



## **Corporate Services Scrutiny Panel**

### **Draft 2015 Budget Statement**

### **Public Hearing with Minister for Treasury and Resources**

**FRIDAY, 18th JULY 2014**

**Panel:**

Senator S.C. Ferguson (Chairman)

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

Connétable D.W. Mezbourian of St. Lawrence

Deputy R.J. Rondel of St. Helier

Deputy T.A. Vallois of St. Saviour [Co-opted under Standing Order 138(5A)]

**Witnesses:**

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

Ms. L. Rowley (Treasurer of the States)

[13:02]

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

Welcome to the Corporate Services Scrutiny Panel on the Budget, on the 2015 Budget. Right. Richard.

**Deputy R.J. Rondel:**

Yes, Chairman?

**Senator S.C. Ferguson:**

You are kicking off.

**Deputy R.J. Rondel:**

Right, change of plan. Thank you, Minister. Could you elaborate first of all on the reasoning in the draft Budget Statement that you have additional transfers in 2014 of up to £6.12 million from the Housing Development Fund to the Consolidated Fund and up to £1.058 million from the Stabilisation to the Consolidated Fund?

**The Minister for Treasury and Resources:**

Can you just refer to which page you have there, just to help me?

**Deputy R.J. Rondel:**

This is on the Budget Statement, not the proposition, under G.

**The Minister for Treasury and Resources:**

The Budget Statement itself, all right, fine. No problem at all.

**Deputy R.J. Rondel:**

Just if you could just elaborate a little bit further...

**Senator S.C. Ferguson:**

Sorry, I am deaf in that ear today.

**Deputy R.J. Rondel:**

...and the approval of transfer of £2 million from the Dwelling Houses Loan Fund. Can you explain the rationale?

**The Minister for Treasury and Resources:**

Absolutely. You will recall that the F.P.P. (Fiscal Policy Panel) stated, and I am not going to use the words exactly, but the F.P.P. in their previous reports said that, should there be any income constraining, which is obviously the thing that we have been saying is largely expected, we should use maximum efforts and we should not be constrained by the Consolidated Fund balance in order to continue to fund capital expenditure particularly. So what we have done is we have looked at all

of the existing reserves that we have and we are deploying them in order to be able to effectively fund the capital programme. You will see that there is a reconciliation of the funding of the capital programme on page 77 of the Budget report, where you can see exactly how the breakdown of funding of the £76 million is being funded by, and you can see in that the overall allocations for the funding sources. Now, part of that, we are proposing to put into the Consolidated Fund the remaining residual balances from the Stabilisation Fund and the currently available balances from the Dwelling Houses Loan Fund and the amount of money that was in the Housing Development Fund prior to the payment in of the housing bond receipts.

**Deputy R.J. Rondel:**

All right. So, could you let us know how much will be left in those funds?

**The Minister for Treasury and Resources:**

Nothing in the Stabilisation Fund and the accounts will show...Treasurer, do you remember what the balances are? I cannot pull it off the top of my head. Dwelling Houses Loan Fund?

**Deputy R.J. Rondel:**

Housing Development Fund.

**Treasurer of the States:**

So, the Housing Development Fund, Chairman, you may recall that the whole of the proceeds of the bond issuance will go into the Housing Development Fund and what this does is to take out the residual amount that was remaining in the Housing Development Fund...

**Deputy R.J. Rondel:**

Before the bond.

**Treasurer of the States:**

...before we put the bond monies in. So that is what it does.

**The Deputy of St. Ouen:**

Why have you decided to do that, Minister?

**The Minister for Treasury and Resources:**

In order to effectively make sure that we have sufficient resources in order to not in any way constrain the capital programme and...

**The Deputy of St. Ouen:**

So you are ignoring the reasons behind that, having the Housing Development Fund in the first place then, the purpose of it?

**The Minister for Treasury and Resources:**

No, not at all. I think we are doing exactly what the F.P.P. suggested that we should do, is that we should not be constrained in the event that income would be lower, which we have spoken about before, which has been signalled both in answers to written questions and the previous publications and information we have given you on the income. But we believe that we should not be constraining capital spending. We should be keeping capital spending at the level that was planned, notwithstanding the slight further downgrade in income compared to Income Tax Forecasting Group's...

**The Deputy of St. Ouen:**

So you are telling me that we already had £6 million in the Housing Development Fund. The argument would be, why borrow £250 million; why not borrow £244 million?

**The Minister for Treasury and Resources:**

No, it is two separate things. We have always kept that quite clear. We have clearly set out what the purpose of the £250 million was, which was the refurbishment and the £43 million for new properties. That was always clear. The £250 million is clearly matched against the requirements of Andium and the new homes and I am pleased that, not all the sites have been approved, but obviously the significant sites have been approved. That is good. We are considering at the moment Andium's business plan and that is fine. We have never said that there was a linkage between the residual balance. We have used the H.D.F. (Housing Development Fund) for this new purpose and we are using this residual balance of the Housing Development Fund. I think it is important to remember that the Housing Development Fund was set up in 1998 in order to fund acquisition of certain sites and act as an in-and-out flow for a number of sites that were bought by the States and then passed over the Jersey Homes Trust. The States have issued a letter of comfort to the Jersey Homes Trust, which limits their exposure to interest rates. The Jersey Homes Trust, if they are not published then we will happily give you them, I have had a look at their accounts and we have been looking through their accounts. They are in a much better position as a result of low interest rates they have fixed, which we approved of, we approved their borrowing at about half a percent over L.I.B.O.R. (London Inter-Bank Offered Rate) for their short-term money. So they...

**Senator S.C. Ferguson:**

Well can we stick to the Budget?

**The Minister for Treasury and Resources:**

...have been much better. Yes, yes, but the reason is, is that we have always been clear...

**Deputy R.J. Rondel:**

I understand what you have said. Just the last one, the Dwelling Houses Loan Fund. How much is in there and how much will that leave? You are taking out £2 million.

**The Minister for Treasury and Resources:**

Yes, there is a few million left in that fund. We funded the deposit loan scheme from that particular fund and we are...

**Deputy R.J. Rondel:**

Is there a chart of that fund?

**The Minister for Treasury and Resources:**

Yes, it is all in the States accounts.

**Deputy R.J. Rondel:**

In the...

**Senator S.C. Ferguson:**

But, if we can just go on from that, when you deal with the balancing the Consolidated Fund, when you are dealing with the Consolidated Fund, Minister, there is something like £11 million arising from savings. There is something like £11 million from taking balances on funds and reserves, including the Criminal Offences Confiscation Fund and the Drug Trafficking Fund. On the one hand you are relying on pious hopes with the savings and on the other hand you are using...

**The Minister for Treasury and Resources:**

Sorry, I did not hear that word?

**Senator S.C. Ferguson:**

Pious hopes.

**The Minister for Treasury and Resources:**

Pious hopes?

**Senator S.C. Ferguson:**

Yes, and on the other hand you are taking money from confiscation funds, which have been set up for distinct purposes, one of which is not balancing the Consolidated Fund. So, does this not rather betoken desperation because the income forecasts are so poor?

