



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

THURSDAY, 3rd OCTOBER 2013

Panel:

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

Witnesses:

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

Topics Discussed:

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[10:02]

Senator S.C. Ferguson (Chairman):

Welcome to the public hearing of the Corporate Services Scrutiny Panel. I wonder if for the purposes of the ladies transcribing you could say who you are and what your position is. Super. Right, Richard, if you would like to...

Deputy R.J. Rondel:

I think we are going to skip the first couple of subjects and move straight on to the property portfolio until the Minister does arrive. With regards the States property portfolio, I believe there are claims being made against the States of Jersey by Harcourt. Do you believe they will have any impact on the development of the Waterfront or Esplanade Quarter?

The Assistant Minister for Treasury and Resources:

I am going to take advice to explain what I can and cannot say on that subject because there is a live civil action at the moment.

Deputy R.J. Rondel:

Yes, I understand that. I was hoping that there would be a way that you would be able to...

The Assistant Minister for Treasury and Resources:

My personal view is that no it should not. There is no reason why it should have an impact on the building out of the Jersey International Finance Centre.

Deputy R.J. Rondel:

Do you not believe there could be severe delays due to a court case?

The Assistant Minister for Treasury and Resources:

I am not a lawyer but my own opinion is that it should not delay the building out of it. It is, as I understand it, a civil action for damages so it would not affect the building out of the financial quarter.

Deputy R.J. Rondel:

Okay. Is there a possibility it might have any impact financially?

The Assistant Minister for Treasury and Resources:

It is not a question I can answer. It is a civil action and who knows what the courts will do. The courts may throw the action out completely. I am not in a position to answer that sort of question.

Deputy R.J. Rondel:

Are you in a position to give us an estimated timescale or is that not...?

The Assistant Minister for Treasury and Resources:

No.

Deputy R.J. Rondel:

As to when it might be...

The Assistant Minister for Treasury and Resources:

No, it would be completely inappropriate for me to give you any sort of timescale. I would be guessing.

Deputy R.J. Rondel:

All right, okay, thank you. Could you please provide us with an update on how the development of the Jersey International Finance Centre is progressing?

The Assistant Minister for Treasury and Resources:

It is on track. Part of the buildings that they wish to construct have got planning permission. There are other applications that are live applications going through due process. They have a number of inquiries from potential tenants.

Deputy R.J. Rondel:

Thank you, Deputy.

Senator S.C. Ferguson:

You have nothing signed up then?

The Assistant Minister for Treasury and Resources:

To my knowledge no agreements have been signed to date but I know there is a significant amount of interest from both organisations within the Island and from organisations from outside the Island.

Deputy R.J. Rondel:

So could you just give a bit more detail and be a bit more specific in terms of the buildings, which ones are ready to go and when they are likely, possibly, to start being progressed, the actual building.

The Assistant Minister for Treasury and Resources:

One building has got planning permission and there is...

Deputy R.J. Rondel:

Sorry, which one is that?

The Treasurer of the States:

Building 4.

The Assistant Minister for Treasury and Resources:

Building 4. There are planning applications in for the building 1 and I believe one other and they are going through normal due process.

The Minister for Treasury and Resources:

Good morning.

Deputy R.J. Rondel:

Good morning, Minister.

The Treasurer of the States:

We can give you a briefing note on that if you like outside the meeting.

The Assistant Minister for Treasury and Resources:

States Members have been invited to our briefing by the S.o.J.D.C. (States of Jersey Development Company) on the Jersey International Finance Centre. They did a launch to interested parties 2 or 3 weeks ago now, if I recall, so that information is already in the public domain, that briefing, and I believe States Members have been invited to one next week.

Deputy R.J. Rondel:

So are you able to give us an update on the timetable of, say, phase 1 and phase 2?

The Assistant Minister for Treasury and Resources:

I can provide the Panel with the documentation that has been produced for those briefing, that is not a problem at all.

Deputy R.J. Rondel:

Thank you.

The Connétable of St. Lawrence:

Good morning, I will not let you catch your breath. [Laughter]

The Minister for Treasury and Resources:

As you may know, I have just come in from...

The Connétable of St. Lawrence:

Your Assistant Minister has just told us that there is a claim against the States of Jersey, it is live, being made by Harcourt. Clearly we understand that we cannot and you cannot discuss anything to do with that claim. However, I imagine that you have given consideration to the possibility of the claim going against the States of Jersey and if that is the case and damages are awarded to Harcourt, where would the funding come from?

The Minister for Treasury and Resources:

It is really not appropriate for me to speculate about that. The advice that we have...

The Connétable of St. Lawrence:

I am not asking you to speculate about the court case but you must have given consideration to the possibility of damages being awarded against the States of Jersey. If that is the case, where would the funding come from?

The Minister for Treasury and Resources:

I am just not going to speculate on that because there are 2 elements to the claim which is being robustly resisted and will continue to be, and I am confident in the handling of the case and indeed the eventual outcome. Indeed the actions... you may be aware the Minister for Treasury and Resources has been brought into the action relatively late on in proceedings, the proceedings have evolved in an odd way in terms of the Minister being brought into the action at quite a late stage. Clearly the action is against the Minister and the former Senator Le Sueur were the body corporate so we will be ... it is basically attacking the ministerial decisions. I simply do not think there is a case to answer, we are being advised by the Solicitor General. The second claim, of course, is in relation to S.o.J.D.C. itself and, of course, any claim that is successful, albeit I say

again being resisted and I cannot see the merit in it so far that I can see in the papers, will be a matter for S.o.J.D.C. to deal with because obviously it is a limited liability company.

The Connétable of St. Lawrence:

So clearly there is the possibility...

The Minister for Treasury and Resources:

But it is not a matter of concern and to speculate on either side of the argument is just simply...

The Connétable of St. Lawrence:

I do not believe that it is speculation. The question is straightforward. If a claim for damages is awarded against the States of Jersey where will the funds be paid from?

The Minister for Treasury and Resources:

If the claim is successful against S.o.J.D.C. then it is a matter for S.o.J.D.C. to deal with up to this limit ... and of course it is a limited liability company but with substantial assets as you will be aware. In relation to the States of Jersey that is what we contingencies for.

Senator S.C. Ferguson:

What is the quantum of the claim?

The Minister for Treasury and Resources:

I am not...

Senator S.C. Ferguson:

I presume it is in the court documents, we can go and look it up.

The Minister for Treasury and Resources:

Yes.

Senator S.C. Ferguson:

Can we ask you how much is the S.o.J.D.C. and the Minister jointly being sued for?

The Minister for Treasury and Resources:

We have answered a question in relation to the Constable of St. John in this area and at least these answers are effectively cleared before we issue them by the Solicitor General. So any information that is in the public domain in relation to the claim, I do not have those notes here but

they are in the public domain and I am not going to add anything that is not the public domain obviously here.

The Connétable of St. Lawrence:

But you have concerns that the money would come from contingencies?

The Minister for Treasury and Resources:

That is what contingencies are there for.

Deputy R.J. Rondel:

Thank you. Just carrying on from the phase 1 and 4 developments which you received planning permission for, we were advised in the States last week that to date just in excess of £900,000 has been spent by S.o.J.D.C. in progressing the planning applications. Apart from the £200,000-odd that has gone towards planning fees, are you able to confirm how this money has been spent, the difference?

The Minister for Treasury and Resources:

Sorry, what note is that from?

Deputy R.J. Rondel:

This was a sum we were advised that S.o.J.D.C. had spent in excess of £900,000.

The Minister for Treasury and Resources:

Is this in relation to the...

Deputy R.J. Rondel:

To numbers 1 and 4 of the plan.

The Minister for Treasury and Resources:

Yes. Clearly buildings 1 and 4 are important first buildings in relation to getting the scheme going. So there is planning... your question is what has it been spent on? Architects, planning...

Deputy R.J. Rondel:

Well, we know a sum of just over £200,000 has been spent towards planning fees, now the difference between £900,000 and £200,000 what is that?

The Minister for Treasury and Resources:

Architects' fees, as I understand it. Effectively it is to put the plans into a state of readiness for... indeed I think the Minister for Planning is considering buildings 1 and 4 as 2 separate planning applications.

Deputy R.J. Rondel:

So around £700,000 has been spent on architects' fees?

The Minister for Treasury and Resources:

Yes, and we engage in...as the S.o.J.D.C. now are part of the Treasury shareholder family, we engage in discussions with S.o.J.D.C.'s managing director and chairman who regularly come and brief us on exactly they are progressing in relation to those matters.

