



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

**THURSDAY, 13th MARCH 2014**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy J.G. Reed of St. Ouen  
Connétable D.W. Mezbourian of St. Lawrence  
Deputy R.J. Rondel of St. Helier

**Witnesses:**

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)  
Deputy E.J. Noel (The Assistant Minister for Treasury and Resources)  
Ms. L. Rowley (Treasurer for the States of Jersey)

**Topics Discussed:**

- |  |                 |
|--|-----------------|
| 1. Ministerial Priorities                          | Page 2          |
| 2. Long-Term Revenue Plan and Long-Term Tax Policy | Pages 3 and 22  |
| 3. Medium Term Financial Plan                      | Page 8          |
| 4. Income Forecasts                                | Page 9          |
| 5. Savings Plans                                   | Pages 15 and 21 |
| 6. States Payment of Rates                         | Page 19         |

7. Starter Home Deposit Loan Scheme	Page 24
8. Housing Project	Page 27
9. Hospital Project	Page 28
10. Gigabit Jersey	Page 31
11. JT	Page 32
12. Office Strategy	Page 37
13. Esplanade Quarter	Page 39

[14:32]

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

Welcome to this hearing of the Corporate Services Scrutiny Panel - the quarterly public hearing with the Minister for Treasury and Resources. I believe you have a copy of the health warning there. If you have not read it, it is there for reference. In order that our transcription people know who everybody is, I wonder if you could say what your title is and what your position is, your name and position rather.

**The Connétable of St. Lawrence:**

Okay, I am opening this session this afternoon, Minister, so welcome. We thought we would just touch on, in the first instance, the ministerial priorities that you have left for the remainder of this term. We want to know from you what the substantial priorities are that you have and do you intend to deliver for approval before the end of the term?

**The Minister for Treasury and Resources:**

Okay, thank you for that. We have obviously got a business plan and we have obviously got a strategic plan and the Treasury themselves, as a department, has its own business plan which is published. What the Treasurer, Assistant Minister and I did in preparation for what we wanted...we have looked at what we have achieved and we had a discussion at the end of last year, early part of January, and we distilled down what our key priorities are and these are the political priorities, they do not include all of the massive amounts of work that the Treasurer and her team do themselves. I am happy just to give you the list of them but I will just run through them for the purpose of this discussion. Firstly, publish a long-term revenue plan for 2015 and 2020 which will set out all of the spending requests, challenges for the next M.T.F.P. (Medium Term Financial Plan), set out how those might be paid for, and what the options for paying them may be, including a savings target. There is a lot of work being undertaken on that. The second area is issuing the public bond. Huge amounts of work are going into ensuring that we fulfil our obligation that the States have now set and agreed in up to £250 million bond, there is a lot of work that is going on

with that and the Assistant Minister and I are involved in parts of that process, the approval parts of that. We can go into some of the details in a second. We have a role in pensions. The Assistant Minister sits on S.E.B. (States Employment Board), the Treasurer leads the work for the Chief Minister's Department in S.E.B. which you are also a member of. We think that resolving these pension issues is a really important part of delivering sustainable public finances in the future. So that is a high priority for us. We have also got an early budget to do this year, Budget 2015, we can talk about that, delivering on our promise which you want to ask us questions about finding solutions for the States to pay rates. We want to look at the issue of personal finance and the possibilities of extending a credit union in Jersey. We have got ongoing support for other key departments. We work collaboratively with Health on their ministerial oversight group, there is a lot of work on there. The last one, which I think probably might not be in our existing plans that we have prioritised because of an advancing number of issues arising is a look at J.T. (Jersey Telecom) and a look at J.T. in terms of it is appropriate 7 years after Senator Le Sueur withdrew the proposition to dispose of J.T. to revisit and to clarify and strengthen the reasons...or I guess to look at them as to the reasons why we are holding J.T. and make sure we are aligned as far as the States is concerned with the board of J.T. So doing some work around J.T. I have run through those in a high priority list but those are effectively the key issues. The Assistant Minister also has his own priorities, Property Holdings and Fort Regent and others. But as a team those are the big issues that we are spending time on. Why that matters is that when my time is asked for things if it is not on that list I have to question why I am spending time on it.

**Senator S.C. Ferguson:**

Right, and the Public Finances Amendment No. 5 (Jersey) Law, which you have missed?

**Treasurer of the States:**

We are doing that as well.

**The Minister for Treasury and Resources:**

Work in progress does not require a lot of political time because I think we have already dealt with the legal instructions. There is probably another 50 things that we could put in there but the work is done, law drafting is done, it is just I think we are waiting for the law back and we will lodge it as soon as we have got it.

**The Deputy of St. Ouen:**

Just to pick up on one of the first items you mentioned, which is the long-term revenue plan. What is the period that that plan will cover?

**Treasurer of the States:**

2016 to 2020.

**The Deputy of St. Ouen:**

Is that your view of a long term?

**The Minister for Treasury and Resources:**

No, we have done a long-term capital plan obviously looking at 20 years. This is effectively...what we are talking about is the policy options and what the income and expenditure for the States is going to be effectively for the next M.T.F.P. and we have done an extra year because it is sensible look out until 2020.

**The Deputy of St. Ouen:**

Yes, so it is a short-term plan?

**The Minister for Treasury and Resources:**

No it is a medium term plan.

**The Deputy of St. Ouen:**

Right, medium term revenue plan?

**The Minister for Treasury and Resources:**

Yes. Now, embedded in that, of course, we have got other things we are doing about setting a long-term tax policy. We have already given a commitment as part of the 2015 Budget to publish our long-term tax policy. We are bringing together in one document a tax and we are also responding to...we were doing this and we agreed with these recommendations of effectively revising the fiscal framework. So that is all long-term stuff. But the long-term revenue plan, it is actually the next medium term financial plan really.

**The Deputy of St. Ouen:**

Again it will help us to understand this issue...you talk about long-term and yet it is a short period of time. I have just looked at your 2014 business plan and one of the key objectives under long term tax policy is development and implementation of new tax policy and changes to current tax policy which presumably is going to happen in 2014.

**The Minister for Treasury and Resources:**

There are lots of things here so let us not confuse ourselves. What we call the long-term revenue plan is effectively the next...

**The Deputy of St. Ouen:**

This is the tax policy, the long-term tax policy.

**The Minister for Treasury and Resources:**

Yes, okay, let us be clear. What we call, what we have done as the label, let us not get too hung on what we mean and what we are doing. The next long-term revenue plan is the next medium term financial plan. Okay, so it is not next year, it is 2016 to 2020.

**Senator S.C. Ferguson:**

Can we just establish, how many years is long, how many is medium and how many is short?

**The Minister for Treasury and Resources:**

It depends on what subject it is.

**Senator S.C. Ferguson:**

No, I think you have got to be...you know, you really do need to have it so that Joe Public and your fellow politicians can understand it.

**Treasurer of the States:**

Yes, it is one year, Chairman, for this budget, that is our short-term for revenue purposes. Our first medium term financial plan, which as you know we are in the middle of at the moment, is 2013 to 2015.

**Senator S.C. Ferguson:**

So that is 3 years.

**Treasurer of the States:**

So that is 3 years presently. But our long-term revenue plan then takes us out to 2020 so it is effectively 2013 to 2020, and that is a long time for revenue plan. We are finding it quite tricky to project that far into the future the issues like pay awards, price inflation and so on. So that is our timescale. As the Minister has said, the reason that we are choosing 2020 is because it would take us through the next administration plus a year. So there is a logic behind why we have chosen 2020 as opposed to another period of time. Then we have the long-term capital plan - because of the nature of the capital we look further out and we go out to 2032.

**The Deputy of St. Ouen:**

With the long-term tax policy, what period is that supposed to cover?

**Treasurer of the States:**

We are looking to go out to 2020 with the long-term tax policy because, of course, the tax policy drives the income which is necessarily part of the long-term revenue plan.

**The Deputy of St. Ouen:**

So when you identify one of the success criteria as development and implementation of new tax policy, what do you mean by that? Is that just something that is separate from the long-term tax policy?

**The Minister for Treasury and Resources:**

There are policies about forward projection numbers and there are policies about how you try and change things to achieve certain objectives. What we mean by long-term tax policy is this is the statement of where we think all of our taxes are going to be to give people certainty for the longer term. Longer term we certainly have a low, broad and simple: "Do not change tax policy often" approach as a longstanding 20 per cent tax rate sacrosanct. All these things which have basically built up over time. The Panel has asked on a number of occasions what our long-term tax policy is. I think we know what our long-term tax policy is because of all of the incremental bits of work we have done on income tax, corporate tax, G.S.T. (Goods and Services Tax) and the other forms of indirect taxes. But what we probably have not done is we probably have not communicated that into one single plain English document. That is what we are putting together but we are not suggesting at all, that there is going to be, and we would not recommend, big changes in our tax policy because we think we have had a lot of big tax debates in recent years and we are set fair in relation to that tax.

**The Deputy of St. Ouen:**

Sorry, Minister, but you have raised the issue of introducing independent taxation, which is different to the way individuals are taxed currently. We are just trying to understand, what is the...when you talk about the development and implementation of a new tax policy, what does that mean in plain English?

