



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

**MONDAY, 15th JULY 2013**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy J.G. Reed of St. Ouen (Vice-Chairman)  
Deputy R.J. Rondel of St. Helier

**Witnesses:**

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)  
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)  
Ms. L. Rowley (Treasurer of the States)  
Mr. R. Foster (Director of Estates, Property Holdings)

**Topics Discussed:**

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[9:30]

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

Welcome to this quarterly public hearing of the Corporate Services Scrutiny Panel. We have the health warning there which I think you have probably all read millions of times. We have not seen you much, but have you read it?

**Director of Estates, Property Holdings:**

I have indeed.

**Senator S.C. Ferguson:**

Right. That is okay then. Now, in order for the ladies who transcribe to identify everybody, I wondered if we would go around the table and say who is what. If you would like to start, Minister.

**Senator S.C. Ferguson:**

Super. Right. Richard, do you want to start?

**Deputy R.J. Rondel:**

Thank you. Could we start on the Starter Home Deposit Loan Scheme, Minister? When will the Starter Home Deposit Loan Scheme be implemented? Have you got a date?

**The Minister for Treasury and Resources:**

I understand that some final arrangements are being made with the organisation that is going to be carrying out the administration. There are meetings in Guernsey today and it is targeted for, certainly, within the next 2 weeks.

**Deputy R.J. Rondel:**

So there is no specific date when it will be launched?

**The Minister for Treasury and Resources:**

It is on track but that is the administration of when the loans can be drawn down. I signed the ministerial decisions last week transferring the money, but I think Housing have already been active in terms of writing to people that are eligible through the Gateway and are communicating various different things to interested parties. Certainly the mortgage market lenders have been kept closely informed of when the scheme is going to be operational. So imminently.

**Deputy R.J. Rondel:**

Because it was due to start on 1st July and that is what we had understood. That has not happened.

**The Minister for Treasury and Resources:**

To all intents and purposes, as I understand it, there will not be finally any delays on drawing down because there is an expectation that the scheme would be able to be drawn down literally within a period of days now. So any applications will be processed as if the scheme was starting a week or so ago.

**Deputy R.J. Rondel:**

So from the public point of view, if a member of the public goes in and they say: "When can we get our loan," it is not clear yet?

**The Minister for Treasury and Resources:**

It is within a matter of days.

**Deputy R.J. Rondel:**

Within a matter of days. Thank you.

**The Deputy of St. Ouen:**

Can I just ask very quickly, you say that Housing are writing to potential applicants but as far as I am aware there has been very little in the way of publication to encourage individuals to indicate that they are interested in taking advantage of this scheme.

**The Minister for Treasury and Resources:**

I think the reality is that those that are in the process of buying a house, or looking for a house, the key people who are aware ... I would not think it would be sensible to do any paid advertising. The awareness of the scheme I think is quite high and those that need to know - the mortgage intermediaries particularly, who are going to be some of the key people putting together peoples' mortgage packages, et cetera - are well aware and communication is ongoing with them. So there is not anything high profile but those that are likely to be applying for the scheme are very well aware of it, as I understand it.

**Deputy R.J. Rondel:**

How have they become aware of it, though?

**The Minister for Treasury and Resources:**

There are only 2 or 3 mortgage agents, if you like, but, as I understand it now, more mortgages are now being handled through these intermediaries than ever before and those are the key people. I will not mention any of the brands but I am sure you are aware of them. There are some with offices not too far away. They are the ones that are aware and that is the particular targeted community of interests that are interested.

**Deputy R.J. Rondel:**

So really you are relying on the lenders to inform people?

**The Minister for Treasury and Resources:**

Well, let us see how the scheme goes. It is a trial scheme. It is inevitable that it is going to be the mortgage arrangers who are going to be the key people who are going to be the people interacting with buyers, as well as estate agents of course as well.

**Deputy R.J. Rondel:**

But there has been no action from Housing or Treasury to inform members of the public?

**The Minister for Treasury and Resources:**

I do not think there is a need to. No, because I do not think that is a good use of money.

**Deputy R.J. Rondel:**

It was supposed to be 1st July. Why do you think this did not happen?

**The Minister for Treasury and Resources:**

As I understand it, it is just dealing with the final arrangements of the administration between the vendor that is dealing with the loan arrangements ... the target was the beginning of July and I think things are on track for it to be literally within a period of days.

**Deputy R.J. Rondel:**

Okay. Thank you, Minister. How many lenders have signed up to the scheme?

**The Minister for Treasury and Resources:**

As I understand it, it is one lender that is going to be starting with the scheme in the next few days.

**Deputy R.J. Rondel:**

All right, because I had understood from initial hearings that you were hoping for 2 or 3.

**The Minister for Treasury and Resources:**

The Treasurer can ...

**Treasurer of the States:**

I can deal with that. So we certainly tried, Deputy Rondel, but the Skipton Building Society is our partner and we struggled to get other banks, or equivalent financial institutions, to show the same level of interest. We would have liked more because it would give more competition for the borrowers.

**The Deputy of St. Ouen:**

Why do you believe only one lender is interested in the scheme?

**Treasurer of the States:**

It is difficult to say.

**The Deputy of St. Ouen:**

Well, surely you must have had a response from the people that you contacted about whether they would like to participate in the scheme.

**Treasurer of the States:**

They just were not very positive, Deputy Reed. They were not very positive and Skipton were positive. They have come up with a good set of proposals. They have worked well with us and one of my team is in Guernsey today sorting out the final arrangements with them.

**The Deputy of St. Ouen:**

Are you saying that they were not very positive? That means that they did not think it was a good idea and that they did not want to participate in the scheme.

**The Minister for Treasury and Resources:**

No. It is quite a small scheme and it is a trial. So I think it is important to see how this trial works. There is a lot of ongoing policy development going on generally with the mortgage market. In the U.K. (United Kingdom) there is the big U.K. flagship treasury scheme which is starting in January of next year of which there is a lot of debate around. It would have been good to have more than one lender but the fact is that there is one lender on board and arrangements are now being put in place. This is ground-breaking stuff for Jersey and it will be judged as a success for me if the scheme is subscribed and I am not overly concerned. It is as the Treasurer says.

**Senator S.C. Ferguson:**

Yes, but are you not a little concerned when a member of the F.P.P. (Fiscal Policy Panel) comments that the U.K. Government should not be helping to increase household debt or encourage risky lending?

**The Minister for Treasury and Resources:**

Senator, which member of the F.P.P. was that and when did they say it and in which context?

**Senator S.C. Ferguson:**

Well, it was Marian Bell.

**The Minister for Treasury and Resources:**

When did she say that?

**Senator S.C. Ferguson:**

This week, talking about the ... yes, 11th July.

**The Minister for Treasury and Resources:**

Okay, and in what context? In what context?

**Senator S.C. Ferguson:**

Can we just get back to the point, Minister?

**The Minister for Treasury and Resources:**

Okay.

**Senator S.C. Ferguson:**

Let us just go back to the point. It is starting an asset bubble.

**The Minister for Treasury and Resources:**

Okay. No, Senator. Your position on this has been clear. I think you voted against the scheme. Did you?

**Senator S.C. Ferguson:**

I really cannot remember.

**The Minister for Treasury and Resources:**

Okay. I think you voted against the scheme, so please ...

**Senator S.C. Ferguson:**

Probably. But there is that ...

**Deputy R.J. Rondel:**

Can we just focus on the exact details of the scheme please?

**The Minister for Treasury and Resources:**

Hold on a second. Senator Ferguson, your views are quite well known on housing, on lending and I know that you do not agree with it.

**Senator S.C. Ferguson:**

Are you not concerned ...

**The Minister for Treasury and Resources:**

Can you let me finish?

**Senator S.C. Ferguson:**

No, Minister. You are here to answer our questions. Are you not concerned that you could be fuelling an asset bubble?

**The Minister for Treasury and Resources:**

Senator, we have had a lengthy scrutiny inquiry on this. Your Panel supported the introduction of it. You voted against it. I know you have very strong views about involvement in lending. This scheme will not cause an asset bubble. We have been over this many times before and I do not think it is right for you to suggest that comments made by Marian Bell on a scheme which is vastly larger in proportion in the U.K. of the U.K.'s Funding for Lending Scheme and their supporting of 20 per cent assets has really got anything to do with our scheme and this particular line of questioning.

**Deputy R.J. Rondel:**

Thank you for answering that. Can I come back to how many members of the public have expressed an interest in accessing the scheme since it was approved by the States?

**The Minister for Treasury and Resources:**

I do not have that information, Deputy.

**Deputy R.J. Rondel:**

You do not have details.

**The Minister for Treasury and Resources:**

Remember that this scheme was a scheme that was supported by the Treasury and is going to be administered by the Treasury but it is operated by the Housing Department. So these questions are good questions but they are better directed towards the Minister for Housing.

**Deputy R.J. Rondel:**

Okay. So would you know how many households are currently on the Band 5 which are applicable for the scheme?