**The Minister for Treasury and Resources:**

Not at all. Clearly, the Panel will have to get its own view, and you will get your advisers, and I encourage you to get economic advice, and the economic adviser that stands ready to assist you if that is helpful. You can bring in your own advisers. You can talk to the F.P.P.; their report is going to be out next week. If you believe that, because of the constrained income, that would lead us to stopping capital spending and some of the revenue allocations that we have made, that is a perfectly legitimate political policy option. That is not the view that has been taken by myself in discussion with the Treasury and in discussion with the Council of Ministers. You may take a different view. If you do not believe that we should be continuing with our capital spending that is a perfectly legitimate position to be in. I do not agree with it. Please amend the Budget and we can have a debate in the States. You have a choice.

**Senator S.C. Ferguson:**

No, I am really asking that you are appearing to fill a black hole with savings that have not yet been made and funds, which are designed for a different purpose.

**The Minister for Treasury and Resources:**

I disagree. We are showing a very clear reconciliation of what we are doing, of how we are funding. You can either set aside the reality of the economic situation, which is outside of our control in terms of low interest rates. We have been very clear, an emerging picture has been made about income forecasts since it was crafted in 2012. I have answered questions. You have had complete transparency about the numbers. The numbers are down. Does that mean to say that we should be curtailing any of the infrastructure and capital spending? Does it mean that we should be stopping any of the other spending? Does it mean that we should not be making available and effectively pulling on to the Consolidated Fund available balances? I do not think it is. I think that we should be using all available resources, in line with what the F.P.P. told us. Their report said: "The Panel reiterates that the extent of stimulus should not be limited by the balances on the Consolidation Stabilisation Fund." That is what they said in their report in November 2013 and I am sticking to their advice. I think it is good advice.

**Deputy R.J. Rondel:**

Was it always your intention...

**Senator S.C. Ferguson:**

But they did want a report on a structural deficit; I think you will find also in that report from last time.

**The Minister for Treasury and Resources:**

That is why...

**Senator S.C. Ferguson:**

We have not seen that.

**The Minister for Treasury and Resources:**

You have been briefed, because we have shared with you some of our emerging thinking on the Long-Term Revenue Plan, and as and when we have completed that work in advance of the Budget debate in September we will give you the benefit of all of the work that has been done across States departments about future pressures. If you believe that we should not be spending; if you believe that we should not be doing the tax cuts; if you believe that we should not be investing in the areas that we have, you are perfectly entitled to say that. I am following the Fiscal Policy advice, which said: "In the event that further fiscal stimulus is required, we should be deploying all available resources." So, using the Stabilisation Fund, Housing Development Fund, Dwelling Houses Loan Fund, and legitimately matching a police station construction, which we are now going to fund more of the police station construction from the Criminal Asset Confiscation Fund, in line with the purposes of that fund, in line with the advice that we have received from the Attorney General, then you can take a different view.

**Deputy R.J. Rondel:**

I think, Minister, this Panel was sort of saying you have to spend capital when, and agreeing with the F.P.P., but my question was, was it always your intention to use these funds, the balances of these funds, to finance this, or were you hoping for income, and therefore not to use these funds?

**Treasurer of the States:**

"Hope" is an interesting word.

**Deputy R.J. Rondel:**

"Plan"; what had you planned?

[13:15]

**The Minister for Treasury and Resources:**

There is no evidence of the future. The reality is that we take a prudent...

**Deputy R.J. Rondel:**

Well you have always told us you had robust income forecasts.

**The Minister for Treasury and Resources:**

Yes, let us be clear, the income forecasts are the product of the Income Tax Forecasting Group. They should not be interfered with by politicians. They are what they are. You can judge whether or not the income forecasts could have been different by political action. You can judge whether or not the economic growth initiatives that have been done have been successful enough that have resulted in action. That is clearly a matter for you and clearly is certainly a view that I will want to consider whether or not we have been as successful as we ought to have been on getting economic growth and jobs. I think we have been fairly successful. If you have available cash, you spend it on capital and fiscal stimulus, and that is what we are doing.

**Deputy R.J. Rondel:**

My original question was, had you planned to use this money?

**Treasurer of the States:**

No, we had not. What we had planned was, and I am making reference there particularly to the use of the funds in the way that we have set out in the note here, but a number of things we had planned. So we had not planned for the full extent of the shortfall that we are now planning for because what we had planned for on the chart was to work to the solid red line on this chart.

**Deputy R.J. Rondel:**

What page is that on please?

**Treasurer of the States:**

That is the chart in the slides. That is on page 14. So what we had been planning for within our Long-Term Revenue Plan was to be in a position, should it be necessary, to move from the blue line, which is the Medium-Term Financial Plan line, down to the red line, which was, until the end of May, the Long-Term Revenue Plan forecast, remembering that all 3 of these come from the Income Tax Forecasting Group. You will remember me having said that to you previously. So we have been planning to move down to that point. The dotted red line is only from the end of May income tax forecast and since then we have had to consider some other measures and the funds that you mention and the use of the funds that is set out here, we have considered latterly in response to needing to, or possibly needing to, move down to this position.

**Deputy R.J. Rondel:**

So, what would happen if the same situation arises in years ahead? We will not have those funds to dip in to?

**Treasurer of the States:**

Even with these gloomier forecasts, the Long-Term Revenue Plan, if you see the dotted line, comes back up towards the solid red line that we were planning for anyway. So, even with these gloomier forecasts, we still end up in broadly the same position. What is being suggested presently with these forecasts is that we have a continuing problem in 2014 and 2015 and, now, with regard to what have we planned for and what have we not; that is the position. But in any event we were concerned last year about our overall income position and you know that we have been trying to generate more funds from different sources. So one of the things that we have done, you know that we have generated lots more money for the Social Security Reserve and for the Strategic Reserve through our strategy of investment from the Investment Fund. What we did during the course of last year was to also look to generate more money from the Consolidated Fund balance and also from the Currency Fund balance by adopting the same approach. Now, those steps that we took last year, during the course of last year, have already generated additional income for the States in 2013 and that shows in the accounts, and they will now provide a full-year benefit in 2014. So I think there is quite a layered answer to your question because, yes, some of it we have been planning for, we have been planning for since last year, but the full extent of this shortfall here shown by the dotted red line we have only been planning for latterly for the reasons that I have described.

**The Deputy of St. Ouen:**

I suppose the question still arises that why was there such a significant difference between the Medium-Term Financial Plan forecasts and those that were developed in 2013 and more recently in May?

**Treasurer of the States:**

At the end of 2013, there hasn't been a significant difference between the Medium-Term Financial Plan and the Long-Term, except in one respect. So at the end of 2013 we were, on the personal tax, we achieved £450 million on personal tax against a budget of £452 million, so just hang on to that thought for a minute. But, within that, as you know, there was a shortfall of £20 million on personal tax and an offsetting improvement on business tax of £18 million, so we were very close in total on income tax last year. The income tax is all that the Income Tax Forecasting Group looks at. Our shortfall was in stamp duty, which you know from our previous discussions, and it was around £7.5 million shortfall in stamp duty for 2013. Now that was very significant for us because it is against a budget of only around £23 million or thereabouts, so as a proportionate

shortfall the shortfall on stamp duty was very significant and that was all reported in our accounts. So, it was reported in our presentation in the Oules Room also, which a number of Members here came to. So that is how close we are. What we are saying here, these are projections, and...