**The Minister for Treasury and Resources:**

We want to achieve independent taxation and so the aspiration of achieving independent taxation, current year assessment and online tax returns are all elements of the way the collection system works. That is almost recognising the current system that we have got. So we are not proposing any...these are big changes, they are hugely complex to adopt but they do not change...I suppose what we are talking about is rates as opposed to methods of collection.

[14:45]

The Treasurer and Income Tax Department are constantly modernising the way that tax is collected. Some of that is political policy, some of that is just the Tax Department doing what they do year in, year out.

**The Deputy of St. Ouen:**

I will rephrase the question maybe. What new tax policy are you planning to implement in 2014, which will obviously fulfil the success criteria that you have included in your 2014 business plan?

**The Minister for Treasury and Resources:**

Okay, let me be clear. What you are going to see in the long-term tax policy, I would be surprised if there was anything in there that was new that people were not already aware about. So we are not changing course on our taxes. We are not going to change Zero Ten, we are not going to change 20 per cent. The way we collect it and the way that, as you rightly said, we introduce independent taxation and the move to more electronic filing and collection is all part of the...the new tax policy...

**Treasurer of the States:**

...is a document. We are not suggesting that we are going to change tax policy. All we are suggesting, Deputy Reed, is that we want to set out clearly our direction of travel because it can be very unsettling, especially for the business community, to be uncertain about future tax policy. So if we can set out our overall framework in a clear way...we made a good start on this in the medium term financial plan, in appendix 11, where we have described our overall tax policy in there, but we just wanted to say a bit more and we wanted to say...for example, you mentioned independent taxation. If we are going to move to independent taxation, which is something the Minister has said that he would like to do, then that will take a while to achieve and to implement. So we want to set out clearly over a time period those sorts of changes and when we can sensibly make them so we can plan for that. So as the Minister has described, you have got one stream which is about the administration of our taxes but then each year of course there will still be a budget which will determine the kind of the things I think you are concerned about, which would be changes in rates and similar things. So does that help? So we are wanting to publish an overall policy document within which we will set out the kind of administrative changes and the structural changes that we plan to make but what we are really trying to do is to put out a clear message, as the Minister said earlier, that we are sticking with our principles and those principles are set out in the medium term financial plan in appendix 11.

**The Deputy of St. Ouen:**

Before you publish the overall policy document, are you planning to consult with members of the public, key stakeholders, the States and even seek approval for this overall policy document, or is it just something that you are planning to do off your own bat?

**The Minister for Treasury and Resources:**

It is not off our own bat, it is effectively the consolidation. I consider it like a consolidated law review. A consolidated law is all the...you have an original law and you have made amendments along the way and then you consolidate and put it in one document, which is the up-to-date framework of where we are. So there is going to be nothing dramatic. I would be surprised and disappointed if there was anything that people were not expecting.

**The Deputy of St. Ouen:**

When will it be published?

**The Minister for Treasury and Resources:**

Alongside the budget.

**The Deputy of St. Ouen:**

Which will be?

**The Minister for Treasury and Resources:**

June. July.

**The Deputy of St. Ouen:**

Thank you.

**The Connétable of St. Lawrence:**

Okay, thank you. I would like to come back to something you mentioned earlier when you were setting out your priorities and you discussed the long-term revenue plan and the Treasurer has just explained how this is working from 2016 to 2020. But you said you are dealing with requests and the challenges of the medium term financial plan?

**The Minister for Treasury and Resources:**

So you want to know what those are?

**The Connétable of St. Lawrence:**

I want to know what the challenges are.

**The Minister for Treasury and Resources:**

Okay, right. What we are doing is...and this is where now the States is a much better organisation because we are thinking much more long-term and we are doing much better medium term planning. We are planning better for medium term planning. So what is happening is all departments, and the Treasurer with C.M.D. (Chief Minister's Department) is doing a lot of work on this, are being asked: "What are your likely service challenges going forward for the period up until 2020? Where do you think you are going to be requiring more investment, more changes?" It is obvious I suppose which ones are the key departments that are going to be putting challenges. If a challenge is an increased budget then Health is obviously top of the list. No surprise about that. But we are asking Health now: "What do you think your demands are going to be until 2020?" We are asking that of all departments so that we have a line of sight of exactly what the demands are going to be. We are doing this really early so that we can inform Members and the public in a document which effectively sets out where we think spending decisions are going to be needed. So there can be a proper full, almost Island, debate, because some of these numbers are chunky, some of these are big numbers in terms of decisions about spending more money. At the same time we are wanting to work out...we are looking, as the Treasurer has said, and it is more difficult the further you go out, at what our income line is likely to look like. As night follows day an estimate will turn out to be wrong so we know it is going to be wrong but we need to do estimates to see whether or not that can balance our figures. Of course the number is...people are asking for quite a lot of money. That is understandable and so then we have to have the debate of the extent to which those demands can be met, either by economic growth. That is what all politicians want to do, we want to get economic growth to increase the income line to make people better off but also we are going to have to have the debate about the extent to which those demands for more money can be offset by savings elsewhere.

**Senator S.C. Ferguson:**

How much is your thinking influenced by the fact that in the written answer to a question on 18th February we have a forecast where the States income forecast per the medium term financial plan and the States income long-term revenue plan forecast shows a deficit of £13 million in 2013, £24 million in 2014 and £34 million in 2015.

**The Minister for Treasury and Resources:**

That is Deputy Le Fondré's question?

**Senator S.C. Ferguson:**

Yes, but it was the numbers that you sort of think: "Well, if we put £71 in total in those 3 years in a deficit" how is that influencing your...

**The Minister for Treasury and Resources:**

No, no, they must not be misunderstood. It is really important that the take away from those answers should not be described as being: "We are expecting a deficit", we are not. The Treasurer will explain better than I can.

**Treasurer of the States:**

So the best I can do for you on that, Chairman, is the take to take 2013. I think you just mentioned the £11 million...

**Senator S.C. Ferguson:**

£13 million. Well, the M.T.F.P. was £646.004 million and the long-term revenue plan assumption is £633 million and a few thousand.

**Treasurer of the States:**

Okay, well let me reassure you on that. Because we have the actuals for 2013, which I am sure you will agree is better than any forecast, and the actuals for 2013 on income tax are £3 million below our original assumptions. So we are very tight to our medium term financial plan assumptions.

**Senator S.C. Ferguson:**

So it is £643 million?

**Treasurer of the States:**

Yes.

**The Minister for Treasury and Resources:**

That is total income, is it not?

**Treasurer of the States:**

That sounds to me like total...

**Senator S.C. Ferguson:**

This is total income, yes. This is...well, this is a Treasury answer, we are just working Treasury figures.

**Treasurer of the States:**

Can I just explain what we are trying to do? So what we are trying to do is when we look very far forward, the further forward we look, as you will appreciate, the more uncertainty we have. So at

the moment we are very close... the area we have struggling on in 2013 in terms of actuals has been stamp duty and we are about £7 million below stamp duty and the budget is only about £24 million, so it is a big change. Most of that actually happened in the first quarter, the first half of last year. So stamp duty, we are short on stamp duty but we do expect that to recover even in this year. The income tax assumptions, we were only £3 million below our M.T.F.P. projections for income tax, taking personal and business tax together. So we were very comfortable with that. What we have done is we look into the long-term and we are projecting income tax into the long-term, which of course is the lion's share of our income budget. We have taken much more prudent assumptions, which I think would please you because we are looking so far ahead. So within our discussions, we have discussions about a blue line which is the current medium term financial plan assumptions and our red line, which is our more pessimistic, much more prudent assumptions out into the long term. That is the...because of the level of uncertainty into the long-term, we are planning along the pessimistic assumptions rather than the mid-range. So that is the difference there.

**Senator S.C. Ferguson:**

Yes, but we are talking about years that we are working in. We are talking about a year where we have actuals and a year...

**The Minister for Treasury and Resources:**

Which ones are you pointing to?

**Senator S.C. Ferguson:**

2014.

**The Minister for Treasury and Resources:**

Which ones are you talking about, Senator?

**Senator S.C. Ferguson:**

I am talking about...

**Treasurer of the States:**

I have explained, Chairman, that the 2013 actuals, which we have got...so we are tight up against our original assumptions.

**Senator S.C. Ferguson:**

So why would you do...I am sorry I do not quite understand why you would do a long-term...yes, you are being prudent and I can appreciate that but it seems...

**Treasurer of the States:**

Because we did it earlier. We have been working on our long-term revenue plan for more than 12 months.

**Senator S.C. Ferguson:**

Okay.

**Treasurer of the States:**

So that was a projection. The next time we do a refresh we will bring the two together.