**The Minister for Treasury and Resources:**

I have got here before me a report from the Affordable Gateway month-end statistics for the end of June and I am happy to give you this report if it is of help because it has got all the information about different ...

**Senator S.C. Ferguson:**

We have got that report.

**The Minister for Treasury and Resources:**

You have it. I mean I have not studied this report to any great extent. Have you got it then?

**Deputy R.J. Rondel:**

I think that is the one. From what I can see it is 216 people.

**The Minister for Treasury and Resources:**

Since the passing of this scheme, which was passed through the States with a very significant majority, it is has been over to the officers in order to put in place the implementation of it. I will turn my attention back to this scheme in the third quarter and I will review, together with officers, to see how the scheme has worked, what sort of purchases have gone through to see whether or not the criteria works. My time at the moment on the general housing side has been focusing on the development side in capital projects and also working with other members of the Council of Ministers on a new Island Plan amendment.

**Deputy R.J. Rondel:**

We will come on to the capital project later but there are just a few more little ones you may be able to answer on the Deposit Loan Scheme. Access to the scheme was going to operate on a first-come first-served basis. Do you believe that is still the case?



**The Minister for Treasury and Resources:**

I have nothing further to add, Deputy, from all the questions previously. Nothing has changed since the previous debate.

**Deputy R.J. Rondel:**

Your understanding is it will still be first come first served?

**The Minister for Treasury and Resources:**

Absolutely.

**Deputy R.J. Rondel:**

Do you feel if it was going to be changed that you would be or should be informed?

**The Minister for Treasury and Resources:**

I want to know about the workings of the scheme and if it is oversubscribed to any great extent then we will look at that carefully and keep that under review.

**Deputy R.J. Rondel:**

Thank you. How will the prospective households who are currently on Band 5 be informed when it does go live?

**The Minister for Treasury and Resources:**

That is the communication that I understand has been happening with Housing. I have certainly seen a letter that has been circulated by Housing to people that are on Band 5. That is as far as I understood how the Housing Unit has been working with prospective potential users.

**Deputy R.J. Rondel:**

Would we be able to have a copy of that letter that has gone out then?

**The Minister for Treasury and Resources:**

Yes. I mean that is obviously from the Housing Unit, but we will see what we can do on that.

**Deputy R.J. Rondel:**

Thank you.

**The Deputy of St. Ouen:**

Is it the plan to encourage others who may or may not have already indicated a desire to access this fund to come forward in the next couple of weeks, bearing in mind that this new scheme is going to be implemented?

**The Minister for Treasury and Resources:**

I cannot really add anything from what I have already said; that the scheme it is functioning. Its criteria are going to be well known by the market, by both estate agents and those that are helping people organise their deposits. The people that are eligible are clearly known to Housing because they are on this particular list. I cannot add anything from what I have already said.

**The Deputy of St. Ouen:**

Okay. So just to be clear, anyone that is interested it is time now that they actually declare their interest with Housing and get their name on Band 5?

**The Minister for Treasury and Resources:**

I am sure that there will be media coverage. If there is somebody from the media here today I am sure they will cover it. The fact is that when the scheme is absolutely signed up and ready to go, within a matter of days, then no doubt there will be some media coverage about that.

**Deputy R.J. Rondel:**

Is that what you are relying on, the media coverage, rather than a press release?

**The Minister for Treasury and Resources:**

I do not ...

**Deputy R.J. Rondel:**

Okay. That is fine. Just to be clear. The types of households were going to be smaller units rather than larger base schemes. Is that still the case as far as you are aware?

[09:45]

**The Minister for Treasury and Resources:**

I do not understand the question.

**Deputy R.J. Rondel:**

Well, when you first came to us you did not want the larger developments ...

**The Minister for Treasury and Resources:**

No, it is not open to new developments.

**Deputy R.J. Rondel:**

It is not open to new developments so it is still ...

**The Minister for Treasury and Resources:**

No.

**Senator S.C. Ferguson:**

Any new developments?

**The Minister for Treasury and Resources:**

We have already been through that definition of what a new development is and I recall that is less than 5 units. I mean I cannot remember what the criteria are but these have all been settled. It has been done.

**Senator S.C. Ferguson:**

Okay fine. As long as it is the same as it was when we had the hearing?

**The Minister for Treasury and Resources:**

Yes.

**Deputy R.J. Rondel:**

Okay. Thank you. Is there any more that you wanted to ask on the deposit loan, James?

**The Deputy of St. Ouen:**

Only that obviously, we understand it is going to be on a first come first served basis and that there is a limited amount of money. How are you going to manage? What plans are put in place to manage perhaps the expectations of many local people that believe that they will be able to access this scheme and yet they may not? Because if the money has run out or ...

**The Minister for Treasury and Resources:**

Well, we have been through all this, Deputy. We have been through the whole argument of the criteria, of the very limited criteria that was available, the number of strictures that exist in relation to the eligibility criteria. We have been through the administration of the fact that people are going to apply. The Minister for Housing and I responded to the States of the fact that we would keep under close review the situation of the scheme if it became fully subscribed very quickly. Now, I

cannot add anything from what I have already said. If the scheme is successful it will not boost house prices in my view, in fact if anything the housing market has remained extremely depressed since the whole scheme was originally announced and then taken to the States, we will respond accordingly with a longer scheme. I say should the scheme be able to be something that would be considered then it is something that would be available by way of decisions for a potential inclusion as a further item in relation to next year's capital programme where an amount of money could be made available but I say "could." So we will keep the scheme under review and how it has worked through the rest of the summer, through September and through to the beginning of October.

**The Deputy of St. Ouen:**

So you are suggesting that there is little risk about people feeling let down or misled because of not being able to access the funds?

**The Minister for Treasury and Resources:**

I have nothing further to say than what we have already discussed, re-discussed and discussed again.

**The Deputy of St. Ouen:**

Okay. So that is that.

**The Minister for Treasury and Resources:**

Yes. We have made the decision. We have been through a process.

**The Deputy of St. Ouen:**

We accept that.

**The Minister for Treasury and Resources:**

It has been scrutinised. It has been accepted. It is now in implementation. Let us review it. It has not yet started. Let us review it when it is midway through implementation.

**The Deputy of St. Ouen:**

But surely if you are a responsible person, and we are a responsible Government, so we should be recognising that there could be a risk and if there is we should be mitigating against it. My question was quite simple, do you believe that there is a risk that certain individuals are going to feel let down because of the criteria, which I accept has all been agreed and set out, in relation to this particular scheme?

**The Minister for Treasury and Resources:**

I just simply do not know. It is like asking whether somebody is going to be disappointed because milk has run out from the shop on the way home. I just do not know. I do not know what the demand is going to be. I do not know. I said we will review it as and when and we would be alert to making decisions to ensure that people were not let down but we just do not know but I will keep it under review, Deputy.

**The Deputy of St. Ouen:**

Oh good. Thank you very much.

**The Minister for Treasury and Resources:**

I do not like letting people down.

**Senator S.C. Ferguson:**

Now, if we revert to the economy because it is both our favourite topics. Well, a favourite topic of both of us. Why have you been delegated responsibilities in respect of financial services matters?

**The Minister for Treasury and Resources:**

Well, I guess you would need to ask the Chief Minister that because it is up to him to decide what he does in terms of delegation of responsibilities. As you will be aware there has been a very important report which has been commissioned and then, now, that is being implemented ...

**Senator S.C. Ferguson:**

Yes, but can we stick to the responsibilities under the financial services matters. Do you know what specific responsibilities have been delegated to you?

**The Minister for Treasury and Resources:**

Well, the States is due, tomorrow or the day after, to formally delegate or to move responsibility of all financial services matters from Economic Development and from the Treasury and to centralise them into a single directorate within the Chief Minister's Department. Now, the whole area of financial services has been to many people I suppose, quite unclear as to who is responsible. A number of countries have, particularly countries with large financial service sectors, designated ministers with responsibility for financial services separate to other portfolios. In Jersey the Minister for Economic Development has had responsibility, until now, for the Financial Services Commission. We are responsible for tax. We are also responsible for various different things like money laundering. So the heart of the sort of *Know your Customer* and *Fight Against Tax Evasion* has been an area which ... the Treasury was responsible for the money-laundering audit.

**Senator S.C. Ferguson:**

So we are centralising it?

**The Minister for Treasury and Resources:**

The view has been, since the creation of the new Director of Financial Services post within the Chief Minister's Department, that all of the legal responsibility should move to the Chief Minister's Department. Now, in turn what the Chief Minister has said is that he has divided up some of his responsibilities. Modernisation and government reform he has asked Senator Maclean to lead on. He has asked me to lead on the implementation and the operational aspects of the implementation of the Jersey Finance McKinsey Report and that is effectively what I have been doing. I mean you could argue that I have been doing that for some considerable time.

**Senator S.C. Ferguson:**

There was an implication that there were going to be terms of reference drafted to set out the responsibilities and accountabilities of you, the Chief Minister and the Minister for Economic Development. Have those ...