Deputy R.J. Rondel:

Would these have been local architects or...?

The Minister for Treasury and Resources:

That is...it is the...

The Treasurer of the States:

They are not.

The Minister for Treasury and Resources:

No, they are not. They are architects that are delivering the offices in accordance with the development plan and it is not Hopkins, I cannot remember the name of the architect, but S.o.J.D.C....your question alludes to whether or not we are going to put a particular focus, and we have asked S.o.J.D.C. to put a particular focus on ensuring that local companies are taking part of this overall development. This is a multi-million pound development. It is worth to taxpayer ... and I think this is something that is being lost on a number of the questioners, not the Panel, but Deputy Noel and I have answered a number of questions in the States about this whole issue of S.o.J.D.C.'s involvement and has Jersey been competing against the private sector. This scheme with S.o.J.D.C. is worth 10s of millions of pounds to the local economy and it is taxpayers' money as opposed to another private...

Senator S.C. Ferguson:

But that is the worry.

The Connétable of St. Lawrence:

The worry, Minister, is you have just told us that £700,000 has left the Island because it has been paid...

The Minister for Treasury and Resources:

No, it has not left the Island. No, that would be the wrong way to look at it.

The Connétable of St. Lawrence:

How would you describe it?

The Minister for Treasury and Resources:

I would describe it as S.o.J.D.C. needing to ensure that it is designers and architects which are of the highest standing to deliver what is effectively going to be the Island's premier office space. That money effectively they do use and we have encouraged partnerships between U.K. (United Kingdom) based and international architects and local draftsmen and local people here. It is important that we win this business, it is important that we deliver...

The Connétable of St. Lawrence:

We understand that.

The Minister for Treasury and Resources:

Protectionism does not work.

The Connétable of St. Lawrence:

£700,000 you have just confirmed has been paid to architects who are not local.

The Minister for Treasury and Resources:

Yes, and that is not a bad thing.

The Connétable of St. Lawrence:

Does that mean then that money has left the local economy? Has it left the Island? Has it been paid away from the Island?

[10:15]

The Minister for Treasury and Resources:

I do not know, I do not check the vouchers and the invoices.

The Connétable of St. Lawrence:

No, I think that is being...are you content that £700,000 has been paid to our competitors off Island.

The Assistant Minister for Treasury and Resources:

On the other side you could say that we have invested that money on providing a substantial asset to the Island that is going to benefit 10s of millions of pounds to the Island.

Deputy R.J. Rondel:

That is fine, but...

The Assistant Minister for Treasury and Resources:

As the Panel will know, I used to be a States director on S.o.J.D.C. and formerly on W.E.B. (Waterfront Enterprise Board) and that organisation, that body, does endeavour to use local experts and labour wherever possible.

The Connétable of St. Lawrence:

We recognise that.

The Assistant Minister for Treasury and Resources:

To do this scheme at the time that this scheme was being set up, neither was there the capacity or expertise on Island to do such a project.

The Minister for Treasury and Resources:

I am aware that, and I have been at party conferences for the last 3 weeks...

The Connétable of St. Lawrence:

We will be coming on to that.

The Minister for Treasury and Resources:

Yes, I am sure but sound-bite politics is good stuff. The reality is £700,000... if it is £2 million that has left the Island, that is an investment designed to get 10s of millions of pounds into Jersey, to get the key banking organisations that are wanting to take premium space, efficient space, and getting that into Jersey. So it is an investment. Yes, we have accepted that it is potentially, if they are not successful in securing these tenancies, that money could conceivably be written off. In a world in which we must recognise and we must not admonish, if you do not make any decisions, if you do not risk anything you get nothing. So the risk averse approach would be to say not only are we only going to use local architects and we are going to use only local people, then you get nothing or you do nothing at all.

Senator S.C. Ferguson:

You are implying that the local architects are not up to the job.

The Connétable of St. Lawrence:

We have just been told that by the Assistant Minister.

The Minister for Treasury and Resources:

No, sometimes it will be the case.

The Connétable of St. Lawrence:

How was the decision made to use off Island architects? How and why?

The Minister for Treasury and Resources:

Okay. Let us be clear, S.o.J.D.C. - as are J.T. (Jersey Telecoms), Jersey Water and J.E.C. (Jersey Electric Company) - are not Treasury Departments. They are standalone entities where we appoint a board of directors in order to discharge duties which are in the benefit of the shareholder. The shareholder being the people of Jersey. That is how they are discharging those duties. I am not going to second guess the boards and I am not going to tell them how to procure to the extent of telling them that they must use local contractors for this that and the other. They are expert people. We have a board of S.o.J.D.C., which is, in my view, one of the best performing boards that we certainly interact with. We have huge confidence in them. They have moved a waterfront that was the butt of jokes, that had no confidence in terms of what it had built, I think to a board that is now regarded and respected. We have got Lee Henry, a Jerseyman...

Senator S.C. Ferguson:

Yes, but if you will excuse me, should the States be in competition with the private sector, which is what we have?

The Minister for Treasury and Resources:

Yes, and I will happily debate - and I am fully expecting... and I am, of course, connected into hearing a number of individuals and States Members wanting to come and attack. Every single development on the waterfront has always been attacked and there has always been States debate on them. I am going to be pretty robust with people about this. Yes, it is appropriate that the States of Jersey is using its land and securing best value in getting a return from public assets. That is not the same thing as to say the States is in competition with the private sector. It is a curious debate, it is almost saying that we do not want our own taxpayers and our own Island to...

Senator S.C. Ferguson:

No, no, it is not that. It is not that at all, we have...

The Minister for Treasury and Resources:

That is the corollary of it.

Senator S.C. Ferguson:

I am told that we have...

The Minister for Treasury and Resources:

By whom?

Senator S.C. Ferguson:

By the industry, that the demand is about half the availability of office space that is planned and approved so that, you know, we are just adding to a market. Okay, it should bring the price down but...

The Assistant Minister for Treasury and Resources:

Can I just give an example, an office development such as the Jersey International Finance Centre could produce something along the lines of £50 million profit for the developer. By developing it by S.o.J.D.C. that is £50 million that can come back to the taxpayer. If it was done by a private developer, even if they had not structured their affairs in such a way to mitigate their tax liability we would only get 20 per cent of that. The taxpayer would only get £10 million. In my maths I would sooner have £50 million than £10 million.

Senator S.C. Ferguson:

Yes, but who is underwriting the development? The taxpayer?

The Minister for Treasury and Resources:

No.

Senator S.C. Ferguson:

They must be. If anything happens to the S.o.J.D.C. who will the builders look to for payment? They will look to the States.

The Minister for Treasury and Resources:

Senator, you will be aware of the way and nature in which property development operations happen. We will not be doing, on buildings 1 and 4, to any great extent sanctioning any

speculative office buildings. In other words, there will only be a small proportion of one of the buildings, as I understand, that will not have a tenant already lined up. So the contracts will be signed when there is a 15, 20 year lease in place with a prospective tenant. A pre-let agreement. So the risk...the Treasurer is as concerned as you or I or anybody about risks associated with the States of Jersey. S.o.J.D.C. will close out and then we will sign decisions as we are required to. There are still various different trigger points where still, notwithstanding S.o.J.D.C.'s independence, the Treasury must sign off on individual transactions and we are engaging in a dialogue with S.o.J.D.C. on this. It will be risk limited with pre-lets in force with appropriate bonds before construction starts. There will be some element, which is a good thing, of one of the buildings potentially, if we get the major tenants that we are confident we have a good offer to do so, there will be some speculative offices within that. Partly because we think it will sell like hotcakes when J.I.F.C. (Jersey International Finance Centre) is going to be the best and it is going to be the premium office centre for financial services and digital services in Jersey in the future. It is vital to our economic future. We should not be criticising the States of Jersey and criticising the fact we are doing this. This is what forward-looking governments around the world do. The City of London Corporation does as I saw buildings last week in the City that they have developed. That is what Singapore does, that is what Hong Kong does, that is what local authorities countrywide up and down the country do. In Manchester I was seeing some things they were doing yesterday. This is normal and to criticise the fact that we should be somehow getting a poor return on taxpayers' assets has been the wrong approach and I am willing to have that debate.

Deputy R.J. Rondel:

Minister, that is not coming from this Panel, it is just questions we are putting to you. The original question was quite simply of the £700,000 how much was being spent locally. You answered it was all going to the U.K.

The Minister for Treasury and Resources:

I answered the question.

Deputy R.J. Rondel:

That is all we were trying to establish.