**The Minister for Treasury and Resources:**

Let me be clear. We are confident of our income projections that were set out in the M.T.F.P. and I am delighted with the return of this not publicly available information yet and this is an open session, which of course the Treasurer's accounts are subject to audit yet so we have not confirmed we are giving...I am in no doubt they will be confirmed as accurate but we publish our final year accounts when we publish the accounts but the numbers that we have are amazingly on track and to get income tax to be so close to the forecast when you look at other jurisdictions, particularly the UK in terms of the their forecasting our forecasting...the forecasting is very difficult. It is very, very difficult to know, particularly when you have been through a financial crisis, of where people are of what company profits are going to be but actually the outturn for 2013 looks absolutely on track and I have optimism that 2014 will be met. The challenge is going forward. We must continue to work hard and that is what the Minister for Economic Development, the Chief Minister and I are working on. We have to make sure that we secure, to the extent that our policies deliver that, economic growth in the longer term.

**Senator S.C. Ferguson:**

Yes, I think one of our reports certainly reckoned that the test...I think it was the report on the budget, it was...2013 was not quite so much of a bother, it was going to be 2014 that was going to be an interesting year.

**The Minister for Treasury and Resources:**

It is interesting but of course we have one benefit of our prior year tax system and that is the tax we collected in 2014 is based upon the vast majority of people's earnings in 2013 and also the corporates. So the tax forecasting team and the work that the Treasurer and the Economic Adviser and other very senior people do is they can bring around the key taxpayers as the Treasurer probably knows.

**Senator S.C. Ferguson:**

Then 2015 will be more interesting.

**The Minister for Treasury and Resources:**

You say “interesting” but let us not move away from your question. The question was: do we have a good sight now on what 2014 numbers are? You would expect us to. Yes, we have and it looks as though we are on track to deliver what we said we were going to deliver. Have I got that right, Treasurer?

[15:00]

**Treasurer of the States:**

The very...we have done as the Minister has described and we have contacted through the taxes office, we have contacted the biggest agents on the Island who deal with the accounts for our biggest taxpayers. We are waiting confirmation on one figure which has dropped, which would have a fairly substantial effect. After we have cleared that up we will be able to confirm to you what we anticipate in 2014. It is tight but last year people were telling us we would not achieve our...

**The Minister for Treasury and Resources:**

You mean tight against the estimate?

**Treasurer of the States:**

No, I think it might be difficult...we are £3 million adrift in 2013, that is against a very large total, and I think we might be in a similar position for 2014 but I will be able to confirm that as soon as we have checked the position of one particular agent. But we are certainly not...you know, people said that we would not manage to achieve our 2013 M.T.F.P. income targets and we were put under a lot of pressure about that. We have done it.

**The Minister for Treasury and Resources:**

It is not like being salesmen that go and sell more shirts to get the income, we are only collecting what other people are doing. But it shows that the forecasting has been well founded and accurate, and we have high levels of confidence. We are improving constantly. Tax forecasting is very difficult. All governments find this difficult, the U.K. (United Kingdom) themselves on V.A.T. (Value Added Tax) and corporate taxes, it is up and down all the time. It is very difficult and sometimes we get criticised in the media for getting the estimate wrong. That is a function of the economic world around us. Clearly the economic situation in the world has been more difficult for

longer than we were anticipating when we set the M.T.F.P. So the fact that we have done so well in terms of the estimate for 2013 gives me a high degree of confidence.

**Treasurer of the States:**

May I just add something? The other thing to say is that because we invested the Currency Fund actively last year we have been able to generate additional income which we are going to be able to transfer into the consolidated fund to make up that £3 million gap in any event. So that...

**The Connétable of St. Lawrence:**

So no shortfall?

**Treasurer of the States:**

No, so we will be able to keep the Consolidated Fund in the position that we anticipated in the medium term financial plan by transferring...it is around £3 million we will be transferring out of the Currency Fund, from surplus from the Currency Fund generated from investment returns into the Consolidated Fund. Now, the Minister will have to forgive me because he is not aware of that yet.

**The Minister for Treasury and Resources:**

But I am very pleased. Well done.

**Treasurer of the States:**

We have not been through all of our closing process yet. We have also planned, and this was part of the budget, to use £3 million of that surplus to support the capital programme and we are able to do both of those things. We have now got a surplus within the Currency Fund of around £8 million, which we have generated from investment returns.

**The Minister for Treasury and Resources:**

That is giving people all their carry forwards.

**Treasurer of the States:**

Yes.

**The Deputy of St. Ouen:**

You are able to do that without coming to the States?

**Treasurer of the States:**

Yes, because you can transfer anything you like into the Consolidated Fund, what you cannot do is snaffle any out of it.

**The Deputy of St. Ouen:**

But you are withdrawing money from the Currency Fund?

**The Minister for Treasury and Resources:**

It is investment returns.

**Treasurer of the States:**

No, we are not drawing money. It is the surplus generated from investment returns. And that surplus can go into the Currency Fund under the rules.

**The Deputy of St. Ouen:**

Because the Minister determined that that surplus will be used for a specific purpose which in this case is going to go into a Consolidated Fund to help top up any shortfall in income.

**Assistant Minister for Treasury and Resources:**

There is nothing unusual particularly as the Currency Fund is rebalanced so it matches the amount of currency...

**Senator S.C. Ferguson:**

So what happens if the investment returns go down next year? If they go down £6 million?

**Treasurer of the States:**

Because we are not taking all the surplus out either, Chairman.

**The Connétable of St. Lawrence:**

I would like...

**The Minister for Treasury and Resources:**

But I think...Constable, sorry.

**The Connétable of St. Lawrence:**

Okay. I would like to come back to the word that you used earlier which was challenges. Dealing with the requests for the medium term financial plan. I would like you to tell us how you were dealing with those requests when you have publicly stated that you want to achieve £75 million in savings.

**The Minister for Treasury and Resources:**

Policy is best explained here in front of politicians rather...and I do not criticise the media at all, but obviously newspaper articles that want to put a point across will obviously emphasise and put different emphasises on some things. I have been quite clear in saying that if we are to meet the aspirations of the department, such as Health, and I suspect also meet the political imperatives of making further improvements in Island skills and our education system, and equipping Jersey properly and ensuring that young people are as equipped and as skilled as possible for the world of work, which is a very different world of work in the future, I think we are going to have to put more money in education to meet those challenges, we are going to have to have some hard political choices. If we are to meet the health investment...and health by the way are proving that the model and the work that they did in the Health White Paper and the warnings that they gave us of the long-term implications of not investing in reforming health are accurate and thank goodness that we have got a health reform programme underway. Because what they warned about more people in higher demands in secondary care is happening and we are going to have to pay for it. Not paying for it is not an option. Not giving people the type of treatment and the access to drugs, cancer treatments, all the rest of it is not an option. We have to pay for it. So, yes, we are going to have to find some savings and, yes, I think that is between £50 and £75 million by 2020.

**Senator S.C. Ferguson:**

Where do you get the £75 million figure from?

**The Minister for Treasury and Resources:**

I will tell you in June. That work is underway. I cannot forecast...

**Senator S.C. Ferguson:**

Why give us a figure and then say you cannot tell us where it has come from? Why did you pull a figure like that out of the air?

**The Minister for Treasury and Resources:**

Because it is well founded and I said that I believed to meet the challenges of...by the way...

**Senator S.C. Ferguson:**

Why not 100, why not 50, why not 125?

**The Minister for Treasury and Resources:**

Because it is my job to be the Minister for Treasury and Resources to worry and to think about these things and to work with departments to understand their concerns and understand what their demands are. I am saying that I believe, with the best information I have, that by 2020 we are

likely to need to do a savings programme and a further efficiency programme which is working so well we should be congratulating our public sector on having delivered more than £60 million of savings and delivering underspends next year and wish them continued support in delivering a further and more efficient States because the better and the more efficient the States can be in the spending and doing the same level of service for less, then we are going to be able to meet our political requirements of investing in the frontline services without to cause the taxpayers more money out of their pockets.

**Senator S.C. Ferguson:**

Yes, this is something that as politicians we have to explain to the public. I think you have been asked this question before in previous incarnations. How do we explain to the public that if we are saving money and we are cutting expenditure and doing more for less, how is it that the total expenditure is going up?

**The Minister for Treasury and Resources:**

Senator, you know that and you know that this is...you know this.

**Senator S.C. Ferguson:**

If I am running a household, if you will excuse me, and I say: "Right, we are going to save so much this year" then at the end of the year I would expect my expenditure to be X minus whatever I have saved.

**Treasurer of the States:**

Would that be regardless of whether the electricity prices had gone up, Chairman, and the food prices had gone up and you had to pay your cleaner more money?

**Senator S.C. Ferguson:**

Yes, it would be down in real expenditure.

**Treasurer of the States:**

So inflation and pay...

**The Minister for Treasury and Resources:**

Somebody regarded me as fairly Thatcherite and calling to mind a former Prime Minister in the U.K. that you needed to be a good housewife or a good shopkeeper to be a good politician. The fact is, and I do not align myself exactly with some of that, what we are doing is we are preparing and properly planning for what we know are going to be demands of Islanders in terms of the services that they need. Particularly in healthcare. Healthcare is commanding political attention

across the world. We are in a better position...we were not in a better position 5 years ago but we are in a lot better position now to prepare for the increased number of elderly people and elderly people - and there is nothing prerogative in this - have different and increased demands on healthcare, particularly because we are keeping elderly people in better health for longer because there are more treatments to deal with people's problems that happen and we are preparing for this. Now, what you are saying to me is suddenly we are telling the public something inaccurate is that we are saving money...