**The Minister for Treasury and Resources:**

Yes, I think a memorandum has been ... I do not know whether it has been finalised but a memorandum has been already agreed between the 3 Ministers. This was some weeks ago when the transfer functions were lodged.

**Senator S.C. Ferguson:**

Okay. What are the terms of reference?

**The Minister for Treasury and Resources:**

Well, effectively it is that it includes ... I do not have a copy of that with me today. I have not brought that because I understand that financial services will continue to be scrutinised by the Economic Affairs Scrutiny Panel. So if you want to scrutinise me on areas of financial services that is fine but if the detail of it ... for example, there is a Financial Services Oversight Group which consists of the Director General of the Financial Services Commission, the Chief Executive of Jersey Finance and the Director of Financial Services within the States of Jersey. That group meets under the ex-officio chairmanship of the Chief Minister but I attend those meetings and chair them in his absence. We discuss then the implementation and all the individual implementation plans that are being put in place in light of the McKinsey Report.

**Deputy R.J. Rondel:**

Could we be sent copies of the terms of the reference?

**The Minister for Treasury and Resources:**

You can but these are matters, I understand, that are already being scrutinised by the Economic Affairs Scrutiny Panel who have been also briefed on the whole McKinsey Plan?

**The Deputy of St. Ouen:**

Who drafted the terms of reference? Who was involved in drafting the terms of reference?

**The Minister for Treasury and Resources:**

The Chief Minister.

**The Deputy of St. Ouen:**

And others?

**The Minister for Treasury and Resources:**

Well, he is responsible for Financial Services.

**The Deputy of St. Ouen:**

It suggests that not only the Chief Minister but both you and the Minister for Economic Development were also to be involved in the drafting of those terms of reference. Has that been the case?

**The Minister for Treasury and Resources:**

No. He drafted them and consulted us.

**The Deputy of St. Ouen:**

So that you are fully aware of those terms of reference?

**The Minister for Treasury and Resources:**

Yes, I do not have a copy of them in front of me.

**The Deputy of St. Ouen:**

You, personally, have signed up to them?

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

Thank you.

**Senator S.C. Ferguson:**

From what you are describing then the Minister for Economic Development is not going to be involved as much with this?

**The Minister for Treasury and Resources:**

Well, some of the areas of financial services have ... yes, no, some of the areas of financial services have been moved to the Chief Minister's Department and Ian has asked Alan to spend more time on the Modernisation of Government Agenda which is a key part of the long-term medium strategy of delivering a more efficient States and the modernisation of States. So there is another oversight body which is being set up, as I understand it, I am not involved in that, into the modernisation agenda. So in other words ...

**Senator S.C. Ferguson:**

So that the Minister for Economic Development will not be involved in the oversight group?

**The Minister for Treasury and Resources:**

No.

**Senator S.C. Ferguson:**

Right. Okay.

**The Minister for Treasury and Resources:**

Because that is specifically focussed on the McKinsey implementation which is a whole range of other ... I mean there are 22 different individual items which are being worked on following the McKinsey Review.

**Senator S.C. Ferguson:**

I am sorry, what are you going to be accountable for then? I am not quite with it.

**The Minister for Treasury and Resources:**

Well, I think it is probably clearer if you see the terms of reference. I mean effectively I have been asked to deal with the implementation of the McKinsey Review and the Chief Minister has asked me to handle and to ... I mean this is a very big and important agenda. You could argue one of the most important agendas facing Jersey's economic future. The whole area of financial services, it



will be obvious to you, has changed and the world around us leading up to G8, post G8, is a hugely different world from where it was 12 months ago.

**Senator S.C. Ferguson:**

Right. So, if you look at it like that, how do you see your role? You are going to have this role in encouraging development, following McKinsey, in the relationship between Government and the financial services industry. So this is not something you do at the moment then?

**The Minister for Treasury and Resources:**

No. I mean I have done it in the past.

**Senator S.C. Ferguson:**

When you were Minister for Economic Development?

**The Minister for Treasury and Resources:**

No. It was more when I was Deputy Chief Minister when I deputised for the Chief Minister in relation to international financial matters. There is a huge job of work that is underway in relation to ensuring that people are clear and that the outside world is clear about Jersey's position in relation to financial services. So involved in that, as you will be aware, was the publication of the Capital Economics Report, which was an important reporting in explaining and justifying Jersey's benefit to the U.K. economy. I was involved, clearly, with the publication and the rollout of that, the presentation of it to the city 2 weeks ago and media discussion and debate around it. I am going to be involved in the further dissemination of that information throughout the autumn and leading up to Christmas. This is extremely important but we are very clear, having faced a lot of scrutiny, and having faced an awful lot of criticism as an international financial centre in the last couple of years, it is important that we work hard to position Jersey in a post G8 transparency, post F.A.T.C.A. (Foreign Account Tax Compliance Act) world.

**Senator S.C. Ferguson:**

Yes. Now, you talk about the Capital Economics Report, which was an extremely good report, explaining to the people who do not understand how our finance centre works. It was excellent. What is the relationship between that report and the McKinsey Report?

**The Minister for Treasury and Resources:**

That is a good and interesting question. The Capital Economics work was originally conceived in discussions with ... when it became clear, almost 2 and half years ago, that we needed to explain better and have some proper data which explained what Jersey does and the benefit to the U.K. economy. It was clear to me from meetings with Ministers, Back-Benchers, media, N.G.O.s (Non-

Governmental Organisations), important commercial players in Jersey, that even after the Foot Review had explained that Jersey was a key deposit taker and, therefore, contributed to the U.K. banking system in terms of capital we really needed some credible research that could not have been simply undermined by saying: "Oh, well that is Jersey saying that information so of course they would say that."

[10:00]

We needed something that was going to be really credible that would assist those existing players in Jersey and also assist Ministers and Back-Benchers and N.G.O.s and other organisations to see some real hard data on what Jersey did. I think the important, almost game-changer, nature of the Capital Economics Report is that it calculated everything that mattered to the U.K. economy. In other words it calculated all the benefits and it put some useful data for the first time, on the proportion of the amount of inward investment into the U.K., so that £450 billion figure and a fairly chunky percentage of the whole of the stock of inward investment into the UK. Those numbers have never been published before. The £118 billion of capital that is collected in Jersey and up-streamed to the U.K. banking system, which was also compared usefully in terms of quantity, because these numbers do not really mean much to people but when you say: "That is equivalent to a third of Q.E. (quantitative easing)." That is hard real money. I mean you can argue whether or not you agree with pixelated money or not, I imagine I can work out what your views on that are, but that is hard cash that otherwise would not be put into the U.K. banking system. Moreover, some real hard data on looking at the origins of that cash and working out whether or not that cash, if it would not be positioned in Jersey or one of the other Crown Dependencies, whether or not it would likely end up into the U.K. Now, that report will be attacked. There are questions which are being tabled this afternoon to the Chief Minister on that work by Deputy Southern. I mean we can speculate as to who may be the authors of those.

**Senator S.C. Ferguson:**

Yes, well okay. It was a good report.

**The Minister for Treasury and Resources:**

It will be attacked but it is an excellent report and I have spent a lot of time talking through that report with M.P.s (Members of Parliament), with significant commentators in the U.K. with the media. I think it is a game-changing report. I think it is going to help to explain. Sorry, the other thing I should have said it also, of course, quantified for the first time, and perhaps uncomfortably for some people, the full extent of the possible use of Jersey for tax evasion and tax avoidance. Now, we can say in a world where F.A.T.C.A. has been signed we have put beyond doubt Jersey's position on tax evasion. Okay?

**Senator S.C. Ferguson:**

Okay. Fine. You have not talked about the relationship between this report and the McKinsey Report.

**The Minister for Treasury and Resources:**

Sorry. So the Capital Economics Report took a great deal of time to research. First of all, to find an organisation that was credible and that was willing to undertake the research. Secondly, the research itself required 2 economists to be on the ground in Jersey and to visit all financial services players in order to get the data, which of course was anonymised because even Government does not have access to the actual data itself. It created a huge amount of information in order to basically compile its findings. Now, the quite interesting thing was at the same time ...

**Senator S.C. Ferguson:**

Okay, we are not talking about the ...

**The Minister for Treasury and Resources:**

No, I am explaining this to you. At the same time McKinsey were also doing a lot of data gathering in relation to what were the activities of the financial services that were currently featuring, growing business, et cetera and it was important for those 2 bits of research to, in some way, be reconciled because it was almost a double check on them. It has been extremely valuable. I supported it. In fact I was one of the original conceivers of the Capital Economics Report. That was originally one of my ideas. I am delighted with its outcome. I am delighted with the way it has been carried out and similarly I think the McKinsey Report is going to be absolutely fundamental in securing existing business and getting business going forward.

**Senator S.C. Ferguson:**

Right. How much did the Capital Economics Report cost?

**The Minister for Treasury and Resources:**

£200,000.

**Senator S.C. Ferguson:**

Who paid?