**The Deputy of St. Ouen:**

Which we are saying we cannot rely upon.

**Treasurer of the States:**

Pardon?

**The Deputy of St. Ouen:**

Which we are saying that we cannot rely upon.

**Treasurer of the States:**

I am not saying that. What I am saying is that they are projections and, all being well, we will not end up on the dotted red line, because we will take action, and that is the whole point.

**Deputy R.J. Rondel:**

What are your options...

**Senator S.C. Ferguson:**

All right, come on, we have to move on.

**Deputy R.J. Rondel:**

...of taking action?

**Treasurer of the States:**

So the options, Chairman, are set out on page 55 of the report in figure 11.1.

**Deputy T.A. Vallois:**

I just wanted to ask the question. You referred to the F.P.P. report and not just being constrained to the Consolidated or Stabilisation Funds. The F.P.P. also suggested that the Treasury be proactive in identifying and resolving any bottlenecks and barriers in delivering capital projects and with regards to the fact that we still have a substantial amount of money sitting there that hasn't been used and the F.P.P. were critical of the fact that we did not spend as much as we should have in terms of stimulus. What are the bottlenecks and barriers that have been identified?

**The Minister for Treasury and Resources:**

First of all, we do much more active quarterly monitoring in relation to capital projects and we shared with you I think already a number of reports in this and you know that capital spending is now reported to the Council of Ministers in a quarterly monitor. More than that, we have now put capital spending on the Back to Work initiative and we are not only thinking about dealing with the bottlenecks, we are also now thinking about dealing with the opposite of that, which is effectively lots of capital spending coming all at once, which could have the opposite effect of not causing difficulties, in terms of not enough work in the construction industry, but rather the opposite, and that is why we have been doing all the initiatives on the Back to Work group. Capital spending is always an issue and we had a very frank discussion with the F.P.P. when they came and we saw them a couple of weeks ago. Capital spending, getting it spent, is always a challenge and Governments always find it a challenge, particularly when you have things completely outside of our control, the planning delays in relation to the police station, not only just States spending. We look at capital more widely than just States capital, we are looking at it within the owned entities, S.o.J.D.C. (States of Jersey Development Company), J.C.G. (Jersey College for Girls), a year late because of a planning issue, which frankly was not helpful, all of these problems. I am very encouraged to see Andium and the way that they have really taken this really to a very good extent. They have taken onboard absolutely what we are wanting to do, which is in fact, if anything, accelerating the capital spend rather than putting it off. It requires dogged persistence and the Treasury is not the ones only responsible for this. Individual Ministers have to be actively talking to their departments, identifying where there are blockages. We will give everybody the assistance that we can. We want the money spent and you can see, we will see the numbers that are coming through in 2014, it is an improving picture, not only just for the States, but for the owned entities as well.

**Senator S.C. Ferguson:**

But, if you had too much of an increase in spending on capital projects, that is going to suck in...we do not have enough labour in the Island to cover it, so that is going to suck in more immigration with the consequent population problems.

**The Minister for Treasury and Resources:**

Sarah, we know all of this, and this is what we are planning for, and we are acutely aware of this. I know Scrutiny Panels are there and I know you are here to always ask me the difficult questions. I do not mind you asking me them but...

**Senator S.C. Ferguson:**

Well answer them then.

**The Minister for Treasury and Resources:**

I am, Sarah. We have to be realistic here. We have been doing everything we possibly can on capital spending. Our track record in deploying fiscal stimulus, getting the £29 million for housing, all of these issues, and by the way, if there is a justification for the H.D.F. and the D.H.L.F. is we took all the additional tax receipts, Laura rightly pointed people to the chart that showed that we had income excesses over the estimates, we never win at the Treasury, we are always wrong, because estimates are always not going to appear to be. When we get too much money in, we got the Budget wrong, what did we do, we spent it. Well we tried to get people to spend it, we were largely and partially expected. Now people are saying: "Oh dear, you have lots of capital spending coming forward." We are aware of all of this and that is why we are acutely aware that we have to make sure that we build the capacity in the construction industry so that they do not have to suck in more labour that they need; that they deploy all of the people that are unemployed in terms of getting them doing things. Back to Work is doing construction training, we are doing lots of planning in terms of building the capacity of the construction industry. We are forecasting a problem. We are not like flies waiting for a windscreen.

**Senator S.C. Ferguson:**

Yes, but, hang on a minute, we heard all this last year.

**The Minister for Treasury and Resources:**

Excellent. Well we are getting on with it...

**Senator S.C. Ferguson:**

What is new?

**The Minister for Treasury and Resources:**

We are getting on with it. We are doing exactly what we said. We are spending where we can and we are planning for an increase in capacity. Thank goodness we did do the capital spending because otherwise we would see even less contracting firms able to do it and what we are encouraging Property Holdings to do, S.o.J.D.C. and Andium, is working with some of these construction capacity constraints, looking at where you can partner with some of the growing and potentially expandable construction firms, and getting them, by good procurement measures, to expand what their capacity is. That is what we are doing, Sarah, we are doing exactly what we said.

**The Connétable of St. Lawrence:**

Minister, the Chairman has just beaten me to it, because I have written down here: "Sense of déjà vu," because that is what I am having here, probably everyone else is as well, because this has been discussed I think on a fairly regular basis.

**The Minister for Treasury and Resources:**

Yes.

**The Connétable of St. Lawrence:**

Going back to something you said earlier, you mentioned that departments have caused bottlenecks. Are you able to expand on that?

**The Minister for Treasury and Resources:**

Yes, I mean I do not want to be critical, because there are some bottlenecks that just happen because of political happenstance and certainly I think that planning have done very well in turning around some really important housing projects. I think the Minister for Planning and Environment and his team have accelerated; they have very clear timetables of turning around applications. Most applications are dealt with within 13 weeks; larger applications are now 21 weeks. They are doing I think very well in terms of turning planning applications around.

**Deputy R.J. Rondel:**

Are you disappointed places like J.C.G. has not been approved?

**The Minister for Treasury and Resources:**

I think J.C.G., but I think to be fair to planning I am not sure that the fault entirely rested with planning in that regard. I think there that there was some...

**Deputy R.J. Rondel:**

That is an example of a delay to...

**The Minister for Treasury and Resources:**

Absolutely, I would like to have seen the shovels in the ground building the police station and J.C.G. already. But planning received representations from third parties, sometimes other States departments, and they find it difficult. I think...

[13:30]

**Senator S.C. Ferguson:**

Can we keep your...I am sorry to interrupt you, Minister, but do you think we could keep your responses sort of concise, because we do not have a lot of time. I know you have to get away after this meeting and we do have a fair bit to get through.

