

# STATES OF JERSEY

## OFFICIAL REPORT

THURSDAY, 5th DECEMBER 2013

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[09:33]

**The Roll was called and the Dean led the Assembly in Prayer.**

**PUBLIC BUSINESS – RESUMPTION**

**1. Draft Budget Statement 2014 (P.122/2013): second amendment (P.122/2013 Amd.(2)) - resumption**

**The Deputy Bailiff:**

We now resume debate on the Budget Statement.

**Senator S.C. Ferguson:**

Did the Minister for Treasury and Resources want to say something, Sir?

**The Deputy Bailiff:**

I was not sure whether he did or not.

**Senator P.F.C. Ozouf:**

I was just exchanging a note with the Greffier, Sir, just to indicate - nothing to do with the Budget - my intention to defer P.93.

**1.1 Senator S.C. Ferguson:**

One thing we have not dealt with in this debate is the economic outlook. While the Minister for Treasury and Resources is relentlessly positive, I must add a note of caution. The U.K. (United Kingdom) is recovering, but the growth they are exhibiting has a number of components. Much of this growth is the wrong kind of growth. It is fake growth based on government and household borrowing and shoring up businesses - they call them zombie businesses - that are living off subsidies and low interest rates rather than contributing much of value to the economy. House builders, for example, have been boosted by the government's Help to Buy Scheme and the days of the 95 per cent mortgage are back. The services sector expanded at a healthy 0.7 per cent in the quarter and at least part of that is genuine, created by the resurgence of Britain's important financial services industry, but a lot of it is service brought in by a government that spends half the nation's income and by households that are borrowing more again. When interest rates are rock-bottom, borrowing makes perfect sense. Saving, of course, does not, but without savers there are no funds available for rational investment in the viable businesses of the future. It was low interest rates, loose money and excessive borrowing that created the boom-bust cycle that burst in 2008. Will the U.K. avoid it again? This is one of our biggest customers and this is before we look at Europe and the rest of the world. In the Corporate Services Scrutiny Panel review we said that the economy is still fragile. Our G.V.A. (Gross Value Added) has fallen for the last 4 or 5 years. Financial services have fallen from 53 per cent of G.V.A. in 2000 to 40 per cent in 2012. In 2010 the share of G.V.A. derived from the finance sector fell below that of the non-finance sector. In the meantime, and unsurprisingly, the public sector has grown strongly over the past couple of years. The Fiscal Policy Panel complained that the economic coverage in the Budget Statement was scanty. Added to this, the Economic Advisers Department has discontinued the economic summaries and the input-output table model has also been stopped. Normal practice for government is to consider the economic climate before launching into a detailed budget, but we have cut back on this vital information. The Minister for Treasury and Resources has accepted some of these comments and I am hopeful that he will listen and we can convince him of the efficacy of the input-output table. They use them in Wales, in Scotland and the U.K. and they have even had input-output tables for projects in Sheffield and Manchester. There are structural changes to the tax system in this Budget, but where is the discussion of the economic effect? There has

been no estimate of the structural deficits within the finances of the States, which the F.P.P. (Fiscal Policy Panel) wanted last year. Added to this, there was the question raised by our adviser from C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy) who commented on the £5.5 million difference between the M.T.F.P. (Medium-Term Financial Plan) baseline position and the Budget and I have been muttering about this for the last couple of days. The Assistant Minister tells me that the higher education allowance and marginal relief are covered by the increase in Income Tax receipts, which are higher than expected. Last night I was assured by the Assistant Minister for Treasury and Resources that the Income Tax receipts are well in excess of the tax expected. I deduce from this that the Constable of St. Helier's amendments could have been accepted in total without upsetting the Budget balance. We are told this is a transparent, straightforward government. So why could they not have accepted such a modest amendment? There will obviously be a backlash. What is this going to do to the credibility of this government in the future? There are sins of commission and of omission and this is very much a sin of omission. The Minister for Treasury and Resources will say that it is totally out of character for me to recommend spending. Absolutely right, but, in the context of this particular spending, it is very small beer compared to the capital spending plans which we are rather expected to take on faith. As our adviser said, the lack of transparency on tracking baseline figures does not provide the level of confidence that we would expect. It is not good enough. He said that he would agree with the comments made by the Fiscal Policy Panel in respect of the marginal rate reduction component: "As a fiscal stimulus measure, it does not score well as it is neither timely - it will impact largely in 2015 - nor temporary. To ensure such a decision can be afforded, careful consideration of the structural position of States finances is required, although" - I think they were being kind here: "it is not clear from the *Budget 2014 Report* that this has been undertaken." As I have said, the degree of transparency is questionable. As has been said, the problem with the Income Tax changes is that they will not come into play until 2015, at the same time as the proposed long-term care charge. A sort of: "Now you see it, now you don't" scenario. I am sorry. I wonder if I could have a glass of water, Sir, please. S'il vous plaît?

**The Deputy Bailiff:**

Coming. [Laughter]

**Senator S.C. Ferguson:**

Thank you very much. I am not intending to be here for quite that long.

**The Deputy Bailiff:**

A full-service presiding officer. [Laughter]

**Senator S.C. Ferguson:**

As I say, the other problem with the Income Tax changes is that it will not come into play until 2015 and, once the long-term care full charge of 3 per cent is being levied, the only people gaining are the married couple with 2 children, one at university, the wife working and an income of £40,000 a year, and the married pensioner on an income of £26,000 a year. Everybody else will be a net-payer. As to capital spending, the F.P.P. was very insistent that it must be contra-cyclical. When government spends in a growing economy it is inflationary. We have no monetary levers to pull in that situation and so must fall back on fiscal policy, raising taxes. While the F.P.P. was relaxed about the fiscal stimulus in 2013 and 2014, they were extremely cautious about 2015.

[09:45]

The hospital. Our adviser considered that the optimism bias was too small. He said that, while the Treasury Green Book methodology has been substantially followed, the Supplemental Green Book Guidance points to high-level optimism bias factors for non-standard construction projects such as

specialised hospitals, a bias factor of 51 per cent, and a duration timeline excess of 39 per cent on original forecasts for completion. We need to review the optimism bias. He also said: "We would conclude that, while this is a very desirable project, it is still at a proof-of-concept stage and is more aspirational than fully specified and costed." I do not consider that the case for the single or dual-centre hospital has yet been resolved and the project must have a number of clear break-points in case a plan B is required. This business about a 2-centre hospital; I am surprised because Members will recall the Minister for Treasury and Resources' dislike of a 2-centre police station. It was clear from our hearings that the Minister for Treasury and Resources considered that one or 2 approvals by the States are all that is required to authorise him to withdraw funds from the Strategic Reserve. I do not agree. Funding estimates should be dealt with more frequently, possibly on an annual basis but certainly on a bi-annual basis. We are told that we are only spending the interest, but Members should note that the manner of accounting for the reserve is such that income and gains are capitalised annually. Moreover, in 2011 the fund had an income of £7 million or one per cent. Variations in performance such as this mean that it is essential for regular review of the funding estimates. The housing loan was the one item which could well indicate a structural deficit and more work must be done on this. Our adviser also considered that implicit within this Budget proposal is the assumption that there is no additionality in terms of funding required by the taxpayer for this proposal: "As 67 per cent of existing tenants are currently entitled to an element of the housing component of Income Support, then the required revised rental income base for existing as well as the 434 net additional tenancies will generate a commensurate increase in housing component in Income Support. For the assumption to work, that there will be no additionality, there requires to be the condition that the net migration to the additional tenancies from the private sector will not be replaced by fresh private-sector tenancies and consequential Income Support housing component. In reality, we do not foresee this to be a likely scenario." In other words, if people move from Income Support private sector into the States social sector then they will be replaced by more people in the private sector requiring Income Support. He went on to say: "While we would fully support this proposal, we do have some reservations about the likely capacity of Jersey's construction industry to deliver the £200 million investment within a 10-year period and the fact that the income model will require additional States spend in the form of Income Support housing component." Here we are, getting ourselves into even more financial debt and commitment to financial expenditure when everybody else in the world is running down their debt. Then we go on to the Liquid Waste project. We have no strategy. We do not know what process we are going to be using and, according to a question in 2011 from the previous Deputy of St. Mary, the cost of work needed for Liquid Waste is something over £200 million and, in that, the cost of the sewerage plant alone was £43 million. This is not the same as the £75 million estimate in the Budget, so I would be grateful for the Minister for Transport and Technical Services to explain this. I would remind Members that our adviser from C.I.P.F.A. has considerable experience in this area. Our adviser was particularly concerned at the method of repaying the Currency Fund, because £75 million is coming from the Currency Fund. I am sorry. The Minister for Treasury and Resources is quite right. He is shaking his head. It is less than that from the Currency Fund, but the whole point about the Currency Fund is that it is backing up currency and should be in cash or near cash. Our adviser was particularly concerned about the method of repaying the Currency Fund. One million pounds will be savings in running costs and the additional £700,000 will come from additional internal department efficiencies. Following on a C.S.R. (Comprehensive Spending Review) efficiency saving requirement of £2.1 million for 2013 alone, this additional £700,000 is considered to be a formidable challenge for the department. In fact, our adviser considered this to be expectational. Finally, the supply side. Productivity: an integral part of economic growth. Where is it? There is no mention in the Budget, but this is a budget for jobs and economic growth. There are mentions of forward-looking projects designed to encourage new industries such as Digital Jersey and the Innovation Fund, but we must have

productivity in existing industries. In his response the Minister for Treasury and Resources asks for the panel to define what taxation measures could improve productivity. I would think, for a start, you do not have to apply for a licence to have Santa standing outside your shop giving out sweets and things like that. It is the little things that give you efficiency, but it is not for the panel to dictate policy to Ministers. It is for us as critical friends to indicate where extra work is needed and productivity is one area which must be top of the list. I really do not know whether I am in fact going to vote for this Budget because I see real problems with it, but I will listen to the rest of the debate.

### **1.1.1 Deputy S. Pinel of St. Clement:**

Contrary to the last speaker, this Budget is well constructed, balanced and exciting. The one per cent decrease in marginal tax relief will be beneficial to 84 per cent of taxpayers. There is an increase in the tax relief threshold for parents with children at university from £6,000 to £9,000 per annum, a timely introduction as both of mine have just finished university. Moving swiftly on to capital projects, without mentioning the impôts that occupied the entirety of yesterday, the hospital, acknowledged by all, is past its sell-by date. The proposals for the phase 3 building at Overdale and on the present hospital site are well documented. Although an iconic new build on the waterfront would have been on many a wish-list and, in my view, could have included a magnificent penthouse floor for use as a Dignitas clinic, it is acknowledged that the cost would have been prohibitive. The tempered and sensible option of using the interest on the investment of the Strategic Reserve Fund, not the capital, to enable the phased proposal is one to be applauded. The insightful advice of the Treasurer and Treasury Advisory Panel should be recognised and thanked for the phenomenal success of the investment of the Strategic Reserve, which has generated the interest to fund the hospital project. Housing. I know only too well from the plethora of calls I receive from constituents, mainly from Le Squez, about the accommodation in social housing falling very far short of decent home standards. For too long this problem has been neglected, resulting in people living in appalling conditions of cold and damp. This is exacerbating health conditions such as asthma and bronchitis. Some situations involve children having to be accommodated elsewhere with relatives to prevent deterioration of these health conditions. The Minister for Housing is making revolutionary moves to combat this situation and the £250 million loan to tackle this major housing issue is entirely appropriate and sustainable with the loan being repaid by rental income. Liquid Waste Strategy. The third-largest capital spend is long overdue. We cannot permit the pollution of our very precious marine environment. To replace dysfunctional parts of an obsolete plant is literally throwing good money after bad; not what one could consider prudent, good governance or even sensible. We still have a long way to go, but the future is looking brighter and the time to invest in capital projects to improve the quality of life for the people of Jersey is now. The local construction industry, which has suffered enormously from the recession, will benefit. Much-needed employment for our local job-seekers will be generated and, if my optimism is not completely misguided, there may be more or even some interest and, as a consequence, less apathy from the public, our electorate. As I have been made very well aware over the last 2 years' involvement with the drafting of the long-term care proposals before you next week, such complicated legislation and regulation comes as a package. Cherry-picking is not an option. If you remove or tinker with one part you unbalance the remainder. Massive amounts of work, consideration and consultation formulate such complicated packages and there are repercussions when not adopting as a whole. Before I move seamlessly but prematurely into a speech on long-term care, I shall end by saying I fully support this Budget as a package and ask Members to do the same.

### **1.1.2 Deputy J.A.N. Le Fondré of St. Lawrence:**

I want to explain a little bit about how I am voting on this Budget. Assuming we are voting on separate sections, I am going to be abstaining on part E, which is all to do with funding for the Housing Transformation Programme. There is no pecuniary interest. As I have expressed my views and interests in the past on this, I just feel it is right to abstain on it. Perhaps more importantly, I am hovering between what was going to be an abstention on part A to voting against part A based on the comments and the slight banter we had as to whether it was a strongly-opposed or an opposed opinion. I am still very uneasy as to where we are going. Yes, I have supported a number of the potential changes but, to be blunt, largely those were peripheral in terms of the financial impact in the overall scheme of things. As far as I am concerned, the reduction in the marginal rate is not. My reservation is particularly linked with the potential revenue impact of £70 million if the path for independent taxation means reducing the marginal rate down to 20 per cent from 27 per cent over a number of years, which is what has been mooted in the past. In other words, it is that first step. However - and this is my fluctuation bit - the Minister for Treasury and Resources implied either yesterday or the day before that the target was to reduce the marginal rate down to 25 per cent, but even that is going to cost £16 million to £20 million on a permanent recurring basis. While I can agree with having the principles and all this issue about it is right for men and women to be taxed separately, *et cetera*, the price for me for those principles may be far too high, particularly when one can do it already. In other words, you can presently elect to be taxed separately under the present system, as I have understood matters. Yes, I note Senator Maclean is admiring my new glasses. I am struggling slightly to have to switch between looking that way and seeing them; it is great, everybody is blurred that way but I can read my handwriting for once. If one puts that into the context of the huge capital programme that we are going to be embarking on, which is requiring funding measures the like of which we have never seen because we are looking to fund basically a substantial proportion of our entire property portfolio ... If you add the whole lot up with the hospital at £3 million and the social housing at £250 million and obviously T.T.S. (Transport and Technical Services) with £75 million, it is not small beer, if that is the right expression after the debate yesterday.

[10:00]

In other words, can we afford to do both, i.e. to do the capital programme and reduce the marginal rate? I expect I will get a wave of comments coming back from the other side of the Chamber, but I do know I am not entirely alone in those remarks and I want to guide Members through where I am coming from on this. The first point is that I draw Members' attention to page 164, which is basically the very last page in the Budget Statement. The rather crucial figure, if people want to have a look at it, is in the bottom right-hand corner. There is a little figure which says "5,709". That is £5,709,000, which is the projected balance, as I have understood it, of the Consolidated Fund - if you like, our current account - at the end of 2014. Indeed, if one looks 2 lines up it says: "Budget measures; 2014 budget: £294,000." That has obviously changed fractionally because of the amendments that have gone through, but the impact of the Budget in 2014 is diddly-squat. It is not very much at all. The big impact, as has already been pushed through, is what happens in 2015 and the impact, as I have understood it, is a net outgoing of £5.4 million. I will caveat that in a minute. So if you think about it, we are spending £5.4 million but at the moment we have got £5.7 million in our bank account at the end of the year. The problem we have is that we do not have the other projections, as far as I can see, as to where we are going in 2015 and 2016. I may be corrected on that. To an extent that is irrelevant because it just means that we are getting tighter and tighter, in my view, in our cash situation. One of those concerns, therefore, that comes through, and particularly this balance between 2014 and 2015, is I think in 2008 the Minister for Treasury and Resources assured lots of people that there was no increase in G.S.T. (Goods and Services Tax) to come, but in 2010 it was raised by 60 per cent. So my concern at present is that at the start of an election year we are being portrayed as giving away a substantial amount of money



to individuals and they are all going to be so much better-off, but we have got no clear vision as to the future funding patterns. In reality, we are not giving very much away at all because, as has been pointed out, in 2014 it is not very much net. In 2015 it is a moderate reduction from 27 per cent to 26 per cent; 84 per cent of households are going to benefit. An awful lot of households are also going to be hit the other way from the long-term care charges that are coming through. I do not have an issue with the long-term care thing, but it is just matching up expectations here. The other issue, which I fully accept as being what is not clear in my mind, is that the marginal rate is based on net tax - it is after exemption limits and things like that - whereas long-term care will be on gross income. What the impact overall on that will be, again I do not know the consequences. I have to stress, as well, I have got no great issue - slightly differently to Senator Ferguson - with the source of the funding, for example, for the hospital, in general - as a principle, this is subject to a lot of detail - or indeed with a number of the expenditure items we have got in the Budget because we are at that point in the lifecycle of those assets where we have got to do something. It is very clear. It is purely about: is it a good move at a time of economic uncertainty still to be seen - and whether in reality we are or not - I do not know - giving away £8 million a year? As I said, are we giving it away? It is going away on one hand, but there is a perception - and certainly there is a perception out there in the real world as well - that we are taking it back with the other hand, possibly over a slightly longer period of time. What I would like to do, is to refer also to recent correspondence that was put through just to reinforce these views. In other words, it is not just me, by myself, standing up and having a pop at the Treasury. I would then also like to take people through the adviser's comments in the Corporate Services Scrutiny Report, which I think are worthwhile. Certainly a letter that was written and I will say who it was by at the end of it. It brought a few things home to me: "Recent events in the States have left me wondering if I am living in Cloud Cuckoo Land." I do hasten to add this was written about a year ago: "On the one hand we have the States pleading poverty, stringent budget cuts, unable to afford any pay increase for States employees, and on the other hand the Minister for Treasury and Resources has miraculously produced the sum of £222 million to be spent in the next 3 years partly, justifiably, for health and property refurbishment and partly for more dubious purposes intended to stimulate the economy. I assume that the basis for the approval of this huge sum rests on the fact that at the end of 2011 the audited States accounts showed reserves of £3.7 billion. That is £3,700 million, a sizeable sum." I will skip a little bit: "but a substantial part of the reserve cannot be regarded as a source of funds for future expenditure, although certain properties might be saleable. The States' liquid resources at the end of 2011 were approximately £950 million, of which £590 million comprises the Strategic Reserve and £90 million the Currency Reserve. I understand the States have already authorised using 60 per cent of the Currency Fund to provide cash, which means that the Island can no longer claim that its currency is 100 per cent backed by U.K. gilts as was the original intention. So the question needs to be put: from where will the States find the cash to meet the projected expenditure? The States have historically met capital expenditure from revenue surpluses. Recently there have been no revenue surpluses." I will skip a bit more, but then it says: "If this figure were to be achieved, which seems unlikely, it would provide short-term relief but, as in the case of potential property sales, it does not address the long-term problem. The States are going to need capital expenditure for the foreseeable future and at present there is no indication as to how this need is going to be met. Finally, I note that the Minister for Treasury and Resources has adopted the Gordon Brown euphemism of describing all capital expenditure as investment, irrespective of the nature of expenditure and, while capital expenditure may sometimes generate general income, it frequently brings in its train increased maintenance costs." That was written by Mr. John Clennett who is a former Treasurer of the States of Jersey and some of the older Members will remember him or, more possibly, be aware of him. He is obviously somewhat older these days, but I would argue that his brain is definitely fully functioning. To move on the corporate adviser's report, to give a bit more pause for thought. In fact, it was funny; I was having a conversation this