The Connétable of St. Lawrence:

Following on from that, Minister, I am not sure if it was you or the Assistant Minister who said that that has been reviewed and you are looking to keep future payments on Island, did I hear that correctly?

The Minister for Treasury and Resources:

Where possible, but the default position is, of course, that local contractors and local individuals will be engaged in delivering the actual work.

The Connétable of St. Lawrence:

Is that a policy of the S.o.J.D.C.?

The Minister for Treasury and Resources:

I cannot remember if it was an explicit written policy but we have had discussions with all of our utilities and identities...

The Connétable of St. Lawrence:

So they do understand that that is absolutely the path they should be following?

The Treasurer of the States:

Absolutely, Constable, the S.o.J.D.C. have thought hard about the different sorts of developments they are doing and those elements which are most appropriately done by on-Island contractors, whether it is architects or builders, and those which are best done with advice from the U.K. or elsewhere. So, for instance, the J.C.G. (Jersey College for Girls) site would be a good example of that.

The Connétable of St. Lawrence:

In what way?

The Treasurer of the States:

Insofar as the expectation is that the J.C.G. site will be built out by local contractors.

The Minister for Treasury and Resources:

That is absolutely right, but more than that, even if it... I am making this up, if one of the large international construction firms were to be involved in doing the waterfront development or indeed other - the Treasurer is right about J.C.G. because obviously that is a residential scheme - they would be required to employ local people. So even if you partner with an international firm, they will be required to employ local people and they will have to go through the housing new law Reg. of Uns. programme that everybody else will. It is important you have competition in the markets. This is vital and one of the reasons why we have tried to do so much in the construction area in the downturn when credit has been tight and buildings have not been built in the private sector, the States has been deploying capital into the construction market. We saw 10, 15 years ago the contraction of the amount of construction firms in Jersey and as night follows day we saw construction costs increasing with a tightness and a small number of players. This is a really

important thing. We must never go back to the days where we are seeing high cost of construction that was simply inexplicable compared to relevant other places. We want to see plurality and competition in construction firms and we want to keep a good pool of contractors available for the work that we have. If necessary, bring more people in but they will have to employ local people.

Deputy R.J. Rondel:

What is the expected timetable for signing major tenants? I mean, obviously it is ongoing for a long, long time and there is no commitments...

The Minister for Treasury and Resources:

No, there is not. Again, I will not speculate in public because it is commercially sensitive information, but the Assistant Minister, Treasurer and I are briefed confidentially by S.o.J.D.C. of what they are doing. We question them, and we question them robustly. I am extremely pleased with the interest that a number of financial services institutions and other institutions that E.D. (Economic Development) are working on on the inward investment side are thinking of setting up in Jersey. Consolidating existing space and bringing new to Jersey. Everything we have been doing about financial services seems to be working.

Deputy R.J. Rondel:

But nothing will progress unless tenants do sign up to a lease?

The Minister for Treasury and Resources:

Of course, and it is a competitive marketplace. The fact that J.I.F.C. exists is a really important statement of confidence in terms of the future of our financial services industry, and the digital area too.

The Connétable of St. Lawrence:

Tell us about J.C.G. Where are we with that?

The Assistant Minister for Treasury and Resources:

The revised plan for the area of car parking that was at the entrance of the school has been revised. The matter went last week to the Regeneration Steering Group and that site is going to be progressing.

The Connétable of St. Lawrence:

When it is completed what happens to it?

The Assistant Minister for Treasury and Resources:

Well, the whole site is for housing, some of it open market, some of it social rented. Currently the scheme is for 4 tiers of over 55 social rented. The S.o.J.D.C. in conjunction with the Regeneration Steering Group are looking at the possibility of increasing that number.

The Connétable of St. Lawrence:

I have not really followed this closely but I need to now that I am on this Scrutiny Panel, so is it going to be sold on? What is going to happen to it?

The Assistant Minister for Treasury and Resources:

Yes.

The Connétable of St. Lawrence:

Who is it going to be sold on to? Has that been decided?

The Assistant Minister for Treasury and Resources:

Something like three-quarters of the site are going to be sold on the open market and about a quarter of the site...

Deputy R.J. Rondel:

Under a tender process or...?

The Assistant Minister for Treasury and Resources:

It is for social rented over 55.

The Connétable of St. Lawrence:

Who will manage that?

The Assistant Minister for Treasury and Resources:

That is probably going to go into one of the housing trusts.

The Connétable of St. Lawrence:

So through a tender process or...?

The Minister for Treasury and Resources:

There are discussions with a housing trust provider on the standard debt redemption model where the forward protection of rent receivables for social rented housing units, and there are obviously 3

or 4 players now in the social housing provision. There is Jersey Homes Trust, Christians Together, Les Vaux and the new States housing company.

Deputy R.J. Rondel:

So how do you select who would win this?

The Minister for Treasury and Resources:

S.o.J.D.C. have been working with one of the housing trust providers who had existing liquidity and it fits well within their portfolio required homes. We are discussing with Planning...

[10:30]

Senator S.C. Ferguson:

It is not really very competitive that, is it?

The Minister for Treasury and Resources:

There is no issue of...

Senator S.C. Ferguson:

I thought you would put it out to tender between the housing trusts.

The Minister for Treasury and Resources:

No, there is competition and competition.

The Treasurer of the States:

They will be operating it post the build so the competitive element comes in at the building phase.

Senator S.C. Ferguson:

If you have selected the people who are going to take it on before you have finished it then where is the competition?

The Minister for Treasury and Resources:

You do not need competition at that level.

Senator S.C. Ferguson:

Why not?

The Assistant Minister for Treasury and Resources:

Senator, it is a fixed model rent. It is a social rented redemption model that they use so it does not matter who...

Senator S.C. Ferguson:

Yes, but...

The Assistant Minister for Treasury and Resources:

Let me finish. It does not matter which provider ends up running that facility – the cost to them is going to be identical.

The Minister for Treasury and Resources:

Because it is at 90 per cent...

Senator S.C. Ferguson:

Well, surely it is worth looking at it from the competitive point of view between the housing trusts?

The Treasurer of the States:

We have regard, Chairman, to the amount of money within the balance sheets of the housing trust so that they would be able to afford to contribute to the build phase. So that was an important factor.

Senator S.C. Ferguson:

In the past we have guaranteed loans for housing trusts so surely it behoves you to ask the other housing trusts if they are interested?

The Minister for Treasury and Resources:

We do ask them.

The Treasurer of the States:

It is much more cost effective, Chairman, to make use of money that is already sitting in the balance sheets of the housing trusts rather than just...

Senator S.C. Ferguson:

So you just sort of sat there and said: "They have got a lot of money, we have good ways to use it up."

The Minister for Treasury and Resources:

No, no. Senator Ferguson, you trivialise...

Senator S.C. Ferguson:

No, I am not trivialising it. Because there are other housing trusts who might be interested and have not been approached.

The Minister for Treasury and Resources:

There is one big trust provider in the market place, which is the Jersey Homes Trust. We are setting up the States of Jersey housing organisation as a standalone entity. The other organisations such as Les Vaux and Christians Together are relatively smaller in the work that they do. We have good relations with all of these organisations with the Minister for Housing. So each one of them is to effectively have their own projects which we are progressing. Les Vaux has projects, the Jersey Homes Trust has projects and one of the benefits of the low interest environment has been that the cost of the capital and the loans that they took to deliver those 800 units that the Jersey Homes Trust have has meant that their balance sheets have actually improved quite boldly over the last few years because of the fall in interest rates costs. Which is great...

Senator S.C. Ferguson:

But we are ending up with an oligopolistic situation, which is not perhaps the best of situations. But anyway I think we need to move on.

Deputy R.J. Rondel:

Just one last one on that.

The Assistant Minister for Treasury and Resources:

We are providing homes for people in the Island that need them.

Deputy R.J. Rondel:

Just one last very quick one while we are on the Waterfront area. The Waterfront Masterplan, do you think that needs to be revisited? Is it fit for purpose under the present situation?

The Minister for Treasury and Resources:

Those are matters for the Minister for Housing to deal with but, as I understand it, officers are clearly of the view and recommending to the Minister that these early applications...there is a long build out phase for the Waterfront development plan. Obviously this is just phase 1A and 1C, there is a whole series of future phases and, yes, it is fit for purpose.

Deputy R.J. Rondel:

The original Masterplan as was passed.

The Minister for Treasury and Resources:

Yes, certainly.

The Connétable of St. Lawrence:

Before we move away from property, Minister, I understand that the Panel was advised previously that there was going to be a concept for Fort Regent that would be developed by, I understand, July 2013. Do you want to tell us about that? Can you update us on that?

