

4. Questions to Ministers Without Notice - The Minister for Treasury and Resources

4.1 Deputy G.P. Southern:

Following his response to my written question 15 today, the Minister appears to state that there may be a large structural deficit of up to £80 million in 2014. Has he revised his view of the recession, because the income coming in in 2014 will be based on 2013 income tax returns and 2012 company tax returns? Is he suggesting that the recession will now go on longer than previously thought, i.e. beyond 2012 and, furthermore, can he say why? Because nowhere in this explanation does he explain why we have a so-called structural deficit; what is accounting for that?

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

I think the Deputy and I have already had discussions in the media about this. A structural deficit arises because in a period of contraction you never quite get to the level of income that you were expected to if you had carried on having economic growth year on year and the structural deficit arises because the offsetting spending continues to rise. If spending were to be similarly checked and reduced by economic growth, then the structural deficit would not arise. We are investing in the economy, we are investing in Islanders throughout the period of the downturn, hence there is going to be a structural deficit which emerges in 2012.

The Bailiff:

Are you following that, Deputy?

Deputy G.P. Southern:

No.

4.2 The Connétable of St. Mary:

The Minister will be aware that in the United Kingdom, Royal Mail, as the universal service provider, is required to distribute election material on behalf of candidates. As a representative of the shareholder of Jersey Post, if such a provision was introduced in Jersey, does the Minister have a view on how this could be achieved and how it would affect processes?

Senator P.F.C. Ozouf:

As the shareholder representative, I have had the letter from Privileges and Procedures sent to me. Personally, from a Minister's perspective, I agree with P.P.C. and with the chairman that we should provide free mailing for elections. I think that that should be enshrined in whatever arrangements we do. **[Approbation]** How we achieve it needs to be discussed but, clearly, Jersey Post will not want to take on the responsibilities of providing it free of charge. However, as the shareholder with responsibility, I am happy to engage in discussions with Jersey Post to find a solution. I do not want to remind the good Connétable that she has a carry forward projected in her Privileges and Procedures States of Jersey budget. There are a number of ways that we can deal with it but we certainly should have free mailing for all election candidates and it should be properly organised.

4.3 Deputy M. Tadier:

Will the Minister acknowledge that he is misleading the public when in the media he talks about binary choice of either having to raise taxes or cut spending, firstly, because the 2 are not mutually exclusive and, secondly, because in the recent past the Minister himself has told us it is very likely that we will have to do both or, certainly, it is very likely that we will have to raise taxes and also maintain current levels of spending?

Senator P.F.C. Ozouf:

If I need to clarify, then it is either/or, so we have a structural deficit. I am happy for the Island to use the Stabilisation Fund to invest in Islanders, invest in projects during the downturn, but that situation cannot continue for ever. If we have a structural deficit which is a year-on-year mismatch between income and expenditure, then there are simply 2 choices: either taxes rise or spending is cut, or it is a combination of the 2.

4.3.1 Deputy M. Tadier:

The Minister has just contradicted himself in that very last statement. It is clearly then not an “either/or”. It is certainly very possible that we can be doing both. Given that the Minister had told us that, will he acknowledge that in fact there is scope to raise taxes but to raise the right taxes to make taxation more progressive to avoid consumption taxes but to tax well, and at the same time to avoid real areas of waste in departments without cutting baseline and necessary expenditure?

Senator P.F.C. Ozouf:

The structural deficit is calculated on the basis of a relatively prudent increase in expenditure. The Assembly and the Deputy will be aware that there are significant challenges on the expenditure front. There are many - too many - Members’ views, unfunded initiatives: there are improvements in the Health Service, dealing with the backlog in maintenance, there is the dealing with the ageing society. There are a number of challenges which the Assembly is going to have to deal with over and above that of the structural deficit. The comprehensive spending review and the fiscal strategy review which will be run in parallel over the course of 2010 in preparation for the Business Plan and budget attempt to reconcile all of these issues. Inevitably, there are going to be some tough choices, some spending limits for departments, releasing money for new services and there is going to be a range, if a structural deficit emerges, of tax-raising measures as well.

4.4 Deputy S. Pitman:

In the budget documents for 2010 it talks about the fiscal strategy review and underneath that it says: “The Minister announced in October the plans for an Island fiscal strategy review to ensure an appropriate level of public services can continue to be sustained from public finances in the face of significant pressures.” I do not see any evidence in that review that will include looking at the overtime costs to the States and neither did I see it in the comprehensive spending review. Can I ask the Minister what review or research is being done to look at that issue?