morning with somebody saying: “There has been a lot of focus on duties and things like that, but we have not focused on the more substantial matters in the Budget.” From C.I.P.F.A., which, just to remind people, is the Chartered Institute of Public Finance and Accountancy: “It is difficult to accurately track and test the 2014 budget Income Tax position of approximately £475 million based on this Budget presentation, particularly in the context of the Economics Unit mid-range forecast of £460 million.” That is £15 million lower: “The lack of transparency on tracking baseline figures does not provide the level of confidence which we would expect in the overall financial modelling. In terms of affordability, given the lack of clarity on the baseline position, we would agree with the comments made by the F.P.P. in the 2013 report in respect of the marginal rate reduction component.” So it is back to the marginal reduction sum: “As a fiscal stimulus measure, it does not score well as it is neither timely - it will impact largely in 2015 - nor temporary. To ensure such a decision can be afforded careful consideration of the structural position of States finances is required, although it is not clear from the *Budget 2014 Report* that this has been undertaken.” Members may remember that when we attended the presentation by the F.P.P. they raised queries as to whether or not we did have a structural deficit and their definition was a lot of it hinged on whether the capital expenditure programme we had was for replacement assets or not. If it was replacement assets, their view was basically it implied we had a structural deficit. As I said, I have got no issues with the fact we need a new hospital. We do, but that must be a replacement asset, for example. It carries on: “It is difficult to foresee how budgets are fully funded on accurate levels of activity and also difficult not to conclude that some budgets are more aspirationally or expectationally based,” which I think is a polite way of saying they would like to see what the real outcome would be versus the estimations at this point: “It would be our continuing view that the significant level of flexibility within which departments can transfer resources between budget headings can impair transparency and ultimately financial management performance. Indeed, it would be our position that it is this level of flexibility that can negatively impact the degree of motivation required to deliver optimal efficiency savings and utilisation of resources.” That is one large mouthful, but the point is that they are nervous as to whether the way things are constructed at the moment will take the emphasis off operating efficiently. We then move on to the other adviser’s report for corporate, who is also a very eminent individual. He starts from a macroeconomic perspective: “It has been difficult to understand what is being proposed in the Budget and to calculate the impact of the fiscal changes on the economy. This is also recognised by the F.P.P. who has observed that the draft 2014 budget is a step back from previous budgets in terms of completeness and transparency.” It is a minor point and I look forward to being corrected on this, but I have been through a couple of times and I may well have blinked and missed it. In, for example, the 2012 budget we used to have a table like this, which was 4.2 in those days, and that gives forecasts for the years; in our case it would be 2014, 2015 and 2016. I certainly cannot easily see such a projection in the present budget. In other words, we do not know where we are going. What this does is it gives basically the net forecast. It gives your gross income and your States expenditure and it gives a little balance at the end. That, I think, is where this is coming from: “While the F.P.P. does not appear to have been given an update on the income forecasts, the Economics Unit did prepare an Income Tax forecast. Note: the Income Tax Forecasting Group.” It then carries on. That identifies that in 2014, compared to the Medium-Term Financial Plan, we are £10 million down. In 2015 we are £20 million down. I am taking this from the adviser. It says that the table I have just referred to does not factor in the reduction in the marginal rate of taxation in those figures. Just a slight aside as well, which goes back to this issue about independent taxation: “During evidence to the panel the Assistant Minister for Treasury and Resources suggested it was not the purpose of government to determine social choices, yet elsewhere in the world this is done and, in fact, the Council of Ministers has agreed to influence social choice in its justification for raising imp□ts in order to curb drinking and smoking. Why is there not a debate about whether the taxation system could be used to reward marriage and civil partnerships? How

can the tax system be made more just? In what ways can it improve, for example, incentives to work?" That is a bit of a side issue but it does raise one reservation I have about independent taxation. What is the impact on the institution of marriage and obviously one has to include civil partnerships in there, which is a legally-binding agreement. He then continues: "Turning to the proposed reduction in taxation, there is no discussion in the Budget whether the public finances allow for a reduction in the marginal rate of tax." So it is not just me: "As discussed, there are currently considerable downside risks to the economy. As the F.P.P. have noted, there is a possibility of a structural deficit in the public finances indicated by the extent to which capital expenditure has been funded by borrowing, both internal and external, and running down funds established for other purposes." That is the Currency Fund: "The F.P.P. have always cautioned that structural change in the taxation system needs to be carefully considered, which it is not in the 2014 budget. All of this cautions against the assertion that the public finances are on a strong and sustainable footing." Nearly there: "On balance, from an economic perspective, there seem to be significant dangers associated with reducing the marginal rate of Income Tax which has recurring costs, largely because of the state of the public finances. If the reduction in the marginal rate of tax was part of a fiscal stimulus there could be some merit in what is being proposed. However, the delay in impact of the changes to the bulk of taxpayers until 2015 when the long-term healthcare charge begins suggests that what is being proposed is a very weak fiscal weapon. As the F.P.P. have noted, the tax cut is neither timely nor temporary. This criticism could be extended to the Budget generally. Where is the mapping of any stimulus against the 3 Ts - temporary, timed and targeted - or an explicit discussion of how it would create jobs?"

[10:15]

In the very last concluding comment of that adviser it says: "Given the weakened fiscal position, it is unclear why the marginal rate of tax is being cut now. It will not provide an immediate fiscal stimulus and the introduction of the long-term care health charge will partially reduce the impact of the tax cut in 2015. In addition, there is no evidence that, with recurring costs of £8 million each year, the structural changes to the tax system have been considered from an economic perspective." The point is I suspect somebody from the Treasury and Resources Department will leap up and say: "The forecasts at the moment for Income Tax are a lot better than are in here," but the point is we are meant to be doing the debate on the basis of the documentation and the evidence in front of us, not in relation to something that is whizzed out in the next 5 minutes. The point is that it is not just my views, therefore, that I am expressing. They are the views of a former Treasurer of the States, the Chartered Institute of Public Finance and Accountancy and someone who is cited as being one of the world's leading experts in liquidity. That is cash. I am going disagree slightly with my good friend and colleague who sits to my right, Deputy Pinel, because I do not think it is an exciting budget and I am not entirely sure on the expenditure side, but I think we also need to identify that there is a difference between capital returns and income returns when one is using returns of the Strategic Reserve. I do not particularly have an issue with that and, as I said, I am purely concentrating on part A, but that bit does need to be understood. We have got one of the world's leading experts in liquidity raising concerns. To summarise, can we afford, in the medium-term, to give back this much to taxpayers permanently and potentially more in the future at the time that we are borrowing so much money or is it the case, as some people have expressed to me, that at some point in the future there will be a little note left in the vaults of the Treasury saying: "There is no more money"? I know that will not go down well in the Treasury, but those are the expressions that I have read out. They are not made up. I think I have backed-up the comments and, on that basis, I am not going to be voting for part A.

### **1.1.3 Deputy K.C. Lewis of Saviour:**

T.T.S. has been managing Jersey's waste for years. Indeed, the current S.T.W. (Sewerage Treatment Works) at Bellozanne has been there for over 50 years and some of the sewerage system dates back to Victorian times. Over the years there have been many upgrades of the sewerage treatment works. Adding the ultraviolet treatment plan in the 1990s was seen as a huge step forward and received much public acclaim. However, in recent years the plant has not been performing well. It has required a lot of maintenance and it is not efficient and it is not effective either as it has been failing the required nitrogen standards. It is not long fit for purpose and it is no longer viable for upgrade. Over the last 5 years the department has amassed a lot of information to help it find the best solutions for the Island. Studies have been done to survey the condition of our sewers to review the different treatment and site options and to learn more about the impact we have in discharging our treated water to sea. All this information has been used to determine the future path for waste water. The management of waste water is a very complex and technical subject and this document provides an overview and simple terms. I cannot stress enough how vital this service is to the Island. Although it is mostly unseen, it is used by every person in Jersey several times every day. Providing proper sanitation is a basic requirement for any community to safeguard health. We are justifiably proud of our coastal waters. Any decrease in water quality would not only harm our economy but also our quality of life. Unlike solid waste, which can be stored if there is a breakdown, storage of routine daily quantities of waste water is not possible. We cannot afford a plant failure. The population has almost doubled since the sewerage treatment works was first installed. Although we intend to reduce the volume of water coming to the plant for treatment by separating more of the surface run-off water from foul sewers and through the Planning and Environment Department's initiatives for grey water, there is no way to reduce the actual sewerage that needs treatment. We are always striving to achieve best practice, although the recent condition of the sewerage treatment works and some of the sewer network has not made this easy and in some cases impossible. In determining our way forward we have liaised closely with the regulator and other interested parties to ensure they are supportive of our aims and understand our approach. Maintenance, upgrading and replacement, as far as budgets will allow, have been ongoing but the effectiveness of these works have been reducing. However, we have now been able to put together a framework of what is needed for the next 20 years, taking account of population trends on how we propose to address that need. T.T.S. has a strategy that we will present to the States in early 2014 which will cover all aspects of Liquid Waste. My oversight group recently held many briefings, which, sadly, Senator Ferguson did not attend, and are the precursor to the launch in 2014. The repayments will be covered predominantly by savings as the new sewerage treatment works will optimise the process. To clarify, we currently have 2 megawatts of installed power for aeration. With the new plant this can be done with half a megawatt. I would also like to go on record of thanking the Minister for Treasury and Resources and also the Assistant Minister of Treasury and Resources and the Treasurer for putting this fantastic deal together, which will be for the great benefit of the people of Jersey.

**Senator S.C. Ferguson:**

May I ask for a point of clarification? In the question of 2011 the Minister said that the entire Liquid Waste programme was going to cost £201 million or thereabouts. Would he like to confirm that the £75 million is purely phase one and that the real cost is going to be over £200 million?

**Deputy K.C. Lewis:**

No, it is my information that the £75 million will cover the entire works.

**1.1.4 Deputy G.C.L. Baudains of St. Clement:**

I think it was yesterday I made the comment that moving from the Budget debate where both expenditure and revenue were previously addressed together was a better format because I think by

having a Medium-Term Financial Plan followed a budget many months later, we tend to lose focus on the reality of the overall effect of our actions. I believe that was evidenced by the debates we have had over the last couple days. As with Senator Ferguson, I have a number of fairly major concerns and I will address 3 of them. They are expenditure issues but, of course, directly related to the need to raise funding for them. I am concerned about the hospital expenditure because I know a number of senior doctors who advised me that we are going down the wrong path. I honestly wonder whether sufficient work has been done by the department to determine that this is the ideal direction to be going in. If you ask any civil servant whether they would like new offices and new equipment the answer is going to be yes. Is it what we need? We are custodians of the public purse and I do not believe we are sufficiently informed at the present time to make that decision. £300 million on something which may be not the correct answer would be a huge mistake by anybody's standards, especially given it is almost 50 per cent of our annual expenditure. I am also slightly concerned about housing, which I have been closely involved in and, indeed, I used to be on the Housing Committee many years ago as did Senator Ozouf when he was Deputy. It is clear to anybody that the so-called savings which occurred under the Fundamental Spending Review were responsible for having caused the stock to fall into disrepair and clearly that has to be rectified. Shortly after, we were told the Housing Department were going to sell some of their stock, apparently for 2 reasons: to raise funding and in some part to cover the cost of those repairs but also in some part because it was not felt that all that stock was not now needed. That has suddenly changed, so I would like to know what is going on. Is this a covert admission that Jersey is getting poorer and we are going to need more social housing or is it that there is a will somewhere to increase immigration? Another concern I have about this is that the Minister for Housing has frequently said he wants all housing in the public sector to reach a higher standard. That is all very well and, to some extent, I would agree with that. But is it right that those who rely on subsidised housing should, in many cases, be enjoying a better standard of accommodation than those in the private sector, which is what is likely to happen? I would ask, when the Minister for Housing speaks later on, if he could advise me what he is going to do about those tenants who absolutely refuse to pay their rent, those who damage and destroy property, and those who are a nuisance to their neighbours and have to be frequently moved. In days of old they were put in what we used to call sink estates. I remember it used to be Clarence Court and I think it is currently Le Squez. You do not put them in the finest, most insulated, most well-cared for housing for them to destroy it. So I wonder what the Minister for Housing has in mind for those people. Lastly, the fiscal stimulus, which seems to be the buzz-word these days. I question, as have some others, whether it works. I recall that Churchill used to say that trying to spend your way out of debt is like a man standing in a bucket trying to pull himself up by the handle. I do feel that we might be in danger of doing that. Where is the evidence that it achieves what it is intended, especially in our situation where we have Zero/Ten taxation? Is it not the case that a lot of this money is sailing straight out of the Island to English companies? Are we benefiting from the tax generated by this work? I do have some concerns here and I will be listening carefully to the rest of the debate to decide which way I am going to go.

#### **1.1.5 Deputy A.K.F. Green of St. Helier:**

I am delighted to stand here today and give my wholehearted support to the Minister for Treasury and Resources' proposals, in particularly in relation to social housing which I will come back to in a minute. I would like to join the Minister for Transport and Technical Services in thanking the Minister for Treasury and Resources, the Assistant Minister for Treasury and Resources, the Treasurer and the team for putting what I think is a good budget for Jersey. It is more than a good budget. I think it is an inspirational budget. It is the best I have seen for some time. I want to pick up on a couple of points and then I will come back to the main thing on housing. First of all I would like to pick up on the 2-centre hospital that Senator Ferguson seems to be concerned about. I

am, apart from the Minister for Health and Social Services, probably in the best position to make comment on that having been responsible for the last 5 years of my working life for the hygiene and cleaning and the environment of the hospital, among other duties. If we want to improve the health service and if we want to reduce hospital-acquired infections then a 2-centre hospital is absolutely perfect to do that.

[10:30]

Why? Because that means that the people from the community who may be carrying all sorts of pathogenic bacteria about them and with them - we all carry that - will not be coming into the hospital where the most vulnerable people are, the sick people that have had surgery. They will be up at Overdale receiving their treatment, while the very ill people will be receiving, in a purpose-designed hospital, the appropriate treatment for them. It is absolutely right and it is not new. We used to do it that way 30 years ago. I support the concept of a 2-centre hospital. There is a lot of work to be done and I particularly support the concept of single rooms. The Dutch have single rooms and they have the lowest hospital-acquired infections in the world and that is absolutely the way to go, aside from dignity and privacy and all the rest of it. I have no intention of making this a long-term care debate, but I would like to pick up on the long-term care that we will be talking about next week. This is a good thing. Speak to the people out there. I spoke to one young man at the weekend. I will not name him but some of you might guess who he was. He asked me what we were doing about protecting the home. Middle Jersey people that worked hard, had gone without holidays, saved, brought their own home, managed to do it, only, in some cases, to see it disappear as they pay for long-term care which they did not foresee; while others who had perhaps the same opportunity did not invest, did not build their own homes, did not look after them and received it free of charge. That cannot be right and the people that I have spoken to have said to me they are quite happy to pay that percentage in order that they only lose £50,000 of their home and they have got a home to leave to their family. That is why people want this. That is why it is right. This is about protecting people who have invested, looked after themselves and giving them something back; not penalising them like we do now. I would like to, before I get into housing properly, start by correcting what I thought was one of the worst editorials I have ever seen in the *Evening Post*. Of course, the *Post* is there to challenge us and hold us to account. The *J.E.P. (Jersey Evening Post)* said that we were borrowing for Jersey's social housing needs and that is correct, but not, as it suggested, a rescue plan. Housing has already done a lot of work and is well underway with a well-publicised programme of improvements. This is part of the Housing Transformation Programme. Much of what we have done so far has been paid for from general revenues. The programme has been overseen significantly and also improvements have been made to a large number of social housing stock already, and I will pick up on Deputy Baudains' comments later. We must bring our stock up to modern standards. Fuel costs are rocketing. People find it difficult to heat their homes. If they fulfil their contract by paying the rent, and I will come back to that again in a minute, we must fulfil our contract by giving them homes that meet the Decent Home standards and are well insulated that cost a lot less to heat. I am always quoting this one but it was about this time last year or maybe in January last year one of the flats that we had finished at Pomme D'or Farm under the renovations, the lady said to me there in that very cold spell when we had the snow, she said: "I used to spend £50 a week on supplementary heating", heating additional to the heating system that was included in the rent at the time "and in this very cold period I have not had to spend anything." That has to be right. That takes people out of fuel poverty. The houses that we have been working on at Le Squez, at Le Marais, Pomme d'Or Farm that I have mentioned, Grasset Park, Clos Gosset, La Collette, it was very good and it was completely unsolicited from my point of view when I heard it on the radio, and excellent similar comments being made by an interview from a lady at La Collette who said she loved living there. She did not like the home that she had before. She has moved upstairs into the renovated properties and she thinks she is in heaven. That is right. That is

what our population deserve. Additional investment though is required so that we can bring all the States-owned sites up to Decent Home Standard. I had one lady on the phone only this week say to me: "You are doing an excellent job in getting these homes but please do not forget where you have only half a dozen homes and we still have little windows." I say to her: "We have not forgotten you. It is part of the programme and we will get round to every home." Senator Ferguson made some comment about taking the capital spend on faith. I do not think it is faith at all. Have a look at the nearly 120 pages of the business plan that we put forward in the P.33 debate. That is not faith. That is well-thought out. That is well-planned, well-reasoned, well-researched and well-scrutinised both by the panel and by other people. We have a robust business case and if people want to go back and read it, it is R.6 of this year. It is a thorough piece of work running to nearly 120 pages and it sets out the case to borrow for a co-ordinated programme of building and increasing the supply of housing. Outlined in that plan, which I have with me if anyone wants to have a look at it, is the process by which the borrowing will be repaid over a 20 year period. As I said before that business case was reviewed internally by the Treasury and Resources Department, by the Corporate Services Scrutiny Panel and by the Social Services Scrutiny Panel, and they judged it then to be robust. I wonder what has changed. Members will recall, as I said, in May we debated it nearly 3 days on the reform of social housing and agreed this was the way to go ahead. Part of that proposition, P.33, requested the Minister for Treasury and Resources to come up with a funding mechanism which he has done. These proposals that we are laying out here for housing are not new. They have been well-debated. We debated it on 16th May and the Minister for Treasury and Resources was asked to find the way of funding it which he has done. I will say one thing about that. I attended about 4 weeks ago a meeting of Ministers for Housing of the British-Irish Council and we all obviously shared experiences, and there was one thing that really struck home with me. Southern Ireland as you know probably have had it far harder than we have had it over here, in fact probably harder than many of the European countries and yet the Minister for Housing up there was fairly upbeat about the way ahead. Her words to me, and I will never forget these, I have quoted them before: "Yes, we have had a financial crisis." Jersey has got off fairly lightly compared to many although those that are unemployed, and that is something we must do something about, will not see that we have got off lightly but we have compared to the rest of Europe. She said to me: "Never waste a crisis." The world finances have been in crisis and because of that we can borrow the money at terms that we could never dream of normally. This is the time. If we are going to borrow money this is the time to do it. Take advantage of a crisis. Why is the funding required? What are we going to use it for? How is it going to be repaid? I have explained why it is required but I would like to bring it home to you. When you go and visit people who are in the private sector sometimes but very often living with family, the hidden homeless, when you see a young, hardworking Jersey couple with their baby, and all the beds in one room and they have about 4 square feet of carpet space to move around in, this is why we need it. I have explained why we need to renovate but that is why we need more homes. Hardworking Jersey people who perhaps do not have the capacity to earn large sums of money but making a contribution to the economy still deserve to be housed not adequately but well. We have a need to provide more social housing and these are not my imagined figures, not me making it up, not me being dramatic. Ask 1,000 families that are on the waiting list, 700 of whom are urgent, the others require to move or transfer from one type of housing to another but 700 of those families are urgently requiring accommodation. That is on, Deputy Tadier mentioned it the other day, a very tight criteria. In other words we do not house anybody under-25, we do not house couples under-50 unless they have children or unless they have severe medical needs. I could change that at a stroke but it would be utterly dishonest of me to change that because until we increase the supply we cannot help those people. They will never get to the top of the list, the families or the disabled would always come first. Be in no doubt these are real people, they exist. Funding is going to be used to bring another 1,200 homes up to decent standard and Senator Ferguson asked me the other