The Assistant Minister for Treasury and Resources:

As I announced in the States last week, the next meeting of the Fort Regent Regeneration Steering Group is later today. We have some outline plans that we are going to be discussing this afternoon and assuming we have an agreement on those we will be briefing States Members on the way forward. Yes, we are behind our initial target of July this year but by the end of October we will be issuing our plans for Fort Regent for consultation and discussion among States Members and, indeed, the wider public.

The Minister for Treasury and Resources:

There is a whole series of important matters which will be discussed with Members tomorrow in advance of the Budget. Watch this space for the line item which is Fort Regent.

Deputy R.J. Rondel:

Those plans, would they incorporate a skateboard park either indoor or outdoor?

The Assistant Minister for Treasury and Resources:

There is lots of detail in those plans and they will be released later on this month. We do have packs for you today that include information on Fort Regent. What I can say is I did sign a ministerial decision - I cannot remember if it was the end of last week or the beginning of this week - where we are transferring some land on the periphery of Fort Regent from States of Jersey Property Holdings to the Housing Department which will allow the Housing Department to build out between 50 and 60 additional social rented homes in the next few years.

The Connétable of St. Lawrence:

Where is that land?

The Assistant Minister for Treasury and Resources:

That is known as the old Norman's timber yard, which is to the north part of the ramparts of Fort Regent and they adjoin the Clos du Fort provisional housing.

Deputy R.J. Rondel:

Will that be affordable housing generally?

The Assistant Minister for Treasury and Resources:

That is going to be for social rented stock.

Deputy R.J. Rondel:

Not for purchase?

The Assistant Minister for Treasury and Resources:

No, it is for social rented stock. Mainly because it is an access point off to an existing social rented site.

Deputy R.J. Rondel:

Sorry, did you respond to the skateboard park?

The Assistant Minister for Treasury and Resources:

There are lots of details that are going to be in the document that we produce and so you will see that.

Senator S.C. Ferguson:

Do not buy your skateboard yet.

Deputy R.J. Rondel:

No. We are receiving a lot of questions in St. Helier, a few issues with the Town Park.

The Assistant Minister for Treasury and Resources:

I think we have a fantastic facility for skateboarders currently on the New North Quay, I personally do not think that is a long-term appropriate place for it to be and I would love to see it at Fort Regent or similar venue but we need to go through the due process and come up with a plan that is fit for purpose.

The Connétable of St. Lawrence:

What are the projected capital costs?

The Assistant Minister for Treasury and Resources:

The only matters that we currently have in the capital programme is for the demolition of the former Fort Regent swimming pool. We are looking to private investors to provide the capital for the redevelopment of the Fort Regent site and we have some interest in a local benefactor who is keen to provide some seed money.

The Minister for Treasury and Resources:

I hope that was not lost on you, as a result of the work that Eddie has been doing we have identified a site in States ownership for 50 to 60 social housing. That is unused States land deployed for social housing purposes which is being gotten on with straightaway. That is big stuff. That is a very positive issue getting on with the demolition which is going to be confirmed in the Budget on Tuesday is another important step forward and the other related issue is, which is also going to form part of the Budget in discussion with Education, Sport and Culture is some bold and exciting moves in terms of sports strategy, which are entirely complimentary to what Eddie has been doing. So watch this space. There are some really exciting things going on.

Senator S.C. Ferguson:

Right, if we move on and go back to the beginning, which seems like a good idea. You have just been at all 3 party conferences, I think. Nothing like being - what is it - the Catholic approach. What were the main outcomes that you...what can you say you have brought back?

The Minister for Treasury and Resources:

It has been a very significant investment of time and energy and I only attended Labour because the Chief Minister was going to go to Labour but Chris Grayling came so he said...but it has been quite useful to have one Minister at all 3 because then you can get the mood. I was joined by Ian at the Tories and Sir Philip at the Liberals. I have been to 2 previous party conferences, I was the first ever politician ever to go to a party conference 2 years ago, we had never been and where we are now I think that I am incredibly pleased with the way the team has operated at the Conservative Party conference. We had a stand, we did a speaking engagement as well as attending fringes and we had unparalleled access and discussions with Government Ministers from George Osborne, David Gork, Michael Fallon, all of the key guys that are involved in our affairs. We had some very constructive discussions with the Labour front bench team and their advisers, which is important. We certainly want to make sure that we have the benefit of Jersey to the U.K. very clearly understood by cross party members. I met Jim Dobbin, who is the Labour Chair of the A.P.P.G. (All-Parties Parliamentary Group) and I think it is fair to say the message is getting across. The value of Jersey to the U.K. is now better understood as a result of the Capital Economics work. Mark Pragnell, Geoff Cook and I did an event on Tuesday evening at 5.30 p.m. where we addressed them, gave a presentation of the value. That was well received and we have

had hundreds of people at the Jersey stand. We did beer mats with the key messages on, I do not know if I have any in my bag, but we had Jersey fudge, there was a holiday competition which people put their business cards into various different receptacles in the M.P.s (Member of Parliament) lounge and people were popping in their business card. They could only take fudge if they also took the bag with the Capital Economics report in, a tourism brochure, et cetera. The 2 London office guys were there for the first time, Jersey Finance was there, it has been hard work, quite a bit of fun because you have to be positive and engaging, but the message is clearly getting across. The warmth of the reception that we received, certainly at the Tory Party conference has been warm, genuine and Jersey is back where it should be, being there is enormous affection for Jersey within the rank and file of members. Certainly where we were 2 years ago that was the case. People were looking sideways as to what was this place.

Deputy R.J. Rondel:

So is this the first time Jersey has had a stand there?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Rondel:

Did any other jurisdictions have stands?

The Minister for Treasury and Resources:

The Falkland Islands have had a stand for 25 years. Gibraltar has been, I think, for more than 20, a Channel Island has never done that before.

Deputy R.J. Rondel:

Isle of Man?

The Minister for Treasury and Resources:

Isle of Man have always visited party conferences, they have been there for years. Guernsey was visiting years before we did but I think we have come from nowhere to somewhere really quite special.

The Connétable of St. Lawrence:

So, Minister, you are saying there are benefits to you having attended these conferences.

The Minister for Treasury and Resources:

Huge benefit. Absolutely.

The Connétable of St. Lawrence:

Do they stretch to the F.A.T.C.A. (Foreign Accounts Tax Compliance Act) agreements?

The Minister for Treasury and Resources:

Yes, of course and that is the discussions we had and the briefings that we have had with Spads – with advisers. There has been perhaps...that is one of the beer mats, by the way. All branded and had a huge...the value of Jersey on the U.K. so that was the invitation to the event we did. Yes, F.A.T.C.A., well of course the F.A.T.C.A. agreement has been the important way in which we have been able to...

Senator S.C. Ferguson:

No, thank you, if you do not mind, we have had this before, if there are notes to help us can we have them beforehand, not during the meeting when the public who are here do not know what we are reading and we have not had a chance to go through them. We appreciate the fact you have put them together, but we would like them beforehand, please.

The Connétable of St. Lawrence:

I just speed read this and I think it said that the...

The Treasurer of the States:

We did not have your questions beforehand, Chairman, so it was a bit more difficult than usual for us to prepare the facts.

Senator S.C. Ferguson:

No, the whole point is that we do not know where we are going until we start.

The Treasurer of the States:

We have done this in order to help, so you do not have to struggle so much for the note taking.

The Connétable of St. Lawrence:

I think I just read, though, Treasurer, that the agreement is going to be signed in October?

The Minister for Treasury and Resources:

Indeed. You will be aware that the agreements with the U.K. and U.K. F.A.T.C.A. have now been initialled and so they have been effectively approved by both governments and we are simply waiting for a date where the agreement will be signed. It is expected it will be signed in the next couple of weeks. We will be signing on or about the same day the U.S. (United States) and the U.K. F.A.T.C.A. That then, as we have explained to politicians, advisers and Ministers, this now

puts beyond doubt the use of Jersey as a potential place where tax evasion could take place. While we have been able to say for years that tax evasion has been illegal in Jersey, since 1999, and we have had a tax information exchange agreement in force, automatic exchange, full exchange of information between Jersey and the U.K. on U.K. citizens, U.K. taxpayers will deal with any concerns.

