



STATES OF JERSEY

Corporate Services Scrutiny Panel

Review of the 2013 Budget Statement

WEDNESDAY, 14th NOVEMBER 2012

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen (Vice-Chairman)
Deputy S. Power of St. Brelade
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)
Treasurer of the States
Director, Legal Status and Revenue – Customs and Immigration

Also Present:

Mr. W. Millow (Scrutiny Officer)
Ms. S. McKee (Scrutiny Officer)

[10:04]

Senator S.C. Ferguson (Chairman):

Good morning, lady and gentlemen. Welcome to this quarterly hearing of the Corporate Services Scrutiny Panel. You have the public health warning there which, I think, you have probably read.

The Minister for Treasury and Resources:

Many times.

Senator S.C. Ferguson:

For the sake of the ladies doing the transcriptions I wonder if we could go around the table and introduce ourselves, please?

[Introductions]

Senator S.C. Ferguson:

Super. Thank you very much. If the photographic lady and gentleman have finished I am going to throw you out, I am sorry. I think basically, obviously, the matter of interest to everybody at the moment is the 2013 Budget Statement. Will you be bringing any amendments to the Budget before the debate?

The Minister for Treasury and Resources:

The Council of Ministers discusses the Budget amendments that have been presented so far on Thursday and I can advise the Panel that we will also be bringing some amendments that will be, I think, hopefully lodged on Tuesday, which is some further refining of the avoidance measures that have already been in the legislation. Obviously one of the main things of the Budget is securing revenues. The Panel will be, I am sure, very aware of the difficulties that we have had in relation to, on the one side securing the future of Zero/Ten but needing to find a replacement for deemed distribution. The taxation team have done extremely good work in relation to putting in place what is a more complicated system of anti-avoidance. Treasury is always in a difficult position because we want to act fast to ensure that we have got an alternative to deemed distribution for the next year effectively, which is commencing on 1st January. It is always difficult to consult on anti-avoidance legislation. Anti-avoidance legislation is by definition something that you are trying to stop. However, we signalled from the start that we would use the lodging of the Budget and the long period of time that we have got between lodging and debate that we would consult with industry and practitioners. Practitioners have advised us of a couple of ... in some cases improvements, in some cases some simplification areas and we are going to do that. What I will do under the confidentiality arrangements we have with the Panel ... I signed off the law drafting instructions on this a few days ago. Law Drafting are now drafting the amendments. I am happy to give the Panel the law drafting instructions and the legislation that comes before it, is going to be lodged next week. I do not think in reality it is going to cause you much problem because what we are doing is we are trying secure, obviously, revenues. So I would imagine that this is probably an area that we will be, I hope, in absolute agreement on but we will certainly give you advance warning. In relation to duty amendments ...

Senator S.C. Ferguson:

Well, can we get on to those later?

The Minister for Treasury and Resources:

Sure, absolutely.

Senator S.C. Ferguson:

If you do not mind because we have kind of divided it into ...

The Minister for Treasury and Resources:

No problem. I can also advise the Panel that we are ... and I have got to yet finalise this with the Treasurer. The Panel will be aware that the Minister for Housing signalled his intention of bringing forward a deposit loan scheme to assist first time buyers. At midnight tonight the latest housing index survey is published and it is a picture of a further continuation of a market which is, while still featuring a reasonable turnover of property, certainly it is a picture of a stagnating market. The tightness of credit indicates that there could be an opportunity to trial some assistance to getting first time buyers into the market that otherwise would not be the case. We have been amenable to that and the Minister for Housing has asked us to use some existing funds which are earmarked for the purposes of home ownership in the Dwelling Houses Loan Fund. I will be presenting, potentially ... I am just signalling the fact that a trial scheme which will use some resources within the Dwelling Houses Loan Fund which I do require ... I have powers, upon advice, to make loans and to allow the Minister for Housing to do what he wants and we have been through a process of setting out a structured process to come forward with a plan but I may need States approval in order to just simply allow the Dwelling Houses Loan Fund to be used for this particular purpose. I am thinking of using an amendment to the Budget to do that.

Senator S.C. Ferguson:

This is fine but how much is this starting to support a bubble? Because what I am getting from the industry is that we have a surfeit of rental properties. We have a lot of houses where people have gone back to the U.K. (United Kingdom) and left houses either to be let or vacant and that there is a surfeit of office accommodation around. This is the talk I am getting back from the estate agents.

The Minister for Treasury and Resources:

We have consulted ... and I am seeing the Bankers' Association also later on, after I finish with you, at about noon. I think I am going straight to the J.B.A. (Jersey Bankers' Association). You are absolutely right, Chairman. I am absolutely united with you on the fact that unintended but well intentioned Government policies can support bubbles or avoid markets normalising and I think that is a very real risk. The history of Jersey politics intervention in the housing market, and indeed other well intentioned politicians, is littered with examples of causing greater problems. So we are very, very cautious about this which is why at every stage that we have developed the Minister's proposals for a loan scheme we have been taking economic advice and we have also been talking to surveyors, et cetera. The scheme that is now almost finalised, and again I am happy to transmit this to you and the Health, Social Security and Housing Panel, because I think it is in one of those joints things. I am happy to give you the draft scheme that is now almost in finalisation and I think you will see that the way that it has been crafted is absolutely directed towards those people who would never have got into home ownership even with the looser credit criteria that was previously

available. It is planned that it will only go through the housing gateway, which is a sieving arrangement that ...

Deputy S. Power:

Eligibility test.

The Minister for Treasury and Resources:

Eligibility test; Deputy Power is correct. It is not going to support any new developments for any big developers, which certainly we have absolutely no intention of supporting whatsoever, and you would agreed with that I am sure. It is genuinely designed to assist those people who, with a little bit of help from the States, could get into home ownership and who will not be then penalised or find it impossible to get on to the housing ladder because of the tighter lending criteria that the banks are now applying. We do not want to support loose lending. We do not want to support 100 per cent mortgages. We genuinely want to try and help Jersey families and Jersey individuals, couples that are trying to start a family, to get the dream of home ownership and if we can provide a very small assistance by lending them a proportion of the deposit which means that the loan to value ratio is down to 80 per cent or 85 per cent by the States taking a second charge on lending them some money ... we will be indexing that. Trinity has come up with a very innovative de facto shared equity scheme like the way they charge interest which you may be aware of. I think you will see that we will not be doing anything that will be inflating and it is genuinely focused on getting the genuine people who want to get into home ownership.

Senator S.C. Ferguson:

Right.

Deputy S. Power:

How much is left in (a) the Dwelling Houses Loan Fund, (b) how much are you proposing to allocate, and what is the timescale?

Treasurer of the States:

£6 million and £3 million and as soon as we can manage it.

[10:15]

Deputy S. Power:

That is impressive. £6 million is in the fund now?

Treasurer of the States:

Yes.

Deputy S. Power:

You are proposing to allocate £3 million?

Treasurer of the States:

Yes.

Deputy S. Power:

The timescale will be?

Treasurer of the States:

It will need to be in the short term, Deputy Power, because it will not have the effect of fiscal stimulus that the Minister has described if we are too slow about it so it would be over the next 12 months or so as a pilot to see whether the arrangement would work and also have the effect that is desired.

Deputy S. Power:

What do you think would be average guaranteed deposit size? Do you have an idea?

The Minister for Treasury and Resources:

Yes. We have got a detailed paper; we will share it with you.

The Deputy of St. Ouen:

Can you tell me ...

Deputy S. Power:

Hold on. Let them just answer this first?

Treasurer of the States:

The plan is that it will be a proportion. The maximum amount that can be loaned for the deposit will be a proportion of the ... about 10 per cent below the average house price for a particular type of house. It would be easier if I were to say that for the sake of argument, say a 3 bedroom house is £400,000. So we take 10 per cent off that, £360,000, and then we will lend up to 10 per cent of the £360,000 so that will be £36,000. So that is the kind of way in which it is planned to work.

Assistant Minister for Treasury and Resources:

It is 15 per cent, is it not?

Treasurer of the States:

Is it 15 per cent?

Assistant Minister for Treasury and Resources:

It is 15 per cent.

Treasurer of the States:

So that will be £54,000 then.

Deputy S. Power:

£54,000?

Treasurer of the States:

For that type. Then if you were to say that a 2 bedroom flat might be £200,000, you take 10 per cent off and go to £180,000 and then 15 per cent of that.

Deputy S. Power:

So let us take incredibly ballpark figures of £3 million and £50,000 to aid my arithmetic. You are talking about doing 60 mortgages?

The Minister for Treasury and Resources:

It would be available also for a genuine first time buyer with an apartment, a one bedroom apartment. The maximum amount that we would allow to use for the scheme is low, because we have got no intention of doing the Chairman's point about inflating the market, so I think the figure that we have indicated is that we would only allow the deposit loan to be given on a one bedroom flat that would cost less than £175,000 for example, which is quite low, if you look at the ... we are looking at the bottom quartile now I think. Following the discussions that we had yesterday we are looking at the bottom quartile so it is really low cost housing and it is going to be quite difficult to get through the gateway and doing it that way means that you avoid doing anything that is effectively maintaining high property prices. We are also looking at a per square foot maximum to avoid ... even the fact that you get a very small one bedroom flat or 3 bedroom house, you know a really, really small one. So we are being really tough in terms of the criteria but if you get through that gateway and if you find a low cost house that may well be stagnant in the marketplace because things are just not moving then you could create some movement ... it will create a boost in the housing market which is a boost of the number of transactions but it will not be doing anything to

boost prices. In fact, because we are putting the number so low, it is unlikely. If anything it is going to maintain the current depressed price, not do anything to inflate.

Deputy S. Power:

Can I just add a follow on question? So we are talking about a ballpark figure of £3 million as a trial with an average assistance of 15 per cent targeted at the £400,000 range which will give about £50,000 so that would be about 60 eligible candidates or couples or whatever?

Treasurer of the States:

Just to say, Deputy Power, that it would not just be targeted at that 3 bedroom house, it will be a range. So, if that, on average, the deposits were £30,000 you would get 100 deposits out of the £3 million, so 60 would be at the low end of the number of people that would be helped.