**The Minister for Treasury and Resources:**

It was a budget transferred to Economic Development because Economic Development still retained responsibility for Jersey Finance.

**Senator S.C. Ferguson:**

Right. But going back to the ...

**The Minister for Treasury and Resources:**

This was all public information. It has already been signed. These are public M.D.s. (Ministerial Decisions).

**Senator S.C. Ferguson:**

Yes. For some years the banking industry has been perfectly aware that the bulk of deposits go straight back to London and are up-streamed there for reinvestment but ...

**The Minister for Treasury and Resources:**

They might be aware but there was not any hard data to prove it.

**Senator S.C. Ferguson:**

Well, there was within the F.S.C. (Financial Services Commission) but obviously it was not data that could be publicised. Anyway, going back to your role in the new responsibilities for implementing the McKinsey Report how will this role change what you do now?

**The Minister for Treasury and Resources:**

Well, first of all I have got a very good Assistant Minister, and as we have said previously, between myself and Deputy Noel we are a seamless pair of individuals that when I am ... for example I spent the whole of the week before last in London and my duties were ably and easily able to be dealt with, if there were anything, by Deputy Noel in my absence. So there will be a time commitment. There will be a time commitment in the autumn where we are going to be doing some more explaining and publication and awareness raising of the Capital Economics Report and I do not think that anybody would say that any of the existing Treasury work is not done because between the 2 of us, supported by our excellent team, we deliver, I think, probably an agenda which is significant and it will not impair any of that at all.

**Senator S.C. Ferguson:**

Yes. So how will the success in this work be monitored?

**The Minister for Treasury and Resources:**

That is a good question. I would judge success on the financial services activity. I mean I already think that success could be judged by a higher motivation within financial services generally about what people do. The feedback that we have had from the work of Capital Economics has been absolutely tremendous. I think people have been looking for and asking for strong political support and strong political position taking in the U.K. about defending our financial services industry. They have had that. They have had that from the 4 Ministers that have been involved in this, the Chief Minister, External Relations, Minister for Economic Development and myself. I think success at the end of the year it would look like ... you cannot necessarily measure it in a sort of an empirical way but I think that a confident growing Jersey, which is seeing an upswing in business, seeing an upswing in terms of new interest in the Island and almost a sort of a motivation level. I do not believe in happy economics, or whatever this new phrase is, is that apparently if you feel happy the economy follows. If the happy econometric model is up then that is good. As far as hard business is concerned it takes a bit of time for business to flow through. There are banking licences which are being applied for now by the J.F.S.C. (Jersey Financial Services Commission). You are seeing a series of pretty good confidence statements coming out from organisations like Lloyds Bank who sold all of their private banking businesses in Switzerland, Gibraltar, a number of the jurisdictions, and said they were going to be focusing their business, going forward, on the U.K. and the Crown Dependencies. We saw Coutts announcing, a couple of weeks ago, that they were setting up a centre of excellence for the trust business in Jersey in their Coutts brand. In all of the discussions that I have been having with the other major banking brands they are ... and you saw last week in the confidence service ...

**Senator S.C. Ferguson:**

This is part of your McKinsey work then?

**The Minister for Treasury and Resources:**

McKinsey has got 22 different areas of work.

**Senator S.C. Ferguson:**

No, but you are saying you are having these meetings with all the different banks rather than the ... this is as a result of the Minister for Economic Development changing his focus then?

**The Minister for Treasury and Resources:**

Yes.

**Deputy R.J. Rondel:**

The confidence you are talking about is that being transferred into hard ... for example, the financial quarter? Have we got some positive action on there?

**The Minister for Treasury and Resources:**

The lead time takes a long time. You know we are going to continue to see a hard situation on employment for, certainly, the next 12 to 18 months. There are still announcements of the larger financial players that have got further consolidation plans and trimming back on activities. That is not just driven on anything to do with ... it is Jersey-centric but technology is taking a further leap forward in terms of jobs disappearing into, literally, the ether as technology never ceases to slow its place.

**Deputy R.J. Rondel:**

As you have said people like Coutts are having a good ...

**The Minister for Treasury and Resources:**

But then that is good, is it not?

**Deputy R.J. Rondel:**

... and have stated that but do you not see that being transferred into the Esplanade Quarter in terms of people making a commitment into it?

**The Minister for Treasury and Resources:**

Yes, absolutely. I mean in a year's time I would judge success such as the confidence returning to Jersey that tenants are signing up to buildings including the financial services.

**Deputy R.J. Rondel:**

Do you see that, tenants signing up to buildings, at the moment?

**The Minister for Treasury and Resources:**

Yes. I can see a marked increase in confidence and clearly it is only relatively recently that the U.K. itself is beginning to show the signs of the economy, while it is going to be a long and slow and protracted recovery and interest rates are going to be very low, which is the other thing that is driving some job losses locally, the profitability of the banks.

**Deputy R.J. Rondel:**

We have got development permission on the Esplanade Quarter. Have we got any tenants signed up?

**The Minister for Treasury and Resources:**

Yes. S.o.J.D.C. (States of Jersey Development Company) and the other competition, people are hard at work and I have got an update with them, I think, later on this week.

**Deputy R.J. Rondel:**

Do we have any signed up, tenancies?

**The Minister for Treasury and Resources:**

That is a matter for S.o.J.D.C. I am not going to speculate in public on the negotiating position in relation to S.o.J.D.C. or anybody else. That would be wrong for me to do so but I am aware that discussions are ongoing with a number of important tenants but no decisions have been made as I understand.

**Deputy R.J. Rondel:**

Thank you.

**The Deputy of St. Ouen:**

Can I just pick up on a couple of matters? I know that you have mentioned it before but can you just confirm that you will be personally politically responsible for delivering the implementation of the McKinsey Report?

**The Minister for Treasury and Resources:**

Yes.

**The Deputy of St. Ouen:**

Also, you mentioned the fact that all financial services will be diverted to the Chief Minister's Department. Can you confirm who will be ultimately accountable for that particular area?

**The Minister for Treasury and Resources:**

The Chief Minister.

**The Deputy of St. Ouen:**

Solely?

**The Minister for Treasury and Resources:**

Well, he has asked me to lead on areas and holds me to account. At the moment I know that there are some further considerations that have been given to ... and I agree with this, is that the Chief Minister needs to be given the ability to designate and to delegate Ministers with area of

responsibilities. Now, he can do that to another Minister in a certain way but legally he can only do that if he has got a position in which to place that Minister. I have no doubt I am accountable and happy to be accountable for the delivery of the McKinsey Report. I regard that as an important and big set of responsibilities which is absolutely fundamental to the growth of the economy and securing, importantly, tax revenues in the future.

**The Deputy of St. Ouen:**

When were you asked how will this role change what you do now, you spent quite a lot of time saying about how well you work with your Assistant Minister. Is it your intention to share responsibility for the implementation of McKinsey Report with your Assistant Minister?

[10:15]

**The Minister for Treasury and Resources:**

No, that is just going to be between myself and the Chief Minister although Deputy Noel does come with me and partners with me on anything that I do within my general portfolio. I mean it is quite difficult to put hard walls between some of these areas. I mean financial services are absolutely linked in, in often cases, to the whole area of tax and so that it is quite difficult to position this stuff in easy compartments and easy boxes.

**The Deputy of St. Ouen:**

You did mention, of course, that we are about to debate P.75 and the adoption of it would see some of your legislative responsibilities for the anti-money laundering law is transferred to the Chief Minister. What impact, if any, would this have on your day-to-day or other responsibilities?

**The Minister for Treasury and Resources:**

None that are particular.

**The Deputy of St. Ouen:**

None at all.

**The Minister for Treasury and Resources:**

No.

**The Deputy of St. Ouen:**

Finally, the Chief Minister recently announced an action plan in respect of transparency following the G8 Summit and 7 actions were listed. Which ones, if any, will you be involved in directly?



**The Minister for Treasury and Resources:**

All of them.

**The Deputy of St. Ouen:**

Are there any particular ones that you believe have a greater priority than others?

**The Minister for Treasury and Resources:**

I mean I do not have the action plan in front of me. I can pull it up for you if you want. Do you have a copy of it there?

**The Deputy of St. Ouen:**

Obviously, I mean you have just said all of the ...

**The Minister for Treasury and Resources:**

I do not keep these things in my head. I keep most things in my head but sometimes I need to ...

**The Deputy of St. Ouen:**

So obviously the actions are not a particular priority otherwise you would be ...

**The Minister for Treasury and Resources:**

They are a massive ... they are a huge priority.

**The Deputy of St. Ouen:**

You would be able to recollect them as much as you have been able to tell us about all sorts of different matters this morning.

**The Minister for Treasury and Resources:**

This is not a memory test, Deputy. I have got it in front of me. We have got 7 action plans and of course the first is that we conduct and share the findings of a national assessment of money laundering by 2015.

**Senator S.C. Ferguson:**

Well, would you like to whip through and just point out the most important one?