**The Connétable of St. Lawrence:**

I have a supplementary, if I may. You have mentioned planning. It seems to me that what you are saying is that procedurally there problems have been caused. Are there any other departments that we should be aware of?

**The Minister for Treasury and Resources:**

No, I mean I think this is where I think the quarterly monitor that Laura has introduced, which identifies all the capital projects. We have a R.A.G. (red, amber, green) rating with red, amber and green, as I recall. Each of the projects that is not, we do a capital monitor, quarterly spending.

**Treasurer of the States:**

Monthly now.

**The Minister for Treasury and Resources:**

Monthly now, there we go. Corporate Management Board, a subgroup of Corporate Management Board doing work.

**Treasurer of the States:**

We have done an awful lot more. So we are not in the same position as we were 12, 18 months ago. We have worked very hard with Construction Council in the way in which the Minister describes, we meet with them every quarter. We have recently extended that to meet with the engineering and design part of the industry as well because they were wanting early and advance notice of projects that we were bringing forward. We have had discussions at a C.M.B. (Corporate Management Board) subgroup, which has the Chief Officers on it with the main spending responsibilities on the capital programme. We have responded to some of the requests that the Construction Council have made of us, not least to change some of our procurement arrangements so that we can have speedier procurement while still trying to deliver the best value and to make sure we can have open competition. Departments have...so last year we were concerned about the speed with which housing were spending the £27 million fiscal stimulus money. That is largely spent and those projects have come to fruition or are well under way. So we are not in the same position at all; we have moved an awful lot forward.

**The Connétable of St. Lawrence:**

What I am trying to establish is that the States departments are doing their utmost to ensure that there are no bottlenecks and that money is being spent.

**Treasurer of the States:**

I believe they are because they are working very hard. In some areas, capacity has been expanded in order to support that. Certainly Social Security have done their best to bring forward training programmes. You may have seen the construction industry passport and the hotel industry passport, where they are getting local people trained more quickly to take up the jobs that are there. There have also been discussions with the ministerial group that looks after licences as well to try and manage that. So there has been an awful lot of activity to try and bring all of these different strands together, but we keep working at it.

**Senator S.C. Ferguson:**

Yes, there is...but, given the criticism that there was from the F.P.P. last year, not to mention ourselves, the Budget does not appear to provide any retrospective assessment of how the 2014 Budget was effective at meeting the 3 Ts during 2014.

**The Minister for Treasury and Resources:**

I will tell you what; we will provide you something, Sarah. Because the Budget is about what we are planning to do, and if you want information about capital spending we will give you some further reports. Let us move on from capital spending because I know you want to talk about other things.

**Senator S.C. Ferguson:**

No, I am talking about the report on how successful you were meeting the...

**The Minister for Treasury and Resources:**

If you would like some reports, we will give them to you. Let us move on. We understand capital. I was an internal auditor once. I used to ask questions. It is easy to criticise (overspeaking)

**Senator S.C. Ferguson:**

Did you do a...have you done a report on this?

**The Minister for Treasury and Resources:**

Sarah, yes, we...

**Senator S.C. Ferguson:**

Have you done a report on this?

**The Minister for Treasury and Resources:**

Yes, we have, Sarah.

**Senator S.C. Ferguson:**

Why is it not in the Budget for information for the public?

**The Minister for Treasury and Resources:**

Sarah, I...

**Senator S.C. Ferguson:**

No, I am asking a perfectly sensible question, Minister.

**The Minister for Treasury and Resources:**

If you want it, we will provide it.

**Senator S.C. Ferguson:**

I am a Senator too, I remind you.

**The Minister for Treasury and Resources:**

Senator Ferguson, if you would like some information about capital spending, we will provide it to you, and I imagine that the F.P.P. report next week will be very helpful in also providing information on spending. I would also draw your attention to section 11 of the Budget report, which for the first time, as a result of the good work done by the Treasurer in relation to consolidating information about budgets versus actual spend, I hope you will find section 11 of the Budget report very helpful. We all care about capital spending. I care about it just as much as you and we have been doing Herculean efforts in order to get money spent, but there is only so much that we can do when we are not able to direct planning issues and we have proper democratic decisions and things like that. When you have delays in things like Ann Court where diggers get stuck underground, you also...

**Senator S.C. Ferguson:**

Again?

**The Minister for Treasury and Resources:**

Yes, you know that. Ann Court is one of the examples...

**Senator S.C. Ferguson:**

Right, all right, I did not mean to start a hare running.

**The Minister for Treasury and Resources:**

But we have given you all of this. We have given you lots of information and we can provide more information to you. I will accept questions but I do not think that it is fair to say: "Why have you not done something?" when we are happy to give you information, we are more transparent I think than ever before, please do not criticise us for having delivered a Budget earlier than ever before, with more information, more transparency, in difficult situations. We will always provide you with the information.

**Deputy T.A. Vallois:**

Minister, sorry, I am sorry, but your attitude is rather disrespectful and the Scrutiny Panel are here to ask you questions and there is no way that, during the last 3 weeks of the States sittings, that we could get through all of this.

**The Minister for Treasury and Resources:**

No, well...

**Senator S.C. Ferguson:**

Well we received this yesterday.

**Deputy T.A. Vallois:**

So, I mean, I am sorry, but I think the attitude is...you have to tone it down a bit.

**The Minister for Treasury and Resources:**

If the attitude from the Chairman can be rather less critical of everything we do, it would be more helpful.

**Senator S.C. Ferguson:**

I am here to ask you questions, Minister, on behalf of my constituents.

**The Deputy of St. Ouen:**

Shall we move on?

**Senator S.C. Ferguson:**

All right, so, last year we received testimony from stakeholders that more could be done within the tax system to provide incentives for local businesses. What is there in the Budget for local businesses? Not construction businesses, local businesses.

**The Minister for Treasury and Resources:**

We have been clear in the Budget report that we continue to keep under review opportunities and we remain persuadable that incentives could be provided; that where an incentive programme could be provided. We are struggling with finding evidence that an incentive programme or an incentive package on tax matters would be effective. We have zero tax, we have one of the lowest personal tax rates in the world, and we have provided fiscal stimulus in terms of the Innovation Fund and we stand ready to respond to economic developments, further proposals on finding opportunities to invest, and we remain open. But at the moment we do not have, despite lots of asking, and lots of discussions with the Fiscal Strategy Group of Jersey Finance and meeting with the Institute of Directors, Chamber of Commerce and tax experts, we just simply do not have a workable plan. That should not mean...

**Deputy R.J. Rondel:**

Have you considered tax breaks or anything like that for small businesses?

**The Minister for Treasury and Resources:**

Of course. I think...

**Senator S.C. Ferguson:**

Were they not incorporated...

**The Minister for Treasury and Resources:**

I will respond to Deputy Rondel's question.

**Senator S.C. Ferguson:**

Yes.

