kingdom) companies trading in the Island who do not pay tax?

**The Minister for Treasury and Resources:**

A great deal of work and we have given you a briefing paper under 14 of what we are doing and those of you who have attended briefings at the Treasury, you have received updates on that issue and we are setting out there the detailed priorities that we are doing and the timetable that we are doing. We have got a Tax Policy Unit and it is working well and they are doing excellent work in relation to that. Now Zero/Ten has been solved, we can attempt to solve this other problem and we are working hard on it.

**Deputy S. Power:**

Say in the next 3 years of the Medium Term Business Plan or the Strategic Plan, are you confident enough to say that U.K. companies who trade side by side with Jersey-owned companies could be paying tax?

**The Minister for Treasury and Resources:**

We are going to propose a solution to this problem. We must understand, however, that the retailers that are trading side by side, they are paying tax but they are paying tax in the U.K. and we have got to ensure that we try and find a system which collects tax here but does not give them

a disincentive to trading here and ending up paying tax in 2 places. But, look, we are in the same position as the Isle of Man and if Guernsey keeps with Zero/Ten as they are, and by putting our collective brains together, we can solve this problem. We obviously followed what we needed to do in terms of Zero/Ten. We needed to be competitive. That is the refrain of the Minister for Treasury and Resources of the day and he was right. If we would not have done Zero/Ten, we would not have the finance industry that we would have and it is an unintended consequence of this problem and we are working hard to deal with it.

**Deputy S. Power:**

So you expect to make some progress in regard to the treatment of U.K. trading companies trading in the Channel Islands and a contribution towards the Central Exchequer in the next 3 years?

**The Minister for Treasury and Resources:**

Yes, and I would also just alert you to the fact that the removal of deemed distribution has meant that local companies are now on a much fairer basis compared to their non-U.K. companies in not having the deemed distribution arrangement. So in dealing with deemed distribution, we have created a much more level playing field and we have dealt with a lot of the unfairness of the local trader and the U.K. trader because the local trader can now decide when they take their dividends, not the tax man telling them when they have to pay tax.

**Deputy S. Power:**

Okay. Let us just move on. You made a statement in public that you do not expect to increase taxes over the next 3 years on the public. Can you define tax and can you explain if that includes indirect taxes and/or stealth taxes, sewage taxes, further social security contributions? What exactly do you mean and what will not go up over the next 3 years in your opinion?

**The Minister for Treasury and Resources:**

Headlines in the *Jersey Evening Post* do not reflect a quote of what I said. I did not say there would be no increase in tax. I did an interview with Radio Jersey and they also got it wrong. I am not blaming the media, that is the way they have to operate. I am ...

**Deputy S. Power:**

What did you say?

**The Minister for Treasury and Resources:**

What I mean is that I do not think that there is going to be a requirement for having to increase tax rates over the next 3 years in terms of G.S.T. (Goods and Services Tax), income tax and the apart

from the normal inflation and sometimes health-driven policy arrangements for duty products in relation to things like tobacco.

[11:15]

So I am wanting to try and instil a sense of confidence and reassurance that after some years of significant change, there is going to be a period of stability. Twenty per cent is sacrosanct. We have now got Zero/Ten confirmed; against all the opposition, we confirmed Zero/Ten. We have got to deal with the issue that we just raised, G.S.T. If there is a proposal to bring food off G.S.T., then G.S.T., of course, will need to repair that revenue but out with those proposals, I am hoping to be the Minister for Treasury and Resources with Deputy Noel over the next 3 years that does not have to repeat the very difficult proposals of the last 3 years and that is in contrast to, I hope, other Treasuries around the world and in small islands that have got difficult decisions ahead. We have taken our difficult decisions. We have now got a period of stability and on that stability, we need to go and shout about that stability to get as much business into Jersey to create jobs.

**Deputy S. Power:**

Okay, so you are quite clear in your own view and that is corporate, that is the Treasury view, that as far as you are concerned, 20 per cent stays and G.S.T. stays as it is but anything else can be tweaked in terms of increase?