**Assistant Minister for Treasury and Resources:**

I think the Senator was doing that.

**The Minister for Treasury and Resources:**

The areas of satisfying the requirements of the F.A.T.F. (Financial Action Task Force) and particularly compliance with MONEYVAL is really important but that is a matter being handled by the Commission and we are doing our general review and doing a pre-consultation paper of corporate transparency. I mean I think the first thing you need to remember is Jersey leads almost any other country within the areas of the Crown Dependencies and Overseas Territories on business transparency. The business secretary this morning, Vince Cable, is announcing at the moment some further changes to corporate transparency in the U.K. and particularly the issue of ending, for example, bearer shares, central registries. We already have all of these issues. When the Chief Minister and I were outside No. 10 and on that morning in *The Guardian* the Prime Minister announced the U.K.'s position on a central registry. We have had a central registry in Jersey for, I think, 30 years. So this agenda is tightening up further improvement but we are regarded as a global leader in relation to this overall area. So what we are doing on the fourth area is supporting international organisations, G20, G8, O.E.C.D. (Organisation for Economic Co-operation and Development) in E.U. (European Union) in sharing our expertise on corporate transparency with other countries. Particularly we are promoting Jersey as a model for the central registry that we have. We are going to be, also, engaging in a number of discussions with areas within the developing world, particularly the African Union and other international organisations, in seeing how we can help other countries because this is more than just simply the G8. Russia and, I think it is Germany, have yet to publish their own action plans on G8. There is a lot of work going on post G8 but that action plan from Jersey was almost a statement of what we are already doing which is very significant. If the rest of the world had our levels of transparency there would not have been a need to have a G8 Summit.

**Senator S.C. Ferguson:**

I mean I am totally in favour of the Capital Economics Report and pointing out to the mainland countries just how much we support them. At what point in time are we going to say: "Look, we have got a simple tax system."

**The Minister for Treasury and Resources:**

That is an entirely different matter. I mean that is ...

**Senator S.C. Ferguson:**

There will come a point though, surely, that we dig our toes in and say: "Look, stop bullying and see to your own establishment."

**The Minister for Treasury and Resources:**

I think that anybody suggesting that the U.K... I do not recognise this word "bullying." I recognise the word "partnership." The discussions that we are having with the U.K. are that we are not a tax haven. We are not the problem. We are part of the solution. That is the message that is being put quite clearly but the statement that the Island has had in relation to transparency is clear. The U.K. has wanted us to sign a F.A.T.C.A. We are now literally about 3 weeks away, probably, from signing that F.A.T.C.A. and automatic exchange of information. The relations with the U.K., certainly with the Treasury, No. 10, have been positive in certainly the time that I have been involved in this in the last few weeks. We have a lot of work to do. There are still many people who have a negative view of Jersey which is disconnected from the reality and so we have got a lot of hard work to do ahead to explain what Jersey is about and what we are not about. I think there is a further unique set of opportunities in signing the U.K. F.A.T.C.A. agreement in 3 weeks' time, both with the U.K. and the U.S. (United States) and then further international summits. I think we have a lot of work but we have some good opportunities to explain and to position Jersey in the place that we all know it is but other people do not necessarily accept it.

**Senator S.C. Ferguson:**

So we have not actually signed the F.A.T.C.A. yet?

**The Minister for Treasury and Resources:**

No.

**Senator S.C. Ferguson:**

It was meant to be signed in May.

**The Minister for Treasury and Resources:**

No. F.A.T.C.A. ...

**Senator S.C. Ferguson:**

The U.K. F.A.T.C.A. I am talking about.

**The Minister for Treasury and Resources:**

Yes. No. The commitment to signing a F.A.T.C.A. was in May. There is a process. There is an agreement in principle.

**Senator S.C. Ferguson:**

What has changed? We would ...

**The Minister for Treasury and Resources:**

No, nothing has changed.

**Senator S.C. Ferguson:**

No, one second. We were told that it was going to be signed in May.

**The Minister for Treasury and Resources:**

No, that is the U.S. F.A.T.C.A.

**Senator S.C. Ferguson:**

The U.S. F.A.T.C.A. was signed in May?

**The Minister for Treasury and Resources:**

No. The U.S. F.A.T.C.A. has not been signed. It is going to be signed in parallel with a U.K. F.A.T.C.A. in about 3 weeks' time.

**Senator S.C. Ferguson:**

So what has changed in the actual F.A.T.C.A.?

**The Minister for Treasury and Resources:**

Nothing. Nothing has changed?

**Senator S.C. Ferguson:**

So why has there been a delay?

**The Minister for Treasury and Resources:**

There has not been a delay. There has not been a delay in relation to the Jersey-U.K. F.A.T.C.A. There has been no delay.

**Deputy R.J. Rondel:**

Has there been a delay in the U.S. F.A.T.C.A.?

**The Minister for Treasury and Resources:**

I do not know what ...

**Senator S.C. Ferguson:**

We were told that it was going to be signed in May.

**The Minister for Treasury and Resources:**

There was certainly an expectation, maybe, about a year ago, that the U.S. F.A.T.C.A. but there is a bit of confusion sometimes.

**Senator S.C. Ferguson:**

Yes, we were told.

**The Minister for Treasury and Resources:**

Because there is the commitment to sign something, then there is the signing of it by the heads of Government or Minister for Finance, then there is the actual ratification by the Parliament and then there is the bringing into force so ...

**Senator S.C. Ferguson:**

We were quite clear we were told that it was going to be signed in May and I wondered, therefore, what changes had been made between May and now that required the delay?

**The Minister for Treasury and Resources:**

I am not aware of any delay.

**Senator S.C. Ferguson:**

And you are not aware of any changes?

**The Minister for Treasury and Resources:**

No. There is an enormous amount of work going on in relation to the detail of it. Our Head of Tax Policy has been hard at it for weeks, drafted guidance notes in anticipation of the agreement actually being signed. There is ongoing, there is almost weekly discussions with the Treasury in the U.K. in relation to some aspects of the detail of it and this is a huge ... these are huge pieces of work and they have implications.

**Senator S.C. Ferguson:**

Yes. So there could have been changes between May and now because you talk about all the work being done on the detail.

**The Minister for Treasury and Resources:**

There is a commitment to sign.

**Senator S.C. Ferguson:**

Yes, I understand what you are saying.

**The Minister for Treasury and Resources:**

We are going through that second process.

**Senator S.C. Ferguson:**

I am just saying that you will understand that we are confused because we were told specifically that it was going to be signed in May and, therefore, I wondered what the delay was and what the changes were that had caused the delay.

**The Minister for Treasury and Resources:**

I do not think there is any delay at all. I mean if it is appropriate for you to get a briefing on the detail of the F.A.T.C.A. obviously this will be ... you will want to be scrutinising the F.A.T.C.A., I have no doubt, when it is laid before the States because obviously the principles that will be signed are then to be ratified by both the U.K. Houses of Parliament and the States Assembly so there is lots of detail on this. I mean there is important detail; for example, the principle that we will only give to another jurisdiction information which it is collecting from its own taxpayers. There is lots of detail about what the definitions of residents are, moving the definitions of U.S. citizens to British resident; a hole is because there is no concept as a U.S. citizen pays and submits a tax return on their worldwide assets for the rest of their life for as long as they have a U.K. passport.

**Senator S.C. Ferguson:**

Yes, I am aware of that.

**The Minister for Treasury and Resources:**

That does not translate easily into U.K. principles.

**Senator S.C. Ferguson:**

Okay, fine. I just asked a simple question and you have given me a simple answer that we were given the wrong information and that there have been no major changes in the F.A.T.C.A. since, I do not know, March.

**The Minister for Treasury and Resources:**

No. There has been a lot of detail worked on.

**Senator S.C. Ferguson:**

There have been a lot of detail changes but not any major changes?

**The Minister for Treasury and Resources:**

Yes.

**Deputy R.J. Rondel:**

Okay. Let us go on to the capital expenditure. The Minister for Economic Development was in on the media this week saying that an investment of £60 million would happen this year. We know the construction industry is going through very difficult times. Could you explain, perhaps, when that £60 million will be spent? I mean I presume he is talking about the £56 million, I think, in the Medium Term Financial Plan which was outlined. Do you know when this money will be spent?

**Treasurer of the States:**

What we can provide you with, Chairman, is at the end of May we have done an update on the Capital Programme to show where we are with all of the schemes across the States and the planned level of spending. So if you would like to see that we can provide you that in confidence outside this meeting and it goes through, scheme by scheme. So you will be able to see just where we are with that. In fact I could have it brought over if you want it for later on this morning.

**Deputy R.J. Rondel:**

Thank you. I think that might be useful.

**Senator S.C. Ferguson:**

Thank you. That would be good.

**Deputy R.J. Rondel:**

Can you give a ballpark figure on how much may well have been spent so far, I mean we are July now, of that £60 million being put into the economy?