Deputy S. Power:

Yes, it would. I am just trying to get an estimate of what the level of activity is likely to be over the next 12 months. My final question, linked to this is, when we did Homebuy in 2009 the average salary, the average income for families, couples, whatever, was about £50,000 to £60,000 and the banks were not prepared to lend more than 5 times that.

The Minister for Treasury and Resources:

That is the problem, yes.

Deputy S. Power:

So the problem is you have got a gap between £250,000 to £300,000 and £400,000 so I am not quite sure ... maybe one of you can answer me as to how we are going to fill the gap?

The Minister for Treasury and Resources:

No. You are right. You are absolutely right and this is not a silver bullet that is going to help everybody that we would like to, benevolently and well intentioned, get into home ownership. It is certainly just going to be a targeted activity to help move transactions that otherwise would not be the case. It is the H3 policy which you are rightly probably alluding to is the real solution for getting those wider people in in a proper shared equity or ... I use the word "shared equity" too loosely, but you know what I mean in terms of that.

Senator S.C. Ferguson:

Right, can we ... sorry.

Deputy R.J. Rondel:

Two more questions?

Senator S.C. Ferguson:

We need to get on with the Budget so make it quick, please.

Deputy R.J. Rondel:

Just to be clear, is not part of the problem our failure to deliver enough affordable homes in the system?

Senator S.C. Ferguson:

I do not think that is relevant to the discussion, if you do not mind. We will carry on with the Budget.

The Minister for Treasury and Resources:

We will talk about that separately. We can talk about the economics of housing all morning. There is lots of past accommodation but people's expectation of rising house prices has been very high in the last few years and people have to readjust. I mean the bubble, there has been air taken out of the bubble. There is no doubt at all about that and the market is certainly trading at much lower volumes and transactions and we have seen the steam come out of the market.

Senator S.C. Ferguson:

Right, okay, can we get back to the Budget.

The Minister for Treasury and Resources:

Of course. We will show you the papers and we will give you this but we are moving quickly.

Senator S.C. Ferguson:

Good. Excellent. Now, you are going to increase income tax thresholds by 3 per cent and this, according to the statement, will reduce the number of taxpayers who are subject to income tax. How many people are going to be affected by the increase in these thresholds?

The Minister for Treasury and Resources:

In absolute truth we always like to have detailed questions notified. I would need to get notice of that and I will happily give that to you. I am not sure that I have got them at my fingertips.

Senator S.C. Ferguson:

We have a concern about that because the last figures I had, I think, were 2010 and at that stage 13 per cent of taxpayers were paying tax at 20 per cent, 49 per cent of taxpayers were paying on the marginal rate and then ...

The Minister for Treasury and Resources:

But that is a good thing. If you want to ...

Senator S.C. Ferguson:

No. We have got something like 20,000 people ... sorry, I have not got all my percentages, but 20,000 people do not pay tax, 39,000 people pay at the marginal rate and something like 9,000 pay at the 20 per cent rate.

Treasurer of the States:

We can get that breakdown for you.

Senator S.C. Ferguson:

The worrying thing about that is the fact that if we keep taking people out of tax, because if you take people out the tax rates the burden of tax is going to be heavier on the people who are left in.

The Minister for Treasury and Resources:

No. I think we have got to look at it in the round but we will absolutely give you the figures on the numbers we have currently in the different bands that you have and your analysis has been correct in the past so I am sure you are right. We will give also a best guess of the analysis of where we think the changes will be. I think we need to make the point, Chairman, that we have been making sure that people on higher incomes, on relatively higher incomes, that are paying at the 20 per cent are paying 20 per cent and we have been doing some fiscal drag in freezing those allowances. So if you are not in the marginal rate now, if you pay 20 per cent, by definition, your personal circumstances are better than if you were in the marginal rate and we have been, while we have been putting more pressure on ensuring that we collect more tax from people who are on the 20 means 20 system. The marginal system which we, again, have been trying to explain to people what it means. Because you are paying 27 per cent tax, it means that you are better off than paying 20 per cent because the proportion of which you do not pay tax on your income, the tax free bit of your income, is much higher. So even though you are paying at the marginal 27 per cent ...

Senator S.C. Ferguson:

Yes. If you do a graph then you start at sort of one per cent and at the point at which you reach 20 per cent you then fall into the proper 20 per cent bracket. I have drawn graphs of this.

The Minister for Treasury and Resources:

What are you worried about?

Senator S.C. Ferguson:

What is worrying me is that we are taking people out, reducing the number of taxpayers who are subject to income tax. Now, if we take too many people out of income tax we are not going to have enough income. What are you doing to make sure of that?

The Minister for Treasury and Resources:

Okay. I sent you an email overnight back from 2002 and 2004 of a press release about setting up the P.A.C. (Public Accounts Committee). I also found in my archive, I was just sorting out some personal files last night, old political stuff, and I also found a press release of when we were originally introducing G.S.T. (Goods and Services Tax). Of course it is not right to say anymore, is it, that 13 per cent of people do not pay tax. Everybody in Jersey pays tax because we introduced G.S.T.

Senator S.C. Ferguson:

No, I said income tax.

The Minister for Treasury and Resources:

I know you did. But we take the total tax burden of Islanders as a total and that is what we look at in terms of charts. So you are right, we are, if you increase the exemption limits, and we are only increasing them by the percentage that you stated, so we have increased them by much bigger percentages in the past. That is something that has been lost. We have been increasing exemptions limits as we also increased G.S.T. We did lift people outside of income tax. Now, people have obviously rightly complained ... well, I do not say "rightly", they have understandably complained because of G.S.T., but we have also been giving people much bigger amounts of income that they do not pay any tax on at all. Now, I am not saying the coalition in the U.K. is right and the Liberal Democrats are right, but they have been pursuing a policy where they are saying: "If you are on a relatively low income you do not pay income tax." Now, in Jersey we have this very simple, quite difficult to explain, system which is that if you are a certain income you pay 20 per cent and we expect you to pay 20 per cent and 20 means 20 but if you are on a relatively lower income and you have got a child or you have got a dependant or you have got personal circumstances then your effective tax rate is a lot less because of the marginal system. Now, normally people would say to me, Chairman: "The other thing is you should be giving people tax benefits." This is where increasing the exemption limits is helping people on relatively lower incomes. Now, if you do not think that is right, and you want me to tax more people on relatively lower incomes, then I will

consider an amendment but I do not think that that is what we are trying to do. We are trying to ease the pressure, not increase the pressure, on people on relatively low incomes who are paying tax.

Senator S.C. Ferguson:

Yes, it is obviously a question of balance and I just do not want the balance to go so far the other way.

The Minister for Treasury and Resources:

I mean as a married couple your exemption thresholds are rising from £21,400 to £22,090.

Senator S.C. Ferguson:

I think if you have got a mortgage and 2 children and a wife I think you do not start paying tax until about £42,000 a year, do you?

Treasurer of the States:

The allowances, Chair, are on page 23 in the Budget Report.

The Minister for Treasury and Resources:

I am happy to get a note from my taxation officials if they want to help me out here.

Senator S.C. Ferguson:

I think that is immaterial.

The Minister for Treasury and Resources:

If you would like us to give you some more charts on what kicks in when as a result of these proposals I am happy to do that.

Senator S.C. Ferguson:

I think that would be useful for the Members of the States.

The Minister for Treasury and Resources:

No, I agree. We will do that in advance of the debate.

The Deputy of St. Ouen:

With a simple headline figure of how many people would be affected would be useful as well.

The Minister for Treasury and Resources:

Yes. How many people as a result of the 3 per cent increase in exemption limits are going to come out of tax? That is what you would like to know. That is a good question. I am happy with that.

Senator S.C. Ferguson:

How many people are dropping from 20 means 20 into marginal?

The Minister for Treasury and Resources:

Well, that is another very good question. That is because we are not ...

Senator S.C. Ferguson:

Because if we are just shifting the ...

The Minister for Treasury and Resources:

We are putting more people into the more generous exemption limit, tax banding but that is good news to some people. That is the Treasury not taxing people as opposed to what we are normally accused of, of taking more money out.

Senator S.C. Ferguson:

Well, putting money back into people's pockets, yes. Right. Now, we are going to have a number of amendments to the tax law including the taxable distribution but I think you have just said you are going to send us all the figures on it, the papers.

The Minister for Treasury and Resources:

Yes.

Senator S.C. Ferguson:

That is fine.

The Minister for Treasury and Resources:

I accept that that anti-avoidance stuff is complicated.

[10:30]

We would have preferred to have deemed distribution because it was nice and simple but we have lost it. It has created the advantage of a level playing field which we have also discussed. If you would like a briefing on the complete suite of the anti-avoidance stuff, once we have put the

amendments through, I am happy to organise that with tax officials. Okay. I might also do a general briefing for States Members in advance of the Budget.

Treasurer of the States:

Chair, may I just say that the other thing to take into account is that the reason we increased the exemptions and allowances is because people's income is increasing so you need to take that into account as well. So if they were earning £100 last year and they were earning a £100 ...

Senator S.C. Ferguson:

You are taking out the fiscal drag.

Treasurer of the States:

We are trying to keep them in broadly the same position so they are paying broadly the same amount of tax. It does not necessarily have quite the effect that you are thinking because their incomes are rising.

Senator S.C. Ferguson:

Well, yes, but there are quite a few people in the Island whose incomes have not gone up over the last 3 or 4 years.

The Minister for Treasury and Resources:

No. The Treasurer was absolutely right. The other point, of course, is the real value of people's income has been eroded by inflation and that is another factor. So we are looking at earnings and that is why we struck at the figure of 3 per cent which we thought was a reasonable balance between the cost of inflation ... now, that is higher than inflation but that gives people a little bit more so if you take inflation being lower than 3 per cent but then it is ... the slightly complicating thing is there is a year difference because these are the allowances that will be given for people on their 2013 tax assessments. Okay? So we are forecasting what inflation is going to be. That is another factor. So we are looking forward to seeing what inflation is going to be and what earnings are going to be.