Senator P.F.C. Ozouf:

That is a very good question. I will be announcing in the budget speech on 8th December a lot more detail of the comprehensive spending review and the fiscal strategy review, of how I envisage it working, what the terms of reference is, the people which will be deployed in order to carry out these reviews, also how I will be working with the Isle of Man and Guernsey. The Deputy makes a good point in relation to pay and the appropriate level of overtime, *et cetera*. I think the Chief Minister has already referred to the importance that we are placing on doing a comprehensive review of pay and conditions across the public sector and no doubt the issues of overtime will be raised to that. Certainly the issue of overtime and nurses pay commanded the attention of S.E.B. (States Employment Board) last Friday.

4.4.1 Deputy S. Pitman:

When specifically then does he see this issue being addressed in one of these reviews or another?

Senator P.F.C. Ozouf:

I have made it clear that the comprehensive spending review will be comprehensive. There will be torchlight shone into areas of public spending and in those departments that have previously perhaps presented themselves as no-go areas in terms of efficiency, but a lot of areas will be

reviewed. Therefore, that is why I am putting together, as we speak, in advance of the budget statement of 8th December of how I am going to tackle and put together the comprehensive spending review which will deal with this use of pay as well.

4.5 Deputy P.V.F. Le Claire:

A complex question but I have given the Minister the heads up on it, so hopefully I can get the answer. The D.C.S. (Depositors Compensation Scheme) - which has been supported by the Minister for Treasury and Resources - being brought forward by the Minister for Economic Development is not yet ready to extend protection to small businesses. The answer given for the reason why was that the level of understanding and the extent to that which it would extend is difficult at this time to ascertain. However, the Depositors Compensation Scheme will extend to natural depositors. Given that it will extend to those, what are those numbers, please?

Senator P.F.C. Ozouf:

I think this is a matter for my colleague, the Minister for Economic Development, if I may not go into detail with that. With the advance of BlackBerry's I did know the question the Deputy was going to ask. I do not have the data in relation to the split between businesses and natural persons but we will have that in advance of the D.C.S. debate.

4.5.1 Deputy P.V.F. Le Claire:

With respect, I appreciate that the BlackBerry's are not the answer to all, but it was not my question. My question was how many natural depositors are there that we will be protecting? We are told that we cannot extend this to small businesses because we do not know the numbers. Therefore, it is being extended to natural depositors; we should know the numbers. What are the numbers of natural depositors?

Senator P.F.C. Ozouf:

Those are complex numbers which I am happy to send and circulate to Members in advance of the D.C.S. debate after I have consulted with the Minister for Economic Development who holds the data.

4.6 The Deputy of St. John:

Of the fiscal stimulus, how much has been pledged; and of that does the Minister still have funds to spend? If so, can he consider setting money aside as none has been put aside in the budget for main drains extension out into the countryside? **[Laughter]** Secondly, as the Water Board pay dividends to the States, would he consider using the dividends in extending mains water supplies, yet again, out into the countryside?

Senator P.F.C. Ozouf:

I am not sure that I should use the questions without notice precious time to revisit figures that I have already made and put into the public domain about committed and fiscal stimulus amounts. I have all the amounts here but I really do not want to go into the detail. There is the £44 million which has already been split into skills training, backlog and maintenance. I have committed, with the Minister for Transport and Technical Services, to deal with the issue of liquid waste in the manner in which the Deputy knows. In fact, we have invited him, I think, on a working party that will be created next year to deal with the issue of liquid waste. We all want to deal with the unfairness of where some people are connected to the main sewer and some people are not, and also dealing with the extensions of main sewers across the Island. Innovative thinking is going to be required, investment is going to be required and I am open to suggestions of the role that Jersey Water may or may not have in that process going forward, suffice it to say that the dividend that is received from Jersey Water - which is also subject to a review which I am carrying out on all the utilities and the appropriateness of the dividend - is included in States

income and is required to pay for all services that are in the Business Plan and budget next year, so I cannot double-spend it.

4.6.1 The Deputy of St. John:

At question time the Minister is trying, yet again, his old tricks of fluffing answers as he did with Deputy Le Claire earlier and he is trying to do it to me. We are entitled to the information. When we put the new system together prior to my leaving the Chamber 4 years ago, it was said that Ministers would be accountable. I do not believe that the Minister for Treasury and Resources is being accountable. He is being defensive, yet again, because he does not have the answers. He should give us the answers and I demand the answers.