day how much was being spent on bringing homes up to decent standards. It is £50 million that is being spent on bringing our current stock up to decent standard. I remind Members of other projects that we have going on. I have mentioned La Collette. We have Osborne Court, De Quetteville high rise, Convent Court, Caesarea Court, Hampshire Gardens are starting, Nicolle Close, Hue Court high rise, all of these are in the programme to be worked upon. Many of these are basically good, firm homes that just need modernising and appropriate thermal protection put in there. The remaining funding, about £200 million, will be used to develop 900 new homes for people waiting on the Affordable Gateway. I will make the comment there about the rent component. There seems to be some concern that suddenly people are going to become eligible for rent component when they are not already eligible. That is spurious. We know that there will be an increase in the rent component as people move from the heavily subsidised rent to the 90 per cent of market rate and that has been allowed for in the Budget and the Medium-Term Financial Plan. Just because we build more homes does not mean that the people in the community suddenly become entitled to rent component. They are either entitled whether they are in the private sector or in the public sector or they are not but we do know that there will be increase which has been accounted for. Some Members were concerned that we were not building enough homes and I think they may well be right later on but the only limiting factor for me now, once we have the money in place and the right rent level, is the site availability. The draft Island Plan is going to deal with some of that. Recently we delivered 9 new units, which have all been allocated now, in Journeaux Court. We are going to take 80 units that are shared with the Parish of St. Saviour, 80 units at Langtry Gardens, which will be available next year, Belle Vue 35 units available in 2015, Le Squez another 24 units in 2014, Le Coin 23 units in 2015, Le Squez 3, 21 units in 2015, Belle Vue phase 2, 44 units in 2016 and that is one that we have put on boosters, if you like, so we can get the work done in 2015 as much as possible. We hope to be on site there midyear. It would not normally have been done quite as quick as that but I want to get the people housed and also I want to get the money into the community, into the construction industry when they really need it. La Collette low-rise, I have had meetings with the Planning and Environment Department. We hope to come forward there with an inspirational plan for 161 units in 2017 and 2019, and by them we will have hopefully the Summerland site which will develop another 152-sites. That is why we need the money but this is for real people. I have set out why we need it and I am now going to talk about how we are going to repay it, and as I said before we have put forward a robust full business case part of P.33. It lays out very clearly the financial arrangements of the new housing company over 30 years including a full impact of the proposed rent policy, the sales of assets for realignment or to provide sometimes, and not only money for us to perhaps change the density in some other areas, an exit strategy for people if they have moved into social housing when they were really in need of it and they are in their 50s, children have flown, they have better jobs, they continue to live in social housing because they cannot go out into the public sector and buy at that time.

[10:45]

We are going to provide many schemes. We have the deferred payment scheme, we are going to continue with that and I have asked the Strategic Housing Unit to look at other schemes to help people later in life and other schemes to help people earlier in life such as Rent To Buy where the rent is part of the deposit. There is a whole lot going on. The full business case was reviewed and scrutinised by the department's own independent financial advisers, by the Health and Social Services Scrutiny Panel and by the Corporate Services Scrutiny Panel whose advisers from C.I.P.F.A. reviewed the financial modelling for the housing transformation programme and stated, and I quote, I have written this down very carefully to make sure I quote them absolutely correctly: "This is a well-developed financial model which is industry standard in construction and we would consider this model to be robust and are of the view that this model should provide a solid basis for a company moving forward."



**Senator S.C. Ferguson:**

A clarification, there is a bit more to the quote that the Minister is not quoting.

**Deputy A.K.F. Green:**

Which is?

**Senator S.C. Ferguson:**

What I have already quoted. **[Laughter]**

**Deputy A.K.F. Green:**

Some Members may be concerned about borrowing money but, as I said before, take heart from Ireland and the work that they are doing. Their situation is vastly improving. This is the best opportunity we have ever had to borrow at rates we will never see again, the best opportunity to get our construction industry back to work, the best opportunity to give the unemployed heart that something is coming their way. We will never get such competitive rates again and the credit rating that we have been given is the best that you could hope to get for a small jurisdiction. I again thank the Treasurer and the Minister for Treasury and Resources for their work on that. I would like to bring it back to basics though. Most of us or many of us are fortunate to own our own home and many of us had to take out a mortgage to buy that home. This is no different. We are sitting on £1 billion worth of housing assets now, £1 billion if you sold them empty, half a billion if you sold them occupied but we are sitting on £1 billion worth of assets and we are not making it work for us at all. This is not funding for consumption. I heard Deputy Le Fondré talking about that we should have given staff bigger pay awards, and that year-on-year would continue. I am sure I heard him say something like that.

**Deputy J.A.N. Le Fondré:**

I can categorically say I did not say that.

**Deputy A.K.F. Green:**

I will withdraw it for the time being but I will check Hansard because I am sure Deputy Le Fondré said something like we were pleading poverty and could not give the staff pay awards and yet we found £20 million somewhere to do other work. I am sure that is what he said. This is not funding for consumption. This is funding for investment. I think the Treasurer uses the term “a virtuous circle,” investing in our assets to generate income to pay off the investment. It is what we did at home when we bought our own house. We struggled, true, but we invested in a house and used our income to pay it off. I was, as I said, saddened by the title of the editorial in *J.E.P.*: “Will debt be Ozouf’s legacy?” I think Senator Ozouf’s legacy and I hope my legacy will be decent homes for all. **[Approbation]** I have heard it countless times in this Assembly that we need to think long-term. That is exactly what we are doing here today, no quick fix, no flavour of the month, long-term planning, 30-year plan. The reform of social housing was not a quick fix aimed at dealing only with short-term issues. It is a permanent, long-term solution and likewise the Budget deals with the funding for a long-term, permanent solution. I would just like to pick up on the comment or the question that Deputy Baudains asked me about rent. Am I going to make sure that people pay their rent? He is obviously not up-to-date with the position of the department. We have the lowest debtors that we have ever had. It compares against the whole of the United Kingdom as we are the highest performing with the lowest amount of outstanding rent. It represents now just less than 1 per cent of our rental income but we will continue that drive because it does not help people if you do not keep on top of it. Now if people miss their rent they are contacted: “Can we help you? Is there a problem?” They do not give advice on Social Security rent component but: “You may be entitled to that. What is the problem? Can we help?” That supportive challenge at the

same time being very firm with those who can pay but choose not to pay has resulted in us having the lowest outstanding rent ever and certainly the lowest in the United Kingdom. This is about providing decent homes for our community but giving hope to those who want work, giving hope to those who want affordable homes. This is a good Budget for the community, good for the States, good for Jersey and I ask Members to support it. **[Approbation]**

#### **1.1.6 Deputy G.P. Southern of St. Helier:**

I presume since we are having speakers from anywhere in the Budget we can roam where we like on the Budget. **[Laughter]** Can I start by repeating my warning from yesterday? Please do not misquote the stats. I have heard it once again today. I saw it in the paper last night, 84 per cent of taxpayers will benefit from this Budget. It is not 84 per cent of taxpayers. It is 84 per cent of Income Taxpayers which means approximately around 60 per cent will benefit, and 40 per cent, especially those at the lowest end, will not benefit. But let us start with the giveaway Budget and the nature of it. As others have already suggested it is timed to kick in in 2015 when another tax, I will call it a tax even if the Minister for Social Security does not or the Minister for Treasury and Resources does not, the long-term care tax starts to kick in. With one hand we are giving money away and with the other hand we are taking a bit more. It seems to me that that is an entirely appropriate thing to do if you want to face an election in the coming election and you are the Minister for Treasury and Resources, then that is a perfect solution. It is coming up, it is an election year. Let us note that. I think this giveaway Budget is a temporary thing. I said yesterday I think the model has broken. The economic model which the Jersey economy has been based on for some years is now broken in that we can no longer remain a low-tax and low-spend jurisdiction. Either we are going to see increased taxation or we are going to see reduced services in the future. That is the reality, and to illustrate what I mean by that I will refer to a debate we had quite recently about taking some money from the Health Insurance Fund. We were told quite sternly by the Minister for Treasury and Resources, by the Minister for Social Security, by the Council of Ministers that we could not possibly do that to improve our dental system, our dental health, because it was very dodgy. The H.I.F. (Health Insurance Fund) is, we are told, in one week in balance and maybe just about to reach tipping-point whereby it starts to go down, it did so. Our pension fund, our basic Social Security fund, over the next 30 years we will come to a tipping-point where we are going to have to increase Social Security contributions in order to fund our basic pensions and benefit system or, and it may be a mixture of both, start cutting down the benefits. I think we have already seen one of those. It happened this year when we removed Survivor's Benefit from many people and I think that was a basic breach of contract. There we are with people who have been paying into this fund, contributing for 20, 30, 40 years expecting a set of benefits at the end of it, the main one is the state pension, but others included Survivor's Benefit: "I am looking after my partner." It no longer happens. That was pulled away. The contributions are still there, the benefit is not. That is a breach of contract as far as I am concerned. That is what we did. That is the first way in which we are pulling back from what will become a major change to our economy in the future. Part of that low-spend is to ignore our infrastructure for decades on end and we saw that most markedly with the incinerator. Here we go, we have known that the incinerator has a life and it is about 30 years before it is on its last legs, stagger on, stagger on and find one year that we had £100 million spare. I know what we can spend that on. Instead of accounting for depreciation, we just do a spend. We chose then not to borrow but to spend what we had, full stop. There is the incinerator. I think we are seeing exactly the same with the Liquid Waste system now. We have ignored it for decades and now we have a big spend, whack, and this time we can do it. What will the next one be or the one after that? Will it be sea defences that 20 years down the line, 10 years down the line all of a sudden we have to find X? I think that this in fact will be the last giveaway Budget we are likely to see in our time or beyond our time for some of us. As we go forward, we are going to see the need to increase taxation in order to fund the

services that people expect. That is the reality. Having said that, within this particular Budget I have to support because I have been supporting it for years and congratulate the Minister for Treasury and Resources on finally dipping into the Rainy Day Fund, entirely appropriate with £700 million in a pot and with the need for a new hospital that you should spend upwards of £300 million on a new hospital, absolutely the right thing to do. But Cassandra-like possibly, I warn people, if you open Pandora's Box it is very difficult to shut it again so beware. We will see, because I think we have used all the pots. The Minister for Treasury and Resources has a long tradition of having little pots of money here, there and everywhere, even when he was the Minister for Economic Development. He always had something. He could move money this way and that way, very clever not to say foxy but I think we have run out of pots. We have to use the Rainy Day Fund. Mark my words, 5 years, 10 years down the line, we probably will not be here but we will be dipping in there again. We will find another need or another excuse to do that. Praise for doing it, and it is, I believe, entirely appropriate but beware Members that we do not start doing it again and again and again.

[11:00]

The pot may well be eventually empty. Second move, and again I have to support the Minister for Treasury and Resources wholeheartedly in doing it, if you have income from your assets one of the ways you can improve things is to borrow on the basis of your asset. You issue a bond; it is the best way to do it but if you have income coming from rental which will pay off the bond so you are not committing generation after generation to debt. You can pay it back and that is exactly the way to fund the housing improvement that we so desperately need, so full marks for that. However despite what the Minister for Housing has just told us about how this has been costed and examined and tested and is as perfect as he can make it, I believe that when we debated this in May not everybody in the room, I will be generous, understood the nature of some of the figures that were thrown at us. To start with, for example, some of them were inflated and looked enormous and some of them were not. It tended to be that the benefits were inflated: "Look, what a big number," and the costs were not inflated: "That does not cost much." Many people I think, some people, sufficient people were taken in to vote for it. I do not think that is the case. One of the consequences of the business plan was that instead of aiming for 80 per cent or 75 per cent of private sector rents, we had to go for 90 per cent of private sector rents. I do not think 90 per cent of private sector rents in the States rental sector is sustainable. I will illustrate what I mean by that because without including the ambition of the Minister for Social Security to increase the sum that we are going to give to private sector landlords, without including that, it is already a commitment that is going on so that is an increase, let us look at the figures. We are given a figure in the Housing Development Plan P.33 back in May that suggested rental income goes up in the first 5 years from £240 million to £812 million, a total rental income over the period of the plan £3 billion. But who pays that rental income? Approximately half of that comes straight out of the Income Support fund, out of taxation and we are talking in 2012, and I have just looked the figure up, some £27 million coming out of Income Support. That is the cost. That is per year. Of that £240 million rental income, around £150 million is coming straight out of a different taxation pocket into the system and over the length of the plan the rent goes up to £812 million per 5 years. What does that equate to? Why? About half of that is coming out of Income Support so the annual bill is no longer £27 million at the end of the plan, it is £80 million. Of that £800 million rent, rental stream coming in, taxpayers are funding £400 million of it, approximately half of it. I do not believe that is viable and that is going to increase. Then when we look at the figures of that £3 billion rental income stream, look down, net profit before finance costs £1,435 million, £1.4 billion. After finance costs, finance is not a problem, £1.3 billion, and then look, here is the line, here is the rub, return to the States of Jersey, £1.4 billion. Of that £3 billion the States is paying a substantial chunk of that, half, and we are returning half to the Treasury. It is no wonder we had to go up to 90

per cent of private sector rental market in order to make this viable because we are giving it to the Treasurer in order to fund the system which is propping up the system. We were told what was wrong in the past, why we do not have decent houses, and why we have to have that long list of improvements, refurbishments, redevelopments and new build is because we did not have enough money in the pot. There was too much money going back to the Treasury. What have we done? We have set a model in which half the rental income stream goes back to the Treasury. What is that going to do? That is going to create exactly what we have seen, 30 years of neglect of the housing stock is likely to be repeated because we are doing exactly what we did in the past. That is the reality. I am afraid that while in principle going for a bond is right, 90 per cent and increasing the subsidy to private sector landlords and paying half of our rental stream out of Income Support is completely unviable. I have heard this described as exciting and inspirational as a Budget. I think the word overall I would use, and quite literally, I would call it “dreadful” because I have a dread that somewhere down the line this wonderful inspirational Budget is going to hit the buffers. It is an accident waiting to happen is the reality. Overall I would say that this Budget is short-term in its central premise, ding dong. **[Interruption]** **[Laughter]**

**The Deputy Bailiff:**

I am not sure apologies are enough. **[Laughter]**

**Deputy G.P. Southern:**

For a man who is fond of going to the bottom line, whoops, yes.

**Senator A.J.H. Maclean:**

Bearing in mind imp□ts rises perhaps 11 per cent might be something. **[Laughter]**

**Deputy G.P. Southern:**

No, apparently there is no G.S.T. on charitable giving. The word I was using was “dreadful” and I fear what we might be going for in the future but I warn Members, look out. This might be the last time you see a Budget like this with any giveaway whatsoever because from now on in we have to start topping-up the coffers. We can no longer be a low-tax, low-spend jurisdiction. In the future we are going to see inevitably the rise of taxes and there will be fresh taxes because we need to pay for the services that we need.

**The Deputy Bailiff:**

Turning now to the Deputy of Trinity, I understand that on your own you are responsible for the average age of Trinity residents going up today. **[Approbation]** I take the opportunity of wishing you happy birthday. I call on the Deputy of Trinity.

**1.1.7 Deputy A.E. Pryke of Trinity:**

Thank you, Sir, for that and I thank Members too. Shall I say that I have reached pension age? Anyhow it is a good day because this is a good Budget. Over the last 2 days we have had a good debate on the imp□ts, G.S.T. and one of the major parts of this Budget now is capital funding, a major investment in long-term infrastructure, 3 areas especially, housing, Liquid Waste and of course the new hospital which is dear to my heart. I will just talk briefly about the housing. I am sure the Members too have seen some of the poor housing and it is really time that we need to improve the stock of homes for people who require social housing. What is also included which is good is the way of paying back that loan. In this day and age we cannot expect people to live in poor quality housing and we must support the Minister for Housing in his way forward. As for the Liquid Waste it has been essential. We all take it for granted that when we use water, flush the toilet that the waste is dealt with but do we give it much thought on what happens to it? Perhaps we should because if it did not function we would have a problem. It would affect every single person

in Jersey and it would undoubtedly be a major health hazard. That investment is much needed and needed now. Before I go on to talk about the hospital I would like to thank the Minister for Treasury and Resources and his team for putting together this Budget. It is one for the next year but it is also looking long-term and investing in the major capital projects. Today this represents in this House momentous events. We are faced with doing a very serious thing, one which we have never done before. As we discuss and consider this Budget for the coming year we embark on one of the most important debates we have ever had regarding the future, a decision on hospital and health services for the people of Jersey today and for generations to come. When we launched the Green and White Paper on the future of the Health and Social Services Department in Jersey, we went to the public for their views and they voiced their opinions loud and clear. Emphasising support for proposals for improving the way we deliver health and social services, one message underpinned it all; people wanted the right care at the right time and delivered by the right staff. No less than 86 per cent of respondents to surveys we conducted echoed that view and we have built our vision for the future around that. A key component was a new hospital for Jersey and the decision we take on it in this House today will affect every single person. To deliver safe, sustainable and affordable health care into the future, we need buildings, wards, theatres, laboratories and treatment rooms that are of the highest standard. We need more capacity from beds to operating theatres to cope with a growing demand, and we need modern equipment to manage increasingly complex conditions and undertake intricate operations. We also have to face the challenges of an ageing population which is going to affect everything from tax contributions to tourism but we in the Health and Social Services Department are feeling the raw impact of that ageing population already. It is a challenge, people living longer with long-term chronic diseases such as chronic pulmonary disease, cardio vascular disease, diabetes. We must be ready and we must be prepared. We know that there is a greater demand for orthopaedic, ophthalmic, urology services too. The pressure on services, beds, waiting lists is already significant and that pressure and demand is heading only one way and that is up. The figures speak for themselves. Our hospital currently treats a staggering 250,000 patients each year. That equates to more than 2 episodes for every man, woman and child on this Island. The hospital is struggling to cope with the demand. It cannot sustain the *status quo* of muddling through in dated, crumbling buildings with too few operating theatres and oversubscribed wards. We have already presented you with the evidence that we need 300 hospital beds by 2040 and nearly 50 of those within the next 3 years. We cannot wait. Quite simply too many people, not enough theatres, beds and services.