Senator S.C. Ferguson:

Just a couple of points before we move off this. Are there any other sort of amendments you expect to make in the Budget?

The Minister for Treasury and Resources:

We will come on to duties in a second.

Senator S.C. Ferguson:

The statement says there are some persistent offenders among employers who do not comply with I.T.I.S. (Income Tax Instalment Scheme) requirements. What amounts of tax are being lost as a result? Anybody?

The Minister for Treasury and Resources:

The 6 monthly monitor gave some information.

Assistant Minister for Treasury and Resources:

To be fair this probably is not a tax loss from these wayward employers. It is a timing issue about the collecting of it, the only way that the tax would be lost if those employers went bankrupt.

Senator S.C. Ferguson:

Well, how much tax -- what sort of amount of ...

Treasurer of the States:

The collection rate for tax is 99.6 per cent.

Senator S.C. Ferguson:

Right. So this is ...

Treasurer of the States:

So over the last 4 years the amount that has been written off in tax has been between £1.5 million and £2 million year. I think I gave you a schedule previously of tax write offs. So very low.

Senator S.C. Ferguson:

Yes. Now, the other thing then is how much is late? What sort of late paying have we got in that case because you have just said that we get it?

The Minister for Treasury and Resources:

Well, if it is income tax you are subject to the 10 per cent surcharge.

Senator S.C. Ferguson:

So how much are we making on late payments?

The Minister for Treasury and Resources:

You see your question has changed. We have got an answer for everything on this stuff because this is where Jersey has got a nice simple tax code and we have got officials from Customs and

Income Tax here and our bottom line is “keep it simple and pay your tax” and that is why we want simple G.S.T. and we want simple income tax because it is much easier for us to ask for compliance. That is why our compliance rates are so very high but we are never satisfied. We want to collect all the tax that is due and there are some modifications in the Budget which are designed to make some further changes to do that.

Senator S.C. Ferguson:

Right, well, Sean, if you would like take over for the impôts?

Deputy S. Power:

I am not sure if I want to. I have a reputation for this but there we are.

The Minister for Treasury and Resources:

You do, Deputy. Shall we all declare our interests? I declare an interest as owning a garage which has an indirect effect on fuel duty. That is well known. I declare it at every opportunity.

Deputy S. Power:

Well, I have to declare I do not have any interest in the alcohol, fuel or tobacco industry. Thankfully. Looking at my favourite page on the Medium Term Financial Plan, page 42, Budget tightening measures, Budget tightening compliance ...

The Minister for Treasury and Resources:

Is this the Budget, Deputy?

Deputy S. Power:

Yes. I am linking the forecasts to the Budget. Okay? You are hoping to raise £2.6 million on impôts. Was that always the intention or is that a review because I notice impôts duty has flatlined?

The Minister for Treasury and Resources:

Just help me, are you on Budget or M.T.F.P. (Medium Term Financial Plan)?

Deputy S. Power:

I am using the M.T.F.P. as a reference but my question comes out of the Budget.

The Minister for Treasury and Resources:

Okay, that is fine, yes.

Deputy S. Power:

Essentially our impôts figures are flatlining so are you confident about the £2.6 million that will be realised through increases in impôts and what are the indications from Treasury on stamp duty?

The Minister for Treasury and Resources:

Well, the 6 monthly quarter monitor which we have never issued before gives you an up to date picture of where our 6 monthly numbers were. Have you got a copy of it with you, Treasurer?

Treasurer of the States:

I have not. We are confident in the impôts figures. Our Customs colleagues have calculated those for us. We have taken into account, in the Medium Term Financial Plan, the impôts projections that are set out in the draft Budget Statement but the numbers in the draft Budget Statement are ... what we took into account in the Medium Term Financial Plan was an inflation level increase in impôts so that the levels of duty that we now have in here for alcohol, tobacco and fuel will exceed our assumptions within the Medium Term Financial Plan and we have set that out. The financial implications are set out in a table in the draft Budget Statement so you can see clearly how much we assumed within the Medium Term Financial Plan and how much these proposals now generate.

Senator S.C. Ferguson:

But you have adjusted them downwards in the Budget Statement. You did expect something in the order of £54 million and you have downgraded it to £51 million.

Treasurer of the States:

Those are our numbers in 2012 but we took those into ... what we did when we developed the Medium Term Financial Plan was we took account of the fact that the economy was not performing as well as it might. So we deliberately, and you can see this in all of our financial forecasts, that we start 2013 with a lower level. You mention impôts at £52,939,000. Our original Budget for 2012 was £54,500,000 so, Chair, we had already downgraded our forecast at the start of 2013 and that is part of the reason why we have been able to be reasonably confident about hitting those targets.

Senator S.C. Ferguson:

Yes, because they have effectively been flatlining since 2008, 2009. There is not any growth in the impôts, not from the graphs anyway.

Treasurer of the States:

There is a reduction rather than no growth.

The Minister for Treasury and Resources:

No, there has been a reduction and that is what we signalled.

Treasurer of the States:

But that is what we have planned for.

The Minister for Treasury and Resources:

Yes. Overall our income is higher because we have collected more tax because more people have been in work than we were expecting and the fall off of employment because the recession was less severe. So, yes, you are right our income from impôts is down. The 6 months monitor, which was published a few weeks ago, indicated that year to date we are down ... and again these figures are already down.

The Deputy of St. Ouen:

Nearly £3 million.

The Minister for Treasury and Resources:

Yes.

Deputy S. Power:

So if your income is down on impôts why put the rates up?

The Minister for Treasury and Resources:

Well, why the levels are down; is it because of the economic situation of people ... and you need to split it because obviously fuel duty, alcohol, tobacco are all ... there are different competing forecasts.

Deputy S. Power:

I accept that.

Senator S.C. Ferguson:

Yes, I think I sent you all my graphs, did I not?

Treasurer of the States:

Chair, can I refer you to a table? It is page 40 in the draft Budget Statement. Figure 8.1 shows the financial implications of the 2013 Budget proposals and you can see that for impôts, for the alcohol element of impôts we are only expecting a tiny bit more, £19,000 more than we had in the Medium Term Financial Plan. For tobacco the Budget would give us £1.2 million more than we have assumed in the Medium Term Financial Plan and for fuel the Budget would give us £1.3 million more

than we have assumed within the Medium Term Financial Plan. So that is what that little table there is designed to do. It shows you how much more these budget proposals generate as against what we originally put in the Medium Term Financial Plan.

Senator S.C. Ferguson:

Yes. I mean the fact that over the last 12 years the number of cars has gone up by about 28 per cent but the consumption of fuel, the fuel imported, has gone down by 5 per cent.

The Minister for Treasury and Resources:

No. That is because there has been this massive increase in much more fuel efficient vehicles.

Senator S.C. Ferguson:

Yes, but that ends up with a fall in the amount of fuel consumed.

The Minister for Treasury and Resources:

Yes. If you look at page ... I hate to give you just the numbers but I hope the Panel welcomes the really very transparent numbers that we are now publishing. We are publishing our forecasts. We are publishing past actuals. We are publishing a 6 monthly figure and if you look at page 200 of the Budget you can also see that broken down not only just the alcohol but you can also see wines, beers, spirits, cider also split down. So if you want to dig down into the data you can look at, on page 199, the supplementary note 4, which basically says exactly where that variation is. It says on page 200: "Forecasting impôts income is normally reasonably accurate. The 2011 total received was within 4 per cent of the forecast which is the largest variance having a known cause." You can see where the numbers are on page 200. You can see where the estimate versus actual is and interestingly the fall in alcohol duty ... I mean if you take fuel, yes it is off £190,000 and that is absolutely because volumes are falling and that is because there are less people in Jersey and more fuel efficient vehicles we think. There is no other real explanation for it. I do not think people are not taking more journeys. It is just because there is ...

Senator S.C. Ferguson:

There are more vehicles. I have the figures back to 1996.

The Minister for Treasury and Resources:

But there are less people in Jersey as a result of the recession. Anyway if you look at that, if you take tobacco, the actual versus estimate is down £390,000. Now, Health would say that is a good thing because volumes are falling. Customs may well say there are offset increases in terms of more duty free being imported and that is a concern to us which is why we do not push the numbers up too high. I have got something to say about tobacco duty in a minute. You can see the very

interesting shift in terms of the falling spirits. Wine is down £100,000. Beer is down £2.3 million and apparently it is the working man's pint that people are so worried about in St. Mary's Pub but the figures from beer, which is a total of £5.3 million, they are virtually on target. So the last year's increase in duty has not stopped the working man's pint being consumed at St. Mary's Pub. You can see it.

Deputy S. Power:

He has no choice.

The Minister for Treasury and Resources:

Spirits are neither here nor there. But let us be honest, I mean what really is our increase in alcohol ... this is to protect revenues, keep revenues to pay for health services and to create some disincentive for people; alcohol has a very damaging effect on society.

Senator S.C. Ferguson:

Yes. I think we are back to a matter of principle here, should you be using tax to dictate people's behaviour which is what is starting to happen?

The Minister for Treasury and Resources:

Well, I do not think we have started to dictate, I think we have been doing it in terms of using ... and I do not make these decisions in isolation. There is not a statutory requirement but, as a matter of principle, I consult with 3 Ministers formally on the issues of duties. I consult with the Minister for Home Affairs, the Minister for Health and the Minister for Economic Development and obviously there is some creative and constructive tension there.

Deputy S. Power:

And the industry?

The Minister for Treasury and Resources:

I do not consult with the industry. I listen to the industry and I get barracked by the industry and I get regularly ... and I cannot remember the amount of strongly worded letters. They are almost as strongly worded letters as sometimes I get from media organisations when they do not like me saying what I am saying in public. I get an absolute barracking from the tobacco industry and I have had a very strongly worded industry representation from the alcohol trade and with all of their media people behind them telling them how to counter arguments. Politicians need to obviously have regard to all the factors that are in consideration.