**The Minister for Treasury and Resources:**

Yes, you have always got to be cautious because I clearly got, and forever will be admonished for saying that I would not increase G.S.T. when I originally stood for Minister for Treasury and Resources. I stand by what I did. It would have been reckless not to deal with the deficit and to kick the tin can down the road in terms of the problem. When the facts change, you sometimes need to change your mind. I think we have got quite a clear picture of where Jersey is heading. I think there should be a sense this year of almost rebuilding of confidence in Jersey. I understand why confidence has been knocked. We have lived in a very difficult world, a visceral political environment and we have had to make difficult decisions but we are in a good place and we need to capitalise on that and instil a sense of confidence and reassurance to Islanders.

**Deputy S. Power:**

You make a clear statement to that effect and the other comments that can be construed to you. As has happened over the last 3 years with the proposals in Education, there has been a recent proposal to bring in a sewage tax, stuff like that. All of that affects middle income Jersey. All of that was a sharp intake of breath and some Member of the Council of Ministers suggests that there

may be another tax and as you are in charge of that area, the public needs some assurance now, particularly the middle income groups.

**The Minister for Treasury and Resources:**

I understand that and the process of giving something back started in the budget last year where we gave working families the very significant increase in allowances for childcare relief and I hope that is making a real difference to working families in terms of the cost of childcare for working parents. We extended tax allowances by earnings. We increased exemption limits. We have given back. There is the ongoing debate about food on G.S.T. We have put the benefits in that we protected all people on income support, and we increased the bonus for people who do not pay income tax. We have given a lot back and that is the right thing to do. We have made the tax system, I think, better and fairer and I cannot think of anything else to say. Sorry, there was one thing. On the sewage charge issue, we have to deal with the issue of the unfairness for those people who are on the public sewer who pay nothing and those that have a septic tank, so through no fault of their own in various difficult parts of the Island, they pay £4,000 or £5,000 in sewage tanker emptying. We need to solve that problem. We need to put our sewage network on a sustainable footing. It is not broken. It is in a good situation but we need some investment in it. We are going to have to plan for that but I am not going to be asking for any new charges, I do not think, within this period. In the longer term, of course, that is going to have to be tackled and we do have the real issue of Health spending which we have got to have a proper debate about how we are going to spend that but these are positive issues. They are the problems that other governments are having that are much worse than us but we somehow focus on the negative and tell everybody that everything is dreadful. It is not.

**The Deputy of St. Ouen:**

I would suggest perhaps it is not necessarily focusing on the negative. It is being honest with the public and saying that we have got some spending pressures. We do not have sufficient funds to deal with them currently and if we are going to meet these spending pressures or if we are going to deal with our infrastructure, we are going to have to raise additional income, which means the public will contribute.

**The Minister for Treasury and Resources:**

Do you know one way we raise additional income? We grow the economy. You boost economic growth. There is somehow this view that economic growth and the focus of economic growth is a bad thing. Economic growth provides the revenue in order to pay for improvement in services and that is what we should be doing. We do not do it for any other reason apart from improving the standard of living of Islanders; social justice reasons, social mobility reasons. That is what economic growth delivers and while I know that there is a bad side to economic growth, there is a

good side to it. It provides a better standard of living for everybody that lives in this Island and that is how we should be sorting our spending pressures in the future not if we can avoid it by raising taxes.

**The Deputy of St. Ouen:**

Okay, thank you.

**The Connétable of Grouville:**

Okay, going on to property. Can you bring us up to date with what is happening on the waterfront, please, quickly?

**Assistant Minister for Treasury and Resources:**

S.o.J.D.C. is up and running. It has got a new managing director. The information that I have is that the Esplanade Quarter is moving ahead. I expect that Esplanade Quarter in the first phase, 1A and 1B, will be completed. Then there is an issue about what happens next but I am very optimistic about what is happening down on the waterfront. It does not really fall under the remit of Treasury and Property Holdings any more. That particular site is a matter for the S.o.J.D.C.

**The Connétable of Grouville:**

Who is responsible for S.o.J.D.C.?

**The Deputy of St. Ouen:**

The Treasury Department.

**Assistant Minister for Treasury and Resources:**

Yes but the actual building out of that is ...

**The Connétable of Grouville:**

Yes, you are not micro-managing it, are you?

**Assistant Minister for Treasury and Resources:**

No, exactly.

**The Connétable of Grouville:**

Okay, fine. So are you aware of any historical legal problems outstanding from the old days?

**Assistant Minister for Treasury and Resources:**

As you know, as a former member of what was W.E.B. (Waterfront Enterprise Board), we both served on the board, I no longer serve on the board, to my knowledge, there are no legal cases outstanding or pending on the Esplanade Quarter.