[10:45]

We are putting all the effort in. The Treasurer's income tax team have a lot of work to do in the next few years in ensuring this information flows, industry have been very co-operative, the Director of Tax Policy has done excellent work in relation to drafting notes for the industry, industry is, I think, well aware of their obligations and quite apart from the fact the disclosure agreement means that the arrangement whereby taxpayers in the U.K. that have had matters which had not been brought forward to the attention of the Inland Revenue can now go forward and, subject to payment of penalties, clean up their affairs. As a result of...

The Connétable of St. Lawrence:

When will we have sight of the agreement?

The Minister for Treasury and Resources:

The agreement itself will be signed and then will be lodged in the States for approval in the same way that any agreement, and it will be run in parallel to the U.S. agreement. But it is on the standard model. The F.A.T.C.A. in the U.K. model is an agreement which the U.S. are signing with jurisdictions around the world. There is an annexe which deals with individual jurisdiction's issues in relation to the way that different jurisdiction's own laws deal with trusts and other aspects. Clearly also the U.S. has a worldwide...if you are a U.S. citizen then you have to file a tax return for as long as you have a U.S. passport. There are some differences in relation to U.K. citizens because their system of tax is different and non-doms have a different status. If you are non-resident clearly you have different obligation reporting requirements. So all of that is taken account of but the fact is...

Deputy R.J. Rondel:

That agreement annexe will be in the proposition to the States?

The Minister for Treasury and Resources:

Yes. That is right, yes.

The Connétable of St. Lawrence:

Why is it that the agreement is signed and then it is brought for approval by the States?

The Minister for Treasury and Resources:

It is just the way it is done in all countries. That is what always happens. That is the same process that any...there is a process of initialling and then signing and then it is before Parliament for ratification. It only comes into legal force, of course, when Parliaments have ratified. So you could not put something for ratification before there has been signal of political agreement.

The Connétable of St. Lawrence:

What would be the position if the States did not approve it?

The Minister for Treasury and Resources:

That is a very good question. Of course that is where we regularly say to Ministers in the U.K.: "You can ask us to sign things but the Chief Minister cannot sign something in good faith without an expectation that he would command the support of the Assembly." That is what is important. The democratic institution of Jersey and the U.K. Parliament is important and I hope that you will scrutinise the agreement and you will ultimately be satisfied in recommending it for approval.

The Connétable of St. Lawrence:

But what if it is not?

The Minister for Treasury and Resources:

Then it does not get enforced. That is always the prerogative of Parliament. Parliament can say no.

The Connétable of St. Lawrence:

What would be the implications?

The Minister for Treasury and Resources:

It would be the same serious implications if any agreement did not, but the primacy of Parliament is absolute. Parliament enacts international tax legislation, whether it is in Jersey, whether or not it is in Italy, the U.S. or anything.

Senator S.C. Ferguson:

Okay, Richard.

Deputy R.J. Rondel:

Starter home Deposit Loan Scheme, that is in fruition at the moment. The latest figures we received from the department confirmed that the scheme had approved advances of £930,000 in relation to buyers who expected to complete. Are you able to provide an update on the progress of the scheme?

The Minister for Treasury and Resources:

Twenty-six offers have been made, worth about £1.3 million. Twenty-one people have had offers but obviously there is a lot in principle, 13 contracts have been signed so therefore doing the numbers that is about £370,000 of the £3 million has been committed. Signed contracts that are in process are about £750,000 and the total value of houses where contracts have been signed is about £4.6 million. So I am pleased with the progress of this. There is an interesting debate going on in the U.K. with the Chancellor having brought forward the U.K. scheme. I think it is important that we recognise that certainly there is some debate about that scheme in the U.K. It is not for me to say whether or not Mark Carney or George Osborne is right on their scheme, I think they probably are given the U.K. circumstances. It is obviously a lot wider scheme than ours, it is a lot bigger. Their scheme is for new build homes and it is available for first time buyers and all existing home owners, so pretty well anybody can access it. Its scale is obviously a lot bigger, it is as a result of money created by the Bank of England and underwritten by the Bank of England itself, mortgage guarantees of up to 15 per cent, loans are interest free for 5 years and they are putting approximately £12 billion of effectively underwriting.

Deputy R.J. Rondel:

My concern on the local scheme, and I support it fully in principle, was that without the delivery of further housing and sites that there would be a tightening up of the market, thereby abolishing any financial risk. Have you seen any evidence of the tightening because there is rumour on how...have you done anything to go out and monitor that?

The Minister for Treasury and Resources:

These levels of transactions will not shift the market.

Deputy R.J. Rondel:

You are confident that there is no...

Senator S.C. Ferguson:

No, hang on a minute, one of the things that came up in our review was that in this particular quartile of the market there were, I think, something like 160 transactions last year in the low

quartile and this particular scheme is adding an extra, roughly, 60 people into the market. If you increase the market by a significant percentage you are going to affect the market.

The Assistant Minister for Treasury and Resources:

There is evidence, Senator, that the opposite is happening. From some of the transactions that have gone through there is very, very clear evidence that vendors have reduced the price of their properties to enable people to qualify under the scheme.

Deputy R.J. Rondel:

Are you able to provide us with evidence?

The Assistant Minister for Treasury and Resources:

We have heard specific examples. Yes, we have one example where a house was marketed at £425,000, which was sold to someone in the scheme for £400,000. We have another example where one was being marketed at £420,000 and the vendor reduced their price to make the sale work down to the limit of £410,000. There are other examples as well that we can forward on to you. So it is having the opposite effect.

Deputy R.J. Rondel:

Well, only if it is around the £400,000, but if people are trying to purchase property £200,000 to £350,000, have you got evidence of that either tightening up or otherwise?

The Assistant Minister for Treasury and Resources:

No.

Deputy R.J. Rondel:

Because that is my concern, at that sort of level.

The Treasurer of the States:

Most of the properties, Deputy Rondel, 7 of 13 properties, that have gone through so far are within the banding between £380,000 and £410,000. So most of the properties are clustered in that price bracket.

Deputy R.J. Rondel:

Okay, thank you.

The Treasurer of the States:

About half the properties, yes.

The Minister for Treasury and Resources:

But you are right, we remain vigilant on this whole issue and we remain confident that the gateway arrangements, the maximum price that you can apply to a certain size property, one bedroom, 2 bedroom, 3 bedroom, is in fact set at the very lowest level and it is a scheme of only £3 million, which is a lot less in scale and size than that of the U.K. and it is not going to be market shifting. It is certainly going to help people who have had homes on the market for some time. The housing market is not the same as a widget market that you have a conveyor belt of people selling product as it comes off the conveyor belt. We have seen a reduction, a very large reduction, I think it is about a third off the numbers of transactions that are occurring in Jersey this year and last year compared to 2007 and 2008.

Deputy R.J. Rondel:

That is a lot as well if there is no supply in the market for development.

The Minister for Treasury and Resources:

This is not something that we can just explore in 2 or 3 minutes, it is a big, complex and important area. There is pent up supply side on the planning approval side. Planning have been very clear, they have been saying: "Look, we have approved these 1,000 units of accommodation" I cannot remember what the numbers are. You are right that in terms of construction out with one large house builder that I see marketing another scheme in Westmount.

Deputy R.J. Rondel:

The Gorey site. I was just going to come on...

The Minister for Treasury and Resources:

So we are seeing some supply. I remain concerned that there is a plurality of house builders and there is supply at all levels. The solution for Jersey's house cost issue is supply. Proper supply of good sized, good quality accommodation...

Deputy R.J. Rondel:

And truly affordable.

The Minister for Treasury and Resources:

Absolutely, which is why the rezoning proposition is an important part of what we are doing and clearly S.o.J.D.C. and J.C.G. is an important part. All aspects of supply. Our support of Parish schemes, the Trinity scheme that is looking just fantastic for Trinity first-time buyers. Delighted with that. I went to go and see that two weeks ago. Parish schemes, Constable, are welcome. We continue to have the offer out to Constables where they have Parish schemes then we will

support them in a way that we never did previously. So we want a supply of social housing, affordable immediate, we certainly want to see the homes that are available...key working accommodation, nurses' accommodation, that is something that Deputy Noel has been dealing with in terms of the requirement. Nurses are not being recruited to Jersey for a number of different reasons; childcare costs, availability of accommodation. So we are looking at all of these areas and tackling each one of them and the Budget on Tuesday, as you will hear tomorrow, has the biggest, the most bold future capital funding for social and affordable housing that we have ever seen.

Deputy R.J. Rondel:

So watch this space.

The Minister for Treasury and Resources:

Absolutely. The biggest.

Senator S.C. Ferguson:

Yes, unfortunately we have not yet got the population policy. The whole thing should go together.