[10:45]

I did an interview in the Cock and Bottle when I lodged the Budget and a landlord was telling me that his pub was going to be empty as a result of these alcohol increases. I mean come on, a 2 and a half per cent increase on the ... and maintaining the real value of the ... it is not like an *ad valorem*, it is an increase and I am proposing ... can I just be reminded what the increase in alcohol duty is? It is 10 per cent of which a total ... of the total proportion of the working man's pint is ... it is not ... how much is it per pint?

Deputy R.J. Rondel:

Well it is 8 per cent on strong beer.

The Minister for Treasury and Resources:

Okay. What is it per pint?

Deputy R.J. Rondel:

And 5 per cent on weaker beer.

The Minister for Treasury and Resources:

Exactly. So, again, designed ... that is a bit social engineering but anyway.

Deputy R.J. Rondel:

Spirits are now 10 per cent.

The Minister for Treasury and Resources:

Okay. So it is 2 pence. So I have got the licence trade effectively telling me that pubs are going to be empty because we are putting 2 pence on a weak pint of beer.

Deputy S. Power:

I do not think that is ... that is not ...

The Minister for Treasury and Resources:

I mean let us be realistic. The last time the States were ...

Deputy S. Power:

Can we get back on to ...

Senator S.C. Ferguson:

Can we get back on to the ...

Deputy S. Power:

There does seem to be some evidence, and it might be useful to bring in your colleagues from Customs and Immigration, that quite a significant amount of cigarettes are available on the Island that do not have the standard statutory Channel Island health warning. In other words they may be coming in from sources outside the normal channels. Indeed one of your senatorial colleagues seems to be very upset about this. Have you any evidence of this? He would go so far as to say one packet in 4. One pack in 4 is not purchased on the Island.

The Minister for Treasury and Resources:

Okay. I am going to ask Mr. Le Marquand to come and join us at the table if he is willing to speak. Steve Le Marquand, who you will know, Deputy, of impôts and we receive really quite good excellent service from our colleagues at Customs and Immigration on this. Before those issues I think we must recall the concerns that many people have about the net price of a packet of cigarettes in Jersey. If you take out duty and tax, the net price of a packet of cigarettes in Jersey is inexplicably high and I have repeatedly questioned why the Channel Island health warning cost so much. I have asked the J.C.R.A. (Jersey Competition Regulatory Authority) on a number of occasions to get to the bottom of this issue because the benevolence of States Members ...

Deputy S. Power:

With all due respect, Senator, that is a market force that you do not have any real control over at the moment. But my question really is about cigarettes that are coming into the Island that are not affected by the company you are referring to and I would prefer to stick to that if I could. One of our colleagues has suggested that there are a great deal of cigarettes on the market in public houses and restaurants and hotels that do not have the Channel Island health mark on them. Do you have any evidence that that is a problem, an increasing problem, not a problem, and what is your view as a professional in Customs and Immigration?

Director, Legal Status and Revenue:

We have had a couple of instances this year where it has been reported that cigarettes are being sold in shops without the Channel Island ...

Deputy S. Power:

Not shops. I mean public houses, restaurants ...

Director, Legal Status and Revenue:

Well, we have got no intelligence on that at all or evidence to the effect that that is happening. As I say we have had a couple of instances where cigarettes are being sold in shops without the Channel Island's health logo.

Deputy S. Power:

Logo. Yes.

Director, Legal Status and Revenue:

We visited those and it stopped them. The amounts are pretty insignificant. We are talking about probably 400 at a time, something like that. So as far as it being sold in pubs or hotels, that is the first I have heard about it.

Deputy R.J. Rondel:

Have there been any prosecutions?

Director, Legal Status and Revenue:

No. I mean what has happened is that people have just come in; they have brought their duty free allowance on the boat or something like that and have decided to sell them in their shop. It is as simple as that. That sort of thing we generally get informed about pretty quickly because people notice that and they think: "That is not right" and they will report it to us.

Deputy S. Power:

Do you have a budget to look at what is going on within the floor area of a pub or a restaurant? Do you have a budget to do random monitoring?

Director, Legal Status and Revenue:

No. Well, we have got a budget to do investigations and it is part of the service budget but I mean if we had information that cigarettes were being sold in hotels or pubs or whatever. We have looked at some form to verify that or we will close it down.

Deputy S. Power:

Okay, thank you. In terms of the whole Customs and Immigration Service, it has reported a large increase in passengers importing cigarettes. Do you have any specific figures on that in terms of what has happened and what has changed in 2011/2012?

Director, Legal Status and Revenue:

Certainly in 2011 the number of occasions that we were seeing people bringing in cigarettes in excess of their statutory allowance certainly increased.

Deputy S. Power:

Their allowance.

Director, Legal Status and Revenue:

The number of cigarettes that we seized in those circumstances increased as well. We seized over 200,000 cigarettes in 2011 for people bringing in above their statutory allowance, and there were over 500 instances of that.

Deputy S. Power:

That is 2011 or 2012?

Director, Legal Status and Revenue:

That is 2011. 2012, I have asked the people before I came in but the system was down but what I can tell you is that at the start of 2012 as a result of what happened in 2011 we wrote to all the duty free shops that service Jersey Airport and every airline that sells tobacco on their flights, explained that we were encountering this increasing problem and explained that we are taking proactive action on that. We also had our business unit linking with the media, and certainly it seems to have had some effect. At one point I was getting told by officers working the frontiers that the number of people coming in, they just could not cope with it, and you could not stop every single one that was coming through with the excess of 200. I am not getting that sort of information now so I think that has had some impact. It is not, from a resource point of view, causing us a problem in that we are spending too much time dealing with that and as a result cannot deal with other things. I think it is more under control now than it was probably 12 months ago, but that can change at any point.

The Minister for Treasury and Resources:

We talk to Customs officials about the increases in tobacco duty particularly because we do not want to put up tobacco duty to the extent that we are going to then cause our Customs and Immigration officials problems because there is going to be more increases. Treasury is in a very difficult position here because the Health Department for better or for worse, Chairman, want to create a disincentive for people to smoke because of the very severe consequences on people's health, and I agree with you. I think I tweeted it as opposed to circulated to States Members I saw on the weekend that Denmark has now moved away from their social engineering of putting higher rates of tax on fatty foods. I am not saying that we tell the Danish Government what to do but we do know that these things in some areas are just impossible to do. When you are dealing with a

product like tobacco you can and we will take what the States wants us to do. We consult with Health on tobacco. There is a tobacco strategy that is clear. Tobacco is harmful. We spend millions of pounds clearing up people's health problems and sadly seeing life shortened as a result of people choosing to smoke, and we are asked to use the taxation system to influence it. I accept that that is social engineering, Chairman, but we are a servant of other departments and we will do what the States want. We do obviously want to raise the revenue because we obviously have to fund other departments. In terms of alcohol, there is an interesting debate about all this and I agree with you that it should not only just be taxation and the Minister for Economic Development is now making good progress in relation to licensing reform because there is the whole debate of on license and off licenses and home drinking and senior citizen drinking at home and all this kind of stuff. We are again not proposing, I do not think, anything particularly bold in what we are doing but if the States come forward. Personally I expect there to be an amendment. I hear there is an amendment that is going to abolish the increases. They are going to do what Deputy Power did a couple of years ago and there is going to be one that goes higher for people that think alcohol does a lot more harm. This is an issue that the States is acting as the executive. It makes the decision and we will accept the decision. The Treasurer and I and the Assistant Minister will then scratch our heads and say "Well, we lost that 600,000 revenue. Can we cope without it?" and that obviously creates pressures elsewhere. In relation to fuel duty, I hear the debate. I understand the amendments that have come forward. I will, with my Assistant Minister and ministerial colleagues take stock again of what is proposed and I would resist no increase. Whether or not the 3p is right, I will consult with ministerial colleagues and I signal the fact that I will use the ability to make a late amendment to try and find an acceptable way forward for fuel duty if that is what the general consensus amendments want us to do, but we are trying to raise revenue to pay for our spending plans.

Deputy S. Power:

The average price of a litre of petrol, unleaded petrol, across the Island is about 1.25. Do you know what the duty is on that?

The Minister for Treasury and Resources:

Yes, Deputy, page 33 of the Budget Report, the Jersey duty is currently 43p, G.S.T. on that would be 6p, and therefore the net price of a litre of fuel in Jersey is 75p. In the U.K. duty is 58p, V.A.T. (Value Added Tax) is 22p. The net price is 53p, and I still do not understand and I have not understood for ... I have been in politics now for 13 years as of 24th November and I have never understood why there is a justification for that margin. I have never been able to answer it. I did used to work in the fuel industry to some extent outside of Jersey and I have not understood why transporting a litre of fuel and storing it in Jersey costs an extra 22p. I know some people get rents from their garages but I do not think ... and that is where I am conflicted but I am arguing against myself, I do not understand it. There is a problem in this market and I do not understand why the

net price of a packet of cigarettes in Jersey is £2.34 when you take out duty and tax and it is £1.58. It does not cost that difference to put a Channel Island health warning and to bring a 20 pack here. So I am sorry, I have said it many times before, I will carry on saying it, the benevolence of States Members in not putting duty increases does not translate through to lower prices for consumers in Jersey.

Deputy S. Power:

It is not the only factor. You have referred to 2 market forces, one in the importation of fuel and one in the importation of tobacco.

The Minister for Treasury and Resources:

Yes.

Deputy S. Power:

Perhaps rather than addressing those 2 problems to scrutiny, you might address those 2 problems to your colleagues again, I think, at Economic Development because that is where the problem is or indeed your colleagues in the Council of Ministers.

The Minister for Treasury and Resources:

Yes, this is an issue which no, it is the J.C.R.A. It is C.I.C.R.A. (Channel Islands Competition Regulatory Authority) and now maybe that there is the Channel Islands Competition Regulatory Authority and Guernsey has got exactly the same issues and I have had some interesting discussions with my colleague in Guernsey about it. If I was wrong, the net prices between the U.K. and the Isle of Man, who has the same duty and tax rates, would be different but they are not. If there is a realign in the cost, it must be similar for the Isle of Man as it is in Jersey and Guernsey. They have got the same freight companies. There is a problem and I would prefer, frankly, to collect that revenue and to pay for better services in Jersey or reduce other charges on people than allow that to go to the significant entities that do it. The media is here today. I have said these things again and I fully expect that I am going to get another pasting by the industry people that say there is not a problem but please tell me why there is this margin differential. Please, States Members, take this into account when deciding what duty increases you are going to put through because last time we did not put any alcohol duty increases through the prices still went up.