**The Minister for Treasury and Resources:**

The thing is, I think it is very easy for politicians, and we see the effect of complications in the tax system in this whole anti-avoidance system. Politicians, we like to respond to short-term problems and what we are seeing in the U.K. (United Kingdom) is this plethora of tax avoidance abuses, which have been effectively the result of short-term measures designed to try and get investment in the film industry and in patents and in intellectual property. Then you open up these potential

vehicles for investment and then they get abused. We are in a very different position in Jersey because we have low tax already and we remain open to the whole issue of incentives, but I think low, broad and simple, and a commitment to low, broad and simple, with balanced public finances in the longer term, strong balance sheet, is the best incentive for people coming here. I have to say I am very encouraged by the work that the high-net-worth director has been doing in E.D. (Economic Development). I am very pleased to see the work that they have been doing. There is now a healthy flow of the new incoming high-net-worth individuals and I think that in itself is going to provide very helpful fiscal stimulus in terms of the jobs and businesses they are bringing to Jersey and the construction activities that follow from the purchases of their very high-value houses.

**The Deputy of St. Ouen:**

So, are you basically saying that you do not believe that it is necessary to provide some additional support to small local businesses at this time?

**The Minister for Treasury and Resources:**

We have to balance the books and that is what you are seeing. We are delivering and we are maintaining the marginal rate tax cut, which is going to support people spending. That spending is going to be, I hope, improved, and I hope there is going to be improved confidence in the economy next year. We are seeing the inflation rate continuing to be low, we expect inflation to rise of course next year. That is the forecast. But we are seeing earnings above inflation. That means there is more money in people's pockets, added to the marginal rate cut, which will hit the majority of people next year.

**Deputy R.J. Rondel:**

The people I speak to, the majority of the people I speak to are still struggling and next year, if we have increased Social Security contributions...

**The Minister for Treasury and Resources:**

You are talking about long-term care there?

**Deputy R.J. Rondel:**

Yes, but there is more...it has to come from somewhere, out of people's pockets, so...

**The Minister for Treasury and Resources:**

Yes, and of course that is the challenge, is it not? We have the problem of the benefit that is largely going to now...remember that we brought in the long-term care charge and strategy. Elderly people can now get the benefit of long-term care benefits without anything being imposed

upon the Island community to pay for it. We have deferred the increase in long-term care, 0.5 per cent next year, 1 per cent after, and we have paid for that by savings. We do not seem to be able to win. We are doing everything we can...

**Deputy R.J. Rondel:**

No, but I am just asking, do you see the ordinary person still having excess disposable income? Is that what you are saying?

**The Minister for Treasury and Resources:**

We have been through a recession. We have been through a very difficult transition. But we are coming out of that now. We are seeing confidence slowly return and this Budget is designed to help that economic recovery on its way in a positive, proactive, targeted way by keeping spending in the areas that we should. I know we talked about capital earlier; that does have an effect as a fiscal stimulus. All the economic advice is that is what we should be doing. I will look forward to hear what the F.P.P. have to say.

**Deputy R.J. Rondel:**

Thank you.

**Senator S.C. Ferguson:**

All right, we also recommended last year that you identify measures in respect of productivity to support the local economy. What is there in the Budget in order to improve productivity?

**The Minister for Treasury and Resources:**

Well we cannot do everything and productivity remains a big issue that the economic adviser is concerned about and we are concerned about and this is of course a refrain that politicians and economists are talking about all over the place. There is a productivity challenge. I think the economic adviser's report on the future economic growth potential for Jersey that was published two years ago, I doubt unfortunately whether many people have read it, I am sure you have. It was very clear there that there is a productivity challenge. I think we have dealt very assertively with the productivity challenge in relation to financial services. In the last 12 months we have really tackled the financial services future challenge. We have now won over I think a sceptical U.K. public and Parliamentary group, which really doubted that Jersey was a benefit to the United Kingdom. We have now put in some really assertive measures to design to grow our financial services industry. I am concerned about the impact that I think is currently not as recognised as it ought to be in relation to what technology is going to do in terms of effectively evaporating jobs into artificial intelligence and into the ether and I think that our job needs to be a relentless pursuit of what the Chief Minister says that we should be focusing on jobs. We must create jobs faster than

we are going to lose them. That is the natural evolution. We cannot be King Canutes, we have to accept change, embrace it, and we need to adapt our economy for this changed world. That is at the heart of what we have been doing on the financial framework. I think there is more to do in relation to digital. That is why we have been bringing together J.T. (Jersey Telecom) and our other partners in relation to the digital economy. Digital Jersey, I think we need to do...I think what we have done with financial services, almost we need to do with the digital side, e-Government, regulation of J.T.

[13:45]

I had a very interesting evening and afternoon last Friday with the board of J.T. talking about just that. I mean I think there is more to do. I think we are in a good place but a non-realistic myopic view of the future is unwise. I think complacency has been the disease that afflicted previous Assemblies. This Assembly has proven to be more reforming than any before, but we need to do more.

**Senator S.C. Ferguson:**

But do you not think that perhaps reducing regulation and legislation and cutting red tape would help productivity?

**The Minister for Treasury and Resources:**

That is the theory, is it not? I do not know where Economic Development are; I know that they have been doing some work on a so-called red tape review. I mean I think there are quite a lot of loose words that are spoken about those things sometimes. There is a sort of ideological view that you can simply lift red tape and somehow the economy will flourish. A lot of the legislation that we pass is designed to do, as the Chief Minister has said, balance our social responsibilities as elected representatives with our aspirations for the economy. I want some detail about this so-called red tape problem in Jersey. I am the Minister for Treasury and Resources, I deal with public finances and I work with other Ministers to try and do the best for the economy. I have responsibility for financial services, but you must ask the E.D. Minister how he is doing with his red tape review.

**Deputy R.J. Rondel:**

I was going to change it a little bit and just go on to the strategic investments. On the projected Consolidated Fund balance sheet here...

**The Minister for Treasury and Resources:**

What page are you on there?

**Deputy R.J. Rondel:**

Page 55. You have measures to balance the Consolidated Fund. What would happen if, for example, are they on target, Jersey Post, Jersey Telecom, Jersey Water, to produce the dividends forecast?

**The Minister for Treasury and Resources:**

The first thing to say on this is, as the preamble to that part of the report says, we have an obligation to lodge a Budget to where the Consolidated Fund should balance. We will keep under review the latest forecast information on income and obviously we have a hierarchy of these measures to take. The Jersey Water redemption of the preferential share is in the proposition, as you have seen. We are in active discussion with Jersey Post and I think we are there with Jersey Post now.

**Treasurer of the States:**

I need to update you. I have had a letter this morning from Jersey Post.

**The Minister for Treasury and Resources:**

Fine, I mean these are obviously ongoing discussions...

**Senator S.C. Ferguson:**

Have they agreed?

**Treasurer of the States:**

No. So the Minister does not know this. I have only had this letter from Jersey Post this morning. Jersey Post think they can identify £2 million for us rather than the £5 million that we are working on here. But we have yet to finish that discussion with them so I just feel I ought to let you know that.