[11:15]

I regularly walk the corridors, visit the wards and see how cramped the wards are but also I see how staff cope extremely well in these conditions, and I would like to take this opportunity to praise my staff for all the commitment and dedication that they do to care for all of us. **[Approbation]** Many Members have been around the hospital and seen first-hand the state of it. But over the last year there has been significant improvement, long overdue, in outpatients department and the recently refurbished intensive care, stairwells and so on to name but a few. This investment will still need to be continued to keep the present building safe until we have a new one. We have demonstrated through presentations, briefings, answering your questions what improvements are urgently needed and we plan to deliver them. We have asked Islanders for their views at public engagement meetings and they have made it clear they understand and support the need of our new hospital. We have consulted with our Health and Social Services Department staff and are encouraged by the enthusiasm from engaging in ongoing development of the hospital plans. A great deal of work was undertaken looking at various sites, weighed up with the best value for our money to achieve what is required. Now we need to get on and do a detailed feasibility study and that will ensure the States that this is a viable hospital that meets the demands of our Island. This is not just another States project. This is a project that has a place at the fundamental core of future health and

economic prosperity of Jersey. This is our hospital. It is your hospital. It is your family, your children, their children and their grandchildren's hospital. We have known that our hospital services will demand major investment for a long time. This project comes as no sudden, unexpected revelation and the decision we take on it today will impact on everybody. Be under no illusion, this is not shroud waving, no overegging the pudding, no exaggeration of the risks if we do not take this decision today. Without the new hospital the waiting times will get longer. Standards of care will not be maintained. Infection control will be increasingly difficult to manage. Patients and their families will be denied the privacy and dignity they deserve when they are at their most vulnerable. The clock is ticking, the time is running out. We simply cannot afford to wait. We are going to do a very serious thing here today. This is a momentous occasion. We are being asked to do something we have never done before to agree to use the money from the contingency fund to pay for it. These proposals represent the single biggest investment ever made by the States and I understand we are apprehensive in doing so but it is not the time for hesitant dithering and indecision. The choice is in more truth a simple one. We can prepare ourselves to preside over a crumbling hospital, quite literally papering over increasingly, widening cracks and leaving a shameful legacy to those States Members who follow us, or we can do what is rightly expected of us by the public who have put us here to look after them and their welfare. We can stand up to the plate, take that bold and brave decision to go ahead with the plans that would give them and their Island a hospital that they can be proud of. As States Members we have responsibility for creating the conditions for growth and development that will ensure the benefits are channelled to all Islanders. That requires some strong decisive action when we know something needs to be done. The public needs to take these challenging decisions on their behalf and we need to do what is right. With this we can do a very good thing, we need to do it now, we need to be bold and decisive. We need to give the people of Jersey confidence that we have their interests, their health and welfare for the future at the heart of our actions. I urge everyone therefore to support this Budget and in doing so provide our Islanders with a hospital, a health service for the future that they can have every confidence in and be extremely proud of. Thank you.

#### **1.1.8 Deputy J.G. Reed of St. Ouen:**

First of all I would like to congratulate the Council of Ministers for finally trying to grapple with a lack of investment in the Island's infrastructure that has been known about for many years. The one issue that I really do have concerns about is perhaps the most significant measure that is part of this draft budget, and it is the proposed reduction in the marginal rate of Income Tax. Not only, as the Fiscal Policy Panel has identified, it is a structural change and it is a proposal that goes against the general advice that the Fiscal Policy Panel has consistently given to this Assembly and indeed the Council of Ministers and the Minister for Treasury and Resources. But it also does not fit other criteria. When we look at who will benefit - and again these are not my words, this is in the Fiscal Policy Panel's report - both in percentage and monetary terms are those at the high income end of the 27 per cent rate and at the margin of the 20 per cent rate. So although it has been suggested that many people will benefit, the real benefit is going to the people with the most in general terms. Associated with that the Council of Ministers' package included increasing Income Tax exemption thresholds by 1.5 per cent. Basically what that has done is that for those on the very bottom end of paying tax, my general tax, has included more people in that tax back that otherwise would not have if the percentage rate had been higher. So not only have we dropped a percentage rate and benefited those that earn the most, we have, in this proposal, suggested we are going capture more people on the bottom end and expect them to pay tax. Is that really the sort of society that we want to encourage? I do not know. I have a difficulty with that especially when you look at why we are reducing the margin rate from 27 to 26 per cent. Maybe States Members can answer that question for me because unfortunately I do not have the answers and I have sat on the panel and scrutinised this. The answers are not there. Yes, we are told we are moving towards independent taxation.

What is that? What impact will that have? One might believe, if I was the Minister for Treasury and Resources, that any movement towards independent taxation is likely to generate more Income Tax than may currently be the case. I do not know, it might be less, I cannot judge because I do not know. But we are moving towards that. But then something else sits outside this Budget debate. It has been mentioned about before and we will in fact be debating it next week, which is the Long-Term Care chart. Yes, we all know that has to be funded. How much will it cost? It starts off at 0.5 per cent, roughly £8 million a year, quickly climbing in 2016 to 1%, £16 million. So we have a Council of Ministers that knows we have that additional cost and has now provided for it by introducing a new charge and says: "Although we know we are going to need £16 million, we are going to change marginal tax relief and reduce the income by £8 million." That says to me, and most of the general public that perhaps are aware of this: "Hang on a minute, we are told we are going to benefit but actually there is £8 million more that is going to have to come from us in 2016. Is that the sort of stability that the public are looking for? Uncertainty about what they are going to contribute? Let us not forget, it was only back in 2007 or 2008 that G.S.T. was introduced. That has been changed twice since that period of time for good reason but we have seen all these ... well, sorry, introduced in 2008 at 3 per cent, changed once in 2011. But these are all additional costs that the taxpayer and the local person is facing. How on earth are the public and the taxpayers supposed to plan and one does have to wonder, will we look back at the changes that are being proposed with the marginal tax relief in the same way that we look back at the proposal that Senator Routier brought, it is not that long ago, to remove prescription charges and think: "Oh, that was a bit stupid, was it not?" because once you have given it away it is very difficult to bring it back. I think we have a Minister for Treasury and Resources who absolutely supports and promotes and has always done, the Fiscal Policy Panel and the role that they should play in advising this government, and indeed him. But I do wonder sometimes when I look at the Ministerial response to the Fiscal Policy Panel report if he is actually a little selective in the advice that he wants to receive and the actions he is planning on taking. Recommendation 4 of the Fiscal Policy Panel could not have been clearer. This is the report I am quoting from in November, last month, 2013. Recommendation 4: "The States should clearly define the purpose and optimal size of the Strategic Reserve and set out conditions for its use including how borrowing from the reserve would be dealt with. This should be done before deciding whether or not to use the Strategic Reserve to pay for the new hospital or any other capital expenditure. For advice and for a group of people, such as economists and the individual experts on this panel, I think that is very understandable, very plain English and very clear. What is the answer from the Minister for Treasury and Resources? It is in the Budget: "We are putting this proposal forward to fund the hospital, if you agree the Budget. You had a debate." Hang on a minute, not quite as simple as that. In fact that is the issue that the Fiscal Policy Panel pick up on. How do we address it? I do not know. I do not necessarily think that it is wrong to utilise interest from reserves to help fund projects, but let us not forget, this is not ... we talk about a new hospital. All we are doing is bringing our hospital and infrastructure of the hospital up to standard because we have not been invested in that. It is not new. Yes, we need it bigger, why? Because we have a growing population. At the same time the amount of over-65s is growing. That is normal. The problem is that we have a Minister that is saying £297 million is affordable. Not that because of the amount of the population, because of the demands of our community, because of all these sorts of reasons, this is the sum that we need to spend. No, we are going to start by setting a figure because the Minister for Treasury and Resources believes it is affordable. That goes against some of the information that has been contained in the *Atkins' Report* and other reports that have been written about the hospital, speaking about £300 plus million.

[11:30]

Are we going to fall into the same trap as we have done in the past and set a sum and then try and fix the project around the sum rather than recognise what we need and build appropriately, and

acknowledge that perhaps it will cost more? But then the next question is, which unfortunately the Council of Ministers have still been unable to answer, and yet it was one of their main priorities, is who are we catering for? We have seen increases of 1,000 people a year in our population during the census period. We are seeing similar increases now. We are told by the Minister for Transport and Technical Services we are going to spend £75 million and improve the Liquid Waste facility based on population trend. The public in 2008 said: “We do not want these population trends, we want you to control the population and we are prepared to pay for it, that is why we introduced G.S.T.” But, no, we are taking the money but we are also increasing, or likely to allow extra population, which means extra infrastructure, which means a bigger hospital, which means more schools. “When are we having that debate?” I asked the Chief Minister and his Council of Ministers, “when?” “Well, we are going to have that debate once we have decided on the size of the hospital, once we have decided on the money that was going to be put to Liquid Waste, once we have decided on housing.” I am not sure if that is the way other States Members operate but generally in my own business and at home I work the other way around, I work out what I have to provide for and then you build or spend money to issue. If you cannot afford it you adjust your clock to suit. That is the other question. We have a Minister for Treasury and Resources that is already trumpeting that they are doing a great job with the Medium-Term Financial Plan. Hang on, the Medium-Term Financial Plan is from 2013 to 2015. You have only just completed the first year, Minister for Treasury and Resources, and in that time you have already changed the Public Finances Law so that you can go and dip in and come back for extra money over and above what has been allocated to you.

**The Bailiff:**

Through the Chair, Deputy.

**The Deputy of St. Ouen:**

Sorry, to him. Sorry, Sir. **[Laughter]** Again, with the Liquid Waste Strategy or the lack of it. We have a proposal, £75 million. We are told everyone is going to benefit, but no. I have forgotten the number of people but 18 per cent of households cannot access mains drains. They have to pay and provide their own services. So they are not going to benefit. Furthermore it is not clear, because we do not know what the strategy is, we have not even agreed it, whether or not those individuals will ever be able to access the mains drains system. But we are already being asked for money, and to commit total sums of money, for those sorts of infrastructure. How can we rely on what we are told? Where is the real evidence that these matters will be dealt with within the sums allowed? Again, unfortunately I am unable at this time to point you to real substantial evidence to support that fact. As I say, I will leave it to other States Members to decide but I certainly believe there are some significant questions that are left unanswered in this Budget which necessarily need to be addressed if we are to move forward and give the public confidence that they can believe, not only in us, but in the way that we are leading them.

**1.1.9 Deputy J.M. Maçon of St. Saviour:**

I was not sure how long this was going to go on for and I wanted to give notice of clause 84 that if I am the last speaker I would propose if the debate goes on as it has being going on for more than an hour. We are not hearing anything new.

**1.1.10 Deputy J.H. Young of St. Brelade:**

Thank you, I had not expected to be first in the queue. There is a great deal of good in the Budget but I think there are significant issues that have to be put on record and certainly my reservations and the reservations of other members that I am going to outline. First of all I think on balance, and I voted for it yesterday that the marginal tax rates on balance is a welcome move. I say on balance because clearly the majority of people, not taxpayers, 40,000 people, will benefit but clearly 28,500



will not. So I find that, myself a selective policy. If we had a fair tax system then everybody would benefit from changes in tax rate. That is not the case. I made my point yesterday, I will not go on about it in detail, but I made my point about the need to reform the marginal standard rate system. But it is a benefit for some and a stimulus to our economy from that change. Although it will of course, it is only temporary. In fact I am not even sure how long it will last because in 2015 it will be offset by the payments from the L.T.C. (Long-term Care) charge and contrary to what others have said the L.T.C. charge will not be income-based, it will be based on tax charge, which we are going to discuss next week. Secondly, the higher education allowance was also welcome even though it is again being allocated selectively. Obviously I am disappointed that my proposal to widen that out did not happen but nonetheless a significant number of people will benefit. So that is definitely good. Fiscal stimulus for the local construction industry. I have reservations though about how we can be confident that there is not going to be a big leakage of that new money being put in this economy out of our economy into the U.K. I raised this at the meeting with the Fiscal Policy Panel and I was told: "Well, you cannot be sure. You cannot be confident that there will not be leakage out." We are assured that the Minister's response to the Scrutiny report, because this is identified in that, is that the Minister of Treasury and Resources is looking at this. Well, I hope they do because if this fiscal stimulus money goes straight out the door and feeds in both additional costs in the economy and gives us no gain, that must be a disappointment. In the long-term, although it is not part of this proposition, it is mentioned in the Budget Statement, that the commitment towards one tax system in the longer term is, I think, strongly to be welcomed and the talk of linking or having one common marginal standard rate and having universal tax allowance is important. I give notice that I shall be following that up if I am still in the Assembly, which I hope to be. The commitment to independent taxation, crikey this is so long overdue it is crazy.

**The Bailiff:**

If I may say so, crikey is not a parliamentary term.

**Deputy J.H. Young:**

I will withdraw that, Sir. It is well overdue and I think it is good to see it on the list of the commitments. The capital ... obviously the main elements I think for discussion today are the capital proposals. It is good that our infrastructure is at long last being addressed as other speakers have said, the Deputy of St. Owen particularly. Our sewage treatment plant, for example, when our Scrutiny panel was elected we visited the plant and there were a number of occasions that we have seen first-hand the problems with a 50 year old plant that was designed for half the population being held together by the tremendous efforts of our engineers and we are so fortunate we have not had major failures. But we have to have an investment. We saw how the plant is unable to cope with excess surface water or rainfall, resulting in primary treatment effluent being discharged to sea without ultraviolet eco-like treatment. We have seen reports of that pollution caused and I was very pleased that the Treasurer agreed to accept my amendment in the M.T.F.P. for money for research into marine pollution. The S.T.P. (Sewage Treatment Plant) is only one of those sources and I am very hopeful that by investing in this plant such incidents of pollution will be a thing of the past. Housing: when I first came to the Treasury in the 1979 as a civil servant I worked with a number of former Treasurers. If I may name them because they are all retired and I think they are people who served the Island outstandingly and contributed towards the situation of outstanding financial stability that we have. That is John Clennett, Leslie May, George Baird and Ian Black. Their approach in managing the Treasury was that we were funding capital investments on pay-as-you-go with no borrowing. So it is really a difficult thing for me to be party to abandoning that mantra which has been so important to us. We come about the situation where we have allowed our present housing state to lapse into a very bad state of decay because of misjudged policies on

whatever it was, C.S.R., the way the account was dealt with, the inflexibilities and some of our ridiculous accounting prevented us maintaining our property resulting in the accumulation of long-term capital costs which we now have to pick up. So it is sensible now that we have to put that right. The logic of borrowing for that is well-made but it is set, it is based on rentals being charged at 90 per cent of open market value. My concern is that we are going to be exposed to a very substantial part of this interest capital repayment over the future being paid from another part of our government pocket, from Income Support. People may feel that this does not matter but to me it is all one pocket. We should run our accounts and we should look over the border when we make decisions in one area of what are the effects elsewhere. So I ask myself: "What clues have we got for how much this will be? What is the exposure?" The Treasury comments say - this is in response to the Scrutiny panel report - that only one in 5 private sector tenants claim Income Support. So that suggests to me that 20 per cent of the private sector element will be paid for by another pocket of government. So we will be moving from one part to the other. I do not know what the ratio of our tenancies. I heard Deputy Southern suggest it was much higher. He suggested in his speech that it was about 50 per cent. Obviously I am going to listen to what is said by the Minister for Treasury and Resources in follow-up but the point about this is that this is exposing us in the very long-term to a repayment liability. If the economy takes a downturn and Income Support claims increase, we will not be able to get out of it. We will be committed to pay those funds over the long-term of this bond. Another thing, again, I had been reminded of it in Deputy Southern's speech. I had not realised this, is that there is an internal management cost being factored into these capital sums, which again will come back to the Treasury.

[11:45]

That strikes me as being a bit of wooden dollars type situation. Are we borrowing to pay ourselves? I worry about that and Deputy Southern spoke about ... and I do not know whether he is right or not, I listened to what the Minister for Treasury and Resources said £1,400 million over the lifetime over the loan. I looked back, when I heard Deputy Southern, I asked him where that comment came from, he showed me his report. I looked at the Treasury comment on it to see whether I could find if that was true. There was nothing on there. There was no figure in there so I do not know. That again is a source of worry. If we had been looking at signing up to a £50 million borrowing and to deal with our immediate needs, to make up for the shortfall in the housing need, I would be much more relaxed about it because we would be dealing with some certainty. But signing up now to £250 million does trouble me and I am not sure how I am going to vote there because it is major step into the unknown. It is about risk management. Moving to the hospital project, absolutely right that we need a new facility. I do not think it is a case of neglect. The hospital is worked 24/7, intensively worked. It is a very high maintenance cost and all the pressures of medical technology constantly change the clinical demands that require the accommodations to be changed. They give you a good help but buildings do not make a successful hospital service, people do. I think we can quote lots of examples in the U.K., for example, with wonderful world-class hospitals being run in pretty ancient buildings. I am not putting that forward as a model. I am just putting a question mark here that we should not convince ourselves that a new building is fully the answer to all of our health needs. The funding mechanism that we have put forward here in this Budget of using the anticipated income from the Strategic Reserve for future years to 2013, so that is about 10 years, I think is both innovative and creative. I am very in favour of out-of-the-box thinking and I think that is a very positive move. But it does depend on 2 essential principles. Firstly, the continued yield for the fund of at least 5 per cent. I know we have been told that our performance in the past dramatically exceeded that, full marks to those that did it. Incredible yields of about 11 per cent I was told. It is axiomatic in investment issues that past performance is not a guarantee of future. Just think back to all those people in the credit crunch. The worry is that when you invest, at what point in the economic cycle do you go in? So that is the

first thing. The other thing is that we should remember that our Strategic Reserve, I do not think, got billed up by us putting money away wisely. That was done by previous Members. What has happened is that we have accumulated the income so the healthy state of the fund has been built up from interest payments and gains and yields on investment movements. So it has not really come from our efforts. We should not forget that. It is quite a significant thing saying: "Let us appropriate part of the interest." I suppose one of the things there is when I said about no significant economic downturns. When I attended a Fiscal Policy Panel presentation, questions were asked about what was the risk in the future of economic shocks affecting our Island. That is economic shocks elsewhere, for example obviously the credit crunch. Obviously the big risk is what happens in Europe. It does seem to have reduced at the moment, the breakup of the euro, but who knows? What is the risk? Would you say it is nil? Absolutely not. Can we sit back and say: "We will be immune from any fallout from this?" Who knows what the exposure is in capital markets in Jersey? We do not. Also the other risk is whether or not these anti-tax avoidance measures from the U.K. and G20 countries take more measures which affect our finance industry. So by doing that, we are exposed to 2 significant risks. That is risk about the way the scheme is financing the hospital but the biggest risk is that of the increased project costs, which I think really, in reality, reading through the documentation we provided, and I appreciate the quality of what we have here, but it basically says we have set ourselves a cash limit on this. This is what we can produce from our Strategic Reserve interest and this is the figure we are going to spend and no more. What we can afford, I think, the Budget papers talk about. Therefore the project has been, I think this is pretty well a quote: "Designed to fit into the cost envelope." I went to a number of presentations and they were impressive. But, having had a background in procuring major projects myself - and I know the risk and things that can go wrong - lovely glossies and videos do not substitute for perfect, high quality planning. Also of worry to me is I have had conversations, and I expect a lot of us Members have from health professionals, when I consult my G.P. (general practitioner) he speaks to me quite frequently at length about his major concerns about the hospital project. He says to me that there is major concern among the primary care committee or something it is called of G.P.s, about the 2-site solution. He says that he thinks this will lead to wasted additional clinical costs and patient time, a lot of the duplications and overlaps in costs. I do not know if that is so but it troubles me that people who work within health on a daily basis say such things. I have asked: "Have you not raised these issues? Have you not had a dialogue with the Health and Social Services Department?" I am told, or what I heard, is that there are frustrations about the dialogue with hospital management and those discussions and those issues do not seem to be resolved. I accept that is anecdotal information and I trust the Minister for Health and Social Services will follow that up. I worked for the hospital for 4 years and also what I look for in the reports was the revenue implications of this project. Will the costs go up or not? I could not find any information about that adequately. I think what we have in one of the reports, I think it is the Minister for Treasury and Resources' response to the Scrutiny panel, he says that there will not be an increase in current cost levels. In other words, we have set the parameters that it will not increase and therefore it will not. But to me that is a bit of King Canute trying to fight the tide back. Costs in health are very, very difficult to contain and so the Scrutiny report says... not only does it say that the provisions of capital cost provides ... does not make an additional provision for cost overruns, it talks about specialist projects wanting a 51 per cent allowance for cost overrun, whereas at the moment we have about 10. But then it says also: "We have been unable to satisfy ourselves that the project is sufficiently mature that the forward additional cost exposure for the delivery and the projected health outcomes has been fully estimated. We would recommend that full operational costs are fully evaluated and the consequences compared against the funding capability." Again, I do not see any evidence that has been done. It absolutely needs to be done before we sign up to £300 million. I have a bit of a worry also about the site being a *fait accompli*. I had hoped that we would be able to have a discussion about the various options. I see in the

Minister for Treasury and Resources' response we have mention of an evaluation of site by Atkins, I did not see that. I would have liked to have seen it and I do not know why that report was not published. I think in the Minister for Treasury and Resources' response we have some very selective quotations. I think I have already referred to page 78 but in the Minister's response, which is page 11, if I can find it here, it talks about the Green Book. It says that W.S. Atkins' work [this is the capital cost] appears to be to industry standard and robust relative to the specification required and that the methodology used to construct the spending envelope matches H.M. Treasury Green Book. But, when I look the full quote, the full quote is: "A provision for optimum by 10 per cent or £21 million is provided and the inflation factor of some £43 million makes up the total of 274, while [that would does not appear] the H.M. Treasury Green Book methodology is substantially followed up, the H.M. Treasury substantial Green Book guidance points to high-level, optimum bias factors for the non-standard construction such as specialised hospital 51 per cent and a timeline excess of 39 per cent." So those are quite big warnings coming from C.I.P.F.A. I also ought to disclose, I have realised belatedly, I am a member of C.I.P.F.A., although I have no connection with its consultancy wing. But they are the leading experts in the field. So I personally do not believe that the capital cost will be confined to £300 million. Also I am very interested in this latest proposal to look at acquiring the properties in Kensington Place because it strikes me that this might allow additional decanting facilities and avoid overlapping. If we could release some of the Overdale site, either part or all of it, we may be able to get some valuable housing up there. Also by acquiring the properties it would enable an earlier start to the project. I would have liked to have seen an evaluation of that alternative. I suppose where all this concludes as far as the hospital, this hospital is going to have a 30-year life. Members might think it is going to be longer but I do not think it will. We built our current hospital around the early 1980s and that is the kind of life I think these specialised premises have. We need to do more adequate planning work because all the evidence on capital projects is that if we cut corners on planning work at an early stage, significant cost changes are bound to arise later on. That has been my experience with major projects. We did have some bad days in the past where we repeatedly did this, and thankfully for a number of years that has not happened. I am really agonising on what one does with this part of the proposition. I spoke to the Treasurer outside of the room because I wanted to be sure that I understood the proposition correctly, Proposition F. What it seems to be saying is that we are only being asked to release £10.2 million now from the Strategic Reserve to allow the planning for the hospital project to be carried out. I would be content with that. If it is right that we are only today making a commitment to do that planning work, I would be content because you are not going to get the planning work on the cheap and all the sort of questions that I posed and what may be in other Members' and the G.P.'s minds should be looked at.