**Senator S.C. Ferguson:**

No, you are putting words into my mouth.

**The Minister for Treasury and Resources:**

You are putting words into my mouth because you are saying we are saying something inaccurate. Let me be clear, if we would not have delivered £60 million of savings as we have done by the end of 2013, we would be facing the need to spend that money and we would be needing now to have...we would have had a deficit. We have cut our cloth and we have planned and that good planning has resulted in one of the most stable situations of public finances of any place in the world. I am very proud of what we have done. I am very proud of the fact that we have sorted...we have not...politicians elsewhere say they did not fix the roof when the sun was shining, well we did do some fixing of the roof and we are in a good position. But of course there are further challenges ahead, which we are now planning for and we are going to give solutions to. But I cannot give you those solutions before we have done the work.

**Senator S.C. Ferguson:**

Well, it would help, you know, if we had a clear list of savings that are made and so on.

**The Minister for Treasury and Resources:**

Senator, you have got that. You have got a detailed part in the medium term financial plan. You have got a whole chapter of what we have delivered on savings. You know all this.

**Senator S.C. Ferguson:**

Yes, well it would be nice to deliver...

**The Minister for Treasury and Resources:**

You have it.

**Senator S.C. Ferguson:**

...it in a simple form like the former Auditor General did in his review.

**The Minister for Treasury and Resources:**

Sorry, Senator...

**Senator S.C. Ferguson:**

Sorry, carry on, Deidre.

**The Minister for Treasury and Resources:**

Senator, you have got the information of savings. You know them. We deliver better information in this kind of document...I do not know whether you have read this but look at our medium term financial plan, look at the quality of information you have got. The information is there at your fingertips, you have got it.

**Senator S.C. Ferguson:**

I am asking for the simple version that we can take out into the public arena. The two-page...

**The Minister for Treasury and Resources:**

I am not going to agree to it because it is already there.

**The Connétable of St. Lawrence:**

Moving on, we understand that you are working on proposals for the States to pay rates on their properties. How do you equate that additional expenditure for the States when you are trying to achieve the savings that you have just been talking about?

**The Minister for Treasury and Resources:**

That is an excellent example. The Assistant Minister is leading on that work for the Treasury and he answered questions very well in the States last sitting. That is a classic challenge, is it not, of people saying we want this Parish fairness but it comes at a cost and that is a good example of the trade off and difficulty that we face. We have got pressure to reform rates and to make apparent fairness with Parishes because there is an unfair burden in some Parishes. St. Saviour and St. Helier have a much higher burden than other Parishes do and we have to fix that and we are determined to set out what the cost is and we propose to put a proposal forward to consult upon, that is one thing that is going to be something that we consulted upon and we are committed to do that by the budget.

**Assistant Minister for Treasury and Resources:**

What I did say in the Assembly in answering questions on the topic of the States paying rates is that I would not wish to see cuts in frontline services to fund that. We need to find another funding source if the States do agree that the States is a body that pays rates to the Parishes.

[15:15]

**The Connétable of St. Lawrence:**

But clearly you would not lodge a proposition to pay rates without having identified that further funding source?

**Assistant Minister for Treasury and Resources:**

No, the two have to come together.

**The Connétable of St. Lawrence:**

So is that what you are working on at the moment?

**Assistant Minister for Treasury and Resources:**

Currently the work that has been going on is to establish how big that number will be in terms of the costs to the States. We have an outline - I believe it is in the public domain - estimate that is around the £2 million mark. It will pretty much be split between occupiers, fonciers and the Parish rates being Island-wide rates. Further work is being done by the body of people that do our rates assessments led by the senior rate assessor of St. Helier and they are doing a fantastic piece of work for us. That is free to us and so, you know, public gratitude must go out to those individuals. Then they are expanding that work out of St. Helier to the other Parishes to establish how much the States bill will be at the end of the day. When we know the quantum of that we will be able to carry out further works of ways we could fund that and that is going to be published when we publish the budget in July.

**The Connétable of St. Lawrence:**

Is it fair to say that this is a Treasury initiative?

**The Minister for Treasury and Resources:**

It is a...let me be careful about the way I put that. I committed when I stood for the position of Minister for Treasury and Resources that I agreed with the Constable of St. Helier that it was a longstanding issue. We have dealt with many of the unfairness issues with Parishes in the last 10 years, we have dealt with the unfair welfare burden. We have sorted out all sorts of things to do with Parishes and there is a proposition that...there is an extant States proposition by Constable Crowcroft to ask us to do it. But I said I was going to do it anyway. I noted with great interest that there were a number of new Deputies that are arriving who are now jumping on the bandwagon trying to say...trying to ask us to do things that we have already committed to do.

**Assistant Minister for Treasury and Resources:**

Can I just clarify that any law changes, and there will be some that will be required, cannot be brought by Treasury, they have to be brought by the Comité des Connétables is my understanding. So although we can provide the detail it will not be a Treasury-led reporting position.

**The Connétable of St. Lawrence:**

I understand that and clearly some Connétables are more likely to benefit than others. What support do you have for this from the Council of Ministers?

**The Minister for Treasury and Resources:**

I have always said that this was one of the things as Minister for Treasury and Resources that I was going to work on and I believe...I do not think I have taken that topic, it is quite a long time ago. The Constable of St. Helier is criticising me for not having delivered it in my first term where the issues of the financial crisis and a deficit of £100 million would have occurred by 2013 if we would not have taken correct action. So we have been a bit busy on other things but I am determined to deliver this by the end of our term of office. The Assistant Minister is now working on this but, of course, Constable, one of the key groups - perhaps the most important group which we are going to be talking about well before we publish and come to our conclusions - will be the Comité des Connétables and, of course, before we bring any White Paper we will come to the Council of Ministers. I have to say I think it should be on the basis of being...I think it is going to be challenging to find £2 million together with those other challenges I said without coming up with an alternative way of funding it, which is not straight as a contribution to those namely two Parishes. We are looking...it would not be a secret to say that we are obviously looking at the way that commercial rates are currently operating and to look at whether or not we can look at commercial rates, which are very low in Jersey. There is an active debate in the U.K. about commercial rates. I had a representation from somebody this morning to say the Parish commercial rates should be reformed. I think they have lifted that out of the U.K. system which is about 10 times higher burden business rates than we have here. So I am looking to see revenue neutral but I have not come to a conclusion yet.

**The Deputy of St. Ouen:**

A couple of quick questions which require only very short answers. First of all you speak about the £75 million in savings or £50-75 million, do the Council of Ministers agree that these savings are achievable?

**The Minister for Treasury and Resources:**

As Senator Ferguson said, we do not know yet, and I would not want to have any sort of scaremongering about this, we are working on proposals.

**The Deputy of St. Ouen:**

Why are you suggesting and making public a figure that you believe can be achieved and raise public expectation when the Council of Ministers have not even agreed a sum?

**The Minister for Treasury and Resources:**

The Council of Ministers are aware, the Minister for Health, the Minister for Social Security, Minister for T.T.S. (Transport and Technical Services), Minister for Housing, Minister for Education, every one of them, the Chief Minister, is absolutely aware of the challenges about what the Council of Ministers is doing.

**The Deputy of St. Ouen:**

So they support the savings?

**The Minister for Treasury and Resources:**

Pardon?

**The Deputy of St. Ouen:**

Just answer the question yes or no, do they support the savings?

**The Minister for Treasury and Resources:**

We have explained to the Council of Ministers what we think...

**Senator S.C. Ferguson:**

That is a no, then?

**The Minister for Treasury and Resources:**

No, it is not a no. We are in the middle of it. Rather than beating me up about putting a figure in the public domain, we are doing...nobody has asked us...

**Senator S.C. Ferguson:**

We did not put the figure in the public domain, you did.

**The Minister for Treasury and Resources:**

Hold on a second, and rightly so, but what you are asking for is you are asking how we are going to deliver it. You have to set...I get up in the morning and I write a list of the things that I am going to try and achieve today. The things I have explained to the Constable of St. Lawrence that I want to achieve before my term of office finishes is a blueprint and a set of options for the next Council of Ministers and the States Assembly and the public to know about the trade offs of how we are going to meet these challenges. May I say that this has never been done before. No incoming Council of Ministers has had the benefit of a Treasury team working with Ministers and their departments setting out challenges. Not only setting out what the costs are but how we are going to pay for it and what the options are. I am being honest with people and say that by 2020 if all the expenditure demand are there and I know some people do not believe that we should be putting more money in health, I do, we are not only coming out with the problem but we are going to come out with the solution. Name me another government that is doing that.

**The Deputy of St. Ouen:**

Just to follow on from that, you spoke earlier about having an Island debate. What do you believe that Island debate should cover?