**Senator S.C. Ferguson:**

Sorry.

**The Minister for Treasury and Resources:**

No, that is fine. That is good, and of course we will be working hard...

**Deputy R.J. Rondel:**

Well it is not good.

**The Minister for Treasury and Resources:**

No, it is good to know, because of course there are all sorts of...we have a range of measures that we can deploy. I hope that we have been very helpful to Members in saying what the sort of list of things that we would consider doing in the event of the shortfall.

**Deputy R.J. Rondel:**

Could you elaborate a little bit on the Jersey Water preference share, exactly why you are doing that and the reason?

**Treasurer of the States:**

Jersey Water cannot wait to do that. Jersey Water are very keen to do that and there is not a difficulty in pursuing that.

**Deputy R.J. Rondel:**

What will that figure will that...

**Treasurer of the States:**

We need to discuss that with them because the par value, the preference share carries a coupon of 10 per cent, so the par value, which I think from memory is £5.4 million, and the balance sheet value in our accounts at the moment is £7.3 million. The reason the balance sheet value is so high is because of the interest rate that is payable on the preference share. So we need to have a discussion with them, and we are having a discussion with them, about an agreeable price to redeem that preference share and...

**Senator S.C. Ferguson:**

They will need an A.G.M. (annual general meeting) though, will they not, or an extraordinary general meeting?

**Treasurer of the States:**

I would have to check that before responding on that detail, Chairman.

**Deputy R.J. Rondel:**

Then their proposed ordinary dividend is projected to be as normal to the States?

**Treasurer of the States:**

Yes.

**The Minister for Treasury and Resources:**

Yes, I mean we had some very constructive discussions with all the utilities in our A.G.M.s in recent weeks.

**Deputy R.J. Rondel:**

Jersey Electricity, have they any concerns?

**The Minister for Treasury and Resources:**

Jersey Electricity is in a slightly different position because they are obviously quoted and they abide by stock exchange rules, so we hold formal investor briefings with them, which are in accordance with the stock exchange rules, but I think J.E.C. (Jersey Electric Company) have...

**Treasurer of the States:**

The other thing we have had to regard to with J.E.C., Chairman, is that they are making heavy investment at the moment in the pipeline, so we have not been to them to...

**Deputy R.J. Rondel:**

Be updated.

**Treasurer of the States:**

Not to be updated, but to see whether any additional dividend might be forthcoming, because we know that they have significant investment to make in the new pipeline.

**Senator S.C. Ferguson:**

Jersey Telecoms?

**The Minister for Treasury and Resources:**

Under discussion.

**Treasurer of the States:**

Yes.

**Senator S.C. Ferguson:**

That is not agreed then? So none of these are agreed?

**Treasurer of the States:**

Chairman, the position is as I have just described, but if you would like me to deal with Jersey Telecom, the position with Jersey Telecom is that they are contributing £2.8 million to the problem

at the moment because they are proposing to underachieve their payment to us that is due in 2014. So, by us asking for £3 million in 2014, we are really only asking for what was originally budgeted, give or take a couple of hundred thousand pounds. So that is the position with Jersey Telecom. They are adding to our problem at the moment and we are saying to them, "Please do not do that", and so we would be content if they met the original budgeted figure for 2014.

**Deputy R.J. Rondel:**

Why are they not able to do that?

**The Minister for Treasury and Resources:**

Their refrain at the moment is that they are heavily investing in capital. Obviously Gigabit is on plan and we have received the quarterly report on that. But what they are also doing is we are advised now the regulator has finally made the decision about rolling out 4G, which I think it is probably more appropriate if they came and spoke to people about this and obviously this is a regulatory issue and an E.D. issue more than us. But they obviously are saying that they have heavy investment. I do not really feel comfortable discussing some of the confidential nature of some of the infrastructure things that J.T. are doing. Suffice it to say that I am acutely concerned about ensuring that J.T. invest, but also that taxpayers get a decent return from our substantial investment. J.T. has done very well financially. Their revenues are growing from outside the Island and that is to be welcomed and in times when we do not need revenue on the Consolidated Fund perhaps we have been a slightly lighter touch, as we have been in the last few years, to allow that investment. But, when we need money in the Consolidated Fund to make sure that we can do capital then we will step up the appropriate pressure to them. I think there is a big debate about J.T. and CICRA and the E.D. telecom environment, together with I think my views on telecoms are known, I think that there is probably a natural monopoly in infrastructure and it is important that the regulator gets access to that infrastructure but the regulator has clearly struggled. If we are thinking about rolling out 4G, which must happen and should happen, then my request to J.T. is to roll out that infrastructure, but where you can do things with mast sharing, as has happened now in the U.K., I think it is not economically rational for 3 mobile phone operators to build 3 networks with suboptimal use of that technology. But I have said this for years. I have put my views very forthrightly to J.T. and I look forward to discussions with the Minister for Economic Development on these issues. I think it is vital that E.D. give guidance about rolling out 4G. We also get better services, by the way, if they share masts and share their frequencies.

**Senator S.C. Ferguson:**

All right, now, if the forecast income does not become available, how are you going to pay for expenditure moving forward?

**The Minister for Treasury and Resources:**

Do you mean outside 2015?

**Senator S.C. Ferguson:**

Well moving forward.

**The Minister for Treasury and Resources:**

What date do you mean by moving forward?

**Senator S.C. Ferguson:**

Well, all right, from now on.

**Deputy T.A. Vallois:**

Or the measures you propose in 2015, for example, to help with the balance of the Consolidated Fund. See all the measures on page 55 there.

**The Minister for Treasury and Resources:**

Yes, so that is 2015.

**Deputy T.A. Vallois:**

So there are a lot of funds that may need to be money taken out of. So, 2016 onwards?

**The Minister for Treasury and Resources:**

We have never done this before, but you will have the benefit of the good work that Laura has been undertaking with the Corporate Management Board on the Long-Term Revenue Plan and we plan to publish something at the beginning of September, which effectively is an issues paper on the Long-Term Revenue Plan. That is going to enlighten people I think for the first time ever to what the next 5 years of public spending and income could look like and that is going to be giving us as politicians, potentially re-electable or otherwise politicians, the real policy options so that will guide the public and mean that we can have an informed debate about tax and spending options for the next 4 years.

**The Deputy of St. Ouen:**

What informed debate has been taking place to date with the Council of Ministers and yourself regarding providing for 2016 and beyond and is it reflected...are those discussions and the decisions reflected in the 2015 Budget?

**The Minister for Treasury and Resources:**

Of course they have an eye to them and that is why, Laura, as we were just discussing earlier, were we not, we were looking forward to this Council of Ministers is committed to do better long-term planning and that is exactly what we are doing. The Treasurer has delivered us a long-term capital plan. We have delivered more long-term capital planning than ever before. We have liquid waste buttoned down, we have the hospital with a budget, of course how it is spent is yet to be progressed. The Ministerial Oversight Group has the benefit of a report, I have not seen it yet, from some experts looking at that. We have dealt with housing. We now have a fixed and certain capital spending for housing...