[12:00]

So I am going to support that part. I am going to support the main part of the Budget. The area I have got the greatest reservation about is whether we really need to borrow £250 million for housing at present. Of course I am absolutely 100 per cent behind the Liquid Waste Strategy but I am a bit puzzled, I do not think I can see it mentioned in the proposition here. Perhaps it is embodied somewhere in the capital appropriations under paragraph C. With that, I will listen to other Members' comments and the Minister for Treasury and Resources' summing up, particularly on the housing.

#### **1.1.11 Connétable P.J. Rondel of St. John:**

I was listening quite intently to the Minister for Transport and Technical Services and I must say I think he has a short memory. It is a shame he is not in the Chamber so I can look him in the eyes at this moment. Only 2 years while he was the Assistant Minister for Transport and Technical Services he, along with his Minister of the day, on several occasions over that time, would make

presentations to my panel and they would be bandying about a figure of between £200 and £250 million as mentioned by Senator Ferguson earlier, for the Liquid Waste Strategy and improvements. I recall it well. I note that Senator Ferguson in fact quoted the former vice chairman of the panel of the day. She was correct. I have attended many meetings ... I am pleased the Minister for Transport and Technical Services has come in so I can eyeball him when I am speaking.

**The Bailiff:**

He has been in the Assembly more than you have this morning. **[Laughter]** **[Approbation]**

**The Connétable of St. John:**

When the Minister for Treasury and Resources stops stamping his feet, I was downstairs listening. **[Laughter]** and preparing this speech after the comments the Minister has made. I have done 7 pages after his comments. That is where I was but I was still in earshot, as all the ante-rooms are wired up with sound. Getting back, after your short intervention, I have attended many meetings over the last 2 years since the current Minister has been in place at T.T.S. and I have mentioned about the £200, £250 million for Liquid Waste and those figures have never been denied by the Minister and/or his senior staff over that period of time, because he was there in the earlier years prior to becoming Minister as the Assistant Minister. Yet this morning he is telling us in this Chamber that £75 million will finish the job. I do not think it will, I am sure it will not, I must say, because I am aware that this is ongoing for the next 20 years. Minister, please be honest with this Chamber, and I say that through the Chair, because when a Senator put something to you earlier you gave an answer which in my book was flawed. Please let the public of Jersey the exact figures of where we are going in the next 20 years and what is required. The Minister we know is a team-player, he is Mr. Nice Guy but sometimes you need to be a bruiser to make things happen. I am just thinking at this moment, although he is a very small person, the Minister for Housing seems to have got his fellow Ministers eating out of his hand to have the £250 million being supported by his fellow colleagues for social housing.

**Deputy R.G. Le Hérissier of St. Saviour:**

Does that mean the Minister for Housing is a bruiser?

**The Connétable of St. John:**

The Minister for Housing appears to know how to handle his colleagues around the table. I'll leave the Minister for Health and Social Services until after. Let me move on because I will be coming back later on to the Minister for Transport and Technical Services. We are seeing the problems with Uruguay, France, Portugal, Spain, *et cetera*, which are still in the crisis that has been happening since 2008/2009. We read daily about banks in trouble. Only this morning I heard on the news again the R.B.S. (Royal Bank of Scotland), a bank the government bailed out, is in trouble with huge fines, *et cetera*. We read from across the pond on the America side that banks are being fined huge sums of money on that side of the pond and on this side of the pond. We do not know what is going to happen in the rest of the world with other countries going to take similar action against the banks out there. So the crisis we are in, it is far from over. We hear the U.K. is on its uppers as the Coalition Government over there are speaking up the situation as we do in Jersey. But at the end of the day I still think Jersey is flatlining because I do not see the huge growth that we are told is happening. Yet we are talking about spending money from our Rainy Day Fund. A fund that when it was put together was ringfenced. Somehow in the last few years they have managed to break that ring-fence, which is of concern. It is of concern because we have seen when another fund that was ringfenced managed to be breached; I am talking about Social Security. I have said it in this House a number times in the last couple of years where we have taken 10s of millions of pounds out of that particular fund to help bail out the hospital. I have real concerns that

yet again, where over the years we have heard ... and over this last week we have heard the Minister for Treasury and Resources that in his 14 years since he has been in the House he has been on every Treasury committee. Is that background noise, Sir, or that me? It sounds as if something is playing up with the system. I will try using this one. We have heard from the Minister for Treasury and Resources that he in fact has been within the Treasury and Resources Department for 14 years in one capacity or another as a member of the committee or now as the Treasury and Resources Department. Why, oh why, in both the areas like Housing and for the hospital have the funds not been ringfenced over those years so that we do not have to raid our Rainy Day Fund and/or go out and loan money. To me there is something wrong in the good years that we were not putting money aside. We know what happened to do with housing because I can remember the Minister for Housing on a number of occasions requesting that he keeps his funding within his department yet the money was taken from him. But as for the Health and Social Services Department, year-on-year within the good years, money should have been put aside to replace our hospital, knowing full well that the life of our hospital in fact is 40 years. The life of any hospital is 40 years. We are going down the road of wanting to renovate our existing building. A building that is too small and therefore we are going to renovate the Overdale Hospital or renew, rebuild, whichever. I have some concerns. We have not been shown all the details. I have had a meeting out at St. Saviour's Hospital, a site which is adequate if we demolish the existing buildings and everything else that is on there but how many Members here have been invited to look at other sites? I can see people shaking their heads. That is of concern. We are being asked to put in £10 million immediately from the Rainy Day Fund to support a new hospital. I am 100 per cent: "Yes, we need a new hospital" but why have we not all seen these other sites? I have a big bundle of paperwork now which came in 8, 9, 10 days ago after visits I made to St. Saviour. I would like to look at some of the other sites in more depth and see if we could not do better. It is all well and good to say: "Right, we have had all this work done by an outside company" but really we are tying our hands before we have started. We have given a figure to the building industry of £300 million to build a hospital. But having been in the building industry all my life in one way or another, the last thing you would do is put a figure on a table at which you build up to. You put things out to tender and then once all the tenders are in you accept a tender and everything is done in confidence. You do not put figures out so that the industry know there is £300 million on the table. We could have done that for £220 million or £250 million, but you have already told them what the figures are. So they are not going to be coming in a great deal lower than that. This is just writing out blank cheques. You do not do that with public money, you do not do it with your own money for sure. You are supposed to look after public money that much better. We are not doing that, not by giving figures out, putting them in the public domain. I saw a retraction in the *Jersey Evening Post* yesterday or the day before because they had mentioned it was £500 million for a new hospital. We had spoken of £450 million at some time in this Chamber, it is all these numbers but you do not put the numbers out until you know the cost after it has been tendered. You do not give it to the various tendering firms so they can make sure they are going to get the bulk of that cash before, knowing full well what their profit is going to be. I do not understand sometimes the way government works and I have been in the House for a considerable period of time. The Rainy Day Fund I will not be supporting. When it was set up it was there for that purpose, a rainy day and I do not think that a rainy day is here yet. I do not think that rainy day is here yet, Minister for Treasury and Resources. As for loaning sums of money, although the time might be right and I was listening to the Minister for Housing, because times of crisis are the time to do things. I am not in favour for putting the Island in debt by £250 million. These are figures that you hear about in other places but I never thought I would be hearing about it in this Chamber. I was here when we borrowed the £20-odd million to do Morier House and Maritime House, *et cetera*, which I was not in favour of then. But at the end of the day, to go down the road of the figures we are talking about, I am thinking of my children and my grandchildren here. It may sound good, we have all the special

ratings and everything else but I cannot, at this time, and it will take some convincing by the Minister for Treasury and Resources, and others, to get me to change my mind because I cannot at this time support those 2 areas.

**1.1.12 Deputy S.G. Luce of St. Martin:**

I am a simple soul and I am not going to speak on this Budget with anything like the detail or the minutiae of previous speakers. Yes, I have studied the Budget book. I have read the Scrutiny report and attended the meetings with the F.P.P..

[12:15]

I have taken advantage of all the offered briefings, not just with the Treasury and Resources Department but also with the Health and Social Services Department, the Housing Department and the Transport and Technical Services Department and there is no doubt in my mind that we need to invest and we need to invest now. Back at the start of this debate I stated that I thought this was a well-balanced budget and when it comes to balance then I think the proposals for capital expenditure from the Minister for Treasury and Resources and his team are very reasonably balanced indeed. I would ask Members to use their imagination for a minute. You own a medium-sized house, for a number of reasons you find you need to extend and upgrade your property. You have a single elderly parent that cannot cope on their own any longer and needs to move in with you. That parent also needs disabled facilities, but you are happy to add an additional room and this is expensive work. But over the years you have carefully saved some money for a rainy day and you decide, quite wisely, that now is the time to use some of that investment. Almost at the same time you find that one of your children, a prodigal son, wants to return home. They are in work most of the time and can afford to pay you rent. Given that there will be some additional money coming in, you decide to borrow this money to build the second additional room. It is, again, a sensible move. You have an excellent credit history with the bank and interest rates are at an all-time low, now is a great time to borrow and the weekly rental income will cover most of the repayments. Finally, because you now have more people at home you need an additional bathroom and toilet. The old pull-chain outside facility is no longer good enough; it is 50 years old and needs replacing. You have already taken on big commitments with the additional 2 rooms so you decide that in this case you need to tighten your belt and use those additional savings to pay for this part of the work. Again, a sensible approach from someone who is careful with their money. That is the scenario a simple person like me sees as no different from the decisions that we are taking today, it is just the multiplication factor that makes the numbers bigger, or quite a bit bigger. Unlike some I am not full of dread, I have confidence in the Minister for Housing and his department. I have confidence in T.T.S., in the Health and Social Services Department, but especially in the Minister for Treasury and Resources, his Treasurer and their team. Before we give our Treasury a hard time we need to reflect on their performance in the last 2 years. Yes, times are hard. Things are tough but how much worse could it have been? We are not perfect but we have performed remarkably well under the difficult economic circumstances of the last few years. However, and there is always a however, there is no room for complacency. We need to still do better. We need to do much more to help all Islanders and this is where I come back to being a simple country person because for me it is just a simple matter of income and expenditure. As far as I am concerned we are still spending far too much. In my view, it is only when we cut our annual recurring spending can we look to take less from the public. In my view, we have made the right noises about public sector reform but we are not yet seeing any real physical results. For me this is the key. Only in spending less can we afford to tax by whatever means, or however you call it, less from the public. I am excited about the future, about the investment we are making today in that future and about the challenge of getting this Island back to work. I am excited that we are at long last starting to invest in our infrastructure, in our health services and most importantly we are starting to build houses for

those who need them. At long last we have action this day. I am also excited about this Budget, a Budget which for me looks to the future and I would certainly wish to support it. **[Approbation]**

#### **1.1.13 Senator P.F. Routier:**

I have been in the States now for 20 years and have sat through 20 budgets, during that time there have been some real tough decisions, some prudent decisions and at times I have perhaps felt a little bit frustrated that we have perhaps not achieved some of the things we are going to achieve today if we support this Budget. Deputy Le Fondré said this Budget was not an exciting budget. I have to agree with him. It is not an exciting budget, it is a fantastic budget. **[Approbation]** Many of you will have had the opportunity, as I have, to visit the hospital recently and to have a look at what facilities are currently available. There are risks currently with infection control, over the last few winters there have been times when some wards have had to be closed because of infection, because of the 5 and 6-bedded wards which exist currently. With this new, improved hospital we will have single rooms, which has to be, not only for infection control but for privacy and dignity of each patient, much better. I think it was the Deputy of St. Ouen who was questioning the issue about the *Atkins' Report* that reported higher figures were needed for achieving the hospital. Then he went on to say if he was dealing with his own personal finances he would look to see what could be afforded if something had to be done and he would adjust his cloth to suit. I think that is what this decision is. We recognise that there were some very big numbers being quoted originally in the process of getting to where we are with the hospital that we are going to have. I am able to support that decision to have the figure that we are proposing because of the advice that has been given by the medical team. The advice is that they can provide a very good service with the amount of money that is being proposed to use and the plans for the design of the hospital, they will be able to provide a good medical service, which for me is the priority. It is not whether there are big numbers out there that were originally being quoted. They were asked to think about trying to do differently. The hospital team have come back with what is a suitable hospital, which I think is good. I think we should support that. Turning to the housing issue, we have a duty to ensure that we house our population adequately. I think the Minister for Housing said: "Properly" rather than adequately. I think that is something that we can achieve by supporting this Budget. It has been needed a long time and we know that there are quite considerable people on the waiting list. The Liquid Waste investment, I think the question we need to ask ourselves is do we need to ensure that our waste is dealt with safely, because at the moment it is looking pretty risky. The answer to that has to be yes. Do we need to improve the lives of those people who live near there, around Bellozanne? The answer is yes. So we must support this proposition today. Just finally turning to the issue with regard to the reduction in the marginal Income Tax rate, this is something that Senator Ozouf and I on the Finance and Economics Committee many years ago tried to achieve, along with the rest of the committee obviously. At that time it was unaffordable. We are now in a position to be able to afford to do that and it is something that we should, I believe, try to work on year-on-year to get that down even lower. So I think that is something which we should also support. This budget is a result as years of cautious, prudent decisions of the past and we should be thankful to those people who were in this Assembly over the years who have got us to a position today where we are able to invest our money now and to look at the things where we are able to improve people's lives. I wholeheartedly support this fantastic budget. **[Approbation]**

#### **1.1.14 Deputy S. Power of St. Brelade:**

You will be pleased to know that this is not a speech; it is more of a request for a clarification from the Minister for Treasury and Resources when he begins his summing up. I draw the Minister for Treasury and Resources' attention to the Budget book between pages 80 and 82, and on the proposition of paragraph E, sections (a) down to (d). When we refer to the housing section of this, both paragraphs 12(3) and 12(4) of the Budget book refer to the housing company or the housing



association to be, a housing department that will become a housing company, but in section E(a) there is a reference to the fund to be permitted to lend money up to a maximum of £250 million to housing trusts, associations, companies or bodies. Latterly in the same paragraph it again refers to aforementioned housing trusts, associations and companies. Finally in section D, all money due to the fund, including any loan repayments due from housing trusts, associations and companies. My question for the Minister for Treasury and Resources to clarify in his summing up is, while there is a reference to associations and companies in the Budget book there is no reference to trusts so in P.122 could he clarify for the Assembly how we deal with housing trusts in relation to section E(a) and E(d) in the report and proposition?

**1.1.15 Senator L.J. Farnham:**

I think some of this self-congratulatory foot-stamping is a little bit too much for me at times. Notwithstanding that I align myself completing with the comments on the Minister for Housing and the Minister for Health and Social Services and recognise the very good work of the Treasurer and the Treasury team who are always very professional and very helpful to Members when approached. There is no doubt this Budget is ground-breaking in many ways and has been, or will be, a complete victory for the Minister for Treasury and Resources. But I am still rather cross at yesterday's result and I am not to harp on about this after today. I have just noticed a little bag of chocolate money under the Minister for Treasury and Resources' desk. Thank you very much. Oh, it is out of date, is it? The Minister for Treasury and Resources could have easily conceded a little bit yesterday on the duty increases. As Senator Ferguson alluded to earlier, it is small beer in comparison to the size of the Budget we are dealing with and when you are looking at the hundreds and hundreds of millions of pounds we are borrowing and investing really it has just driven another wedge between the working people and the States of Jersey while we are all here patting ourselves on the back on what a brilliant job we are doing. Until we start working together we are going to continue to be criticised and misunderstood by the people we represent. Yesterday I was chastised by the Minister for Treasury and Resources because I am involved in promoting a campaign to assist the very good work of the Fort Regent Steering Group in calling for the development of a 50 metre swimming pool for Jersey. I was told I should stop raising people's expectations and start being realistic with what we can afford. It is a poor day for this Island when we cannot dream about having a new swimming pool, a swimming that for once is the right size.

[12:30]

We will probably end up with another 2 25 metre pools, I would not be surprised, yet we are being told one 50 metre pool is too big for us. There has to be more to life for people in Jersey than going to bed, waking up, paying the mortgage, paying your taxes and repeating that on a daily basis. The Minister for Treasury and Resources, as much as I respect him, and I hope we are still friends after this **[Laughter]** he has to win everything. I said it yesterday, he has to squeeze. When he wants to take money from somewhere he has to win every single time. There is hardly ever any concessions. I came to the debate and I have been a good student of the Minister for Treasury and Resources, I have turned up, I have been a supporter of the Minister for Treasury and Resources' policy for years and years and most of them are okay. But I went to the briefings, I listened, I read the books and was supportive wherever I could but I come here as a strong supporter of the tourism industry, not asking for much and supporting Deputy Power and the Constable of St. Helier, for a little bit of breathing space on duties because £1 a bottle or 50p a bottle or 7p ... whatever it is does not sound much until these small businesses start buying it in by the case load. It is £15, £20 here and there and ...

**The Greffier of the States (in the Chair):**

Senator, Standing Orders do preclude Members reopening issues that have been decided. We should take care not to try to re-have the debate we had yesterday on duties.