**The Minister for Treasury and Resources:**

I think that politics is best operated upon the basis of good information and good data. Our long-term revenue plan setting out all the opportunities, the challenges, the options and the trade-offs is going to enable a good political debate by the end part of this year. Obviously we have got an election this year and that is going to be a function of people standing and understanding what the challenges...new States Members are not going to be elected and be surprised about the issues that are going to have to be dealt with. Maybe that is from the experience I had when I was Minister for Treasury and Resources. I was working on numbers when I came in and no criticism from my predecessors or anything, we have moved massively. We can do all this medium term financial planning because we are not worrying about next year. We have fixed next year's spending so all that time that we would be working on doing next year's spending is being spent on medium term planning. I arrived at the Treasury with estimates that were different to what I was expecting because the world has changed. I have been criticised for asking States Members to increase G.S.T. and deliver a savings programme but it has worked.

**The Deputy of St. Ouen:**

Minister, we appreciate what you may or may not have done but I just wanted to stick, please, to the questions because we have a lot to cover.

**The Minister for Treasury and Resources:**

I am trying to explain why...

**The Deputy of St. Ouen:**

With regards to the Island debate you said that it is going to happen, when will it happen?

**The Minister for Treasury and Resources:**

We aim to publish a long-term revenue plan before the summer break.

**The Deputy of St. Ouen:**

The public will be encouraged to participate in that debate?

**The Minister for Treasury and Resources:**

No decisions are required for the next M.T.F.P. until the summer of next year. So there can be an informed and good Jersey debate about how we are going to deal with these opportunities and challenges. Politicians can stand on platforms knowing the facts about our public finances not the fiction, or guesstimates.

**The Deputy of St. Ouen:**

So you are going to make an election issue, is that the aim?

**The Minister for Treasury and Resources:**

Well, the big issues in any election, the big issues of politics, are of course tax and spending. Let us have an accurate debate rather than a fictitious debate. I would think that is healthy, do you not?

**The Connétable of St. Lawrence:**

Another subject that might be discussed in the lead up to the elections is the provision of starter homes. We have been discussing rates and clearly there are people who want to own their own home and would not mind paying the rates because they would have their home. Have you undertaken a review yet of the starter home deposit loan scheme?

**The Minister for Treasury and Resources:**

Yes, the Assistant Minister, Treasurer and I were talking about this before we came to see you. The scheme is obviously now closed and we are absolutely delighted with the way the scheme has operated. There were concerns that it would inflate prices; it has not. I think that that is now well appreciated by all the people that are involved the surveying community and estate agents, and anyway it is borne out by evidence of the properties that have been purchased.

**The Deputy of St. Ouen:**

How do you reconcile, Minister...

**The Minister for Treasury and Resources:**

Hold on, let me finish this, if I may.

**The Deputy of St. Ouen:**

No, sorry, I think we will keep it as tight as we can. How do you reconcile that comment with the fact that we have just had information produced by the Statistics Unit that says that housing has become less affordable?

**The Minister for Treasury and Resources:**

It is two completely different questions, Deputy. If you want to ask me about the housing affordability survey that is a very big issue and I am happy to address it but I am answer the question from the Constable about the starter loan scheme. We have delivered...

**The Deputy of St. Ouen:**

Who is part of the Panel.

**The Minister for Treasury and Resources:**

Yes, but it is 51 people that otherwise would not have got into home ownership.

**Senator S.C. Ferguson:**

Is that all?

**The Minister for Treasury and Resources:**

Fifty-one families, yes.

**Senator S.C. Ferguson:**

Originally it was going to be more than that.

**The Minister for Treasury and Resources:**

No, Senator, that was an estimate. You can divide the amount of deposits for the people that would be in one-bedroom flats and come out with one number and you can come out with a blended number of people with one and two-bedroom flats. So 51 people have got into home ownership that otherwise would not have done. Delighted to see that it is predominantly properties in St. Helier, which says quite a lot about St. Helier as a place to live and some of the properties.. happy to brief you on the...we can show you the list of properties, happy to provide this so you can

look at the list of properties and you can make your judgment of what the properties are and how that has happened in terms of those people getting into home ownership. In terms of the split of tenure more semi-detached and terraced houses than flats and...we will hand you the report but effectively that is the split there of properties of the value of how many prices, so obviously no properties more than £410,000 but lots of lower value properties going through.

**The Connétable of St. Lawrence:**

So clearly you have said you are delighted, that is the word that you have used, 51 families now have a home that they may not have had...

**The Minister for Treasury and Resources:**

Or aspiring families even as well.

**The Connétable of St. Lawrence:**

Or aspiring families. Your review has been positive clearly, are you going to propose that the scheme is repeated?

**The Minister for Treasury and Resources:**

A very good question. That is a matter for the Minister for Housing and I to talk about and my own inclination is that...why did we do this scheme? We did this scheme because the requirement for a deposit for getting a mortgage had been different than where they were 5 years ago. Credit has tightened. The mortgage rates that you can get with an 80 per cent loan to value rates are much lower than, while they do exist, the mortgage rates for 90 or higher per cent loan to value rates are much higher. So for as long as those conditions, those lending conditions, prevail I do think there is a public policy case for assisting people to get into home ownership with a continuation of a scheme. I would say that I think that a new scheme should be on the basis of an interest rate payable on the deposit. These people, as we are clear in those estates, approved the scheme, have been charged...they got their deposit at a zero interest rate. I think there is a big issue about...

**The Deputy of St. Ouen:**

Minister, we have half an hour left and we have a number, as I say, of other questions that we would like get asked. What we will endeavour to do is make sure our questions are as short as possible but equally we would like you to give some direct answers, where possible, to the questions asked.

**The Minister for Treasury and Resources:**

Okay, it is a two-way street. If you want to ask me questions about things like housing surveys that came out yesterday...

[15:30]

**The Deputy of St. Ouen:**

We are on the matter of capital projects. The first question is when will you be at the stage of issuing a bond for the housing project?

**The Minister for Treasury and Resources:**

That bond process is going well. Currently the timetable is that we will be doing a road show for that bond towards the end of May. We are ready to go for the bond and the credit markets continue to indicate stability of rates. We would bring that forward if we thought there was danger of rates going up. We have taken advice on that issue and we have made a decision to issue the prospectus and go on to have the road show with the benefit of a new and updated Standard and Poor credit rating for Jersey, which we fully expect to be the same. Of course you would be aware that another jurisdiction had a downgrade and there may have been some views that that would have been negatively affected to Jersey. The matters for Jersey are a separate, our economy is different from other places, we expect stability on that. We are going to make the decision of issuing a prospectus on the basis of the audited 2013 States accounts. As one of our advisers said: "You are in such a strong position, it is in your best interests to issue a pristine prospectus with the benefit of all the information." We were going to go earlier originally but I am sure you will appreciate the view of interest rates being lower for a longer timeframe, we are still looking at 30 plus year money and so the roadshow we expect to be in May.

**The Deputy of St. Ouen:**

But can you say, just for clarity's sake, the issue of the prospectus is the start of the process of issuing a bond or the completion of?

**The Minister for Treasury and Resources:**

I wish it was. This is an 18 month project. The prospectus is effectively the document that sets out all of the economic and financial particulars of the States of Jersey, and effectively the bond, but the Treasurer can answer that question for you.

**Treasurer of the States:**

End of May, as the Minister has said, 26th May we plan to do the roadshows that week. Typically the borrowing would be done maybe a fortnight later, but the banks would be working with the

investors to get the best value for us from the investors. So we will not tie ourselves to a particular date as to when the borrowing is taken because then if the gilt rates had just leapt up a few basis points we would be foolish not to wait for a few days and to take advantage of...

**The Deputy of St. Ouen:**

Can you give us a rough idea, Treasurer, when it is likely?

**Treasurer of the States:**

I would say towards the end of June we would expect to have completed the borrowing.

**The Minister for Treasury and Resources:**

That is execution. The prospectus is effectively the document to the market which says: "States of Jersey is looking to borrow £250 million, 30 year or more money, in denominations of X tens of thousands or whatever, and these are the financials." We are a debut issuer so we are new to the bond markets. I do not think we will be going back to the bond markets again for some time, I hope, depending on other things remaining equal. So we are wanting to get our documentation in as pristine condition as possible and we have a great story to tell. The reason why that matters...

**The Deputy of St. Ouen:**

Sorry, can I stop you there...

**The Minister for Treasury and Resources:**

Just to say that the reason why that matters is that what we are aiming to do is to get the lowest possible rate over 30 year gilts as we can.

**The Deputy of St. Ouen:**

Good. Will the £40 million in advances which got provided in recent times to the Department of Housing be repaid upon the incorporation of Andium Homes later this year?

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

Thank you. How much expenditure has been incurred on the hospital project to date?

**The Minister for Treasury and Resources:**

Are you talking about advisory or...?

**Treasurer of the States:**

I did not bring that. I am sorry, Chairman, I can advise your secretary...

**The Deputy of St. Ouen:**

Could you provide that information after the meeting?

**Treasurer of the States:**

Yes, certainly.

**The Deputy of St. Ouen:**

Thank you. Are you able to tell us how much of that expenditure, which we are not clear about at the moment, has been funded from the Strategic Reserve?