The Minister for Treasury and Resources:

We have agreed that. Those comments are just simply not right, are they? These are homes for locally qualified people. They are not for non-qualified people, these are for our own people. These are for Jersey residents who have qualifications. That is what all this is about. So this is nothing about the future population, this is about housing the population, people who are in two generation homes, those concealed households, young people, whether single, married, in a relationship, wanting to start a family, elderly people who want to downsize. All of this is required in terms of providing supply. That is nothing to do with the population issue. That is housing the existing population that do not have decent and affordable homes across the tenures.

Senator S.C. Ferguson:

Well, I think we will agree to disagree on that. Now, if we turn to the Public Finances (Jersey) Law, at a Council of Ministers meeting on 5th September it was agreed that the amendment brought by this Panel to a P.73/2013 could be supported. I wonder if you could explain why the amendment was not subsequently accepted.

The Minister for Treasury and Resources:

Can you remember which bit that was? I do not remember the number.

Senator S.C. Ferguson:

The amendment about ensuring that the F.P.P. (Fiscal Policy Panel) were totally independent in that the appointment followed a similar procedure to that followed for the Greffier of the States and the Auditor General.

The Minister for Treasury and Resources:

It appears that you want to reopen something that has already been decided.

Senator S.C. Ferguson:

No, we are interested in why the minutes of the Council of Ministers meeting say one thing and the activities of the Council of Ministers in the States Assembly were different.

[11:00]

The Minister for Treasury and Resources:

I do not think I was at that 5th September meeting and that is not a problem but I just note that. The advice and the discussions that we had around that were that the protections that were in place to appoint the F.P.P. being overseen by the Appointments Commission were sufficient to ensure the F.P.P. independence. Sir Philip was very strong on the issue that the F.P.P. should be independent and I think that ultimately Ministers, and I include myself in that, were persuaded that it would be wrong to basically politicise...we rehearsed all this in the debate and the debate was...we had a good debate and both sides of the argument was put. I know you did not win your argument.

Senator S.C. Ferguson:

Yes, I know, what we are asking though is that a decision was registered in the minutes which was totally opposite to what happened in the States. What happened? What was the timeline that on Thursday you are saying: "Yes, that is okay, we will go with it" and by the following Tuesday you say: "No dice"? Quite simple.

The Minister for Treasury and Resources:

Well, clearly a decision is ultimately a decision when it is made in that States. We often, in discussion with matters, test the arguments on both sides and that was a marginal decision. But on balance the Council of Ministers...I think there was maybe one Minister that voted, there is not collective responsibility, Ministers...

Senator S.C. Ferguson:

I know, but the minutes clearly state that the Council of Ministers...

The Minister for Treasury and Resources:

I do not know because I was not there. I do not think I was at that meeting.

Senator S.C. Ferguson:

In that case what arguments did you raise that changed the whole of the Council of Minister's decision? There was a decision...

The Minister for Treasury and Resources:

Read the transcript.

Senator S.C. Ferguson:

...and there was not a decision.

The Minister for Treasury and Resources:

Well, read the transcript.

Senator S.C. Ferguson:

No, it was not in the transcript, it was not in the debate because the minutes of the meeting did not come out until after we had had the debate. We are just curious as to why you minute one thing and decide another.

The Minister for Treasury and Resources:

I do not chair the Council of Ministers and I do not know what happened because I was not there. But clearly, and it was Sir Philip that addressed the Assembly initially on this matter, I was persuaded by his arguments in relation to the fact that it would be wrong after a proper process and an independent process to come forward with a recommendation for a F.P.P. membership, then to give the ability for the States to effectively substitute that independent process. There was another argument, as I remember, that you could...one of the other problems with that amendment, as I recall, was that a Member of the States, which we did not realise when the amendment was put forward, any Member of the States, could come forward with a proposal ...

Senator S.C. Ferguson:

Yes, that slipped by us as well. But all that needed was for somebody to give me a telephone call and say: "Look, we do not think this is going to work." So why did nobody do that?

The Minister for Treasury and Resources:

I do not know, but you clearly made...I mean, why did you make the mistake? It was a yawning problem which could have put the States in a very difficult position. I will deal with the principles of

matters, I brought forward a law which I was satisfied was the right law, you amended it, your Panel was given a long period of time in order to scrutinise it - and I thank you for the scrutiny you did on it - and a mistake was made. I am not a lawyer but clearly upon advice when we looked at the detail of that article it was completely unworkable.

Senator S.C. Ferguson:

Well, why was it not picked up at the Council of Ministers' meeting, if you were looking at it so carefully. We are just curious as to the sequence of events.

The Minister for Treasury and Resources:

I think you might be just expressing disappointment that your amendments did not find favour with the States and I am sorry about that.

Senator S.C. Ferguson:

No, I am not questioning that. I am questioning how a decision made at a Council of Ministers meeting changes in the weekend.

The Minister for Treasury and Resources:

Nobody can say there was not a transparent process.

Senator S.C. Ferguson:

According to what you are telling us, it changed when you listened to Senator Bailhache giving his speech in the States.

The Minister for Treasury and Resources:

No, it was a marginal decision. I made it very clear that it was a marginal decision but when I realised and was briefed on the full implications of the rest of your amendment and the consequences of any Member being able to strike down a member of the F.P.P. and ending up into another situation...but let us also recall, which you will know very well, the disgraceful situation that we had with the proposal that I brought forward for the chairmanship of S.o.J.D.C. when we lost an eminent individual who basically walked away because of the deep personal politicisation of that individual. The completely inappropriate media handling of it as a result of loose comments that were made by politicians. Have we not learnt that we should not take individuals and drag them through...effectively using parliamentary privilege and others, cast aspersions on them?

Senator S.C. Ferguson:

I think you are opening something which perhaps we will both regret if you do, so we will leave that one.

The Minister for Treasury and Resources:

You raised it, Senator.

Senator S.C. Ferguson:

No, I did not, I raised the independence of the F.P.P. Anyway, now the other thing that we have heard a lot about over the last few weeks is the £20 million underspend. I wonder if you could explain it to us, please.

The Minister for Treasury and Resources:

Which underspend are you talking about?

Senator S.C. Ferguson:

You came out with a figure in the papers saying: "We are forecasting a £20 million underspend."

The Minister for Treasury and Resources:

So to be clear, that is the 6 monthly report?

The Treasurer of the States:

It is.

Senator S.C. Ferguson:

Yes.

The Minister for Treasury and Resources:

In our 6 monthly report of up to date finances there is an underspend. That is what we are talking about?

Senator S.C. Ferguson:

Yes.

The Treasurer of the States:

Yes, so the...

Senator S.C. Ferguson:

Will the Minister explain it?

The Minister for Treasury and Resources:

The Minister gets advice and I am asking the Treasurer to explain where it is as she is best placed to explain where it is for you. It is not a memory test for me, is it?

Senator S.C. Ferguson:

No, I just thought it was so important you would remember it.

The Minister for Treasury and Resources:

Let us get the facts and then debate it.

The Treasurer of the States:

The Minister is fully aware of all the position, Chairman, and you will know because we, at your request, now publish a 6 monthly report. So we produced a simplified version of our 6 monthly report that goes to the Council of Ministers so that it can be made publicly available and it has been made publicly available.

Senator S.C. Ferguson:

Yes, and that is jolly good, thank you.

The Treasurer of the States:

That is okay. It clearly shows an underspend which we are very pleased about on income support of £13 million. So we had feared, as you know, last year when we were doing the Medium Term Financial Plan, significant levels of unemployment arising as a result of things like L.V.C.R. (Low Value Consignment Relief). So we overestimated the extent...we overprovided for the potential cost of income support associated with levels of unemployment.

Deputy R.J. Rondel:

Do you recall what figure you did provide as a total offhand?

The Treasurer of the States:

I do not. We have not brought the accounts with us today.

Deputy R.J. Rondel:

Right, okay.

The Treasurer of the States:

But I can certainly let you have that. So we are pleased about that. The current plan, if the Minister does not mind me saying, is that we would use that level of underspend to help fund the

long-term care fund so the long-term care fund will then be in a position, subject to States approval, not to introduce the long-term care charge until later. So the current plan is that the long-term care charge would be introduced and it would be a phased introduction as well so that is another benefit for Islanders. We would introduce it as 0.5 per cent in 2015, January 2015, rising to 1 per cent in January 2016. In addition, a further benefit to Islanders is that we would nonetheless introduce the benefits from the scheme in July 2014. So our previous plan had been that we would introduce the charge first and the benefit later so as to build the fund up but the level of underspend on the income support side of things means that we can build the fund from existing resources rather than go back to the taxpayer for more. So we can build the fund up, introduce the benefit in July 2014 and introduce the charge at a lower level of 0.5 per cent in 2015 rising to 1 per cent in 2016.