The Deputy of St. Ouen:

Is it not the case though, Minister, that whether there is this hidden profit or benefit to those that are supplying or providing fuel or alcohol or even tobacco, the reality is that every time duty goes up it obviously increases the cost to the public citizen? You cannot ignore the fact that these costs are adding year on year to people's budget.

Assistant Minister for Treasury and Resources:

If I can just add in there, Deputy, I think it was quite clear in some of the media interviews when we announced the Budget that one representative from the hospitality industry said “You are increasing duty on alcohol by 10 per cent. That means that the prices are going up by 10 per cent.” That is not the case. The duty is a small element of the overall price so that is your answer. Industry have maybe been taking advantage of good communications with Islanders there.

The Minister for Treasury and Resources:

Yes, a pint of beer, the Jersey retail price for a pint of beer is £3.40, Jersey duty is 32p, G.S.T. 16p. The net price of a pint of beer is £2.92. The equivalent net price in the U.K. average, and these are good statistics from the National Office of Statistics, is £2.42. That one is not quite as bad as the others but there is a difference. A bottle of whisky £8.99 retail price in the U.K., retail price of £16 in the U.K., duty in Jersey and V.A.T., net price of a bottle of whisky is effectively net price of the duty is ... I am getting my figures confused here now but it is exactly the same problem.

[11:00]

There is an issue, why are these margins on these duty products so high? I think it is because for years the States did not put any duty because they thought they were doing consumers a favour and actually retailers increased their margins, and we have been clawing that back.

Senator S.C. Ferguson:

You also have to take into account the cost of doing business in Jersey.

The Minister for Treasury and Resources:

It is not that much and if the price of business is so high in Jersey which is somewhat of an urban myth, we have low cost of doing business in Jersey in many ways. There is not so high a national insurance cost, business rates are a lot less and if I am wrong then look at the costs of fuel prices in the Highlands and islands of Scotland which have very significant higher costs because of the distances of travel of getting distillate in and fuel in tanks et cetera, if I am wrong then tell me why the net price of a litre of fuel in Highlands and islands of Scotland is, from memory, about 5p higher than it is in the mainland whereas in Jersey it is 22p. Look at the facts and judge the Treasury about whether or not we are right in what we are saying.

The Deputy of St. Ouen:

The question is though, Minister, you could be right but what are you going to do about it because I do not necessarily believe that just increasing duty year on year is going to address the problem

because as you rightly said, over the last 13 years you have not removed this excess profit that you keep talking about.

The Minister for Treasury and Resources:

It is slightly better, Deputy. The difference of the margins has improved.

The Deputy of St. Ouen:

That is why currently that we are not earning as much from our impôts duty as in the past.

The Minister for Treasury and Resources:

No, no.

The Deputy of St. Ouen:

Surely everybody is still using the product; they are just finding a different way of smoking.

The Minister for Treasury and Resources:

No, no, people are smoking less and they are using less fuel duty because mainly of fuel efficient cars. That is the reason. Quite a good friend of mine bought a new car a few weeks ago and have reduced their, and not an expensive car, it is a very small car and cost a few thousand quid, fuel consumption. They are now getting 50 litres, 50 miles a gallon? Is that what it means but that is pretty good. They were getting 22 before. If fuel efficient cars are getting people lower motoring costs, great. That is why fuel is going down, Deputy.

Assistant Minister for Treasury and Resources:

If I can add into here, if the policy of increasing duties has had an impact in reducing the margins between the prices when you take out all the duties and taxes, from memory 4 years ago when I first got involved as Assistant Minister for Health and Social Services we were looking at this issue of tobacco prices et cetera and the difference between the U.K. price and the Jersey price was just under £1 per packet.

The Minister for Treasury and Resources:

Yes.

Assistant Minister for Treasury and Resources:

That has decreased.

The Minister for Treasury and Resources:

Yes.

Assistant Minister for Treasury and Resources:

So the policy is working.

The Minister for Treasury and Resources:

They do not like it which is why they keep on writing to me.

The Deputy of St. Ouen:

The reality is, and I come back to your point which is, as Minister for Treasury and Resources, regarding the Budget you are asking for a greater revenue to pay for the spending.

The Minister for Treasury and Resources:

Yes.

The Deputy of St. Ouen:

Basically what you are saying and what the figures show is that you keep raising impôts duty on alcohol and fuel or whatever but in reality all the reasons that you just spoke about we are not getting as much money so when do you review what you are doing?

The Minister for Treasury and Resources:

No, we are maintaining the value of the revenue that we are getting. There are economic forces.

Senator S.C. Ferguson:

But you cannot say you are maintaining the value when your budget is £54 million and you downgrade it to £51 million.

The Minister for Treasury and Resources:

Yes, and that was because obviously the Budget in 2012 was predicated on high levels of activity in the Island and where many of our economic forecasts have come in higher we do accept that duty numbers came in lower and we have adjusted them down so we accept that. We accept that the numbers originally in the 2012 Budget were higher than they turned out to be.

Senator S.C. Ferguson:

So we are getting diminishing returns.

The Minister for Treasury and Resources:

No.

Senator S.C. Ferguson:

We are according to the graphs.

The Minister for Treasury and Resources:

Okay, but you have got to take into account that there are different forces operating in these 3 different duty areas. It is really important. You cannot broad brush this. You cannot broad brush this.

Senator S.C. Ferguson:

Yes, I understand that. I am talking about the broad picture.

The Minister for Treasury and Resources:

You cannot broad brush this. You have got to look at smoking, and there is a decrease incidence of smoking. The Treasury have to accept lower revenues because people are smoking less. That is one argument.

Senator S.C. Ferguson:

Yes, but you have not got an estimate of how much is coming in via duty free?

The Minister for Treasury and Resources:

I cannot give you everything you want.

Senator S.C. Ferguson:

No, no, but I am just saying have you done the work on it.

The Minister for Treasury and Resources:

The amount of alcohol consumption in Jersey has fallen. It has fallen. Fuel duty and fuel consumption has also fallen but for different reasons.

Senator S.C. Ferguson:

Over the quantity I think.

Director, Legal Status and Revenue:

Minister, can I just say something about that?

The Minister for Treasury and Resources:

Yes.

Director, Legal Status and Revenue:

The tobacco industry did some research on duty free importation and their assessment is that 30 per cent of tobacco that is smoked in Jersey comes from duty free. That is their assessment.

The Minister for Treasury and Resources:

That is legal tax avoidance.

Director, Legal Status and Revenue:

It may well be, yes.

The Minister for Treasury and Resources:

Yes.

Deputy S. Power:

That is a significant amount.

The Minister for Treasury and Resources:

Yes.

Director, Legal Status and Revenue:

Those figures were, were they 2 years old? They are 2 years old. **[Interruption]**

Deputy S. Power:

The figures tell me that if anything the pattern has probably changed slightly against the Minister for Treasury and Resources' interests.

The Minister for Treasury and Resources:

Yes, but what do you want me to do about it? You can tell me off about it but what do you want me to do about it? I am asked to keep revenues high, I am asked to keep duties low but people want us to collect less because they want people to smoke less and drink less, and the Minister for Planning and Environment wants us to use less fuel. We can get criticised on every single one of these counts. The Budget, I always look forward to a Budget debate because we always have some interesting debates on duties. I fully expect there to be a healthy, and perhaps unhealthy, debate about duties again and ultimately will accept what the States do but we will make our best representations. We will give the people the facts and you will make up your minds.

Senator S.C. Ferguson:

Okay, all right.

Deputy S. Power:

We have more or less done that and we have today referred to the vehicle emissions duty.

Senator S.C. Ferguson:

I think Kyoto is finishing on 31st December and I think perhaps we ought to revisit that.

The Minister for Treasury and Resources:

Chairman, I know you have got very strong views about climate change.

Senator S.C. Ferguson:

No, I am talking about the carbon emissions here.

The Minister for Treasury and Resources:

I think the Minister for Planning and Environment has got a very good energy policy and I remind the Panel that if we are going to do energy policy it is about also reducing people's consumption of energy which stays in cost which is why we have got £1 million in Budget to help pensioner households and low income households improve the insulation of their homes and cut their costs.

Senator S.C. Ferguson:

Yes, but there was also mention - and it is obviously on your working programme - at the presentation to States Members of using fiscal policies to enforce energy efficiency which is another nanny state idea.

The Minister for Treasury and Resources:

Okay, Chairman, I know you have got strong views about it. I know that you think that we are moving to being the Weimar Republic. I am not saying that we are going to be using environmental taxes. I am saying that it is in the policy and there is a White Paper out for debate, for public consultation. Again, the Treasury will listen to it and we will effectively do what the Council of Ministers asks us to do.

Senator S.C. Ferguson:

All right, anyway shall we go on to stamp duty?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Rondel:

Thank you, Minister. Stamp duty and land transaction tax proposals, you are looking at reintroducing a cap on probate duty?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Rondel:

Why are you looking at reintroducing it and when was there last a cap?

The Minister for Treasury and Resources:

Yes, it is a very important issue. We lifted the cap because it was originally designed to raise revenue and that means that effectively you pay a probate fee on an unlimited amount of wills that are registered in Jersey. The problem with it, and again these things are ... it was well intentioned.

Deputy R.J. Rondel:

When was it introduced?

The Minister for Treasury and Resources:

Yes, 2005. I think that was Senator Le Sueur's last Budget or my first, I cannot remember. We have clear evidence from Jersey Finance and the Bankers' Association, that people are not depositing and using Jersey as a banking centre because other places do not have this probate duty cap or they have a probate duty cap. We believe that we have lost a number of tens of millions, and there is evidence that some existing deposits, when people were aware of this probate duty, were transferred to Guernsey or other offshore centres. The other quite difficult thing that we have got to accept is that you can avoid it. You can structure it which means you avoid that tax. On balance, having consulted with the Minister for Economic Development, and the Assistant Minister and I had some various vigorous discussions with our tax policy team, we felt that Jersey's economic interests were better served by reintroducing the cap.