**Senator L.J. Farnham:**

I will do my best. I will move on, I have said my piece. The industry are very disappointed and I had a business owner following the Budget, I will quote, I will not read all of it: "Following the Budget I foresee a continued decline in tourism and hence my group's decision to no longer invest in tourism in Jersey following this Budget." It is a sad day. Small gestures can mean a lot. While we have had very sensible management of the Treasury I think that we have created a bit of a ... I do not know what to call it really, it is it a middle class poverty trap, that is probably too strong but middle Jersey are suffering, they are sweating like they never have before. It is all in the name of sensible austerity and we may be very grateful, future generations may look back and say: "Thank goodness we were sensible in this period of time." But we must not lose sight of the fact that a lot of these people are struggling for work. Outside the registered unemployed figures there are people that are trying to go back to work that do not have to register themselves unemployed, who can still afford not to turn to Senator Le Gresley's department for assistance, who are applying for jobs that are on lists of 40, 50, 100 people for one job. That cannot go on for ever. I would like to see a future budget taking sight of that and doing more to pull our economy out of recession. We need to increase the productivity of our economy. We need to have budgets that put that at the forefront and look to return us to growth. Having said that, I would not rather live anywhere else than Jersey and I do think we have a very good future. I hope tourism has a good future. I hope eventually this Assembly will stop paying lip-service to that industry, because that is all it is doing at the moment, and take some concise action to help it return to where it was and put it where it should be for the future. I will finish by thanking all in the Treasury, including the Minister for Treasury and Resources, because outside of my little moans there are some very good and groundbreaking parts of the Budget which I am happy to support.

**1.1.16 Deputy R.G. Bryans of St. Helier:**

I was sorry to hear Deputy Farnham sounding so disappointed ...

**Senator L.J. Farnham:**

Still a Senator; I am not a Deputy.

**Deputy R.G. Bryans:**

... sorry, I do apologise, Senator Farnham feeling so disappointed because I do think it is heartfelt. I think he really feels that, as did the Connétable. But we need to move on. Those who know me know I have a predilection for liking quotes and I saw one the other day in reference to some information I was reading about a child who has a particular problem, dyspraxia. It said: "Out of order comes accuracy; out of chaos comes truth." I think this is a very orderly budget born in chaotic times. I do not find it exciting but I am not sure the Budget should be. If you take a sounding outside these walls, you could be forgiven for believing that the effect of a deep recession is now slowly ebbing away. In the U.K., as reported this morning, unemployment levels are dropping and house prices are rising as the economy is on the up. But is this evidence of austere budgeting or simply a society with its back against the wall working its way through necessity to a more substantial footing? We need to understand, as has already been amplified by lots of people before me, that Jersey, although fiscally not exposed as a jurisdiction, is still working its way back to a position of strength and a view of optimism. My concern with this Budget, as with previous budgets, is that the continental drift of spending creates inflationary pressures on people who quite readily accept the need to look after our important infrastructures, improved housing, a new hospital, better roads, Liquid Waste, *et cetera*, but are still finding it difficult to make ends meet, to cope with the effects of redundancy, a reduced jobs market. I saw a presentation recently where the

presenter described how he had to move his workforce to between the point of working comfortably or of existing in chaos. The point between the 2 was living in turbulence. We are living in turbulent times. Not one of us is particularly comfortable about the levels of spending exhibited in this Budget, but we must begin to work towards the long view as described by the Minister for Housing. You may expect me to say this, but we must be creative and innovative in contemplating how we pay for what we want for what we need. Are we doing the right things and making the right decisions? I think we are. Will everybody be happy? I doubt it. Are we moving and progressing in the right direction? I believe so. Budgets by their nature are not exciting, but the desires that drive them should be. Once the decisions have been taken, I look forward to working solidly, wholeheartedly, to realise its ambitions. We have some real hard work to accomplish what this Budget wants to achieve, but I honestly believe from what I have heard from the other Members that it is totally possible.

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak? The Constable of St. Lawrence.

**Connétable D.W. Mezbourian of St. Lawrence:**

I do want to speak, but my speech may take longer than the 5 minutes that we have left. I am in Members' hands as to whether they wish to adjourn and hear me after lunch or before.

**LUNCHEON ADJOURNMENT PROPOSED**

**Male Speaker:**

May I propose the adjournment? **[Seconded]**

**The Greffier of the States (in the Chair):**

Are there any Members who have a 5-minute contribution? **[Laughter]** Very well, then the adjournment is proposed. The Assembly will reconvene at 2.15 p.m.

[12:38]

**LUNCHEON ADJOURNMENT**

[14:15]

**The Greffier of the States (in the Chair):**

The debate resumes on the Budget Statement as amended. Constable of St. Lawrence, the afternoon is yours. **[Laughter]**

**1.1.17 The Connétable of St. Lawrence:**

Oh, dear. I am certainly pleased that we are quorate and that enough Members have returned to hear me speak, having been forewarned that I was going to do so immediately after lunch. As a new member of the Corporate Services Scrutiny Panel, it has certainly been an interesting experience to scrutinise this Budget, work which was undertaken in the relatively short timeframe. I do see a fellow member of the panel here. I hope that Members agree the work was worthwhile and the report has aided them for the debate today. **[Approbation]** Clearly, one of my Deputies, Deputy Le Fondré, has read the report as he quoted widely from our advisers. He urged some caution, as did our advisers and I believe also the Fiscal Policy Panel in their recent report. Our advisers warned of significant dangers associated with reducing the marginal rate of Income Tax which would, of course, have recurring costs. We were told by the Minister for Treasury and Resources that reducing the marginal rate is part of the process towards independent taxation and that 84 per cent of Income Tax payers will benefit. Deputy Southern has addressed this point earlier. Deputy Reed, of course, addressed our concern about giving with one hand, i.e. reducing

the marginal tax rate, but through the long-term care costs that we will soon be paying taking away with the other hand. Importantly, the panel was advised that this Budget has missed an opportunity to discuss the economic implications of why productivity matters. Shortly before lunch, Senator Farnham addressed productivity, albeit briefly, but I do not think it has been addressed in any great detail. This budget could have introduced some radical measures to bolster the supply side of our economy. Canada, Ireland, Malta, Malaysia and Singapore have in their 2014 budgets recognised the challenges and opportunities needed to boost productivity and competitiveness in their economies. Singapore in particular has addressed the issue. Their Treasury Minister recognised that productivity increases were essential for business and announced massive financial support to them of about 5.3 billion Singapore dollars, or 1.7 per cent of G.D.P. (Gross Domestic Product) for the next 2 years. We know that here the Economic Development Department are considering a seed enterprise investment scheme and a venture investment programme, but we also know that £5 million instead of the promised £10 million has been allocated to our Innovation Fund. This can be described as modest support to that given to business in Singapore. There they have provided significant tax deductions for investments in a broad range of activities along the innovation value chain and local firms were given a rebate of 30 per cent of Singapore corporate tax. Enhanced productivity incentives promoted technology and innovation in the construction sector, an area we know that has faced increasing problems here in recent years. Notwithstanding investment in Digital Jersey, I do hope we have not missed an opportunity in this Budget, as has clearly been grasped in Singapore, to boost productivity in our own economy. Positively, we do know that our major capital programme, if approved, will go some way to improving the local economy, not least for the construction industry, and I hope its decline will be halted. The 3 major capital projects for housing, the hospital and liquid waste are today proposed alongside the more commonly seen elements of the Budget. We are being asked to support for the first time external borrowing for the housing project. This is needed as we have supported the housing transformation programme and the reform of social housing and we must now deliver. However, by agreeing today to borrow £250 million we will bring to an end, possibly for ever, the Minister for Treasury and Resources' mantra of: "We have no debt." In supporting the hospital project, we will be agreeing to decisions already made by this Assembly. In 2012, we approved a new way forward, the redesign of the Health and Social Services Department, including proposals for a new hospital. The interim report in 2012 entitled *Hospital Pre-feasibility Spatial Assessment Project* stated that the potential cost of a new hospital could be between £389 million and £431 million. Today, though, we are being asked to approve £297 million. As Deputy Reed has said, the panel is not convinced that that figure was not reached solely because it is the amount the Minister for Treasury and Resources thinks he can afford, and no doubt he will address that in his response. Funding of the £279 million cost is being proposed from the Strategic Reserve Fund despite the Minister for Treasury and Resources stating in the past that he would not favour our Rainy Day Fund for one-off expenditure. He must reassure us today that this is indeed a one-off expenditure and that he would not be setting an unwelcome precedent. The Liquid Waste project is, in fact, the construction of a new sewage treatment plant at a cost of £75 million. The Minister for Transport and Technical Services has today confirmed to us that it will be delivered within that budget. However, the draft budget is silent on the overall funding mechanism for this project. The panel was told by the Minister that final funding provision will be a decision for another day, although 2 funding routes have been identified. £45.5 million should be generated by use of the annual capital programme and by T.T.S. using part of their annual infrastructure capital vote. £29 million is intended to be delivered by internal borrowing from the Currency Fund. We were assured that the Currency Fund has an appropriate balance to support this loan and that of £13 million already loaned to the States of Jersey Development Company recently to cover the costs of the public car park on the Esplanade development. The panel has urged caution to the Minister for Treasury and Resources that not more than 60 per cent of the Currency Fund is invested to comply with the statutory obligations of

the Currency Fund. These funding routes for the Liquid Waste Strategy appear to be feasible but it is pertinent to remind Members that we have not yet debated this. Therefore, we do not have an approved Liquid Waste Strategy. Is it good financial management to fund a non-existent strategy? That is for Members to decide today. Members will be aware from reading our report that the Scrutiny Panel does recognise that this draft budget has been prepared in a local economic context which remains fragile. Senator Ferguson expanded upon that earlier. The panel has also acknowledged that in some respects the draft budget displays an improved approach to financial management compared to previous budgets. However, we found also that it lacks some information which is required to understand its overall impact. That funding was supported by our advisers as well as being recognised in their report presented by the Fiscal Policy Panel. Notwithstanding a lack of some information, and which I note in his response to the panel the Minister for Treasury and Resources has agreed to supply in future, I have scrutinised this closely. My close scrutiny has not provoked excitement for this Budget, but I have recognised that within it there are areas of innovative thinking. Use of the Strategic Reserve, the Currency Fund and even external borrowing are areas that we have not explored previously. How else are we to address our commitment to the people of Jersey to deliver a new hospital and reform social housing? Investment in Liquid Waste cannot be delayed and can be ignored no longer. In conclusion, for me, this is not an exciting budget but it is innovative. If we support it today, and I hope that Members will, we must ensure that it delivers what it sets out to do. We will be looking to those Ministers in particular, Housing, Health and Social Services and T.T.S., to ensure that the money is spent as we agree today.

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak? Deputy Noel.

**1.1.18 Deputy E.J. Noel of St. Lawrence:**

I am going to concentrate my speech on the 3 capital projects. Deputy Le Fondré, when talking about the 3 capital projects, said: “We have to do something, that is clear.” He and I are in complete agreement. We must progress these projects in 2014. However, the Deputy went on to ask whether we have a structural deficit because of the different interpretations of capital. Where is the evidence of a structural deficit? I admit that there is always a possibility of a structural deficit regarding capital. However, if Members read the Treasury’s full response to the F.P.P. report they will see that for a number of years the States has adopted G.A.A.P. (generally accepted accounting principles) accounting and more recently International Financial Reporting Standards. As a consequence, we take fully independent valuations of our fixed assets and our infrastructure. The Valuations Office Agency has done this work independently for us. The outcome of these valuations are reflected in our audited accounts and we distinguish clearly between capital and revenue in accordance with these international standards. Moreover, the concerns about our financial strength are not shared by Standard & Poor’s. Standard & Poor’s credit rating for the Island is AA+ and stable. Let us be clear here, Standard & Poor’s had access to all the information available, warts and all, about the Island. In addition, Scrutiny’s C.I.P.F.A. adviser has made many positive comments about our financial planning. They say that this is the best budget for Jersey that they have seen and they are recommending our approach to others. Indeed, the Treasurer has already been invited to share our work with other jurisdictions.

[14:30]

Furthermore, in reality it is really irrelevant whether we have a capital structural deficit or not. What we do have to do is invest in these 3 capital projects. The population issues raised by the Deputy of St. Ouen are really a red herring. Critical investment is needed whatever we decide the population. It is not an excuse for delay today. If I turn to the funding issues, the Treasury and

Resources Department are proposing 3 viable, commonsense-based funding methods. Are Senator Ferguson, Deputy Le Fondré and others suggesting a fourth, which can only be increased taxes? I hope they are not. We are proposing to use the only other options available. Firstly, external borrowing but, importantly, matched to an income stream, not borrowing for consumption. Secondly, internal borrowing, getting better use for our assets and providing funds to departments that need them. Thirdly, the use of our existing resources. Scrutiny's C.I.P.F.A. adviser has said: "We are satisfied that the Treasury and Resources Department have properly explored all alternative funding methods. Indeed, we would commend the work that has been undertaken in this regard." Some Members have questioned why we can afford a 1 per cent reduction in the marginal rate of tax when we are proposing to borrow, but these 2 points are not directly linked. The proposed borrowing is self-financing. It is not funded out of tax revenues. It is funded out of rental streams. In his speech, the Deputy of St. Martin gave an example of the family home and he was spot on. For me, the Deputy put into context our proposals in a way that everyone can understand. Senator Ferguson also referred to the F.P.P.'s comments on contra-cyclical measures. The F.P.P. is correct. We should, where we can, spend capital in a contra-cyclical way. However, we simply cannot delay the 3 main capital projects any longer. Should we not build the much-needed homes? Should we not replace our ailing Liquid Waste system? Should we not build a new hospital? Of course we should. We should do all 3, but at the same time we have to plan to build the supply side and increase the capacity of the construction industry. To do so, we should do this in conjunction with the industry, in conjunction with our colleagues from the Social Security Department and the Education, Sport and Culture Department. That is exactly what we are doing. We are proposing solutions which are manageable and do not create a burden on current or future taxpayers. In conclusion, this Budget brings forward creative and cost-effective ways of funding the 3 capital projects that will minimise the costs to taxpayers now and in the future, that maximise the use of existing resources and safeguard the Island for the longer term, solutions which are manageable and do not create a burden on future generations.

#### **The Greffier of the States (in the Chair):**

Does any other Member wish to speak? Senator Maclean.

#### **1.1.19 Senator A.J.H. Maclean:**

It is always good to stand shortly after lunch to speak, especially when I am going to touch on the subject of productivity, which I know the Connétable of St. Lawrence has spoken about and, indeed, Senator Ferguson earlier on today in her speech. In fact, it was Senator Ferguson who said, and I hope I quote her correctly: "Productivity is an integral part of economic growth." I have to say that I thoroughly agree with her statement. She went on, however, to say that there is no mention in the Budget Statement about productivity, but I am afraid that is not correct. I would firstly like to draw the Senator's attention to page 74 of the Budget Statement that gives the clear economic context to the Budget. In particular, it references the Economic Growth and Diversification Strategy which, of course, was passed by this Assembly last year, but focuses in particular on productivity to drive growth and diversification. It refers also to the financial services strategy being developed following the McKinsey review, but also identifies productivity gains within the financial services sector. It is central to the enterprise strategy due to be launched shortly. In short, productivity is central within the business plans of Digital Jersey and Jersey Business; Jersey Business, which, of course, has responsibility for S.M.E.s (small and medium enterprises) in particular across and covering all sectors, including agriculture, retail and tourism. While mentioning tourism, it reminds me of Senator Farnham and others who suggest that we do not care about that particular industry. I would like to emphasise that there is nothing further from the truth. I ring-fenced the tourism budget to protect it when others were being cut during the C.S.R. programme. I established the Tourism Shadow Board to engage industry and develop a new

tourism strategy. The chair of the Tourism Shadow Board has, indeed, suggested that Jersey may have fallen out of love with tourism. I do not believe that. I have not fallen out with tourism. I do not believe Members of this Assembly have fallen out of love with tourism. I do not think that Islanders have fallen out of love with tourism either. **[Approbation]** It is, aside from being an essential contributor to the S.M.E. sector within the Island, an important contributor to the economy as a whole. Despite the debate yesterday on impôts, which Senator Farnham continues to be upset about, considerable investment is going into supporting the economy as a result of this Budget and that includes the tourism sector. That is a good thing and will help to stimulate, of course, economic activity as broadly as possible. I believe industry has confidence and that is why they are investing in the way that they are. That is why we see international brands, the likes of EasyJet, showing the confidence that they are showing in investing in Jersey as part of their network. I believe that a new, stronger love affair with tourism will be triggered when the tourism strategy is launched next year, a strategy, incidentally, that is being developed by the Tourism Shadow Board in partnership with industry. That is the right approach in my view in terms of developing a meaningful strategy. I am afraid I have got slightly too excited about tourism perhaps and I have digressed from where I was, which was talking about productivity. Productivity is in itself relevant to all sectors of the economy and tourism as much as anyone else has to look to improve its productivity. That is why the support of organisations like Jersey Business are so critical and why we put the funding that we do into that particular organisation. Productivity is also central to the new approach to inward investment, which is clearly and without doubt critical to the diversification of our economy and future growth opportunities. That is being very ably promoted by Locate Jersey. Productivity is also at the heart of the new now - I am pleased to say - open for business Innovation Fund, which is funded to the tune of £5 million initially and, although that point I think was one raised by the Connétable of St. Lawrence, a further £5 million once the initial tranche has been successfully allocated. The skills agenda is focused and funded to aid also in productivity: digital skills, the skills accelerator and so on. So, for the avoidance of any doubt, Senator Ferguson, and also Connétable of St. Lawrence, it is a Budget Statement that includes considerable additional funding to support businesses. It does include reference to and strategies that clearly support the importance of productivity in all sectors with the intention to grow the economy, with the intention to create jobs. For the period of 2013, 2014 and 2015 fiscal stimulus and support amounts to approximately 2 to 3 per cent of G.V.A. This is, in my view, a bold and creative budget and I think credit is rightly due, as other Members have said, to not just the Minister for Treasury and Resources and his Assistant Minister, but importantly the team at the Treasury who have helped put this particular programme together. We should mention the broader issues around economic growth, what is happening more globally. Obviously, that impacts quite significantly on Jersey. We are involved in a global economy. We are broadly an export economy and so it is essential that we do consider what is happening elsewhere. It is interesting to note that the O.E.C.D. (Organisation for Economic Cooperation and Development) and the I.M.F. (International Monetary Fund) refer to some positive signs of major global economies beginning to show signs of recovery. That is good news for Jersey. At the Chamber of Commerce only yesterday at the lunch they held, the R.B.S. Chief Economist again suggested that the international position was improving. Locally, the latest business tendency survey also has positive signs on future business growth, on jobs and other aspects important looking forward, focusing on the radar screen over the next 3 months, greater confidence generally across all sectors. Again, that is encouraging. It is also encouraging to see average earnings growth in 2013, the first time we have seen growth in average earnings since 2009. But the economic outlook is still described, rightly I believe, overall as fragile and I think that is a fair description. As a result of that, there can clearly be no complacency. We should always plan for the risks and the challenges that we will face and that undoubtedly lie ahead in relation to our public finances. But how are we going to deal with some of the challenges? We have to prepare for a period ahead where our income may not

continue to grow at anything like the level that we have enjoyed and benefited from in the past. It is, therefore, prudent especially with public finances to control the growth of expenditure, especially in uncertain times. I do not subscribe to the Deputy Southern view of the world that we will have to raise taxes or reduce services. It is not, in my view, a simple either/or scenario. I say no. I say it is more important to control our costs and under no circumstances, or extreme circumstances only, should we consider the need for the raising of taxes, which undoubtedly in many cases makes us less competitive from an economic point of view. A critical part of the whole scenario, of course, is the reform programme. I prefer, rather than referring to reform, a term which I think was coined by Deputy Bryans, which was redesign. I think that is really a better way of capturing what indeed is intended, a programme that has perhaps been misunderstood in its aims and objectives. It is in the first instance about improving the way the public sector works, making departments and services more efficient and more cost effective, programmes like Lean which Members will have heard a lot about. It is not about cutting services but about doing things differently. It is about thinking differently, about thinking creatively. It is about innovation. It is about improving, yes, productivity. It is about all the things that we ask the private sector to do and it is important that Government does as well. Areas like e-Government, which is a really important project within the reform programme, extraordinary as it seems only 7 per cent or so of online transactions with Government are held at the moment. We should be aspiring to a target closer to 70 per cent to 75 per cent. That is not stopping people who cannot use computers or the internet, but it is realising there is a big disconnect particularly from a jurisdiction like Jersey that is seeking to be a digital centre of excellence and drive a digital economy. We should be able to improve the way in which Government interacts with its citizens and those that it wishes to do business with to a far greater extent. I would like to take this opportunity, in fact, to congratulate staff in the public sector who are embracing reform. There has been a fantastic response from staff to the reform programme. They are absolutely key and critical to the success of the programme. They are embracing it. They are coming up with good ideas, and within individual departments we are beginning to see a great deal of change in terms of the way in which services are beginning to be redesigned. Over the coming year, from next year, members of the public and Members of this Assembly will start to see more and more examples, I am confident, of the way in which a new redesigned public sector is going to be rolled out. But what it does need is it needs our support.