Deputy R.J. Rondel:

Because originally it was 1 per cent per annum for 3 years?

The Treasurer of the States:

It was 1 per cent ongoing and the original plan was, going back, 2013...I cannot remember whether it was 2013 or 2014. 2014.

The Connétable of St. Lawrence:

Minister, how do you respond to calls that the underspend should be spent on increased salaries for public sector?

The Minister for Treasury and Resources:

The 3 year budgeting approach, which I am pleased to say has also been the subject of lots of discussions with colleagues from finance ministries in other places in the last few weeks and has now almost been regarded as a model of good budgeting. We are clear that there has been a budget allocation for States salaries. That budget is available for S.E.B. (States Employment Board) and Eddie sits on S.E.B. for the Treasury, you do as well, Connétable, so you will know those discussions better than I do. There is a clear pot available for States salaries and, as with all departments, they have to stick to that maximum allocation.

The Treasurer of the States:

Can I add to that, Connétable, you will know from our discussions at S.E.B., that an increase in salaries is an ongoing cost to the States whereas the underspends are one-off underspends so they cannot be used in that way because we would then be building up future costs that we had no way to meet. I understand that lots of people do not understand that that work for the States, they

think level of underspending must mean: "Folks, you can afford a higher award for us." It does not because the underspends are one-off. You will appreciate that the salary costs would be ongoing.

Senator S.C. Ferguson:

The underspends, as I understand it, refer to the near cash position as you are describing them. Then if you go on to the table on page 2 of the report, you have to start taking into account the non-cash expenditure, which is only fair because obviously, you know, taking into account depreciation, which is a measure of how you have used your assets.

The Treasurer of the States:

Yes, that is right.

Senator S.C. Ferguson:

If you do that then the underspend comes down to £4.9 million.

The Treasurer of the States:

That is right, Chairman.

Senator S.C. Ferguson:

Would that not be a fairer number to start talking to the public about?

The Treasurer of the States:

I think that is why we talk about both, Chairman, because people...

Senator S.C. Ferguson:

But everybody picks up the £20 million and not the £4.9 million.

The Treasurer of the States:

Of course they would, would they not, because that is the best one for their argument. So, yes.

The Minister for Treasury and Resources:

We get damned if we do and damned if we don't, do we not?

Senator S.C. Ferguson:

Yes, but if you look closely...

The Minister for Treasury and Resources:

But cash is cash, Senator.

Senator S.C. Ferguson:

Yes, but if you look closely at it, we have part of the spending, the £700 million we are talking about, and the net revenue expenditure, part of it is £22 million carried forward from last year, there is an addition of £12 million from the contingency fund and then you say that we end up with a net underspend of £20 million. So those figures do not hang together either.

The Minister for Treasury and Resources:

These are not good bullets to fire at us in terms of any criticism because the non-cash items are what they are, which is effectively depreciation as a result of valuation of States properties. So that is what it is.

Senator S.C. Ferguson:

No, excuse me, you reckon that is depreciation? In accounting terms depreciation is the use of the assets in supplying services.

The Treasurer of the States:

The use of assets, Chairman, is properly measured as...

Senator S.C. Ferguson:

But it is part of the cost of doing business.

The Treasurer of the States:

I know I am hesitant sometimes but the use of the assets is properly measured by the valuations that we had done independently at the end of 2012. So the Minister is quite right in what he says. The near cash position is a reflection of depreciation and the depreciation is measured at the point when we do the valuation of properties.

Senator S.C. Ferguson:

So we are back to £4.9 million.

The Treasurer of the States:

We are but I am not sure why you are complaining about it?

Senator S.C. Ferguson:

We had a lot of hoo-ha all over the papers about the £20 million.

The Treasurer of the States:

We would because the staff are going to choose the biggest number. Of course they are.

Senator S.C. Ferguson:

Well, it is surely the way you put the information into the public arena? Would it perhaps have been more sensible to look at the £5 million?

The Treasurer of the States:

Then we would have been accused of hiding something, Chairman. So we can show the cash position and we show the position after being adjusted for inflation.

[11:15]

The Minister for Treasury and Resources:

First of all, we did not have a 6 month report about States finances. People used to know about States spending when the white smoke appeared out of the Treasury in May of the following year after an audit. We now give Members, and publish it, a 6 months root and branch analysis which is clear and has everything in it about where we stand upfront.

Senator S.C. Ferguson:

Yes, that is absolutely right. So it gives us the opportunity to discuss it with you.

The Minister for Treasury and Resources:

You can but let us discuss and celebrate or criticise the things that have gone wrong. The fact is that, despite the difficulties, despite the fact that the economic situation has been poor and the job market continues to be under huge pressure, Social Security have underspent their budget. They have underspent it because they have certainly been encouraging people into work, there is lots of debate in a very political way in the U.K. about getting unemployed into the work place. Employment numbers in Social Security have gone up. We are admonished today and I understand yesterday in the media because public sector numbers have gone up. Public sector numbers have gone up because one of the places we have been deploying people is putting people in Social Security, helping people into work, giving them advice, counselling, guidance and, yes, being tough on people that when they are receiving benefits they have to demonstrate the fact that they have to look for work. As a result of that there is an underspend. That is good. It is good for the individuals who are back in work, it is good for States finances and it now means that we can transfer that benefit into the elderly community who are going to get the long-term care charge for free earlier.

Senator S.C. Ferguson:

Yes, but I think one of the problems came up because of trying to reconcile the figures that were in the M.T.F.P. (Medium Term Financial Plan) with the figures that came out with the 6 monthly.

The Treasurer of the States:

There is no problem with reconciling that, Chairman.

Senator S.C. Ferguson:

No, we got there in the end and then you start saying: "Look, there is £22 million of underspends that we brought forward from 2012 and put in to adjust the budget" then there was £12 million that came in from the contingency fund, so there was an extra £34 million gone into spending before we start looking at things.

The Treasurer of the States:

No, there are always brought forward balances, Chairman, there are brought balances every year.

Senator S.C. Ferguson:

Yes, I know but it makes a bit of nonsense of the £20 million when we have had an extra £22 million because of coming forward. It is making the figures simple for the average politician and Joe Public.

The Minister for Treasury and Resources:

Sarah, I think that it is an extraordinary thing to say that we have done anything but making the figures and the work that the Treasurer has done...

Senator S.C. Ferguson:

I am not saying anything like that.

The Minister for Treasury and Resources:

Could you not interrupt.

Senator S.C. Ferguson:

Yes, I will because you are going off on a different line. I am saying it is not always terribly easy...

The Minister for Treasury and Resources:

Would you let me finish my point?

Senator S.C. Ferguson:

Yes, indeed, Minister.

The Minister for Treasury and Resources:

Fine. We have given Members and the public a greater level of transparency and reconciliation of what the States are spending, where it is spending and comparing and contrasting with budgets, M.T.F.P. One of the key things that Eddie and I said when we were re-elected as the Treasury team, is we have increased transparency and put more information in the public domain. The Treasurer has done a brilliant job with her team of putting together reports which makes sense to people. This is not Blue Peter accounting, this is proper accounting by professionals that is clear. This report, which I have not read for a while, is a model of clarity in terms of what it is. It is clear. Everything is in there in a clear way and it is just simply not fair to say that somehow this is not clear. I think the Treasury has done a brilliant job in the way that we report finances and our accounts that the Treasurer published earlier on this year are held up as a model of good practice, G.A.A.P. (Generally Accepted Accounting Principles) compliance and proper analysis. David Cameron speaks about the 'Big Society' and putting all this information in the public domain. We have all this, we have a level of transparency, in other countries you cannot even understand where their true financial position is. You see it here and you see it every 6 months.

Senator S.C. Ferguson:

Yes, and it has been very helpful because, as I say...

The Minister for Treasury and Resources:

Well, do not criticise it then.

Senator S.C. Ferguson:

I am not criticising it, I am criticising the figures basically.

The Minister for Treasury and Resources:

I do not know what the criticism that you just made is. What are you criticising?

Senator S.C. Ferguson:

It is for me to ask the questions. Did you have a question, Richard?

Deputy R.J. Rondel:

Yes, you did mention about the public sector workforce increase in numbers. You mentioned a lot of it could have been due to the Social Security Department? Do you know how much of that figure is due to that and perhaps whether in your department there have been any increases or decreases in the last 12 months?