**Treasurer of the States:**

If we could do that a bit later with a paper in front of me then I would be able to give you a much better position but I think the important thing to recognise on the Capital Programme is that the amount to which you refer are the new allocations for 2013 but necessarily capital schemes take a long time to complete sometimes. So things like the police station, things like the new school for St. Martin, take a number of years to come to fruition even though they were approved as part of a particular budget. So at the end of 2012 we had a substantial amount that was being carried forward on the schemes that were already in progress. So what we can do is give you a copy of the report as at the end of May which sets out the spending on the schemes currently, whether they were funded for 2013 or whether they were funded for prior years. So you will get a better picture then of the actual spending in the economy.

**Deputy R.J. Rondel:**

What we are trying to get to grips with is how much is actually going into the economy say within the next 6 months. Are we going to drive investment into the Jersey construction industry and other areas to boost the economy?

**Treasurer of the States:**

Yes, we are certainly trying our best particularly in areas like housing to bring forward schemes and to get them completed as fast as we can. We are pleased to have the planning permission now on the police station for example so ...

**Deputy R.J. Rondel:**

But again will any of that be spent in this year, 2013?

**Treasurer of the States:**

Yes, it will because we are already spending on things like architects' fees, design fees, that sort of thing.

**Senator S.C. Ferguson:**

But we have spent money on, for instance, the developments in St. Saviour but we are not allowing those to be part of the deposit scheme that we have just been talking about.

[10:30]

**The Minister for Treasury and Resources:**

Hold on, that is 2 different things. There are 2 different types of houses there. The properties that we are buying at Langtry Gardens were bought and that are being constructed are social rented housing. The Loan Deposit Scheme is for people buying their own home.

**Senator S.C. Ferguson:**

Yes. I thought some of the houses up there were in fact going to be ...

**The Minister for Treasury and Resources:**

Yes, those are the private developments and those are not ...

**Senator S.C. Ferguson:**

... ones for sale for aged people who want to downsize.



**Assistant Minister for Treasury and Resources:**

Exactly, Senator. They are downsizing. They already own a property. They should not have assistance. They are not first-time buyers.

**Treasurer of the States:**

The other thing I would say, Deputy Rondel, in relation to your question about stimulating the local economy through capital is that we have also taken other measures. For instance, we have loaned £6 million to Trinity because they had a scheme that they were able to take forward on affordable housing. They have taken that forward really quickly. They are spending faster than the original plan. So they will soon be repaying that money back to us and it will only be a matter of a couple of years from beginning to end of the States involvement and that will generate a number of affordable homes in Trinity.

**Deputy R.J. Rondel:**

Are you confident we have got enough schemes in the pipeline to be able to generate and stimulate the economy within the next 6 months?

**Assistant Minister for Treasury and Resources:**

There is a good saying, Deputy: "New business is good, more would be better," and it certainly is the case that more schemes would help.

**Deputy R.J. Rondel:**

What schemes have you got at the moment in terms of construction?

**Assistant Minister for Treasury and Resources:**

Well, in Property Holdings we are working closely with our colleagues at Housing to try and identify additional sites.

**Deputy R.J. Rondel:**

So there is no scheme that we are ...

**The Minister for Treasury and Resources:**

There are loads of schemes.

**Treasurer of the States:**

There are lots of schemes underway. For instance, the next phase of the prison extension is underway. There are works going on in mental facilities like Clinique Pinel and Rosewood. Ray, have you got a list there?

**Director of Estates, Property Holdings:**

I did not bring a list with me because I thought the question would be directed towards funding rather than progress and sign off, but 2 recent ones that have been commenced on site are works at Victoria College to provide replacement facilities there for some very ageing temporary blocks that have been temporary for a very long time and, particularly, the Assistant Minister, when he leaves the building, will be signing the approval for St. Martin's School and we will be starting on site this week. So that will be a major step forward. We noted that in the tenders that we have received we have very good tenders from local companies and it is evident that there is a keen and competitive market there. We, working with the Housing Department, are keen to get projects out and in the arena so that we can start on these sites as soon as possible.

**Deputy R.J. Rondel:**

Good. That is exactly what I wanted to hear and the reason why I asked it was because of the concern voiced in the media this week of the construction industry and the Minister for Economic Development.

**The Minister for Treasury and Resources:**

I spent a lot of time talking with Alan about that and if you look at the Business Confidence survey you can see the confidence dipped down when fiscal stimulus was effectively withdrawn. First of all, we all hope that the economy in the U.K. - and it will have an impact here - will start moving and start returning to some degree of confidence in the future. What we are extremely keen on here is making sure that there is a pipeline of work, of which housing is absolutely vital, and indeed they have got a pipeline of work. That has been the constant refrain we have had from us to Housing for 18 months. I saw the scaffold cladding going up on the building at the end of Green Street, Pomme d'Or Farm, all these are ...

**Deputy R.J. Rondel:**

Those are finished.

**The Minister for Treasury and Resources:**

No, all those are great examples of projects that moved very quickly.

**Deputy R.J. Rondel:**

Absolutely.

**The Minister for Treasury and Resources:**

There is a pipeline.

**Deputy R.J. Rondel:**

Are you concerned that we do not have enough future sites?

**The Minister for Treasury and Resources:**

We have got plenty of things for Housing to do and they have been working to ensure that they have got projects and Ray from Property Holdings can tell us about that. We are going to be talking to you about longer-term capital planning in a minute and why we are focusing on much longer-term, taking a 3-year and longer-term view. What is absolutely vital is the Council of Ministers' commitment to deliver the amendment to the Island Plan imminently and before the summer break. What is important is to send a very clear signal that the Council of Ministers is determined and the Minister for Planning and Environment is going to deliver on amendments to the Island Plan which will ensure further supply of social rented and affordable housing to the market over the next 2, 3, 4 and 5 years. I think what builders and people in construction, of which there is a dominant part of local employees, need to believe and see is that there is a pipeline of likely approvals that will continue for 2, 3, 4 and 5 years out. With this recession, things will take a long time to get moving and I think there has never been a better time in order for affordable and social housing developments to be delivered and approved upon, but we need some more consents.

**Deputy R.J. Rondel:**

They will bring that to the States shortly. I hope they will take into account possibly no compulsory purchase restrictions within propositions, because we have heard many debates ...

**The Minister for Treasury and Resources:**

Well, compulsory purchase propositions were extremely effective in previous rezonings in 2002.

**Assistant Minister for Treasury and Resources:**

Deputy, you do need a tool, after they have been rezoned, to produce the homes on the sites. There is a well-known site in the 2002 Island Plan that has been rezoned since 2002 and still has not been built on.

**The Minister for Treasury and Resources:**

I think you own a site as well, do you not, Deputy, to be clear? I think you potentially own a site above Westmount which was originally ...

**Deputy R.J. Rondel:**

That is withdrawn.

**The Minister for Treasury and Resources:**

Okay, but there are going to be some sites that will be resubmitted.

**Senator S.C. Ferguson:**

Are all your capital projects being delivered within budget?

**Treasurer of the States:**

Yes.

**Senator S.C. Ferguson:**

Brilliant.

**The Minister for Treasury and Resources:**

They cannot not be.

**Senator S.C. Ferguson:**

Well, things happen.

**Treasurer of the States:**

Yes. On the police station at the moment we are doing some more work around the police station to make sure that we can deliver within budget and I think last time I reviewed the current position we were short about £600,000, but that was before we had done the necessary works for the architect to reduce the cost.

**Assistant Minister for Treasury and Resources:**

We did incur additional costs on the police station because of the time it has taken to get the planning application approved. If we just take inflation into account, we had a burn rate of something like £36,000 per month.

**Senator S.C. Ferguson:**

Have you taken into account the cost of the conditions that have been put on the application?

**Director of Estates, Property Holdings:**

We have an ongoing dialogue with the Planning Department, so the conditions were not a surprise to us and had been factored into the budget as we were developing and reviewing the budget moving forward. So when the conditions were released, none of them were a surprise, as you would expect.

**Treasurer of the States:**

I think I have to say that we do plan to make available £1.5 million in capital programmes for 2014 to fund the additions to the Green Street Car Park to make it cope better with ...

**Senator S.C. Ferguson:**

With suitable plugs for electric cars, I presume.

**Treasurer of the States:**

Well, maybe. Make it cope better with the volume of traffic.

**Deputy R.J. Rondel:**

Is that to adhere to the planning provision?

**Treasurer of the States:**

Yes.

**The Deputy of St. Ouen:**

Can I just ask, in its 2012 Annual Report, the Fiscal Policy Panel's second recommendation was that consideration could be given to whether, in a timely, temporary and targeted manner, capital allocations in 2012 and 2013 could be spent in the year of allocation. Has all capital expenditure allocated for 2012 been spent?

**Treasurer of the States:**

No. How could it be, Chairman? As I explained earlier, the schemes can take more than one year to complete.

**Assistant Minister for Treasury and Resources:**

A good example of that is the new police headquarters. That had some capital funding in 2012 and we have only just had permission to go ahead with the scheme.