[14:45]

It needs our wholehearted support of this Assembly and, importantly through that, clear leadership and drive to ensure that it continues to be and is the success that is critical to balancing our budgets in the future. There is, of course, emotive talk about cutting services to achieve reform. That is more a C.S.R. programme issue than it is a reform matter. The very first and the easiest thing that we can and, indeed, must do as an integral part of reform is to stop the growth of the cost of the public sector. Otherwise our expenditure will continue to rise as our income is potentially threatened or challenged in the future. I hear the cries: "But how? How can we possibly do this? It is impossible." The biggest cost, of course, is our people. As in any organisation, we have to ensure that we invest in our people. We have to look after our people, but we also have to recognise as the public sector we employ in excess of 6,700 people. We have a natural turnover of staff of around 7 per cent. That is people who choose to retire or leave the organisation for whatever reason. It is, in my view, the Council of Ministers that needs to lead on tackling the issue in a joined-up way of how we balance those that leave with those that we require to bring in. In other words, not growing the headcount any more but balancing the ones that essentially we need to bring in with those that are leaving through natural means, through natural turnover. I accept, of course, that we have nurses, we have teachers, and we have other essential staff who leave and have to quite naturally be replaced, but there is flexibility in the system and we have to ensure that we put the measures in place to be able to deal with that and deal with it effectively. To date, I am



afraid, that has not happened and that is why I believe it is a matter that the Council of Ministers absolutely has to lead on in a joined-up way. It is no good having individual departments dealing with this matter. It has to be something led by the Council of Ministers and I believe that is something in the future that will indeed happen.

**The Greffier of the States (in the Chair):**

You are struggling, Senator, to relate this to the Budget proposition in front of us. You are getting to the Budget proposal?

**Senator A.J.H. Maclean:**

I am sorry, Sir, I am obviously not being clear enough. Perhaps I should repeat a little bit more **[Laughter]** just to emphasise the point. It is important because the Budget is about balancing budgets and that is why I was emphasising the point about the need to control our expenditure at a time in the future when income could be challenged. But I have just about made that point. I am concerned you may not have quite grasped it, though, that is the only point. **[Laughter]** I have, in fact, just about reached my conclusion, which you will be pleased to know. As I have said, the Council of Ministers have and should quite rightly have the responsibility to lead on that for the sensible control of costs. Because to control costs is going to ensure that we do not see taxes rise. To ensure that taxes do not rise is obviously in the interests of the Island community. It is in the interests of the Island community and the Island economy and Island businesses who employ people, who create job opportunities and so on. More than anything else, it ensures that we retain a competitive economy. So, in conclusion, I believe this is a bold and creative budget. I support it. I hope Members will support it. There is still a lot of work to do as we move forward but it does set a good, solid foundation of investment at the right time, the right fiscal measures, the right fiscal stimulus, and we need to build on that as we move forward.

**Senator S.C. Ferguson:**

May I ask for a point of clarification?

**The Greffier of the States (in the Chair):**

Yes.

**Senator S.C. Ferguson:**

Does the Senator really believe that the inclusion of the word “productivity” in the last line in a phrase at the end of the second paragraph on page 74 really attached the importance which is required for productivity?

**Senator A.J.H. Maclean:**

First of all, I was making the point that I think the Senator said there was no mention of productivity within the report. **[Laughter]** I wanted to raise that issue, but also if she reads she will note that it references the other important strategies that I talked about, the economic growth and diversification strategy in particular. I do not want to list them all again because you will say I am going off a line, but all those strategies evidence and identify the importance of and ways in which we are dealing with matters relating to productivity, which is absolutely critical to the economy. I think the Senator and I agree on that point.

**Deputy R.G. Le Hérisier:**

On a point of clarification, could the Minister for Economic Development define what he means by productivity? I never quite caught that.

**Senator A.J.H. Maclean:**

That is a very good one. In fact, it was, I believe, the former Deputy of St. Mary who used to often stand and say that I mention the term “productivity” too often. Nevertheless, in terms of what it is, it is improving the way in which any business within any sector of the economy goes about driving profit using less resource. It is more productive.

#### **1.1.20 Senator I.J. Gorst:**

Can I just thank Senator Breckon for allowing me to go now? He has offered me his speech but I have just declined that. **[Laughter]** I want us to cast our minds back a couple of years and to think it was 2 years ago that we started thinking about the Strategic Plan and what the programme of action would be for this Government and for this Assembly over the course of 3 years. I think a number of Members have rightly, and I accept this, said that a Strategic Plan should never and can never be simply about words either on the page of that plan or spoken in this Assembly. I and the Council of Ministers were challenged at that time and throughout those months that we were developing that plan by many Members rightly in this Assembly. I recall particularly the Deputy of St. Ouen - I am not sure whether it was his words or his delivery that I recall - rightly challenged us that the Strategic Plan was bold in its ambition. He said that we would find it difficult to deliver and he said that we would need increased investment in order to deliver on those priorities. I accepted that he was right. To some extent, what we have before us today in this Budget is ensuring that we deliver on those priorities and that we deliver that needed investment. Are Members today finding some of the proposals challenging? Yes, I think they probably are from listening to their speeches. Does it mean that we are going to have to accept increased investment? Yes, it does and that is what this Budget is proposing. I have asked myself the question today: am I feeling dreadful? I have to say, and it may not surprise Members, that I am not at all. Perhaps I could just as an aside say my memory may be failing me but it does seem to me that often at this time of year, certainly during the Budget debate, Deputy Southern finds himself feeling dreadful. I am not giving him holiday advice, but I just think perhaps he should consider that. Am I feeling unexcited? Well, I think Members should remember that the accountants’ default setting is one of not being easily excited. Today I think we have heard Deputy Le Fondré expounding that position perfectly. **[Laughter]** I have to say that I would go even one step further than Senator Routier. I would say that I think this Budget is fantastically exciting. It puts money back into people’s pockets. It keeps money in people’s pockets, in the pockets of lower and middle-income earners. Is that something that we should be endeavouring to do? Is that something that I have heard Members in this Assembly ask of budgets in the past? Yes, it is and we are as an Assembly in a position today to be able to come forward and to do that. We are doing that by lowering the rate of the marginal Income Tax rate by 1 per cent. We are doing that by increasing thresholds by 1.5 per cent. Is that something that we should be excited about? I believe it is because it has been, I think, many years since a Government and since this Assembly has been able to propose such a measure. We should welcome that and we should be pleased that we are able to be in the position to do so. Are we proposing capital investment in the short and medium-term? Yes, we are. Again, is that something that we should be proud of and pleased with? It is. That capital investment, in fact, is around between 2 per cent and 3 per cent of G.V.A., which will act as a fiscal stimulus over the course of the next year and a number of years. That I hope will satisfy a number of Members who feel that perhaps there is not enough investment in the economy and have been concerned about this Budget in that regard. Another number of Members have talked about the risks of this Budget: the risk of whether we should reduce the marginal rate, the risk of whether we should borrow, the risk of whether we should spend so much money on the hospital, the risk of the Liquid Waste Strategy. Members are right to challenge about the risks and to air the risks so that Ministers and Government and this Assembly can continue to mitigate them and bring forward appropriate procedures to manage those risks. I would raise this afternoon another risk, and that is the risk of continuing to do nothing. I as Chief Minister and this Council of Ministers do not want to run that

risk. Why were we challenged during the development of the Strategic Plan? We were challenged because other previous Governments have not always been able to come forward and find that capital investment, have not always been in the position of being able to reduce the tax rates to give money back to Members of the community. The risk of continuing to allow those who need social housing to live in accommodation that we would not like to live in ourselves, the risk of having a hospital that some of us here would not necessarily want to be treated in ourselves and not the privacy of a single room and ensuring that the latest technologies are available, I believe that that is a greater risk. The risk of standing still, the risk of not acting is not an option and I do not believe that anybody in this Assembly believes that it is an option. In actual fact, the *J.E.P.*, while perhaps being criticised for an editorial earlier in the week, if I simply remind Members of their closing paragraph or sentence, it was that there is no option but to do what the Council of Ministers are proposing. I would remind Members, as critical as that editorial was, even it accepted that not doing what we are proposing was not an option and we have to do and agree what is before us in the Budget today. This budget is going to allow a good standard of housing to be provided across the social housing spectrum. That is the right thing to do. This budget is going to allow us to start to refurbish and build a new hospital for Jersey. That is the right thing to do and the Budget also talks about - although Members will be aware that the money is elsewhere - starting on the Liquid Waste strategy. I am passionate about these projects because they are and they will make people's lives in our community better. That is something that we should always have in the forefront of our minds when we are making decisions. Borrowing; yes, it is a new road for this Assembly, for this Government and for this jurisdiction. But is it the right one? Yes, it is the right one. It will allow that investment in social housing and it has been developed at a time when the cost of money is relatively low and it means that we will be able to have long-term money and provide an income stream to pay back both the income element and the capital element of that bond. It is prudent. Yes, it is a new step.

[15:00]

I am not sure whether it was the Connétable of St. Lawrence who said it was pioneering, but it is an important step and it is the right step. Using the Strategic Reserve; a number of Members have spoken about that. Some have welcomed it while at the same time being concerned or trying to say that it creates a precedent. Well, I disagree with that entirely. It does not and we cannot in this Assembly - and it will be in our hands to allow that - allow the use of this money for a specific project, which is building the hospital, to set a precedent. The Minister for Treasury and Resources has agreed to come forward during the course of the new year with a revised policy around the Strategic Reserve to make sure that this is not a precedent. I can say to this Assembly that there has been robust debate in the Council of Ministers about ensuring it is not a precedent and there will continue to be robust debate around what that policy will be to ensure that no precedent is set, that that will remain, to use a term that is sometimes used, once this money has been used for the hospital, "locked down" so that it cannot be used for ongoing revenue items into the future. The use of the Strategic Reserve is not a precedent; it is a dividend for prudent decisions that previous Governments and previous Assemblies have made. **[Approbation]** As I said earlier, I think this debate has been a good debate. Members have challenged the Council of Ministers and the Minister for Treasury and Resources and that is exactly the job of this legislature to challenge proposals being brought forward by the Government. I hope, having done that challenge, having recognised the risks, that all Members when they look at what will be achieved by this Budget will find that on balance, excited or unexcited by it, they can support it because of the good that it will bring to the community in which we live. A number of Members have also unfairly been critical of the Minister for Treasury and Resources. This is a budget which has the wholehearted support of the Council of Ministers and I am grateful for the way that the Minister for Treasury and Resources and the Treasury team has worked with individual departments and the Council of Ministers as a

collective to get us to the point where we can have before us today an exciting and innovative budget that is going to deal with some of the required long-term capital investment in our community and at the same time not taking money out of middle and low income earners in Jersey, making work pay even more. That has been a policy that this Government has pursued from day one, making sure that work pays. I hope that having raised those challenges, having looked at the risks, Members will find that they are able to support this Budget because it will help to set the future investment for Jersey.

#### **1.1.21 Senator A. Breckon:**

There has been some publicity and a certain amount of hype about the good news budget and then a figure of around about £120 a year has been mentioned about people being better off. Then the question is: what can they do with that? It would not buy them a pint of beer a day or a week even at whatever prices. The other thing is money has been given back, supposedly, but whose money is it? Much mention has been made about middle Jersey, but if we look at 2008 when G.S.T. was introduced and is now raising round about £82 million a year, whose money is that? Where has it come from? It has come from the people that we are talking about giving money back to on things like basic foodstuffs and utilities and phone bills, *et cetera*. It is their money. If we also look at the tax-take, the tax-take from individuals has increased considerably, whereas the company contribution has gone down and now appears to be fairly flat. Again, I raise the question of something I raised a day or 2 ago about getting some contributions from those who do not pay, who are zero-rated for some reason. Again this has been fobbed off as being too difficult to do, but I think it is something that we need to look at. We need to find a way to get some contributions from those sources. Many of those are in the high street but they are also in other places. I think Deputy Southern made an excellent summary speech of the housing situation. We are talking about housing need and housing maintenance. That raises the question: what have we done in the last 30 years? Much of the rental income has been used into the subsidy system. It has gone in this revolving door to the Treasury, to the Social Security Department, back to tenants. I remember being on a Scrutiny panel a while ago and when we looked at this we had some eminent experts. Their calculation at the time was that every tenant household contributed the equivalent of about £60 a week to the system of this revolving door. About £60 a week of their rental was going, a lot of it, to subsidise the rental system in the private sector. It has been subsidised by States tenants. Now we have a moment to celebrate where we are going to borrow lots of money to do what we should have been doing in the last 20 or 30 years. Le Squez has been mentioned a few times, but the fact is we have let it fall down and now we are celebrating because we are going to do something with it. The shame for me is that we have let it fall down. From the rental income where was the money to maintain the properties in a decent home standard? Unfortunately, we have not done that and now we are in the situation where we are saying: "Oh, well, okay." We are in that spiral again where a lot of tenant income is going to be used in this merry-go-round again. That is where we are going to be and we are signing up to this for the next 30 years because we are saying the income from that will finance the thing. But it is not our money; it is tenants' money that is going to do that. That is because the Treasury takes a considerable amount out. Some goes back to the Social Security Department but not all of it. That is why I am a little bit uncomfortable with the borrowing on that because we need to do it now but what did we do in the past? We did not do that. Hopefully, the people who did not maintain it are now capable of doing that given the money, but perhaps nobody shouted loud enough at the time for it to be done because of the situation we had with competing capital of things like Magistrates' Courts and the prison. Housing, I am sorry to say, got neglected. The other thing is Deputy Noel mentioned something yesterday and I am not sure what he based the figures on, but I think we were talking about duty on fuel. He mentioned about something like £4.80 per person - this was a year - but I am not sure if that was the whole population because, of course, the whole population does not drive and does not have

cars. If so, again, if we are giving things back to people supposedly, then there are ways that we are getting it back. I am not sure that this will be a driver for economic growth or economic prosperity or anything because in the main some people will not notice it. Yesterday we rejected the amendment of Deputy Southern about the 63 to 65s, so people in that particular category will not notice any difference at all. They will probably be worse off. So I think some of this has been dressed-up a little bit, but I do appreciate that it is in a different format and other Members have mentioned looking for this or looking for questions on that. It is a comprehensive document, the result of a tremendous amount of work, and those involved are certainly to be congratulated for that. I think it is right and proper that those Members who have raised concerns or do have different views and opinions, whether it is the introduction of the elderly care scheme and how that is going to affect people, they are things to come and I think they are right to be raised at this stage. But, if we really question who is going to be better off and how, then I think there are some questions there that, for me, have not been fully addressed. Therefore, I do have some support for this Budget but I would add that it is qualified support.

#### **1.1.22 Connétable S.W. Pallett of St. Brelade:**

Hopefully the debate is going to be drawing to a close, but I would first like to say you get no negativity from me. Much has been made that we are heading towards being a high-tax jurisdiction. Well, we may have been a very low-tax jurisdiction but compared with some of our very close neighbours I still think we will be a low-tax jurisdiction and will remain so for quite some time. I do want to add my support to this year's budget, in particular the capital programme. During the last decade or so, and I think Senator Routier has already mentioned, we have had astute and prudent approaches from successive Ministers for Treasury and Resources leading to the excellent financial position that the Island finds itself in. However, there has been some pain in the process. I think 20 Means 20 and G.S.T. has hit many Jersey families hard but I have got to say concessions in this Budget, in a realistic way, will help many of those families. I do not want to take any of the Minister for Treasury and Resources' thunder away in any way but I am sure that he will be, in his summing up, praising his Assistant Minister and I am sure his team; so ably led by the Treasurer Laura Rowley. The excellent work in reviewing investments has led to what can only be described as very good improvements in the Strategic Reserve, our Rainy Day Fund. Over my time, knocking on doors during elections and going to various functions, the amount of people from all walks of life have said to me: "Well, are you ever going to use these funds? What are they going to be used for?" I have to say I had my doubts about whether in my time in the States we would ever use them at all. I have got to say I am pleased at the approach being taken by the Minister for Treasury and Resources. I think, like Deputy Lewis, I look at many things in a very simplistic way and fortunately, and I have got them here, the Minister for Treasury and Resources supplied some pretty pictures of the Strategic Return investment which was very interesting but it shows how he considers the new hospital could be funded. As I say, I agree with this approach but with one reservation that has already been mentioned, that these pictures show a money bag containing £720 million of the Strategic Reserve with the top slightly ajar and still open and I would urge the Minister for Treasury and Resources that he needs to put the noose back on to this bag after this much needed investment and not allow further raids on these funds. In regards to the Liquid Waste Strategy I have had the opportunity to be involved with the oversight group looking at this issue. The Constable of St. Lawrence quite rightly says that this Assembly has not had the opportunity to debate any strategy on waste and at some stage we should, but a word of warning: We have to move forward quickly as the current discharges from the plant at Bellozanne are breaking European guidelines and this needs to be addressed as a matter of urgency. I have had the opportunity to visit that plant on a couple of occasions and the plant itself is at the end of its realistic working life and needs to be replaced. I agree with the Minister for Planning and Environment that we need to look at all possibilities but we need to find a realistic, pragmatic and,

more importantly, affordable solution and not wait for a perfect solution or one that is simply unproven. As for the borrowing of £250 million for housing sometimes, as I have had to do in all my life, you have to trust those given the responsibility for providing such housing. I do trust the forward thinking views of both the Minister for Housing and the Minister for Treasury and Resources and am confident that the investment, hopefully we will make, will pay dividends both for the Island as a whole but especially for those desperately in need of housing around the Island. So, in short, I will be supporting these bold proposals in this Budget.

### **1.1.23 Connétable J. Gallichan of St. Mary:**

Again, I am fortunate to follow my colleague because I echo most of what he had to say. I would just like, briefly, to say a couple of words about the Grand Projet that the Minister for Treasury and Resources has alluded to several times recently and indeed did in his opening remarks.