The Minister for Treasury and Resources:

Sorry, this is the job numbers, yes?

Deputy R.J. Rondel:

Of the report, just to try and alleviate the fear.

The Treasurer of the States:

Deputy, 53 posts relate to Social Security, but what I would advise you of is that we have sent a note about this, but the thing to bear in mind with the numbers that were published by the Statistics Unit is they are just a snapshot in time in their headcount. So it is headcount in July last year and headcount in July this year. What they do not take account of is vacancies so the numbers that were reported in the media, 80 of those were just filling vacancies. As you would appreciate that during a time of economic downturn people tend to stay in the jobs that they are in rather than seek to move so 80 of those posts were vacancies. Then if you go to the medium term financial plan, all of the job numbers are approved within the medium term financial plan. You know that one of the big areas of growth, financial growth in 2013 to 2015 was in Health so it will not come as a surprise that 30 posts of the total were in Health and are medical posts, nurses, consultants and that sort of thing.

The Minister for Treasury and Resources:

That is only until June where they are busy recruiting more people as they are deploying the additional resources they do. If anything we would expect that number to jump again in the next 6 months as they are now recruiting to the budgets that they have been given.

The Connétable of St. Lawrence:

Minister, do you...sorry, had you finished?

The Treasurer of the States:

Yes.

Deputy R.J. Rondel:

Would it possible just to share that information with us as well?

The Minister for Treasury and Resources:

Yes.

The Connétable of St. Lawrence:

Minister, do you share the concerns that have been expressed in the media about the...

The Minister for Treasury and Resources:

I have not seen the media reports, and I did speak to Alan Maclean last night on the telephone because I know that he was interviewed, I do not know what the headline was. Was it sort of public sector...

The Connétable of St. Lawrence:

Well, maybe if we forget the headline, based on those figures, are you concerned at the growth?

The Minister for Treasury and Resources:

Public sector numbers are bit like immigration. They are a popular way of getting a good debate going. First of all, the corollary is public sector goes up equals bad. Let us be clear...and obviously public sector must be civil servants with pens pushing them around a desk and not doing valuable services. That is just wrong. I think the label that we give public sector workers in this pejorative way, we have to be careful that we do not end up criticising people who are working hard delivering services for Islanders. The second point is that there is no surprise if we are going to put more money in areas such as Health, if we are going to succeed in helping people back to work, we are going to employ more people in those two particular areas. Also, at a time of high unemployment I think it is important that departments who have vacancies and perhaps they presume on the assumption that that work is needed, it is better to employ an additional person than to get staff to do more overtime. It is better to get permanent people in and get them trained up to do the job, and as I understand it that is certainly the issue for a couple of those departments that are getting on and delivering the tasks that they are asked to do. I understand particularly that is in relation to the police, where the police have recruited up to their headcount and I do not think anyone would doubt Mike Bowron's modernising approach in the way that he is handling the police. I would say that is the right thing. Ministers and politicians, we set budgets, we indicate what those budgets are and we approve them, we debate them in the M.T.F.P. so there should be no surprise and also of course the increased number of people that we are employing is being offset by a substantial efficiency programme. Overall that number is less and, as the Treasurer said, it is just a snapshot in time. We, I think, had a voluntary redundancy scheme that shed 70 staff across the board as I recall.

The Treasurer of the States:

It is over 100.

The Minister for Treasury and Resources:

Over 100 finally with the C.S.R. (Comprehensive Spending Review). The States is becoming more efficient and to suggest that the States is inefficient because public sector headcount has gone up is simply wrong. So we clearly need to explain this. I am going to certainly be...I have not

spoken to the Chief Minister about this but I am certainly going to go on the front foot and if I am in the States on Tuesday answering questions I will be robust in saying: "Yes, we should be employing more people in the areas which we need to assist" which is in Social Security, Health and other departments up to their approved limits.

Deputy R.J. Rondel:

How do you react to the news, I think it was yesterday, that the J.E.C. are going to lay down a number of staff and how confident are you that perhaps they will be able to maintain their dividend to the States of Jersey in that respect? I must declare an interest because my son works for them.

The Minister for Treasury and Resources:

That is fine. Clearly I understand that that is across the board in retail and here we are seeing the never-ending move from bricks retailing to online retailing. We cannot hold back the time. We cannot, as shareholder and of course not as 100 per cent shareholder of the J.E.C., stop the J.E.C. and neither should we from them making necessary adjustments to what they are doing. The States itself is making huge adjustments in what we are doing. We are employing less people to carry out the same tasks as we did previously. The thing that gets confusing is the States is increasing services in some areas, which is more than the growth in the investments in Health and Social Security jobs. Some of that will go, of course, as the economic situation improves. Those job creation jobs, helping those 2,000 people unemployed, they have to be given help and clearly then those unemployment numbers, which are still too high, will come back. We do have an early warning system and Chris Ambler did contact me over the weekend and I have had a note of the reasons why they are doing that. But it is simply the reporting of it. Certainly they should not be asking what we think of it. We will of course assist those 20 people that will lose their jobs in the J.E.C. They will be given all the assistance they can by those additional 53 people that are employed in Social Security and the additional people that have been employed in Education, in the careers section to reskill and realign those individuals so that they are not out of work.

Deputy R.J. Rondel:

Are you confident that they will maintain their dividend to the shareholders?

The Minister for Treasury and Resources:

Yes, there is no issue with at. No issue with that at all.

The Connétable of St. Lawrence:

I do not have any other questions.

The Minister for Treasury and Resources:

I am aware that there have been a number of other comments, and maybe not an issue for today, on the general economic situation. I see former Senator Shenton also addressed a letter to the *J.E.P. (Jersey Evening Post)* - he was kind enough to send it to me - and I am happy to talk to the Panel after I spoken to the Economic Advisor. We will certainly be addressing a number of those issues because I think there is some understanding...G.V.A. (Gross Value Added) numbers, the contraction of G.V.A. at 5 per cent has come as a surprise to some people and I think it is important that we understand what the drivers of that are.

Senator S.C. Ferguson:

Yes, because I think the fact that it has been falling for the last 5 or 6 years obviously is a concern, but these are all matters that I think are going to be, with respect, Minister, discussed in our Budget hearings, because we do have a number of economic queries that we are concerned about but as they relate to budget material which is not yet public we cannot ask them today.

[11:30]

The Minister for Treasury and Resources:

No, that is fine.

Senator S.C. Ferguson:

So you have been spared.

The Minister for Treasury and Resources:

That is fine. It is important I think that we are very clear and that we are clear with the general public about the reasons why headline G.V.A. has fallen, which is to a large extent in terms of financial services completely outside our control. We could not do anything about it and the dominating reason, of course, is the low interest rate environment, which simply just means that the value added of our very substantial financial services industry contracts our G.V.A. At the same time that does not necessarily mean that there are less jobs. In fact, if I compare...

Senator S.C. Ferguson:

As I say, I think this is something...because we hear anecdotal comments about 10 or 11 people being declared redundant here and there and these are all, as I say, economic matters which I think we will be discussing around about the time of the budget hearings, which I think is only next week.

The Treasurer of the States:

Chairman, as you know, we provided confidential briefings for you on a couple of occasions for the Budget.

Senator S.C. Ferguson:

That is why we dare not say anything about it.

The Treasurer of the States:

We would be pleased to offer the same to Constable Mezbourian to catch up with some of the prior information that you have already had, if that would be helpful.

The Connétable of St. Lawrence:

Thank you. Can I get in touch with you then?

Senator S.C. Ferguson:

Super, thank you very much.

The Minister for Treasury and Resources:

But everything is public as of Tuesday, yes. Then it is a good opportunity...

Senator S.C. Ferguson:

Then it is no holds barred.

The Minister for Treasury and Resources:

I hope in a constructive and positive way.

Senator S.C. Ferguson:

Absolutely. A very constructive way.

The Minister for Treasury and Resources:

We do work hard on giving you facts. There are people that spend hours doing this for us.

Senator S.C. Ferguson:

Yes, it is appreciated but we can be much more constructive about them if we get them beforehand.

The Minister for Treasury and Resources:

Well, we can help you if we get the questions.

Senator S.C. Ferguson:

That is no fun. **[Laughter]** That is not how you do it anyway. If you think Margaret Hodge gives questions to all the people she interviews beforehand, you must be joking.

The Minister for Treasury and Resources:

I met Mrs. Hodge at the Labour Party Conference.

Senator S.C. Ferguson:

Super, thank you very much indeed, Minister, Treasurer, Assistant Minister.

[11:31]