Senator P.F.C. Ozouf:

This Minister is very accountable and he is very well prepared but he does not think that one should spend 5 minutes going through the allocation of £47 million. I will run through it if the Deputy wants or I will send an email.

The Bailiff:

I have to say, Deputy, I do not think that is a productive use of questions without notice where many Members wish to ask questions and there is a time limit on answers that Ministers must give.

The Deputy of St. John:

I do not want to argue with the Chair [**Members: Oh!**] but I do expect the Chair to support Back-Benchers, not Ministers. [**Members: Oh!**]

The Bailiff:

Deputy, the Chair does indeed support Back-Benchers in holding Ministers to account but question time must be used productively. That is the sort of matter for a written question if you want a lot of detail.

Deputy P.V.F. Le Claire:

Can I just say, I thought that was unfair criticism of the Chair from a Back-Bencher's perspective myself. [**Members: Oh!**]

The Deputy of St. John:

I will retract it, Sir, I did not mean any offence to you. [**Laughter**]

The Bailiff:

None taken.

4.7 Deputy A.E. Jeune:

Would the Minister please advise Members what he is doing to bring about collaborative working with his counterparts in Guernsey and the Isle of Man and what progress is being made?

Senator P.F.C. Ozouf:

I hope I will get credit for those interventions and I will send an email about the fiscal stimulus money immediately after I sit down. I welcome the question of the co-operative working with Guernsey and the Isle of Man. The Chief Minister has already answered the questions in relation to Zero/Ten and how we are going to be responding to the change in mood within the European Union. It is my fervent belief that we should be working co-operatively with Guernsey and the Isle of Man in dealing and having bilateral discussions with E.U. partners and, indeed, the United Kingdom. It is for that reason that I have been engaging with my colleague in the Isle of Man - Mr. Bell - and Deputy Parkinson in Guernsey. I met Mr. Bell in London 2 weeks ago, had a

comprehensive discussion with him, we are now in regular communication and I am also agreeing a communication and a joint Channel Islands fiscal strategy review with Deputy Parkinson to ensure a joined-up approach that perhaps has never happened before but is now well underway.

4.8 Deputy T.M. Pitman:

Can the Minister just confirm that he knew before he announced the pay freeze that there was likely to be a £14 million surplus for 2009 revenues? Just to say, Sir, that I will be bringing you a nice, shiny green apple tomorrow.

Senator P.F.C. Ozouf:

I have already said in an interview with Deputy Southern that I knew of the increase in income, the £14 million, I think it was on 12th October. As Members would expect of me, I am briefed on matters of income before finalising the budget and therefore they are not immediately put in the public domain. But what I will say to the Deputy is that the £14 million income that was received as a one-off as a result of the splendid economic growth in 2008 does not change the fact that there is a structural deficit and a serious issue in terms of public finances going forward, not anywhere like the kind of challenges of other places but nevertheless is a real issue. The fact that there is a short-term one-off income from 2008 revenue does not change any of the arguments that were put forward in the pay freeze.

The Bailiff:

Now that, in fact, completes question time, but in view of the time taken over the Deputy of St. John's questions, I will allow one extra question from Deputy Le Hérissier.

4.9 Deputy R.G. Le Hérissier:

Would the Minister outline how he intends to involve the staff of the States of Jersey in his comprehensive spending review?

Senator P.F.C. Ozouf:

I would very much hope that there will be wide engagement both by Members of this Assembly and staff. I will set out exactly the process, the terms of reference of the comprehensive spending review in the budget speech on 8th December. I will also explain how we intend to issue any interim reports and how recommendations will be made, perhaps with an interim report being produced and then a final report in relation to the Business Plan later on that year. But certainly the views of, not only staff, but members of the general public and as wide as possible consultation of the comprehensive spending review is going to be necessary and required and valued.

4.9.1 Deputy R.G. Le Hérissier:

Could the Minister identify the techniques he will use with staff to increase consultation?

Senator P.F.C. Ozouf:

Being honest, being clear and being transparent in terms of the challenges that we are facing. Staff at the coalface have ideas about how we can improve and direct public money in a most appropriate way. I try and spend at least a couple of mornings every 2 or 3 weeks with different departments, understanding their problems and, indeed, I know other Ministers do that too with their departments in other areas. I would hope that we engage and have a constructive but honest debate about the real challenges that we have about where we direct public spending going forward.

The Bailiff:

Very well, so that brings questions without notice to the Minister to an end.