**The Deputy of St. Ouen:**

Is this not taken into account when determining the capital expenditure for each year?

**Treasurer of the States:**

No, Chairman, it is not because the way in which the States' capital funding works is the States fully funds the capital scheme from the beginning of the scheme. So the expenditure on the scheme other than that which can be funded through the planning vote does not start until the whole budget is approved. It is a peculiarity of how Jersey does it. It is a very prudent and

sensible way to do it. If they have got a big scheme like the Energy from Waste plant, for instance, which cost around £115 million, most jurisdictions will either borrow for that or they would fund it in stages - maybe they would fund something like that in 4 lots of around £30 million - but the Jersey system, as you know, is to fund it all upfront. So that necessarily means that when we have big schemes we have big carry-forwards from one year to another. That is the Jersey process.

**Senator S.C. Ferguson:**

It is the old Yorkshire approach, is it not? If you have not got the money you cannot ...

**Treasurer of the States:**

You do not spend if it if you have not got it.

**The Deputy of St. Ouen:**

Mention has been made of a number of housing projects which are being used to boost and support the construction industry. Could you just confirm whether or not the money that is currently being spent or planned to be spent by the Housing Department is to be repaid?

**Treasurer of the States:**

Some of it is, Chairman. Pomme d'Or Farm, for instance, and Le Squez, advances were made to Housing with the intention of that money being repaid.

**Deputy R.J. Rondel:**

Jardin des Carreaux, is that one?

**Treasurer of the States:**

I would have to check that. In addition, during the course of 2012 £27 million was made available to Housing expressly to bring forward a number of schemes that were planned for later years. Those schemes were planned to happen at a much later stage. Now, what we did to enable that £27 million to be funded, our original plan had been that that £27 million would be funded by borrowing once a newly-incorporated housing body had been established and that that borrowing would be provided from an investment from the Currency Fund. A decision was taken, because of the current economic circumstances, to bring forward the spending on those schemes. We were then in a position where we could not lend ourselves money. We can lend money to an external body but not to a States department. So what we did in the short-term was to fund that £27 million from the Consolidated Fund and then Housing will repay that once they become incorporated.

**The Deputy of St. Ouen:**

So the short answer is that, yes, the vast majority of the housing projects being undertaken or that have been completed in the last couple of years are to be repaid by the Housing Department?

**Treasurer of the States:**

The additional ones over and above the originally-planned capital programme would be, yes, but that was always the clear understanding.

**The Deputy of St. Ouen:**

Right. Obviously you mentioned about the Housing Department. Apart from the housing projects and obviously the police station that has been mentioned and St. Martin's School, what other States infrastructure projects are being brought forward?

**Treasurer of the States:**

The best thing to do, if I may suggest, Chairman, is when the report comes over - because I have sent over for it - you will be able to see there is a long list in there. It will scheme everything out so you will be able to see that, because you will be surprised at the extent of it.

[10:45]

**The Deputy of St. Ouen:**

I just wondered if anything came to mind because obviously we have had comments being made about certain projects. I just wondered whether other projects have been spoken about by the Assistant Minister.

**The Minister for Treasury and Resources:**

They will have that detail.

**Senator S.C. Ferguson:**

Right, and what ...

**Deputy R.J. Rondel:**

Sorry. I was just going to ask the progress on identifying funding options for the new hospital and other social housing ...

**The Minister for Treasury and Resources:**

I am going to brief you in private session of the current thinking on that because this is a policy under development and there are some decisions which are yet to be taken. What I will say in

open session is that we will come forward with outline proposals for all of the future funding of long-term capital projects, including housing, liquid waste and the hospital, in the budget this year and we will ask for in-principle decisions for those overall schemes. There has never been such a long-term look or such a far horizon scanning of any capital projects before. We are spending a very significant amount of time on this whole plan and it has a range of internal and external funding arrangements.

**Deputy R.J. Rondel:**

It must be extremely difficult with something like the hospital. You could be £100 million or £200 million either way.

**The Minister for Treasury and Resources:**

Not from a Treasury point of view.

**Deputy R.J. Rondel:**

Well, people are bandying around £250 million to £450 million.

**The Minister for Treasury and Resources:**

Were you talking old centimes or were you talking pounds?

**Treasurer of the States:**

We can brief you on that.

**Deputy R.J. Rondel:**

So you have a clear picture of the cost of a new hospital?

**The Minister for Treasury and Resources:**

Yes, and we have a very clear view that, as all things, you should plan for your coat according to the available cloth and we will be being very clear as to what we believe the cloth pound sign should be.

**Deputy R.J. Rondel:**

It will be good to share that. Thank you.

**The Minister for Treasury and Resources:**

Absolutely. Certainty, proper governance and proper budgeting, and these are active political discussions. Also, the principle of not borrowing for assets that you do not get a return on is an



important guiding principle throughout our decision-making. There is, however, no issue - as we have just been discussing - with borrowing for assets that produce returns, such as housing.

**Deputy R.J. Rondel:**

We are talking about capital programmes, but one of the areas that I would just like to touch on is the issue of backlog maintenance and obviously, Minister, you consider to comment on the fact that the States have been poor for many years about maintaining its existing property. What is the current status on that work?

**Director of Estates, Property Holdings:**

Would you like me to pick this up?

**The Minister for Treasury and Resources:**

Yes, please.

**Director of Estates, Property Holdings:**

We have got a briefing note which will tell you and there is some detail on the schemes. Property Holdings runs the backlog maintenance programme for States buildings, which includes the Health and Home Affairs but not the portfolio that is in trading accounts. We have got an allocation in 2013 of £4.25 million for backlog maintenance and from other budget sources there is a £630,000 Health Growth Fund, which is new money in 2013, and the Property Holdings maintenance budget has also identified funding for specific project work rather than compliance and mandatory cyclical maintenance works to create a total budget of around £7.4 million for improvement works to public buildings. So that is quite a significant sum of money, which I would say also supports the construction industry and particularly those in the construction industry that are small-scale builders more than medium builders. We have 99 projects this year and a programme of works ranging from fairly small-scale works up to £300,000 to £400,000 works for improvements to various buildings.

**The Deputy of St. Ouen:**

Can I ask, will the £7.4 million total bring the maintenance up to scratch?

**Director of Estates, Property Holdings:**

Not on its own, no. There is rolling programme of funding identified in the Medium Term Financial Plan for 2014-15. It is making inroads into the backlog maintenance and we basically prioritise in terms of looking at urgent health and safety needs, primarily. Then operational building issues, so where buildings are not fit for purpose for delivering the service or they have a wind or watertight issue, and then we will look at general improvement works after that. So there will always be a

need for a rolling improvement programme in buildings. Our portfolio is large. It is quite old and in a lot of cases, while the capital programme replaced assets - particularly in the education sector we have had a lot of new build - which has assisted, there are still schools like Trinity and Bel Royal, for instance, which require improvement works.

**The Deputy of St. Ouen:**

St. Mary's.

**Director of Estates, Property Holdings:**

St Mary's, yes, of course, Deputy. Those are projects that are funded going forwards, but we can only deal with so many in a year because, physically, 99 is a lot to run in a programme. We can only do so much work and so many buildings at the same time.

**The Deputy of St. Ouen:**

I hear what you are saying but I would like to come back to the Minister for a moment. Minister, you quite rightly said - and we have got a Minister for Economic Development that says the same - we need to prime and support our economy, especially the construction industry. You say that there is money available that can be advanced and used. The Fiscal Policy Panel say: "Spend the money in the years that it is allocated." Clearly we have a whole load of projects that could be addressed, provide lots of work for local industry at a very economic and beneficial time for the Government because obviously the costs are less and tendering is keen. Why are we not spending more money dealing with the backlog maintenance?

**Treasurer of the States:**

We are spending ...

**The Deputy of St. Ouen:**

Sorry, I would like the Minister to comment.

**The Minister for Treasury and Resources:**

We are spending as much as we can and my position has always been that if departments want to come forward or were able to come forward with additional schemes we would consider funding them, but it is an absence of shovel-ready ...

**Senator S.C. Ferguson:**

But hang on a minute. If property is meant to be all with Property Holdings, therefore they are controlling the maintenance. So why are departments meant to be coming forward with projects? I am sorry, I am a bit ...

**Treasurer of the States:**

Because the capital projects can be more than property-related.

**Senator S.C. Ferguson:**

We are talking about property maintenance. The question was property maintenance.

**Assistant Minister for Treasury and Resources:**

A budget of over £7 million and effectively 100 projects is substantial work and a substantial amount of money going into the economy. We have also got ...

**Senator S.C. Ferguson:**

I appreciate that, but I seem to remember that we need something like £16 million a year to cover the ...

**The Minister for Treasury and Resources:**

It would be helpful if the Assistant Minister could finish what he is saying.

**Senator S.C. Ferguson:**

Yes, but we have a fairly hefty backlog maintenance.

**The Minister for Treasury and Resources:**

Yes, and we are trying to answer you.