Deputy R.J. Rondel:

Have you got any papers?

The Minister for Treasury and Resources:

Yes, there is a detailed note on this on page 35 of the Budget and we are happy to give you detailed notes and the representations we got from industry on it.

Deputy R.J. Rondel:

Thank you. The proposed introduction of stamp duty for court fees for contesting petty debts court hearings.

The Minister for Treasury and Resources:

Yes, we effectively rely and are well served, if I may say, by the Judicial Greffe. The Judicial Greffier's team, over a number of years they have been looking at recovering the costs of people using courts.

Deputy R.J. Rondel:

Do you know how many people this might effect?

The Minister for Treasury and Resources:

It is very few. If it is not in our note we will give it to you but this is just part of the overall C.S.R. (Comprehensive Spending Review) programme that is being run by the Courts Service to recover costs of people that are using court services that are because of civil claims and other litigation claims. They are relatively *de minimis* but they are quite important. They are small in the overall budget terms but they are quite important to the Judicial Greffe to meet their C.S.R. and the Judicial Greffe has served us very well in relation to this. We have also been alert to the fact that where we, for example, have not increased charges to allow small claims, we want people that are owed money to have a good functioning civil claims procedure and we do not think any of these measures are going to do that. If you would like to get briefed by the Judicial Greffe who basically came to us with proposals ... we examine them, I get some advice from the tax policy team and the Treasury and we pretty well go with their recommendations.

Deputy R.J. Rondel:

I think that would be useful.

The Minister for Treasury and Resources:

Yes, they are not massive things though.

The Deputy of St. Ouen:

In your tax policy report which is R131.

The Minister for Treasury and Resources:

This is non-locally owned non-financial services.

The Deputy of St. Ouen:

You have proposed a number of courses of action and one of them is to support the work on a substantial review of land and property taxation. Can you just elaborate on that?

The Minister for Treasury and Resources:

Yes, obviously with a relatively small Treasury team we can only focus on some areas of tax at any one time and this is not particularly new but we have signalled, I think, for a while that we will be doing a detailed review, and I mean a very detailed review, of property taxes to effectively kick the tyres, to ensure that the existing we have got are working and to see whether or not there is any scope to use property taxes as a potential way forward. If there is one, and I say it is an if because I have been very cautious in saying that there is a solution to this difficulty, and certainly I am consulting with Ministers for Treasury in the Isle of Man and Guernsey, we have the same issue and we are going to have a good look at property taxes in the round.

[11:15]

Your Chairman and this Panel, in fact, has signalled to us previously that that is something that you would wish us to do in terms of looking at property taxes and particularly property taxes on corporates. Now we have got segregated domestic versus commercial rate arrangement with Parishes. We are going to look at the competitive position of corporate business rates and look at whether or not they are at the right level, whether or not they are working across all the different property tenures and 80 per cent of property in Jersey that is rateable. Eighty per cent of commercial property in Jersey is offices and 80 per cent of the total is in St. Helier and are we collecting an appropriate amount of revenue from business rates for the costs that are being incurred by having those properties occupied and this is something that we will do in conjunction with the Parishes. The other thing, Deputy, that we are looking at is looking at the various different reliefs that are available. Obviously interest is offsettable against tax. You will recall that we brought into tax previously untaxed rent receivables for pension funds. We were told that the property market was going to fall in. We are always told when we do something on property taxes that the world is going to end. It normally does not but we are looking to see whether or not the changes that we made 2 years ago, I am aware that there has been some fairly aggressive structuring arrangements where loans have been put on properties, I know examples of these things because they go through the Royal Court, and we are wanting to make sure that the interest offsets that people are claiming are designed for what they are intended to do which was to offset the purchase price of those offices as opposed to actually avoiding tax. That is one of the aspects of it and we are also going to look at mortgage interest tax relief to make sure that that issue is achieving the policy objectives that are set. We are going to have a good look at property and taxes. There will be an interim report, some conclusions and that we will probably be likely to be making a

number of changes potentially on property taxes over a number of years. Again, it is avoidance. There is a big issue of avoidance. There is the issue of the non-locally non-financial services issues which we are going to look at and there is obviously close work with the Parish of St. Helier particularly in this area.

Deputy R.J. Rondel:

Is there a timeline for that?

The Minister for Treasury and Resources:

It is a big project. It is going to take a year and depending on what we find, we may well have to do some more work in different areas but watch this space. We have listened and the Panel themselves have helped us to focus on that area as our next big area of tax. I am not promising reform. I am not promising giveaways or increases. I am proposing with the team, with the Treasurer, to have a very good look at this to see whether we are meeting our objectives and we will share with you all of that.

Senator S.C. Ferguson:

Finally somebody listens to us, marvellous.

The Minister for Treasury and Resources:

Chairman, we have always listened to you. **[Laughter]**

The Deputy of St. Ouen:

Just picking up on that point and being mindful of the fact that some of these additional proposals for taxation will have an impact on local people as well as non-local. Do you stand by one of the findings in your report that says that if you specifically aim a tax or change it in one sector it can feed through and have a direct impact on Jersey residents through higher prices, reduced wages or increased unemployment?

The Minister for Treasury and Resources:

I think we always say, Deputy, that it is people that pay tax and while politicians can sometimes feel better and say the companies pay tax, ultimately it is people whether it is the staff, it is the consumers or the shareholders. There is lots of media comment at the moment about businesses and whether they are paying the right level of tax and all the rest of it. Of course, you are right and we say it repeatedly.

The Deputy of St. Ouen:

When you undertake these reviews, will you as part of that work be very clear on identifying what the likely impacts are, both positive and negative, on especially the local population?

The Minister for Treasury and Resources:

Yes. I think we have a good track record in doing that and we will continue to show that.

The Deputy of St. Ouen:

Just coming back to your changes to probate and adding a cap back that was removed, if I asked you to provide me with that information you would be able to do that, would you?

The Minister for Treasury and Resources:

I would answer any questions you want on it. What questions would you like?

The Deputy of St. Ouen:

No, specifically on the impact that the changes to probate duty may have on local residents.

The Minister for Treasury and Resources:

Sorry, that is a different question, okay. The probate duty is reintroducing a cap so that you do not pay ... when somebody dies you do not pay a probate percentage on a deposit that is held in Jersey over a certain limit, okay.

The Deputy of St. Ouen:

I understand that, Minister. I will just cut you short because basically what we are talking about is that you are proposing a change to a particular tax.

The Minister for Treasury and Resources:

Right, but this is not a property tax.

The Deputy of St. Ouen:

We have just been speaking about changes to tax. So whether it is probate tax or whether it indeed is introduction of a land and property taxation new scheme, I am asking you are you taking into account or do you take into account the impact both positive and negative? It could happen. Any changes could have an impact?

The Minister for Treasury and Resources:

Absolutely.

The Deputy of St. Ouen:

Right. I come back to my last question which was have you undertaken that work as part of the decision making that lies behind the changes to probate?

The Minister for Treasury and Resources:

Absolutely.

The Deputy of St. Ouen:

If you could let me have those, I would be grateful, thank you.

The Minister for Treasury and Resources:

We will not bombard you but you will get a lot of it.

Assistant Minister for Treasury and Resources:

Just to be clear, the changes to probate duty, and I am sure my colleagues will correct me if I am wrong, will have no effect on Jersey residents.

The Minister for Treasury and Resources:

No.

Assistant Minister for Treasury and Resources:

This purely changes the probate duty for non-Jersey residents holding bank accounts. It is for everybody.

The Minister for Treasury and Resources:

It is for everybody. It is for everybody.

The Deputy of St. Ouen:

I will be pleased to see that information. Moving on a minute ... no, sorry, you have had fair enough time.

The Minister for Treasury and Resources:

I am going to give you 30 seconds because you asked me a question. You asked me a question.

The Deputy of St. Ouen:

Sorry, Minister, this is our hearing and we have got a very limited amount of time and we need to move on. I would like to look at the capital programme because obviously one of the issues and

matters linked to the Budget is to determine the capital programme for 2013. Can you tell us at the moment whether you are proposing any changes to those included in the draft Budget?

The Minister for Treasury and Resources:

No, I am not advised that there are any changes for 2013. We are only approving 2013. There will be changes for 2014 and 2015.

Treasurer of the States:

Deputy Reed, the proposals in the Budget report for 2013 are consistent with those which were in the Medium Term Financial Plan so they are exactly what departments are expecting.

The Deputy of St. Ouen:

I am just asking you to confirm whether you are proposing any further change to that plan between now and the time we have our debate.

The Minister for Treasury and Resources:

No, no.

Treasurer of the States:

Do you have anything more?

The Deputy of St. Ouen:

As part of the Medium Term Financial Plan, you also spoke about having flexibility to deal with expenditure matters, I think. In particular the Council of Ministers has focused on the capital programme as offering that flexibility. Just can you elaborate on that particular view?

The Minister for Treasury and Resources:

Okay, yes, first of all we have committed to report on a review of the capital programme and how we see the capital programme assisting or boosting or needing to do more in relation to economic activity by the end of the first quarter but in reality what we are doing is we are assessing this almost on a week by week basis. I would just remind the Panel that in 2013 that we are putting net of 37 and then because of the social housing programme we have got a new £56.1 million going into the capital programme to spend in 2013. What we are trying to do is to get departments to spend that money. It is important to remember that in addition to that, the States already allocated £27 million for additional housing projects which we are working on week by week, the Assistant Minister is working on this a lot and we are making sure that those projects are now going to hit the construction industry which is needed because the construction industry remains with very poor order books and we do not want to see failures of construction firms which would mean that we have

less supply going forward. The Chairman and I regularly exchange quite interesting views on fiscal stimulus and capital programmes and we may need to agree to differ, however we remain confident that the fiscal stimulus that we have directed towards capital being targeted, timely and temporary has worked. Moreover we expressed the hope that the police relocation project will go ahead and the States will be persuaded that that is a good project because it is an important fiscal stimulus project where there is another million pounds which is the final tranche that has been put in, that that money is sitting in the Treasurer's bank account earning interest as the rest of the deposits do but it is better in the economy than sitting in the bank account. We want that money to get into the economy. We are working with Housing to make sure that the money that they are allocated gets spent and we want all those previous capital allocations that have been made in previous years to actually get spent.