**The Deputy of St. Ouen:**

Just to interrupt you there, can you just confirm...no sorry, can you just confirm that the 2015 Budget will be consistent with the issues that are going to be raised and brought forward in this long-term resource plan that you are saying is going to be published in September?

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

Thank you.

**Deputy R.J. Rondel:**

Will departments be making savings next year?

**The Minister for Treasury and Resources:**

This already reflects the fact that departments now have the responsibility of dealing with their ongoing £60 million trimmed budgets going forward.

**Deputy R.J. Rondel:**

That has happened.

**The Minister for Treasury and Resources:**

Yes, they are ongoing, is it not, it is not just one-offs, they have to permanently reduce their revenue expenditure.

**Deputy R.J. Rondel:**

But will they have to make further savings?

**The Minister for Treasury and Resources:**

Yes, and that is what we are suggesting. I think the thing that I have been trying to...

**Deputy R.J. Rondel:**

How large will those savings be?

**The Minister for Treasury and Resources:**

They are set out on page 55. So we are saying that there is a number of proposed savings and further savings that we are making in budgets. We are putting on-hold the further increases on the acceleration of the P.E.C.R.S. (Public Employees' Contributory Retirement Scheme) payments. We have already done a lot, but we are going to pull back from any further increases on the P.E.C.R.S. debt. I am not particularly concerned about that. I think it would be good to try and repay that but as and when the economic situation can sustain that. We are making a number of other potential savings. I think it is worth pointing out the fact that the M.T.F.P., while the income line has not reached the estimates that were hoped for back in 2012, the other thing that has happened is that inflation of course has been a lot lower than expected and so that very helpful trending lower inflation means that as far as non-staff pay, and indeed looking forward to pay settlements, that is probably in a better position than we would have thought. So there was some compensation off the income line.

**Senator S.C. Ferguson:**

Yes, but can we go back to my original question? If your income, if the forecast income next year does not become available, how are you going to pay for the expenditure?

**The Minister for Treasury and Resources:**

That is set out on page 55.

**Senator S.C. Ferguson:**

I do not think it is there. As far as I can see, the only thing left to you is increasing G.S.T. (Goods and Services Tax).

**The Minister for Treasury and Resources:**

No, Sarah. No, Sarah...

**Senator S.C. Ferguson:**

So you are giving us...you are giving us a positive statement that G.S.T. will not go up next year?

**The Minister for Treasury and Resources:**

The Budget is proposed. There is no change in G.S.T., Sarah. Let us have some sensible questions. We are not changing G.S.T.

[14:00]

There are no plans to change G.S.T. in 2015. Read my lips, no G.S.T. changes in 2015. End of story. If you would like to propose one, please do it, and we will have a debate in the States. You know that is the case. I do not know why you are asking me that. You know the answer to that.

**The Deputy of St. Ouen:**

Minister, the question was focused on 2016 and beyond and I think that the Chairman is...

**The Minister for Treasury and Resources:**

So it is 2016 we are on?

**The Deputy of St. Ouen:**

Yes. That was the start of the question.

**Senator S.C. Ferguson:**

No, I mean I...

**The Deputy of St. Ouen:**

We just needed to understand, as I say, what are the options that you are considering if the forecast income is not at the...

**The Minister for Treasury and Resources:**

Page 55.

**Senator S.C. Ferguson:**

We have had two downgrades of the estimate, Minister. So, if we have a 3rd downgrade, given that we are balancing the Consolidated Fund with pious hopes and scrabblings, how are we going to balance the Budget?

**The Minister for Treasury and Resources:**

This is what I object to, I am sorry, but Deputy Vallois protested earlier. I do not expect to have words such as "pious hopes" and words such as I have just heard, that is the kind of questioning, which is just unfair. It is pejorative, it is disrespectful...

**Senator S.C. Ferguson:**

All right, hoped-for savings and emptying of accounts. This is what we have to balance the Consolidated Fund next year, Minister.

**The Minister for Treasury and Resources:**

I would...

**Senator S.C. Ferguson:**

So, if we do not achieve, if we have a 3rd downgrade of the income forecast, where are we going?

**The Minister for Treasury and Resources:**

I would draw your attention to page 4 of the Fiscal Policy Panel's report of November 2013 and I will repeat again: "The panel reiterates that the extent of stimulus should not be limited by the balance in the Consolidated or Stabilisation Fund." Now, you may characterise that as "emptying accounts". I characterise what we are doing as sound economics on the basis of sound advice from the F.P.P., which is using all available resources to make sure that we engage in proper economic stimulus to ensure the recovery continues and we get good value from capital spending while we can. We should try to do all the capital spending at this time because if we do not it is going to be deferred and is likely to be more inflationary in terms of capital later on.

**The Connétable of St. Lawrence:**

Minister, the question is though, if I can try to put it in another way is that by taking the money out of some of these funds, which there is rightly rules and regulations that are around some of these funds and understanding what you are saying as to what the F.P.P. suggested, is that if this was to be agreed after 2015 if the income forecasts are not so great, if something happens in the economy that nobody has a crystal ball to say, what do the accounts look like basically because we have nothing left in the funds? This is a worst case scenario obviously but what happens?

**The Minister for Treasury and Resources:**

I think that is an excellent question and, first of all, we must do everything we can to secure economic growth and that is why the first bullet point of the F.P.P.'s advice was that fiscal policy was not countercyclical in 2012 against the panel's advice, that was because we could not get the capital spent, not entirely matters within our hands. The second thing that the F.P.P. are saying at the third bullet point it says: "Budget 2014 proposes to run a large budget at deficit at a time when the economy is still expected to have significant spare capacity, implying fiscal policy will be countercyclical. Conditions in 2015 and beyond are less certain, they are now more certain and the panel should comment on whether deficits and the scale of proposals are appropriate in future reports." I expect the panel to comment on the policy that we have been talking about is whether

or not the deficits that we are proposing to make next year in terms of pushing more money into the economy than we are drawing out is the right policy. I think it is and I welcome the F.P.P.'s observation on that. Looking forward, what would we do if there was a further downgrade? A number of policy options clearly are available to us and looking forward further outside the 2015 period, next year there will be a new council, there will be a new strategic plan, new priorities, we are setting out a clear process of the F.P.P.'s involvement in developing a fiscal framework. We are publishing the fiscal framework today, which I hope you find is helpful with some very good observations about rules and the way that you should run economic policy. Then the obvious big debate next summer and next September is the next M.T.F.P. too and we have a year before that happens. Whoever the Minister for Treasury and Resources is, is going to be before this Panel about a year today discussing the lodging of the next M.T.F.P. and that is the time that we will be debating what we are going to be doing. Do we hold back on expenditure? Do we continue to support a struggling economy? Do we hold back on further revenue investment in healthcare? These are very good legitimate debates and we hope that the issues paper that we publish in September is going to help inform those debates and I hope that they are informed in a way that has not been done in the past. I would say just one thing, when I became Minister for Treasury and Resources within days of coming in office I was given revised estimates of income and I am perhaps a well-known figure. I promised and said I would not change G.S.T. (Goods and Services Tax). Milton Keynes, a favoured economist of some people, said to a *Times* journalist: "When the facts change, I change my mind. What do you do, sir?" When the facts changed and an income line changed I had to change my mind and we had to make some very difficult decisions. I am pleased we made those difficult decisions because we are in a lot better state now than we otherwise would have been but it has been tough. What I now hope is going to be the picture is going to be an economy that is returning to growth and certainly the next administration will not see a situation where I was faced with, which is, effectively, lower income numbers.