**Treasurer of the States:**

None.

**The Deputy of St. Ouen:**

None.

**The Minister for Treasury and Resources:**

We have not done any capital works yet. We are in the planning stage.

**The Deputy of St. Ouen:**

Sorry?

**The Minister for Treasury and Resources:**

The money from the Strategic Reserve that was transferred is expected to be for some of the early capital works that would be carried out. So the majority of it is planning and, I have to say, I have another ministerial oversight group with the Minister for Health and the Chief Minister tomorrow and I am pleased with the progress that the Treasurer and her team has been making on the hospital plan.

**The Deputy of St. Ouen:**

So the Strategic Reserve is currently not being used to fund the various pre-feasibility studies and the like around delivery of the hospital project itself?

**Treasurer of the States:**

Sorry, Chairman, we have not yet drawn down any money from the Strategic Reserve for the hospital project.

**Senator S.C. Ferguson:**

Okay, we agreed in the budget that you were going to be able to draw down £10 million this year?

**Treasurer of the States:**

Yes.

**Senator S.C. Ferguson:**

You have not touched it yet?

**Treasurer of the States:**

We have not drawn any down yet, no. If I can explain, what we plan to do is to leave the money in the Strategic Reserve, invest it in the Strategic Reserve for as long as we can because it generates returns. I am very pleased to advise you that at the end of 2013 we have increased the value of the strategic reserve by £91.8 million in a year. So the value of our Strategic Reserve has gone up from around £650 million to around £740 million as a result of the investment strategy that we employed last year. That has meant that we already have a third of the cost of the new hospital in one lot of investment returns.

**The Minister for Treasury and Resources:**

With low inflation, that is even better.

**Senator S.C. Ferguson:**

Well...

**The Connétable of St. Lawrence:**

I think that was one of the queries really, was it not, about your strategy, whether the funding would be available from the investment strategy?

**The Minister for Treasury and Resources:**

Senator Ferguson will immediately say investments can go down and she is right, because markets have of course hardened. In fact, the Treasurer has probably done better in the first month...

**Senator S.C. Ferguson:**

It is not a profit until you realise it. Even Warren Buffett says that.

**The Minister for Treasury and Resources:**

No, but let us give credit where credit is due.

**Senator S.C. Ferguson:**

No, I am not denigrating it.

**The Minister for Treasury and Resources:**

It will have gone even higher in January and come back slightly lower because markets for that goes in. But there is a stellar performance that has been done.

**Senator S.C. Ferguson:**

They have been coming out of the bonds, that is why. All right, now, we have capital expenditure of some £40 million that was required to implement Gigabit Jersey. Are you confident than no more than that will be required?

**The Minister for Treasury and Resources:**

We are very clear. That is the money that is on the table with J.T. and they have to deliver the plan within that budget.

**Senator S.C. Ferguson:**

How much of it have they spent? Have you followed it up?

**The Minister for Treasury and Resources:**

Yes, of course we do. I think we have our reports, we have quarterly reporting. Under the arrangement that we had with Gigabit they have to produce a quarterly report.

**Treasurer of the States:**

Do you want to go on, Chairman, I will just turn that up for you.

**The Minister for Treasury and Resources:**

They have a quarterly report here, and I have answered questions in the States on this already. So the last report that I have is dated 10th December, under the terms of the infrastructure agreement no significant change in the business plan since the last note. Because we also wanted, of course, them to employ people, 7 apprentices, 6 bursaries, 4 graduate trainees, 3

industrial placements, 100 people employed to do it, 2 from Back to Work and we have information they are now ahead of strategy from where they were.

**Senator S.C. Ferguson:**

Well, I think last time in the States you said it was only 6,500 households had been connected.

**The Minister for Treasury and Resources:**

Oh, you are a pessimist, Chairman.

**Senator S.C. Ferguson:**

No, that is what you said, I am quoting you.

**The Minister for Treasury and Resources:**

But why do you use the word "only"? Nothing is ever good enough.

**Senator S.C. Ferguson:**

No.

**The Minister for Treasury and Resources:**

That is the problem. That is why it is so dispiriting sometimes. We are on track and 85 per cent of premises are now passed, connected premises 6,581 - this is at the end of December - they have moved massively ahead in the first two months of where they thought they were going to do. By the way, I know that some people still disagree with Gigabit, I beg to differ, announcements this week from Malaysia I notice, fibre roll out, other countries in the world, they are now copying what we are doing.

**The Deputy of St. Ouen:**

Considering we are helping to fund the implementation of Gigabit Jersey, and indeed promote the Island as Digital Jersey, why would you choose to revisit returning ownership to J.T.?

**The Minister for Treasury and Resources:**

I am not revisiting the ownership of it, let us be clear about that. I think that when you are looking at a relationship between an owned entity and yourself - in other words, the public - you must obviously keep all options open. The default position is that J.T. will remain in public ownership. That must be the case.

**The Deputy of St. Ouen:**

But you mentioned earlier that you wanted to revisit Terry Le Sueur's proposal which was to sell Jersey Telecom?

**The Minister for Treasury and Resources:**

No, I did not say that. I said we should review the objectives that we are setting J.T. in public ownership that were set...

**Senator S.C. Ferguson:**

Well, you did have a tweet that commented on the fact that the Isle of Man were looking at selling off their telephone things and you...

**The Minister for Treasury and Resources:**

No, that is wrong.

**Senator S.C. Ferguson:**

...made a comment that perhaps we ought to look at it again or something.

**The Minister for Treasury and Resources:**

No, no. Please do not take public policy from a 140 character tweet.

**Senator S.C. Ferguson:**

Well, do not put it in a tweet.

**The Minister for Treasury and Resources:**

Read the tweet and get the facts straight. Manx Telecom was not sold by the Manx Government, it was sold by the private equity company that bought it 4 years ago from Telefónica. So the Manx Government have no ownership of Manx Telecom. I offer no criticism of that, that is a matter for them. The reason why that Manx Telecom flotation was so relevant and interesting and why it deserved a tweet is on the basis of that valuation of Manx Telecom. The good news is that J.T., if we were to sell it - and we have no plans to do so - it would have a market value in excess of £270 to £280 million.

**Senator S.C. Ferguson:**

That is not much different to what it was when we discussed it under Senator Le Sueur.

**The Minister for Treasury and Resources:**

Senator...

**Senator S.C. Ferguson:**

Given the fact...

**The Minister for Treasury and Resources:**

I have to answer...

**Senator S.C. Ferguson:**

No, no, can I just get on...

**The Minister for Treasury and Resources:**

No, I am going to answer the question. You put something to me, I have to answer it. That valuation was in 2007 in a world rather different to that of today. That was in a day when businesses were being bought, debt fuelled, paid too much, in a world which since then is unbound with massive consequences with billions being lost. Please do not compare a valuation of the pre-crisis days with a real valuation today. I think it is great news that Manx Telecom is worth...the Jersey equivalent is £280 million. That just shows what the benefit of holding that J.T. assets has been, and not doing like other places have done which is sell their national telephone company. We must help J.T. and the review, not looking at the ownership issue...of course we must always be open as to what is in the best interest of taxpayers and consumers and telephone users, but to set those objectives right. I have good work to do with the Minister for Economic Development. There is a report...

**Senator S.C. Ferguson:**

Okay, you have that, but you are working on a strategy for J.T. so what is that going to involve?

**The Minister for Treasury and Resources:**

That is going to involve making sure that we have the right objectives for J.T. and J.T.'s board, and that those align with our core strategic policy objectives and our objectives to secure economic growth, of which one element of economic growth is embracing digital technology, embracing the next industrial revolution, the technologically revolution which was so clearly set out in *The Economist* article a few weeks ago which I sent around to Members. Also making sure that we have J.T. being partners to that strategy of delivering growth for Jersey. Our strategy for J.T. is not just about what it is worth, it is about what it is worth to the Island in facilitating economic growth.

**Senator S.C. Ferguson:**

Is it really very useful for J.T. and the Competition Authority to be effectively conducting legal actions together, both of which effectively are paid for by the taxpayer?

[15:45]

**The Minister for Treasury and Resources:**

Yes, I agree with that.

**Senator S.C. Ferguson:**

Is that really useful...

**The Minister for Treasury and Resources:**

No.

**Senator S.C. Ferguson:**

...particularly when J.T. is not doing everything it should, apparently, that is required by the Competition Authority with regard to the use of lines and so on? We hear a lot about the fact that they are dragging their feet over this, that, and the other.