Senator S.C. Ferguson:

You had a question?

Deputy S. Power:

I have one question. You have raised the question of the proposed police headquarters. I am not clear in my mind as to how the ministerial oversight works on that one. Can you explain as to who is involved in the ministerial oversight, how it worked, what interface work with the different department?

The Minister for Treasury and Resources:

Assistant Minister?

Assistant Minister for Treasury and Resources:

Okay, as you know it sits under my remit. The Members of the ministerial oversight group including myself, Senator Ozouf, Senator Le Marquand.

The Minister for Treasury and Resources:

Assistant Minister.

Assistant Minister for Treasury and Resources:

Assistant Minister for Home Affairs, Senator Farnham, the Chief Minister has been involved and also you will see the Minister for T.T.S. (Transport and Technical Services).

Deputy S. Power:

One obvious omission there, Assistant Minister, and that is the Minister for Planning and Environment Minister given the significance of the application.

Assistant Minister for Treasury and Resources:

It would be a serious conflict if he had been sitting on the group and similarly he does not sit on the ministerial oversight group for that very reason because, at the end of the day, he is determining that application.

The Minister for Treasury and Resources:

If he would have said that he was not calling it in and doing it himself he would have been welcome to join the group but he cannot sit on the development of a new police station and then determine the application. He just could not do it. I expressed the view that the Minister for Planning and Environment should be sending these things to the Planning Applications Panel but he called it in.

Deputy S. Power:

I will be conflicted if there was any discussion on that.

The Minister for Treasury and Resources:

He has called it in so he cannot sit on the ministerial oversight group but that ministerial oversight group has been well served by Property Holdings representatives and officials, the police and the T.T.S. You have seen the Chief Officer of the police on occasion at the meetings I think.

Assistant Minister for Treasury and Resources:

Yes.

The Minister for Treasury and Resources:

But the Deputy Police Chief has been very closely involved and I welcomed the letter that was sent to the St. Helier Roads Committee by the Chief saying that the new police design is strongly supported by him and is a single site solution which is far better than anything that has been proposed before, and they are delighted with the new plans.

Senator S.C. Ferguson:

Well, but going back to the capital programme and the 3 Ts bringing things forward, will you be getting a proper economic assessment of these this time?

The Minister for Treasury and Resources:

Right, you have asked me this on many occasions, Chairman, and I am happy to ask the Economic Adviser to produce a report on this.

Senator S.C. Ferguson:

Good, excellent, that is all I need to hear.

The Minister for Treasury and Resources:

Okay, but it is important to also know that there has been a lot of analysis done by other jurisdictions about the multiplier effect of fiscal stimulus and we think we know it all in Jersey, and I have great confidence in the Economic Adviser but I also think that we do not want to duplicate work on multipliers that has been done by far bigger economics units elsewhere.

Senator S.C. Ferguson:

I am not asking for multiplier work, that is going on at Harvard and Cambridge and places like that. What I am asking for is an economic assessment of how this money is affecting this economy, whether it is going into our local economy or whether it is just going straight out to accounts outside the Island, all this sort of thing. If you are going to be referring to the economic adviser to do that is fine by me, I will wait for his report.

[11:30]

The Minister for Treasury and Resources:

There are 2 factors. I understand what you are saying about non-Jersey firms but it is the economic multiplier that is absolutely vital in assessing whether or not the fiscal stimulus projects have worked. It is even more important than whether or not they are locally owned or non-locally owned. It is whether or not the £100 that you are spending on a construction project is feeding through into wages in Jersey which end up then getting multiplied in the retail shop which then spends money because they are more profitable or they are still in business. So the multiplier is really important. When I was in Tokyo I spoke to a number of economists and finance delegations about multipliers in various different countries and the latest I.M.F. (International Monetary Fund) figures are higher multipliers than previously thought. Importantly, if you would not have done it you would have seen far more economic problems than if you would have done it.

Senator S.C. Ferguson:

Yes, but I have already communicated to you my concerns about the I.M.F. report so I think we need to leave that discussion. It was in my last speech ...

The Minister for Treasury and Resources:

I did not answer the question about flexibility. I think we have already put a lot in for 2013 so the Treasurer and I have struggled to find any really realistic prospect of doing much more in 2013. It is unprecedented what is going in 2013, sweeping up all those existing balances, the £27 million that

we approved for social housing, and this. This is a very significant amount of money going in, in 2013.

Senator S.C. Ferguson:

Is the money that is going in the £27 million plus the £56 million?

The Minister for Treasury and Resources:

Of course.

Senator S.C. Ferguson:

All right, so we are putting in ... so what is the total, roughly?

Treasurer of the States:

I do not like roughly. I would have to go back and look at the tail end of existing projects that are already ...

Senator S.C. Ferguson:

Because we have £83 million with those 2.

The Minister for Treasury and Resources:

Yes, I mean, if you want to do the back of the fag packet, it is £56 million, plus £28 million, plus £22 million for the police station. That is £106 million and that is before we have worked out what already is going in.

Treasurer of the States:

We will not spend £22 million on the police station.

Senator S.C. Ferguson:

The police station has gone up.

The Minister for Treasury and Resources:

No, no.

Deputy R.J. Rondel:

What are the repercussions if that does not get the go ahead?

Assistant Minister for Treasury and Resources:

There is some documentation that is going to be released this week after it has been through the Council of Ministers to get their comments on the debate next week, we have estimated that a delay in the project will cost anything between £4 million to £10 million additional. It is site specific, depending on which site we end up on, so there is a huge financial cost of delay in it, that decision.

The Minister for Treasury and Resources:

The other reason why in the Treasury we like capital projects, particularly in terms of boosting the economy, is because they are one off and we are also getting cracking good rates on the construction costs that we are getting. If you look at the housing numbers of some of the returns that we are getting from projects like Pomme d'Or Farm, the figures that I think we received for Clos des Carreaux. The difficult thing for us to say is that because we are taking advantage of very poor market conditions we are getting much better value for money, and the construction firms that are bidding for these projects - we were talking about margins - they are doing it sometimes just to keep their staff going.

Deputy R.J. Rondel:

But that is only refurb. It is a shame we do not have more new builds.

The Minister for Treasury and Resources:

Well, we have some new builds. I am very proud of what we have done with fiscal stimulus. I will go and have a cup of coffee at Durrell and I am proud of what we achieved. I think what we did for Hospice was fantastic. The new hospice facility that is now caring for more people in difficult cancer situations is very significant. We have new build projects at Lesquende, we have Le Squez phase 4, we have La Collette plot B, we have Le Coin, we have Journeaux Street intensification, and De Quetteville Court high rise. That is the list that housing are doing in 2013. This is massive stuff and we are keeping people in work and tills are ringing as a result of construction workers which are local people. We have been very tough about the issue of local people receiving these fiscal stimulus things which we worked, and we have appeared at 2.00 a.m. in the morning to check on Victoria Avenue on the project, and the Minister for Treasury and the Assistant Minister for Treasury have been known to pop up on some of these projects before. I visited personally every single one of the fiscal stimulus projects myself, at various different times, and I think that we have insulated people in Jersey to some extent from an otherwise desperately difficult economic situation, and we have cracking good value for money for States projects. I think it is one of the best things we have done and we can do it because we have been prudent about spending.

The Deputy of St. Ouen:

Minister, before we end, you have been pretty open in saying that there will be no tax increases over the next 3 years. Can you explain to me why you are now saying that there is no intention to increase these taxes significantly over that period?

The Minister for Treasury and Resources:

I mean what I say and I say what I mean, and if the language is slightly different it is still the same thing. There are no plans to increase taxes significantly or introduce new taxes in the next 3 years. I am not playing with words, it is the same message. We have been very clear, we will look at duties, we have discussed that, we will look at increasing allowances in line with inflation and earnings, that is just normal administrative tweaks that we do. We do not plan to change G.S.T. in the lifetime of this Assembly, and I hope for longer than that. We will maintain the 20 per cent rate of tax, we will maintain the 20 per cent marginal rate, and we will retain Zero/Ten.

Senator S.C. Ferguson:

Do you mean 27 per cent marginal rate?

The Minister for Treasury and Resources:

Yes, the 20 per cent and the 27 per cent marginal rate. I cannot be clearer. If I found a strong avoidance issue which was aggressive, would I act? Absolutely, but that is going to be a targeted issue of people taking advantage of a lacuna in our system which we would seek to plug. I cannot be clearer than that, Deputy. There are certainly challenges going forward in relation to Health spending in the second phase. There are some big decisions for the States to take about the construction of the new hospital and the funding formula that needs to happen for the further increases in spending. The Treasury - working with the Chief Minister's Department - is looking at an efficiency and savings target that will be asked of departments in 2014 and 2015. The Medium Term Financial Plan sets people's budgets but we are still looking at opportunities for efficiency going forward in 2014 and 2015. I have been very clear about that and so has the Chief Minister been very clear about that. Now, in phase 2 of the hospital plan it is going to require more money. It is an absolutely legitimate question to ask where is that going to come from. How are you going to fund the hospital and how are you going to fund that increase? The Treasurer and I, with Assistant Minister, are now looking at bringing forward the construction of the hospital earlier than we would otherwise do, and we are looking at financing that earlier and looking at repaying it over a period of time possibly with, in part, the disposal of land that would be released from rationalising the hospital estate and other rationalisation. We are looking at using the States very strong financial position in order to get credit to do that earlier. We will not be changing the net asset position of the States so we will still have 100 per cent G.D.P. (Gross Domestic Product) to asset ratio but we will have some debt in order to bring that project forward earlier than we would otherwise envisage to do it. We are

working very hard on that and we will be consulting Members on the site and the funding options. How we will pay for the additional increase in Health funding for phase 2 will be dependent on 3 things. It will be dependent firstly on the state of the economy, and if we are successful in getting economic growth and securing new business lines in financial services and digital areas we will get some revenue in which will pay for some of that, so economic growth is going to hopefully pay for some of it. We are going to be looking for savings on a continual basis in departments in order to transfer money from efficiencies to pay for increase in Health spending. Then we will also look at the contribution that Islanders will pay and looking at the Health Insurance Fund. But those are issues for a number of years time. We have agreed that we will be publishing all the options for those things and consulting those options in the timetable that we agreed in the *Health White Paper*. So, yes, there are challenges, yes, there are going to be some big decisions to take, but we are going to be working through those options with colleagues in the States, we are going to be tough on Health to make sure they are spending that money wisely, and we are going to be consulting Members in relation to how we are going to pay for those things. But there is nothing new in what I have said, I have just summarised it in 30 seconds.