**Senator S.C. Ferguson:**

You know, why are we not putting some of the extra money into that?

**The Minister for Treasury and Resources:**

Would it help for him to finish answering the question, Senator?

**Senator S.C. Ferguson:**

Well, I was not sure that he understood it. So I am just explaining that.

**Assistant Minister for Treasury and Resources:**

I perfectly understood, Senator, but, as normal, you do not let the person answering the question give their full answer. We do have a substantial budget. To cut to the chase, yes, more money and more resources would be good, but we have been through the M.T.F.P. (Medium Term Financial Plan) process. We bid for funds and we can only spend what we have been allocated and we are doing that.

**The Deputy of St. Ouen:**

Sorry, just to pick you up on that. I hear exactly what you are saying, but - and it is a big "but" - we have got a Minister and a Council of Ministers that are wanting to kick start the economy, support the construction industry and take advantage of good competitive tendering. We have got a Fiscal Policy Panel that says: "You have got money in the pot. Spend it on matters that will be of significant benefit." Yet you say: "Well, unfortunately we have not got the money." What is the true picture? Is it: "We have the money and it has changed in that it is not going to be used in that area for a variety of reasons," or is it ...

**Assistant Minister for Treasury and Resources:**

I said that we work within budgets and those budgets are allocated effectively by the States of Jersey when they approve the M.T.F.P.

**The Deputy of St. Ouen:**

But the Minister for Treasury and Resources has the power, as you are well aware, to advance monies and move monies from one year to another and advance capital programmes once they have been ...

**Assistant Minister for Treasury and Resources:**

Exactly, Deputy. You are talking about moving money from one point to another.

**The Deputy of St. Ouen:**

We have got unspent monies of the capital programme that has been already allocated. So you have that flexibility as you just explained earlier on.

**The Minister for Treasury and Resources:**

I do not quite know what is going on this morning, but I am living in a sort of parallel universe. I do not believe that Property Holdings have said that they are not producing projects because of an absence of money, full stop.

**The Deputy of St. Ouen:**

The Assistant Minister just said that.

**The Minister for Treasury and Resources:**

Excuse me. Working within budgets that have been agreed, budgets that were increased for capital maintenance both within fiscal stimulus and what they have been talking about, and making sure those are being spent is doing what we have said - spending more money in the economy. I would remind you of the total analysis that we have already previously expressed and explained to

you before of the significant increase of cash that has been deployed in the economy this year. Sticking to what we said 18 months ago and making sure that is being spent is fiscal stimulus activism. So what I have said is quite clear. Now, what I am also saying is that it is important for there to be projects going forward in 2014 and 2015 and that is what we are planning for now. There has been an awful lot of money put into the economy in terms of capital spending. That was planned and it is being spent. We are not going any further than that because clearly it is important to get the projects that we have promised. We will not over-promise and under-deliver.

**Senator S.C. Ferguson:**

Let us do it simply then. Ray, if I had a magic wand and could give you all the resources you wanted to do all the backlog maintenance, how much would you want?

**Director of Estates, Property Holdings:**

I cannot answer that question.

**Senator S.C. Ferguson:**

There was a hearing of the old Public Accounts Committee that it was something in the order of £110 million.

**Director of Estates, Property Holdings:**

If you wanted to bring all your buildings up to apple pie order then I suspect you are probably talking in the region of tens of millions of pounds. There is the practicality as to how you deliver that. For example, within this backlog maintenance programme there are, I suspect, 20 to 30 projects, ongoing at the same time, all in the general hospital. You get to the point where you cannot deliver a large number of projects in one area because you do not have the facilities to run, for example, in the hospital a 24/7 operation and have 10 different building firms all operating in the building at the same time. You have to programme these things over a period of time.

**Senator S.C. Ferguson:**

Yes, I appreciate that. I wanted just to get a feel for the figures.

**The Minister for Treasury and Resources:**

Senator.

**Director of Estates, Property Holdings:**

But the prioritisation that we utilise is to look at health and safety and wind and watertight, rather than improvement works. If you ask the question: "Can we improve our buildings," then, yes, you can. Is it good value for the public to improve those buildings? That is a slightly different question.

**Senator S.C. Ferguson:**

I was talking about bringing them up to a health and safety standard.

**Director of Estates, Property Holdings:**

Indeed, and we are very well underway. Our health and safety measures are extremely good.

**The Minister for Treasury and Resources:**

I really must ask you to ask questions that are able to be answered properly in a public hearing that is meaningful. Asking somebody what their magic wand number of spending money to bring everything up to standard cannot be answered properly in terms of proper Treasury responses. The real question you are wanting to answer is: "Has Property Holdings been given as much resources as it can properly, prudently and appropriately spend in 2013?" That is a fair question.

**Senator S.C. Ferguson:**

No. As a matter of fact, Minister, I did ask the question I wanted to ask because some 2 or 3 years ago the figure was something like £10 million or £11 million a year in order to do the backlog maintenance.

**The Minister for Treasury and Resources:**

These are figures that are just being plucked out of thin air.

**Senator S.C. Ferguson:**

No, they are not. I will send you the ...

**The Minister for Treasury and Resources:**

Okay. Shall we move on?

**Senator S.C. Ferguson:**

But that is another story.

**The Minister for Treasury and Resources:**

We have to be realistic in these questions.

**Senator S.C. Ferguson:**

These are realistic figures.

**The Minister for Treasury and Resources:**

They are not.

**Senator S.C. Ferguson:**

I will publish on our website the extract of the hearing when this was discussed.

**The Minister for Treasury and Resources:**

There is a big difference between plucking figures out of the air. We are talking about repairs and maintenance within Property Holdings as opposed to repairs and maintenance within the rest of the period of time. We have to be more careful about the language. Otherwise we are just going to be running off in different directions and not effectively taking real evidence, as opposed to just guessing on numbers that have been plucked from thin air.

[11:00]

**Senator S.C. Ferguson:**

No, I am talking about past evidence and I am wondering how the progress has been going since then.

**The Minister for Treasury and Resources:**

Very well is the answer.

**Senator S.C. Ferguson:**

Good. Excellent. Super.

**The Deputy of St. Ouen:**

One last question, Minister. On Thursday, 17th May, at a quarterly meeting with ourselves, your Assistant Minister spoke about the relocation of the Sea Cadets and at the time we were told that you were working with S.o.J.D.C., Harbours and Airports and the Constable of St. Helier on the Les Galots site. Could you just update us on what has happened with that project?

**Assistant Minister for Treasury and Resources:**

We are currently going through a feasibility study with a third party provider who approached us in the early part of this year, tail of 2012. We are waiting for them to finish their piece of work and we hopefully will be putting in our planning application in the last part of this year.

**The Deputy of St. Ouen:**

When you say "third party provider", are you looking for somebody else to fund it?

**Assistant Minister for Treasury and Resources:**

Ray will come in to give you a little bit more detail in a minute. This is a third party provider who has links with the maritime community.

**The Deputy of St. Ouen:**

A simple question: are you looking to a third party provider to fund it?

**Director of Estates, Property Holdings:**

Perhaps if I can pick this up.

**Assistant Minister for Treasury and Resources:**

There is public funding and there is potentially some private funding.

**Director of Estates, Property Holdings:**

The piece of work that is being undertaken at the moment is being undertaken by an external third party who is working with officers of Property Holdings to look at the feasibility for that site for the purposes of creating a maritime community facility, for the Sea Cadets and other maritime groups. We are quite aware that the funds we have available, already allocated, are not going to be sufficient to complete that work, purely within the funds available. So alongside undertaking the feasibility study, which will look at the ground conditions, the physical size of the building, the needs of these community groups and possibly other alternative requirements within the building, that third party is also looking at alternatives for bringing in additional funding alongside the funding that the States have already allocated through the potential of some commercial build on the site. That is all in feasibility study mode at the moment and will not come forward without being properly agreed and properly assessed. Also, we are working alongside the Planning Department officers as this forms part of a site that has master planning needs. So all of it will be done in proper order but we would be remiss to sit on our hands, as others before us have sat on their hands, and say: "We have not got enough money, so we cannot build something that is fit for purpose." We are looking at a number of different options.

**The Deputy of St. Ouen:**

So when is it likely that we will have confirmation on the relocation of the Sea Cadets?

**Assistant Minister for Treasury and Resources:**

We have already given a commitment that the building process will start in 2014.

**The Deputy of St. Ouen:**

2014?



**Director of Estates, Property Holdings:**

We aim to get a planning application in this year.

**The Deputy of St. Ouen:**

We will look forward to it. Thank you.

**Senator S.C. Ferguson:**

Super. Well, I think time is up. I thank you for your presence this morning, Minister, and Assistant Minister and your team and we look forward to progress on the ... I suppose effectively it is a marketing plan with McKinsey.

**The Minister for Treasury and Resources:**

It is far more than a marketing plan, Senator. It is far more than a marketing plan.

**Senator S.C. Ferguson:**

Well, I look forward to progress for the industry.

[11:04]