**The Minister for Treasury and Resources:**

I am pleased you added the word “apparently”. I share your view that it was unfortunate, to say the least, that J.T. were in court with the J.C.R.A. (Jersey Competition Regulatory Authority). I would remind you, however, that J.T. won the case and J.T. would appear to have been vindicated. My job is to look after, appropriately challenge, but also make sure that J.T. gets a proper hearing for the issues that they are dealing with. Clearly something went wrong in that relationship and that is also one of the things that we want to fix with the work that we are doing with J.T. and the work that I have signalled I am going to do and am doing with my colleague, the Minister for Economic Development. He has obligations; he has a primary duty under the Telecoms law to consider, with the J.C.R.A., the short and long-term interests of telephone and telecommunications users. We almost are a delivery agent of that, but a very important one. I think that some people look to us to design and to implement the digital strategy. That is rightly in Senator Maclean’s portfolio and he is concerned about data costs, off-Island connectivity, and I have to work with him to ensure that they are legitimate expectations of business, that we are doing everything we can to ensure that the tech Island aspirations that we have, the Silicon roundabout Jersey equivalent that apparently exists around here I have seen. Most of the tech businesses are all around this area, I think this is our tech area around here it seems, up by the old Fort, most of the businesses there. There is a report out, which I have only looked at this morning, on that and we need to be working with them. So it is about collaborative working. But I do not want to see J.T. in court with the J.C.R.A. again, but I remind you it was J.T. that won it.

**Senator S.C. Ferguson:**

I think it was a technicality, but anyway...

**The Minister for Treasury and Resources:**

Oh, Senator, you really have to get your facts straight on things before you put things like in the public domain. It is just inappropriate, if I may say. It was not on a technicality, it was on a very important point of principle.

**Senator S.C. Ferguson:**

I think the problem of course is that the retail side of J.T....are you going to be looking at that at all when you look at the strategy?

**The Minister for Treasury and Resources:**

Yes.

**Senator S.C. Ferguson:**

Because they are not making very much money on that. They are making their money on the wholesale, which is on the website for everybody to see.

**The Minister for Treasury and Resources:**

I agree that there is an issue of line rental and competition, and having discharged Alan Maclean's responsibility and now doing J.T. I think I am quite familiar with the infrastructure and retail structural separation issues. I support competition. Competition, low barriers to entry are absolutely the way to achieve things, and so J.T. does not have a protectionist shareholder Minister for Treasury. They have a shareholder which is wanting to embrace competition and where there is an argument to open up that infrastructure it should be done. I would remind you that one of the conditions that we put on for fibre investment is that fibre would be made available to other third party operators. So there is a big debate to be had. Technology is revolutionising our lives and the pipes, whether or not it be the mobile phone network, fixed line telephone, or the fibre connectivity, they are the engines of our lifestyle choices, of the way we live our lives, the way we are going to educate, the way we get healthcare, and it is vital - and it is quite right, is it not - for me to look at J.T. with such a massively important valuable entity and get that strategy right, and that is what we are going to do.

**Senator S.C. Ferguson:**

Good. We look forward to it.

**The Deputy of St. Ouen:**

Could you confirm whether or not you support the States retaining 100 per cent ownership in J.T.?

**The Minister for Treasury and Resources:**

The then Deputy Gorst and myself were very clear on ownership. We did not favour selling it. That position I do not believe has changed, but you will have to ask...

**The Deputy of St. Ouen:**

Your position as the public shareholder and the person responsible for J.T.?

**The Minister for Treasury and Resources:**

Absolutely. The board of J.T. at the time wanted to sell J.T. That board is different from what it is today and I believe that was the right decision to hold it, but J.T. has to work for the interest of consumers and for the economy of Jersey, and deliver what we want which is a good dividend.

**Treasurer of the States:**

The other thing, Chairman, that J.T. has been very successful at delivering has been their contribution to the States Back to Work policies. You will be interested in them because they have done a lot of apprenticeships and a lot of training and development, especially around technical areas, and they have created new jobs and they have bought a number of people from the unemployment register back into work. So they have helped us in other ways as well, which is very encouraging.

**The Deputy of St. Ouen:**

Could you briefly tell us what stage the office strategy has reached and how you plan to deliver your key success criteria, which is the concentration of States administration into fewer geographic locations?

**The Minister for Treasury and Resources:**

We will deliver all our objectives, and the Assistant Minister is delivering this one.

**Assistant Minister for Treasury and Resources:**

The Panel, as you will know - with the exception of the Constable because she could not attend - kindly attended an informal briefing recently on the office strategy and where we are going with that. As you know, we are in the process of collecting data using an external firm as well as internal resources. A strategic business case will be published in July of this year.

**The Deputy of St. Ouen:**

Thank you. Has a best consideration been giving to creating or utilising one of the new office buildings in the Esplanade Quarter as a building to relocate States administration into?

**Assistant Minister for Treasury and Resources:**

That will always be an option if this building is available, but I would prefer to see our financial quarter there and for the States to take an opportunity of moving into or occupying some of the good secondary accommodation that will be vacated.

**The Deputy of St. Ouen:**

So are you suggesting that the States should not benefit from the savings and efficiency that companies seek to achieve within grade A office accommodation?

**Assistant Minister for Treasury and Resources:**

No, I think we can in this instance have our cake and eat it. As you saw when we took the Panel around Maritime House, the second floor of that building has been transformed into good quality accommodation. We believe that we can replicate that in other locations and we can bring different departments together. My own personal view is I would love to have all the ministries in one building, if not on one floor. In terms of the actual Ministers I do not think that will quite be achieved, but the closer we can get people to work together will drive efficiencies.

**The Deputy of St. Ouen:**

When you talk about utilising secondary office accommodation, are you suggesting that we go and purchase or lease office accommodation that is in private ownership?

**Assistant Minister for Treasury and Resources:**

No, we need to do the work first. We need to come up with a strategic business case.

**The Deputy of St. Ouen:**

But you just said that the plan is to make use of secondary office accommodation, I am just struggling to work out what secondary office accommodation the States currently occupy and then could be utilised to reduce the geographic locations of our States administration.

**Assistant Minister for Treasury and Resources:**

No, your question to me, Deputy, was did I think that the States would end up occupying a building in the financial quarter on the Esplanade, and the answer to that is no, I do not think we will be. I think we will take the opportunities that present itself from the finance quarter moving there.

**The Deputy of St. Ouen:**

We come back to the question that I asked you before, which you answered and said that you would move into secondary office accommodation as a preferred a choice?

**Assistant Minister for Treasury and Resources:**

We would look at that as an option. We need to do the work first. But your question was would I see the States occupying a building on the Esplanade.

**The Deputy of St. Ouen:**

So the answer is no to the first question then?

**Assistant Minister for Treasury and Resources:**

No, I do not see the States occupying a building on the Esplanade.

**The Deputy of St. Ouen:**

Okay, thank you.

**Senator S.C. Ferguson:**

All right. Regardless of what one thinks of Senator Breckon's proposition on the Esplanade Quarter and the issues which have been raised, what have you learned from recent circumstances and what changes in approach, if any, would you propose taking in respect of future S.o.J.D.C. (States of Jersey Development Company) proposals?

**The Minister for Treasury and Resources:**

Your Vice-Chairman wanted a brief answer, and if you want a brief answer to that monumental theoretical question then my short answer is I do not agree with Senator Breckon's proposition. I will be arguing strongly for its non-approval, I commend the work that S.o.J.D.C. have done and the transition that we have seen from W.E.B. (Waterfront Enterprise Board) to S.o.J.D.C., the really strong work that they are doing to help secure financial services businesses in Jersey, to provide competition to the office rental market and to deliver the market what it requires which is world class, ergonomic, prestigious H.Q.s (Headquarters) which can house our current and our future aspirations of financial services entities.

**Senator S.C. Ferguson:**

Does it not look a bit silly then if we do that for world class prestigious organisations and we have our own Government stuck in a...

**The Minister for Treasury and Resources:**

It is a completely different question, Sarah. You are asking me about...

**Senator S.C. Ferguson:**

Guernsey built a rather nice building and have all their ministries and so on in the one building.

**The Minister for Treasury and Resources:**

Sorry, you have changed the subject again. Are you talking about Esplanade Square or are you talking about the previous question?

**Senator S.C. Ferguson:**

I am talking about...you are saying what a wonderful prestigious setup and I was merely commenting, do you not feel that it would be better to have the States offices in an ergonomic environment.

**Treasurer of the States:**

We can achieve that. You are giving the Treasurer palpitations. The prospect of the States affording the sort of office accommodation that will be on the front of the Jersey International Finance Centre is giving me the shakes. We can achieve a great deal, as the Assistant Minister has already indicated, through improving the existing buildings that we have and by consolidating and reducing our footprint. Our objective is definitely to improve our office accommodation but our objective is also to do so with proper regard to public money and how much we will be spending on it.

**Senator S.C. Ferguson:**

I am absolutely with you on that.

**The Minister for Treasury and Resources:**

Good.

**Senator S.C. Ferguson:**

No problem. No problem at all. So...