Deputy S. Power:

There is a direct correlation between the ability to pay for a hospital, as an example, and the projections on States income for the foreseeable future. In other words, no economic growth or no sustained economic growth, no hospital, it is as simple as that.

The Minister for Treasury and Resources:

Yes, and I ...

Treasurer of the States:

No, I do not think it ...

Deputy S. Power:

Because the Minister said there were 3 aspects of the process to finance the hospital project. One is continued economic expansion or economic growth, I cannot remember your exact words. If that does not happen the implication is that ...

Assistant Minister for Treasury and Resources:

You will still need to purchase the cake. It is how you carve the cake up.

Deputy S. Power:

So you only have 2 options then?

The Minister for Treasury and Resources:

No. There are the cash flow issues and there is how you repay it.

Treasurer of the States:

The Minister mentioned a number of options.

Deputy S. Power:

Three.

Treasurer of the States:

He mentioned capital receipts. He mentioned using the existing strength of our balance sheet. He mentioned the effect of economic growth. He mentioned finding efficiencies from departments to contribute to growth in Health.

Deputy S. Power:

But the way he categorised it was that the economic growth is a significant part in the ability to fund.

Treasurer of the States:

It would be an element but when we are looking at how we fund future capital investment there are a range of options ...

Deputy S. Power:

A number of factors.

Treasurer of the States:

Yes, and the work that we are doing at the moment - and that we will have it done by the early part of the new year - is to bring forward a paper that evaluates all the options for how we might finance a new or rebuild replacement hospital.

Senator S.C. Ferguson:

So we are going to be looking at a decision for a hospital before Health have their act together on primary care and sorting out where they are buying things from?

The Minister for Treasury and Resources:

Chairman, that is a political question and I will answer that. I think that you would agree, Chairman, that we are 10 years behind where we should be in terms of Health politics and unfortunately, if we had started this when we should have done 10 years ago we would be able to be working through these options. Deputy Noel and I have been surprised since we assumed our positions in Treasury

- and the Assistant Minister was the Assistant Minister of Health - at the scale of problems that we have unearthed at Health 4 years ago. That is clear, and clearly nothing was done for 10 years. So we are now in catch up and what we cannot do is we cannot wait. In an ideal situation you would have been doing this 10 years ago and you would have been reforming primary health care and then you would be focusing on the second and acute and all the other areas. Unfortunately time is not on our side. I think we have made huge progress in Health politics and Health funding. It does not please the Treasury that we are having to put very significant investment in, but what we are very clear on is if we do not make the investment now we are going to end up with a much bigger bill in the longer term. A much bigger bill.

Senator S.C. Ferguson:

The problem is we might end up with a hospital which is much bigger than we need.

The Minister for Treasury and Resources:

I do not think we will because we are going to have a good debate and we have a lot of work ... there are a number of parallels of work going on with Health. There is the work with primary health care and we are involved in that because we release the money for the Health Insurance Fund, which we do. I know the Deputy of St. Ouen was asking questions about that, we do do that. We are working in relation to the reform of primary health care, we are equal partners on the ministerial oversight group for Health, which is going to continue.

[11:45]

We are leading on the hospital site selection. The Treasurer is leading on the funding of the hospital and the options that we are going to be doing on that, and I have set up a separate ministerial oversight group to deal with that because going and borrowing a couple of hundred million or more, or double, or whatever it is going to cost - because I do not think we know what the figures are yet, by the way, I think they are wildly speculated. The Chairman is right, they are numbers that are just numbers at the moment. There has to be a lot of work done and we will not be publishing anything until it has gone through our mangle machine of scrutiny before it even comes to you. There is a huge amount of work. But do we want a hospital that is going to be fit for purpose for Jersey for the next 30 years?

Senator S.C. Ferguson:

Yes, but if you recall we built a dairy which was twice the size that it should have been, and gold plated at the time, and we do not want to make the same mistake again.

The Minister for Treasury and Resources:

Chairman, it was a funny evening last night because I was looking at all these emails. I also found my resignation from the Jersey Milk Marketing Board when I was booted off the board because I had the temerity to suggest that there were too many cows in Jersey and ultimately there was going to be a problem. I am conflicted in the dairy industry. I was booted off the Jersey Milk Marketing Board 11 years ago. Deputy Rondel, when he was in the industry, will remember. I was castigated for my views. I agree with you, we will not make mistakes about building things that are too big. I am not saying the dairy got it right, they sorted themselves out, thank goodness, but we will not build a hospital that is too big. We will build a hospital that is going to care for and look after people in appropriate surroundings. The dying will get an appropriate end of life which is appropriate for their families and for themselves. We have all seen the state of the hospital. It is not up to standard, we need to do something about that. What we do want are intensive care wards that can actually look after people properly with appropriate facilities, where nurses can care for people. That is what the intensive care wards are going to get. We do want a hospital that has single rooms to a great extent, which will mean there is better infection control and that people will be able to recover from their short stay in hospital more quickly. We do want to have our residents with the availability of accessing the very best in health care, which may not also be delivered in Jersey because while we have very good physicians and consultants - and I agree with the consultant that was on the front page yesterday - there are centres of expertise for particular illnesses, for nuclear medicine, for different areas of oncology, for heart, which are specialised areas. We want to make sure that we have the procurement arrangements, and I think working with Guernsey is a very important area where we can send people that are afflicted with a medical condition. If it cannot be treated in Jersey by the best and latest research ...

Senator S.C. Ferguson:

No, you have missed the whole point. The whole point is to stop people getting to the point to have to go into hospital. That is the absolute core of what we should be doing in Health.

The Minister for Treasury and Resources:

We agree, Chairman, which is why we have put in the first phase such an emphasis ...

Senator S.C. Ferguson:

This is very political, you talk about the consultant complaining about the sweets on sale at the checkout counters.

The Minister for Treasury and Resources:

Well, he is right.

Senator S.C. Ferguson:

He may be right but it is social engineering again. Sorry, if somebody wants to kill themselves eating Mars bars, that is their choice.

The Minister for Treasury and Resources:

I do not know what that has to do with the hospital. What we are saying is the Medium Term Financial Plan has got investment in community nursing.

Treasurer of the States:

It sounds like a nice way to go, Chairman. **[Laughter]**

Senator S.C. Ferguson:

As long as you do not have them deep fried.

The Minister for Treasury and Resources:

To make a serious point, the Medium Term Financial Plan has put significant resources into community nursing to avoid that revolving door system where elderly people cannot be looked after for winter influenza and the difficult situations. We all have relatives that have been in and out of hospital 7 times in the last year of their life. That is not good for their families, it is not good for themselves. They must be looked after at home, if they want to, to get better and we must keep people out of hospital. Yes, sometimes if it is keeping people out of hospital by doing preventative stuff, by encouraging them not to smoke and not to eat too many Mars bars, and most importantly getting tested, whether or not it is bowel cancer, whether or not it is cervical screening, effectively identifying problems before they end up at the acute stage, I think that Jersey can become a world leader. That is why the Treasury is investing now to save money in the future.

Senator S.C. Ferguson:

Any more Budget questions, gentlemen? No, thank you very much indeed, Minister, we will look forward to a good debate and reading all the bits and pieces you are going to send us.

The Minister for Treasury and Resources:

I would like to finally say I was grateful to the Panel - and I will say this publically at your hearing - I was grateful for the constructive reports that you commissioned from C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy). We were very pleased with the C.I.P.F.A. report and I think, while we do not always agree on issues, together we have delivered now a 3 year framework for spending which is much better, which is compliant with your previous position on P.A.C., Chairman. While we do not always agree, there have been significant improvements in the way that we run public finances and I thank you for your work.

Senator S.C. Ferguson:

When will you get the rolling budget stuff together?

Treasurer of the States:

When would you like it?

Senator S.C. Ferguson:

Well, when you have information on it and how you propose to go about it just give it to the officers.

Treasurer of the States:

Yes, we propose to use as a basis the existing framework that we have financial monitoring, which we have shared with you previously, but I am happy to send it again. So we have an existing quarterly pattern of officer meetings involving myself and the chief officers, from which we have produced a report to the Corporate Management Board, setting out the position at the end of each quarter, both on revenue and on capital. We have just started publishing a 6 monthly report and we plan to continue doing that, and of course we have the usual process of closing and all the reporting that we do on an annual basis. So we plan to use that framework for monitoring how we are doing on the Medium Term Financial Plan, which after all is 3 lots of a budget. So there is no need to change our current monitoring arrangements in order to be able to monitor what we are doing on the Medium Term Financial Plan, because the revenue monitoring covers income and expenditure. There are some things which we now have within the Medium Term Financial Plan that would not typically feature in a quarterly monitor, and they are things to do with ...

Senator S.C. Ferguson:

Yes, I am very conscious of the fact that we all have to whizz off. Do you have a note that you had to give the Council of Ministers or anything about this?

Treasurer of the States:

I can do you a note, yes.

Senator S.C. Ferguson:

That will be helpful, I think.

[11:53]