**Senator S.C. Ferguson:**

You talked about the policy options, Minister, is your issue paper going to include those policy options looking forward?

**The Minister for Treasury and Resources:**

We will set out a number of them. We will be working through the summer and, hopefully, forming in a digestible way exactly what those options can be that we have. The first thing is, we are in a lot better position than a lot of other places and I know that is water off a duck's back to a lot of politicians but we are. We are better planned, we have better analysis and we have a better balance sheet. I think our bond issue shows just how outside people regards the strength of the Jersey economy, not only the strength of it but the ability for us to adapt when things change, as they surely will. There are big decisions to be taken. How much money do we put in healthcare?

How much of that can be afforded sensibly from redeployment of existing resources? What is the level of expenditure in healthcare that could be afforded? What happens if healthcare is more expensive? What are the income-raising measures? Where else would you cut back in terms of real service cuts? We have made the easy efficiencies.

**Senator S.C. Ferguson:**

What about the alternative methods of sustainable funding for healthcare? What work have you done on that?

**The Minister for Treasury and Resources:**

You will see our report and that will be contained in the report, as we undertook to do before the end of the year and I think that I will be helped and you will be informed by the report of the Ministerial Oversight Group advisers that I suspect will say: "You should get on with hospital building and you should get on with healthcare reform faster not slower." I think the dilemma as policy makers we have is that we like to have all the information before we make a decision. We are late in reforming healthcare, much later than we ought to have been because of past problems. We have accelerated that and now we must not dither. We have, of course, doubts. We must continue to look at the evidence and the data that the hospital is using, C. & A.G. (Comptroller and Auditor General) said that very clearly and I agree with that. But what we must not do is we must not dither. We have to get on, we have to reform healthcare. Not to do so is going to cause rising costs of healthcare, even higher than we would currently be extrapolating.

**The Deputy of St. Ouen:**

Minister, I do not think any of us would disagree with that comment but surely the first thing is to identify what the costs are and ensure that the public are behind whoever you are to fund.

**The Minister for Treasury and Resources:**

But that is what we have been doing.

**The Deputy of St. Ouen:**

You say that but if my memory serves me correct you made a comment at the beginning of this M.T.F.P. that the funding of the healthcare could be coped with within existing resources.

**The Minister for Treasury and Resources:**

For this Medium-Term Financial Plan.

**The Deputy of St. Ouen:**

However, 2016 and onwards there are significant costs to come and I see nothing yet within the Budget and the paper...

**The Minister for Treasury and Resources:**

Sorry, this is the Budget for 2015.

**The Deputy of St. Ouen:**

...to start to deal with that issue.

**The Minister for Treasury and Resources:**

Before we do, talking about Budget 2015, we are providing you and you have before you today a whole range and I have given you confidential briefing. Some of this stuff you have already seen and we have already debated and we have already discussed. There are, of course, some new measures. Yes, that is always going to be the case with the Budget announcements. You have a property tax review, you have an income tax law.

**The Deputy of St. Ouen:**

You are saying you have provided for it in this Budget.

**The Minister for Treasury and Resources:**

No, no, no, no, James. We have said very clearly that we will be providing an issues paper that identifies in digestible form what these challenges are and these are issues for future Assemblies. This Assembly has to pass a Budget that has an eye to the future, is informed by the future but is, of course, the last Budget of this M.T.F.P. period.

**Senator S.C. Ferguson:**

The biggest challenge we face is, are we going to achieve the income forecasts?

**The Minister for Treasury and Resources:**

I think the question is, are we doing enough to support our Island community in terms of the economic difficulties that we continue to see as a result of...

**Senator S.C. Ferguson:**

We cannot support the Island community if we are not achieving our income forecasts, can we?

**The Minister for Treasury and Resources:**

No, we do not make the income.

**Senator S.C. Ferguson:**

We take it away from people, do we not? Anyway...

**The Minister for Treasury and Resources:**

We do and this is where sometimes if I appear to be slightly prickly is that it is always the case that forecasts will be wrong. They will be wrong. In the past our forecasts were damned because we have forecasts that produce more cash. The Treasurer and I have had a vigorous and very constructive debate about these issues all over the last 4 years and we talk and have spent many, many hours on the whole issue of the money being found at the end of the year and we have been extremely successful in that. The Comptroller of Taxes, with his excellent tax team, has made sure that people pay their taxes and has collected one-offs and we have been very successful. As we now come out of the recession, much slower than was expected, completely outside of our control, our income has not met the expected forecasts that were made in 2012.

**Senator S.C. Ferguson:**

But you are quite happy that we are going to meet them for next year.

**The Minister for Treasury and Resources:**

I rely upon good independent advice and I am extremely grateful to the work that the Treasurer, Laura, has done in relation to preparing a whole series of contingent measures should those forecasts come to pass. I think it would be in a very different position if in fact we would be faced with an independent forecast, which we do not know whether or not it is going to be the case. We have had a lot of discussions, very helpful and constructive discussions on this. We are presenting Members with a Budget that delivers our service and our promises in relation to investment.

**Senator S.C. Ferguson:**

That is a yes then.

**The Minister for Treasury and Resources:**

I do not have a crystal ball, Sarah, and I am also not the Minister that is responsible entirely for all economic growth. I think there is still a lot more to do in getting that productivity agenda and getting the economy for growth. I cannot be responsible for everything. But this Council of Ministers, with your support, I think can be proud that we are in a lot better position today than most other places. Yes, income forecasts are slightly down. They are slightly down from where we thought they were in terms of that dotted line. We are always prudent, that is the right thing to be.

**Senator S.C. Ferguson:**

Yes, there are what? Let us not go into details, it is only £100 million here or there, is it not?

**The Minister for Treasury and Resources:**

Sarah, please, do not add up figures and cast aspersions like that. You have added up, as Deputy Le Fondré did, 3 numbers, this is a number that was an extrapolation that is wrong. Deputy Le Fondré was wrong to add those figures up and somehow come up with another £100 million problem. Because of planning, because of these measures we are taking we are not going to have a £34 million deficit. We are going to be running a surplus this year and we are planning to have a balanced Budget next year. Let us have some realism in the points that are being made and then we can move forward with a legitimate debate, rather than just simply a rather unpleasant point scoring.

**Senator S.C. Ferguson:**

I do not think we are ever going to agree on this one, Minister, but thank you for your time.

**The Minister for Treasury and Resources:**

It is a pleasure and we remain, of course, at the Panel's service to answer any questions over the next few weeks.

[14:15]