**The Minister for Treasury and Resources:**

Yes, I am sometimes rarely cited on issues that my Assistant Minister ... there is not much he does not know about what goes on in Treasury. I understand that there is some speculation as to legal challenge but I am very confident in the Board of S.o.J.D.C.

**The Connétable of Grouville:**

From who?

**The Minister for Treasury and Resources:**

It is not appropriate to comment on that, Constable, because this is a matter ... if you want to address those questions, address them to the company but what I will say is that I am very confident in the Board of S.o.J.D.C. and the advice that they have taken. You were both directors of it. You made some of the decisions in order to ensure that the public was not exposed and I have every confidence in your past decisions and I have every confidence in the current Board. But there will, as usual, be speculation and there will be mischief making on some parts and we must separate the chaff from the wheat in terms of the argument.

**The Connétable of Grouville:**

Right, okay. I know we are running very short on time but the second one I have very large interest in is the College for Girls' situation. Now I understand you are proposing to go ahead with the S.o.J.D.C. to develop the College for Girls. Can you tell me what is going to happen now?

**Assistant Minister for Treasury and Resources:**

That currently is with the Regeneration Steering Group. They have to make their decisions. Once they have made their decisions, that site will be transferred across to S.o.J.D.C. for development.

**The Connétable of Grouville:**

What sort of development are you envisaging or has that not been decided?

**Assistant Minister for Treasury and Resources:**

It is envisaged that it is going to be a mixed residential development, some 120 units, of which I believe 50 will be Category A housing and 70 will be Category B housing.

**The Connétable of Grouville:**

Okay. Now, I understand you have got the Regeneration Unit but what professional advice are you taking on the development?

**Assistant Minister for Treasury and Resources:**

That is for S.o.J.D.C. to take the appropriate professional advice in terms of architecture and planning, et cetera. The whole scheme still has to go through the normal planning process but it is for the Regeneration Steering Group to make up their minds about what they want on that site.

**The Connétable of Grouville:**

As we have both had experience of sitting on the W.E.B. situation, I would have thought that the advice would be the least involved that politicians are, the better and that you get proper professional advice on that and get it working?

**Assistant Minister for Treasury and Resources:**

You know that is the case. The S.o.J.D.C. has gone for the States decision and it is set up. It is purely a delivery vehicle. This is for the Regeneration Steering Group to decide what it requires and it is for S.o.J.D.C. to deliver that.

**The Connétable of Grouville:**

All right, quickly again, Fort Regent, which is part of the whole harbour situation?

**The Minister for Treasury and Resources:**

Yes I think that Fort Regent should be one of the significant differences that this Council of Ministers makes. I am very confident in my Assistant Minister's oversight of Property Holdings but Property Holdings is not the silver bullet to solve Fort Regent. We have to find a solution for Fort Regent. I go to Fort Regent 3 times a week at early hours and I trot around the ramparts and I trot around, I think I am the only person that goes around them probably from one day to the other. It is a fantastic site in the middle of St. Helier. We need to find a solution. I find it an embarrassment, a symbol of our lack of performance of property management when I see the swimming pool having still got scaffolding and corrugated iron I see this morning falling off the side of it. We need to find a solution for Fort Regent and we need to put our collective minds together, not just for talking shop but we need to bring expertise in and we need to find a solution for Fort Regent. It is a fantastic site. It has got huge potential but we need to stop the talk and get on with the action and we as politicians should not be afraid of saying that we are not perhaps the experts and that us talking around the table, getting somebody in properly resourced, properly recruited to sort this problem out, we need to solve it and I am determined. Eddie and I have spoken about this

at our weekly meetings with our team and we are determined, and I know the Chief Minister and other ministerial colleagues are warmly enthused by our determination to find a solution.

**The Connétable of Grouville:**

Okay, I am not going any further because I think Deputy Rondel has a question.

**Deputy R.J. Rondel:**

Yes, one of my concerns at the moment is housing and the delivery of homes, delivery of housing, delivery of sites. Recent figures indicate that there are 574 units on the housing waiting list and this has gone up from 481 in October just a few months ago. Now that is a huge increase. That is without the first-time buyers' allocation. We need to deliver more homes. What are you doing to make more sites available?