**The Minister for Treasury and Resources:**

So you asked me what I would do differently. The answer is not a lot, and I am going to deal forthrightly with a lot of the innuendo and unfair criticism that has been levelled against the scheme of S.o.J.D.C. I am going to deal with that fairly forthrightly in the debate and provide information to set the record straight. There is a lot of misinformation. I do not criticise other players and other

people with interests in competitor schemes or supporters of competitor schemes from putting information out in the public domain. That is all part of business and winning a debate or whatever. My job is, just as J.T., to put the facts before Members about S.o.J.D.C., the facts about the scheme, about what the scheme is, about the risks of that, how that is much better managed and now profiled and risk assessed with the way the S.o.J.D.C. are currently proposing to do a phased development. Also to be very clear about the economic imperative that the Island grade A office accommodation of a prestigious headquarter landmark - but quality in Jersey terms - buildings which people are going to be proud of. We are in a fight for our financial future, for financial services. I am also now responsible for elements of the financial services strategy so you can forgive me for blending those two roles a little bit. I am very confident about our financial services industry now. I think it is performing really well and we are winning business. The plane that I was delayed from Gatwick this morning was full of business people coming to do quality, reputable business in Jersey. But we need to have the space for the financial services centre to operate in. One of the barriers to growth is going to be the absence of schemes that are capable of delivering what the market requires and what tenants need.

[16:00]

**Senator S.C. Ferguson:**

Looking at it from the taxpayers' point of view though...

**The Minister for Treasury and Resources:**

Yes.

**Senator S.C. Ferguson:**

...under the old setup with Harcourt the risk was being carried by Harcourt mainly. Under the current situation the risk is being carried by S.o.J.D.C. and, more directly, by the shareholder, the States...

**Treasurer of the States:**

Private sector firms do not carry risk without pricing it in. So that is not a binary...

**The Minister for Treasury and Resources:**

The other thing is...

**Senator S.C. Ferguson:**

The other thing...

**The Minister for Treasury and Resources:**

Hold on, hold on. I think you and a number of other Members continue to ask me questions and compare and contrast the previous scheme, the one developer in one go responsibility of delivering the whole of scheme and lowering the road in one go. Of course, that had massive risks for Jersey potentially. The risk approach now of the way the S.o.J.D.C. is delivering this phased approach, with the obligations to do all the things that the previous scheme did, but also a better return for the States, is much better, and we have been clear. I think we are dealing with two completely different approaches now which is far more risk averse and far better. The other thing is it is going to produce in the longer term more secure and better financial returns to taxpayers.

**Senator S.C. Ferguson:**

The previous setup though surely...the contract was constructed in such a way that those risks were carried. Now, as I understand it from the planning phasing which is another document in the public arena, the phasing was a return of £50 million, I understand, in 20 years' time. That is correct? It is a document that is in the public arena.

**The Minister for Treasury and Resources:**

Yes, I know. These things are not a memory test of what is in different documents.

**Senator S.C. Ferguson:**

Okay, well, the £50 million surely in 20 years' time is only worth, at the 7 per cent discount rate, something like £12 million now. Is this enough profit to justify the risk?

**The Minister for Treasury and Resources:**

The risk is extremely limited, as I have explained, because it is phased. You are going to be shortly having the benefit of the managing director of S.o.J.D.C. who is going to address you on the issues which cannot be put into the public domain because of the confidentiality arrangements, and I think he is probably best to address you directly on all of the things that you want to know - which I have no problem with you knowing - about the scheme and the commercial matters. But of course what I am not going to do in the public domain is put in information about third parties and third party involvement which would be disadvantageous...

**Senator S.C. Ferguson:**

I merely quoted things that are in the public domain and just asked for a comment.

**The Minister for Treasury and Resources:**

Yes, but those figures can be unpacked and then competitors understand what the financial position of S.o.J.D.C. might be. Of course, there are negotiations that are underway and we want

to ensure that S.o.J.D.C. is in the same position as other developers who are negotiating with potential property developers. So I will leave those questions of return and our very positive aspiration to those returns in the future. My aim is to ensure that taxpayers get a great return for their land.

**The Connétable of St. Lawrence:**

Minister, you said a moment ago that you will be very vigorously speaking against Senator Breckon's proposition. What do you see the outcome being if it is carried?

**The Minister for Treasury and Resources:**

I have not finished my preparations for Tuesday's debate. We will be providing another report to Members on, I hope, Friday or at the latest Monday in order to inform that debate, and we put as much written information as I can ahead of the debate, and obviously I will be speaking. I think it is very clear. If the States approve that proposition the Jersey International Financial Centre is dead. I think it is as simple as that. I think we might as well pack up and go home. If we are asking S.o.J.D.C.'s individual projects to be approved by the States, I can brief you, as to the market demands for accommodation, we will lose that opportunity. We will be too late.

**The Connétable of St. Lawrence:**

The physical financial centre building, the area, would be dead? What impact would it have upon the financial industry?

**The Minister for Treasury and Resources:**

I think it would be a severe retrograde step. I spend a lot of time, as you know, on financial services in London. London is booming. I draw your attention, if I may...the Treasurer has helpfully given me a letter that is from Mr. Geoff Cook representing the finance industry, if you have not seen a copy of it I will pass it to you and I will certainly give it to States Members. There is only one, as I understand, developer who is capable of delivering some of the market demands for office space. I said earlier I believe in competition and I think markets are best operated when there is competition, and I think it should be up to that tenant to decide whether or not they want to go ahead with the scheme that has approval or the scheme for the States. I do not criticise in any way the other developer at all, they are a good developer, I have supported a lot of their schemes over a number of years, but it is up to the tenant to decide. The tenant should be given choice, I strongly believe that. It is not appropriate, I think, for States Members to be involving in the micro of an approval of a deal which is effectively...is the States Assembly the best group of people to judge commercial deals? Not sure, but I definitely do not think so. Clearly too, what will happen is it will be too late. We will have missed the boat.

**The Deputy of St. Ouen:**

Just to be real, Minister, is it not the case that the competition, if you like to call it that, with regards to an office building of this size that a potential client may wish to occupy has recently been approved?

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

So is it not a case of even if the States development does not go ahead it does not mean to say that economic and financial growth and client's needs, local needs, business needs, will not be met?

**Assistant Minister for Treasury and Resources:**

You will not have a finance centre. You will not have a finance district. Where every other finance centre of note in the world has a finance district.

**The Minister for Treasury and Resources:**

A distinguishable area which is where financial services happens. The cluster effect...

**The Deputy of St. Ouen:**

That has been a problem in the past and limited the development of the finance industry on the Island because we have not had a finance centre, is that what you are saying?

**The Minister for Treasury and Resources:**

No, but what worked in the past is not necessarily going to work in the future. I know your Panel member that has joined you here, Deputy Rondel...I was very struck by his comments that he made to C.P.A. (Commonwealth Parliamentary Association) about Singapore and how struck he was about how Singapore is forging and racing ahead in terms of putting in infrastructure office centres. What worked in the past is not going to work in the future. Lots is spoken about evidenced based approach. The problem with evidence based is I have no evidence of what will happen in the future, but we can guess it, and what we do know is that firms are going to operate on a smaller footprint, are going to want more efficient offices, offices that are nice to work in, that are attractive to work in, that people want to work in, that have light, that have all the facilities that they want to do their productive and high value jobs.

**Treasurer of the States:**

From a financial point of view purely, Chairman, why would we want to forgo the opportunity of the States capturing some of the financial benefit from the development of its own land, which can then be redirected to meet some of the public priorities that the States has?

**The Deputy of St. Ouen:**

Absolutely. But, Treasurer, as the Minister has clearly pointed out to us, it is ultimately the prospective tenant that will determine whether we capture any profit or not.

**Assistant Minister for Treasury and Resources:**

That is who should decide. It should not be States Members that decide the future, it should be the tenants.

**The Minister for Treasury and Resources:**

I was fortunate to be in London last night and I went to the City and I walked around the Barbican Centre and I was astonished. It is a while since I have been around there and there is lots of debate about the extent to which: "Government should not be involved in things like S.o.J.D.C." First of all it is public land and we should get better returns from public land, but if you look in other places, Hong Kong, the City of London Corporation, this is what they do. They put infrastructure in place and they help their economies to attract space. That is what we are doing. I have been criticised by some people with the Chief Minister for having a foreword in one of the documents in the J.F.S.C. (Jersey Financial Services Commission) building to say this is great for Jersey. Of course it is great for Jersey. I dream of a world by 2020 where we have landmark buildings, prestigious brands in Jersey operating in efficient space on our waterfront. That is not a zero sum gain for other developers. Other developers have opportunities to develop their land too. We are trying to grow the cake. Senator Breckon's proposition is also I think flawed, if I may say, in the misapprehension - because he told me this was one of his concerns - that St. Helier was going to move southwards. Well, either one of those schemes is southwards. Our challenge is to make sure that the areas of town that are going to be vacated are reinvigorated, and we have lessons to learn from other places. We are going to have a planning system which is responsive to that. North of town master plan, got to be delivered. Fast planning decisions to allow offices to convert to residential, unused retail as a result of the retail revolution converted into residential or start up businesses. Those are the things we should be doing. We should not be King Canutes. We should be embracing change, we should be facilitating getting inward investment in Jersey and I think the J.I.F.C. is vital. I think we should be doing the same thing for the tech industry. Look at what Silicon's roundabout has done, tech clusters.

**Senator S.C. Ferguson:**

Thank you very much.

**The Minister for Treasury and Resources:**

I hope you will support us on Tuesday.

**Senator S.C. Ferguson:**

We will see. Thank you very much. With that we will finish the public section of the meeting.

[16:13]