**The Minister for Treasury and Resources:**

Okay, first of all and let me be clear that over the last 3 years, I got mixed messages and over 5 years I have had mixed signals from Housing. I am not criticising Housing or Planning but there have been mixed signals of what we needed and what we did not need in terms of housing units. We need better data and we need to robustly ensure that we are working on the right amounts of supply and demand of all tenures of accommodation.

**Deputy R.J. Rondel:**

The clear data is 574 units which equates to 1,421 people desperate for a house.

**The Minister for Treasury and Resources:**

No, well it might be better or worse than that Richard, because in terms of getting on the qualifying list for housing, you are only eligible to be on a waiting list if you are in certain family circumstances. If you are single, you cannot get on the housing list so you might be worse.

**Deputy R.J. Rondel:**

Absolutely and is it correct you have to be over 25?

**The Minister for Treasury and Resources:**

Well, all sorts of reasons, yes. So the importance of housing is reflected in it being one of the top priorities of the Strategic Plan. We are not waiting for the Strategic Plan to be authorised to plan what we are going to do with housing. I sat yesterday with Laura and Eddie at the Housing Transformation Plan where we are now changing the delivery structure of housing, the good work that Sean did when he was Minister for Housing setting up a new system of housing delivery. We are going to plan to invest significant monies for investment in more social housing. I am taking a

paper to the Council of Ministers next week and there will be announcements of further investments in social housing made. We are aware of the situation. It is all tenures of housing stock supply that we need to provide.

**Deputy R.J. Rondel:**

I am obviously pleased to hear that but I can only see at the moment 60 units out at Lesquende, 60 at Le Squez. Where are these others over the next 10 years, where are the sites coming from? At least in the 2002 Island Plan, you had specific H1, H2, H3 and H4 sites made available. We do not seem to have any clear indications of sites.

[11:30]

**The Minister for Treasury and Resources:**

I can give you a breakdown of the excellent work that has been done between S.o.J.D.C. and Housing on where we are going to be delivering on affordable units. We anticipate that on, for example, the Summerland site, that will be one of the good reasons for locating the police - let me just say it - of relocating the police station at Green Street which will free up the Summerland site.

**Deputy R.J. Rondel:**

It will be 5 years before brick is laid on there though.

**The Minister for Treasury and Resources:**

You said 10 years so those will be delivered within the sort of 2014-2015 period of time. We have the former J.C.G. (Jersey College for Girls) site, which can be a significant element of affordable homes.

**Deputy R.J. Rondel:**

When would that be?

**The Minister for Treasury and Resources:**

Straight away.

**Assistant Minister for Treasury and Resources:**

As soon as it goes to the Regeneration Steering Group and Planning, those houses can start.

**Deputy R.J. Rondel:**

When would you envisage a site like that that people could move into?

**Assistant Minister for Treasury and Resources:**

I would hope that that building starts in the latter part of this year, early 2013, so you would envisage families moving into those homes ...

**Deputy R.J. Rondel:**

So 2 years later?

**Assistant Minister for Treasury and Resources:**

Probably the early part of 2014.

**Deputy S. Power:**

Can I just clarify? Assistant Minister, does the J.C.G. site include Janvrin School?

**Assistant Minister for Treasury and Resources:**

It does not include Janvrin School, no.

**The Deputy of St. Ouen:**

I need to draw this meeting to a close.

**Deputy R.J. Rondel:**

Would it be possible to have a list of what your proposals are in timing later on just so we can try and build up a clearer picture because this list is increasing far quicker than the homes are being built?

**The Minister for Treasury and Resources:**

I hope that you will be pleasantly surprised by the boldness of our plans. This is a good time to put money into the construction industry, get good value for money and we certainly are being bold and we are going to be bold and we are going to help people get into homes. I also need to find a solution with the Minister for Housing and the Minister for Planning and Environment on the H1 and H3 sites. That is an urgent issue which has to be resolved politically. We have unfinished business in relation to that to deal with affordable homes and I hear the representations of industry that says the current proposals are not capable of being workable so we have got work to do.

**The Deputy of St. Ouen:**

I would personally like to thank the public and other officers attending our public hearing. Also the Treasurer, Minister, Assistant Minister. Thank you for providing the large amount of information that you brought with you at the start of the meeting. I am sure we will consider it in more detail over the coming weeks and it is likely that we might be seeking further information on a number of

matters. In the meantime, again, thank you for your time and I declare that this public hearing is now closed, thank you.

[11:33]