[15:15]

Because the Grand Project is an idea that I have been discussing with him; when I say “discussing” I think probably the Minister for Treasury and Resources says, nagging him about for a couple of years now intermittently. It came from 2 things, which can be summarised in 2 words “temptation” and “suffering”. The temptation that was always in the back of my mind that that big Strategic Reserve was there in the darkness glowing, calling out to Members to say: “Use me, use me” and we have had things in the past where people have said: “It is the Rainy Day Fund.” How much does it have to rain? How much does it have to rain before we are going to use it? I was always concerned that in less prudent hands than the ones that have been looking after our purse strings recently, that that Rainy Day Fund would be used for projects that would turn out to be, in the fullness of time, perhaps not as worthy as we had originally thought they might have been. So that was the temptation. The other part was the suffering. The fact that I was convinced that the average Jerseyman has been suffering, as have most people in the world, but we have been cushioned to some degree but pound for pound we have been suffering here, people have been continuing to pay their taxes. They have been continuing to make contributions to our economy in very difficult circumstances and generally, I think, the Jersey person is quite stoic and they are quite resilient and as long as they can see that the money they are paying over is being used well then they will accept that they have to pay for things but there are some decisions, I think, that have been made that the Jersey person on the street has questioned. So I thought: “Well, we need to be giving something back.” This was the idea behind the Grand Projet and when I discussed it firstly with the Minister for Treasury and Resources I was thinking about, in abstract terms, just what could we use? I thought something that everybody in the Island could benefit from or would need, perhaps, at some stage and I was thinking quite small, about perhaps an elderly care unit, a dementia care unit. Something that could ... any one of us at any time of our lives could find a need for. Never in my wildest dreams did I imagine that my Grand Projet would be quite so grand. When we started to hear talk from the Council of Ministers about the hospital redevelopment - and I do not take any credit for that, that is not my idea, my idea was a concept of a grand projet not developing it - that I thought: “Well, this is something that really we should get behind because this is something that we all have a stake in and we all have a need for.” The money belongs to the people of the Island so the people of the Island need to feel that what it will be spent on, or how it will be used, will benefit them and anyone who, as I have, has seen an elderly relative or any relative at all facing long stays, perhaps their final stay, in cramped conditions where the staff do absolutely everything they can, but the conditions they work in are appalling where you can just about draw the curtain around the person in their bed and one visitors on a chair, where there is no privacy, where the suffering of the person in the next bed keeps them awake all night and it is not that person’s fault. Then you know that we have to act and we have to act now. So behind the Grand Projet, yes, 100 ... well, as many per cent as you want, I can only go to 100 but if there were

more than 100 per cent then that would be there. So I congratulate the Council of Ministers, the Minister of Treasury and Resources and the Minister for Health and Social Services and everyone who has had input in that and I am 100 per cent behind that. How we fund things? Well, I would just like to say a couple of very brief points because what the Deputy of St. Martin said brought it down to a very simple level which is exactly what I was planning to do. There are a couple of little things that can still be said. Firstly, borrowing is not bad. Borrowing beyond your means is what is bad and that is not what is proposed here. Secondly, whenever you have even a little bit of money, even my bank account, what little money I have got is earning a little money, perhaps on deposit or whatever, but you have to understand the way the banking system and the monetary system works. It may be giving me a return but it is giving my bank a return. It is giving everybody a return. You have to make your money work for you because if it is not working for you it is working for somebody else. What this project does, at long last, it has been an accumulative process, and the Treasurer at the moment has done absolutely astounding work with the team and what they have done, but what this project will enable them to do is to make the money that belongs to the people of this Island work really well for the people of this Island and I do not dare stand in the way of that happening because it is about time and I am jolly glad it is happening and so this gets my support.

**[Approval]**

**1.1.24 Deputy M.R. Higgins:**

When I look around this House I see that it is filled with enthusiastic foot-stamping supporters of the Minister for Treasury and Resources and his Budget. I also see others who see him as a modern day incarnation of Niccolò Machiavelli's, the Prince of Darkness, who also do not support the Budget. I certainly do not fall into the first camp. I am not a foot-stomping supporter nor, surprisingly, do I fall in the second camp, at least fully. The reason why is that I do not wish to feed his ego by putting him into the same class as Machiavelli's prince. He is good but not that good. Nor do I oppose all of his budget measures. In fact, judging by his facial expressions this morning, I have been watching him very closely, I find him more like Stan Laurel or Hugh Laurie, his facial expressions, and I have enjoyed the entertainment this morning but going to the Budget ...

**The Greffier of the States (in the Chair):**

Can you be a bit less personal, Deputy, and get to the issue ...

**Deputy M.R. Higgins:**

No, I am coming to that now. I am coming straight to the Budget. As far as the Budget is concerned I support the investment in housing and the use of borrowing to fund it. Why, because I have always supported borrowing in times of recession for investment purposes. I am glad to see that the Minister for Treasury and Resources, despite his entrenched views, or his entrenched opposition to borrowing, in the 5 years that I have been in this Assembly, has finally seen the light. Housing in this Island has been badly neglected by previous Assemblies and I believe the diversion of housing rents to the Treasury and the lack of investment in housing stock and maintenance was negligent and the cause of our need to borrow now and deal with the problems that we face. Had the money raised in rents been invested back in housing we would not be where we are now and we would not, also, have the problems that we have with private sector rents as well where the States has to subsidise people in housing accommodation because insufficient housing had been provided in the public sector. I also support the investment in the hospital but I have serious misgivings about it. Not the use of interest from the Strategic Reserve to fund it but about the plans themselves and I shall be monitoring this very closely in this future. One of the reasons I have concerns about it is we still do not know what size of population the hospital is being designed to cater for. Despite repeated questions in this House we do not get answers from the Minister for Health and Social Services, from the Minister for Education, Sport and Culture, the Minister for Housing or anyone

else as to what population their plans are based on and the funding that we are putting forward. I totally disagree, for example, with the Assistant Minister for Treasury and Resources who says that population is not important in relation to the hospital or housing or, I would even suggest, education. It is very important because we do not know whether they are planning for a population - we are 100,000 now - of 120,000, 130,000 or what other secret figure they have got in mind. I do wish they would come clean with the public and discuss it. I personally believe that they are afraid to discuss it in public because they are afraid the public will not like what they have got in mind. What I would say is while I am not opposed to immigration *per se*, because I am an immigrant myself some 36 years ago, people will not tolerate a rapid influx in the population of this Island or a much greater population. The people who live in the countryside will see encroachment on their green fields if we do increase the population and the people of St. Helier will not tolerate higher housing densities. There are not enough amenities as it is at the present time. Again, carrying on to the Budget itself, I do not support the imp□ts duty rises and believe the States was wrong to support Senator Ozouf's amendment rather than the amendment put forward by the Constable of St. Helier. I will, once again, vote against this part of the Budget when we vote on the elements of it. One of the things I dislike about this Budget is that it is full of smoke and mirrors. We have the Minister for Treasury and Resources putting forward, for example, the marginal rate of Income Tax reductions, which he says is going to benefit 84 per cent of Income Taxpayers. What we do know is it is illusory because we also know, as Senator Breckon was mentioning earlier, we are going to get the Social Security increases to fund long-term care. I fully support the long-term care measures. We have got to pay for it, we are going to have to pay for it over a period of time, but I hate the giving on the one hand and taking away on the other, it is like a sleight of hand and the public are not seeing the true picture. So the message will go out there: "Yes, you are going to get all this money in your pocket," but they do not realise they are going to lose it because someone is picking their other pocket. I do hope that the public will see through the charade. I am also unhappy, as others have mentioned as well, with the lack of economic data associated with the Budget Report and the lack of information coming out of the Economic Adviser's Office, without which you cannot fully judge this Budget. It needs to be seen in context. So while I will be supporting elements of this Budget I certainly do not think it is inspirational. I do not think it is innovative. I think it is highly misleading and I shall be supporting the parts that I have indicated I shall support.

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak?

**1.1.25 Deputy T.A. Vallois of St. Saviour:**

I am not going to speak for long, to most Members ears, thankfully. Where do I begin? Listening to some of the comments that have been made; this is my fifth Budget and I have to say this is probably the best out of the 5 so I commend the Treasury and Resources Department. But I do so with my usual healthy scepticism that I have towards proposals going forward because yet again I see a cart before the horse situation. That makes me feel uncertain and concerned about what are we trying to do in the next 10, 20, 30 years because, believe it or not, there is another 37 years of me working at the moment - that might move up to 40 years - and, of course, the younger generations will have to reap the consequences of what we decide in this Budget and future Budgets. So making decisions like this we have to ensure we listen and understand what are the good things and what are the bad things we have done over the past and I am not so sure that we are very good at that. What I do welcome is the investment. I do welcome the investment because it is needed. We have made mistakes in the past, we are holding our hands up and we are saying we need to get on and do it, but let us make sure future governments are not left in the same position that we have been left in. The Budget; when I first picked it up I went through it and the Chief



Minister has always said: “Let us work together. Let us work jointly. Let us see how we can fulfil our Strategic Plan, let us say, long-term planning, our public sector reform, health and social services reform”, all the various wonderful things in our Strategic Plan that the Council of Minister are going to do. We are just here to criticise it, are we not? So I picked it up and I went through and I said: “All right, what other documents do I need to read?” So my list of documents, Public Finance (Jersey) Law 2005, Housing Development Fund, an Act dated 5th December 2006 on the Revised Policy for the Use of the Strategic Reserve. An Act dated 6th of November 2009, which was varying the policy for the Banker’s Depositor Scheme, another document I have to read to align and make sure I understand what is going on. P.82/2012 H. and S.S. (Health and Social Services) A New Way Forward. M.T.F.P. growth allocation in the P.69/2012; Anti-Inflation Strategy; when did that one come through; the recent rate of inflation, the Tobacco and Alcohol Strategies, the Taxes Transformation Programme; that is just a few. So they are the main key elements I go back to and check and I read and say: “Well, does this align? Does this fit within what we are being asked to agree?” We all know this Budget is going to be agreed. This is going to go though because there is no alternative. The Treasury and Resources Department have put a lot of work into this but what I felt uneasy about, in particular, was the proper in-depth ... I only managed to make one of the briefings that were offered but that was after the deadlines for amendments and all this work has been going on from the beginning of this year in the Treasury and Resources Department and with other departments discussing how we are going to do this. There is only so much one Member can do. I am grateful to the Corporate Services Scrutiny Panel for their report and the advisers who assisted them in doing the review.

[15:30]

There is one thing that is mentioned in one of the adviser’s reports from Corporate Services which is something that is echoed continuously in debates in the States, which is on page 105 of the report, where it states about all the reviews that have gone on, the Fiscal Strategy Review and how we discuss the technical aspects, all the different kinds of Comprehensive Spending Reviews and then it goes on to say: “What has been missing from these reviews is the articulation of a clear vision based on the function of taxation in relation to economic development and how this will incorporate the principles of taxation.” The reason why I say I feel like there is a cart before the horse is because next year we are going to decide on the Long-Term Tax Plan but this year we are going to start on independent taxation by reducing the marginal rate. This year we are making some big changes. I am not saying I am opposed to them but what worries me is that we keep on doing things back to front. Why was the Long-Term Tax Plan not done at the beginning of this term, the first year, so that we knew where we were going, giving some certainty to the individuals out there in the Island about what it is we are trying to achieve because I know what we are trying to achieve next year. I know what we are going to be achieving in 2015, we have got Long-Term Care next week, but then I look at the Budget and say: “How does this affect me as an individual?” I contribute, like all the other people out there, my constituents, the people who pay the taxes into the system to redistribute the wealth. How does this affect me and my family, my kids in the future? So those questions are the first ones. Does reading the Budget help me understand in 10 years’ time how much money I am going to have to earn, where I am going to be paying those taxes into. Is it being used efficiently and effectively? Big question mark. It does not. I know what is going to happen in the next couple of years. That does not help in terms of planning for an individual. Does that create certainty? For some maybe but it is highly questionable. There is a question on the overall impacts between what the Treasury and Resources Department is doing and what other departments are doing and I worry that things slip through when we start discussing ... we are talking about the main bits of the Budget but there are interactions between these. So, for example, we talk about increasing exemption thresholds. Planning to move to independent taxation and long-term planning for tax and that is all well and good but where is the analysis of the effect

between Social Security and tax? What is the expectation level of policymakers, which is us by the way? At what level do you start taxing an individual in this Island and how is that distorted by the amount of grants and subsidies or Income Support that we give out? How is this all related? It is all related because recognising those distortions is an important part of our decision making. It is an important part of helping the economy to grow. The one question that I did have and did not get around to getting the answer to was about education grants and higher allowances for higher education, how those interact and how those develop into something meaningful for the families going forward. I think there is still a lot of work to be done and I am sure the Minister for Treasury and Resources is listening and will be looking at some of these areas; at least I hope he will or he will just come back and throw it all back in my face. There is one thing that I find that is very difficult for us to do and we need to get better at it, it is managing expectation and recognising what is realistic to deliver in the public sector and what is not realistic. I am 100 per cent supportive of Senator Maclean in terms of public sector reform, always have been, always will be. It is about doing it right but it is managing that expectation, not being unrealistic. We need to start being able to measure what we are doing as well and being able to say: "Well, instead of making it sound like spin, because we need people to have confidence in us again, we need to start building that now." The Budget is a step towards that. It is a step because it is an investment and it is trying to create something better for the individuals and the people of the Island. I really want to be enthusiastic. I really want to stand here and say: "It is fantastic" but I do not know what is around the corner. There is still that question mark there and without the clear vision we need to have those political debates about what we want those tax systems to look like. What we want Social Security systems to look like. We do not have those big high level debates. We have the little tinkering at the edges and hope that everything is going to fit into place. All I would ask is that when we move forward with capital projects like the Liquid Waste and the hospital projects that we take recognition of all the reports that have been done in the past and public sector reform, all the reports that have been done in the past by Comptroller and Auditor Generals and the current Comptroller and Auditor General and the past Scrutiny's reviews and P.A.C. (Public Accounts Committee) reviews where, yes, there has been criticism but that criticism has been for the benefit of improving the way that we do business or benefit for the improvement of our management information when making those decisions. Do not give lip-service to it. There are project management problems. There are risk management problems and we need to deal with them and we need to deal with them now. So I would ask that going forward, when this is agreed and put forward, that we take those into recognition and we make sure that those criticisms are not used as a way of just lip-service from future governments and the current government that are in place.

**The Greffier of the States (in the Chair):**

If no other Member wishes to speak I will call on the Minister to reply.

**1.1.26 Senator P.F.C. Ozouf:**

I would like to thank all Members for their contributions. I am sorry that Deputy Maçon is not in this House. I hope that he returns. I have to say that I was rather astonished that he indicated that we were going to cut short this debate because I think we are here for passing legislation, holding Ministers to account but most importantly every Member of this Assembly is here to effectively take part and vote on taxation and spending. Every Member who has spoken deserves the appropriate ... and I am not going to be very long but I am going to respond to all the questions that have been raised because some issues ... perhaps this is a debate that maybe the work has already been done. There are not any amendments on the major issues but I hope that that is a reflection of the fact that there has been a lot of listening. There has been a lot of teamwork. There has been a lot work. There has been a lot of scrutiny on these issues. I also know that I have to work a little bit hard in this summing up to get some Members over the line in terms of some of their support for

some of the individual items. I take nothing for granted. Each part of the Budget is going to be taken separately and I am going to work hard to convince every Member to support every part of this Budget. I will say that I think that we have arrived today at a point at which, perhaps, there are some positive and some negative comments but we have had a good debate and I would like to thank the media for their part in shining the light into various different parts of this Budget. While I did not like the headline and the editorial of the *J.E.P.*: “*Ozouf legacy to end in debt*” or something, it was a question mark. It was not a statement. So perhaps it was a challenge and it is important that there should be a challenge and the media do have their role in challenging, raising and asking questions. I am going to try and group my comments almost in order of severity and I am going to respond to the negative points early. I have to say that Deputy Higgins really did take the biscuit. Machiavelli is evil and immoral, that is the definition that I quickly worked out from my iPad, and I do not want to be personal because you pulled the Deputy up, but I think that there is nothing evil or immoral in this Budget and to make that comparison, I think, was sad. I was sad also because there were no solutions. There were no solutions from quite a lot of the Members that were critical in this Budget. Members, if I may politely and respectfully say, did have an opportunity of amending it. There has been a very long lodging period and we have welcomed debates. Senator Ferguson started the Budget debate and she and the Deputy of St. Ouen are members of the Corporate Services Scrutiny Panel and they distinguish themselves because we did do a comprehensive report on their own report and I thought their report was quite, certainly in parts, complimentary so I thought there was a disconnect. I did not hear one positive thing, I do not think, from Senator Ferguson. She said that U.K. growth is fake. She said that we were supporting zombie businesses. We were criticising Help To Buy. There was a structural deficit. She had a pop at the 2-site hospital. So I wish the Senator would move on. I think that we have moved on from dual site police stations and the criticism on all of that. She did also criticise the fact that that there was not a Liquid Waste proposal. We are going to have a Liquid Waste Strategy. It is going to come forward to this Assembly and I hope we are going to have an open public dialogue and a debate about it. What this Budget debate is doing is ... and I will come to Deputy Vallois later. I am not quite sure whether sometimes I should be the cart or should be the horse, but here we are putting the funding in theory and there are some further debates and discussions to be had on the drawdown. We are putting the funding in place and then doing the strategy. I have heard sometimes it is strategy that has got to come first and then the funding. I just do not know where to be sometimes. But coming back to Senator Ferguson, she constantly criticises the use of the Currency Fund. I commend the Treasury Team for using cash that has been previously languishing in bank accounts across the States organisation and I applaud the positive comments that have been made by a number of Members to the Treasury and Resources Department team and the Treasurer for what she and the team have been doing in terms of making the money work. So I thought that the licensing comment for Santa and giving out sweets was a little unfortunate. I thought that the Corporate Services Scrutiny Panel was positive about the Budget. I was really pleased to see the positive comments in the report about commending the financial model that we have got in Jersey. I thought that was incredibly positive. During the course of the debate today we have had the U.K. give their Autumn Statement. The Office for Budget Responsibility, maybe there is a bit of irresponsibility in some other Budgets not this one, certainly have upped their growth forecasts. I said in my opening remarks that this recovery in the U.K., now clearly underway, clearly real, is anything but a debt-fuelled recovery. It is just not right to say that and I point the Senator to the particularly encouraging business tendency first survey that has been incredibly difficult in the last few years. I understand that Senator Ferguson had attended the R.B.S. lunch yesterday. Now, if she does not believe me, I do not know who she believes, but certainly I understand that the R.B.S. Chief Economist said yesterday that the worldwide recovery in the U.S. and the U.K. was underway. She criticised, and a number of Members have criticised, the marginal tax rate cut. I want to be clear to Members, this is not designed to be a fiscal stimulus. There is fiscal stimulus in

terms of the capital programme and in all of those areas. The marginal tax rate cut is an opportunity to send a signal, an important signal, of confidence to Islanders on lower and middle-incomes, to earners that have seen their incomes being squeezed. I am signalling the fact that we want to do more in terms of that marginal rate of tax so it is not a fiscal stimulus. It is about confidence and it is about doing something real. It is also not right to say that it will not affect people's decisions immediately because, yes, it is permanent. Yes, it can be afforded and it means that people can start planning some decisions about those things that they want to do, maybe buying a house, maybe making spending decisions. When they know that they are ... I can see the Deputy of St. Ouen shaking his head. I do not know what to do to get a sense of enthusiasm and positiveness into the Deputy of St. Ouen. I really would like to do something. What more does he want than a tax cut for 84 per cent of Island taxpayers? The Senator also, when she is saying: "No, no, no", and I say: "Yes, yes, yes, to capital spending." I say "yes, yes, yes to capital spending" when there is spare capacity in the economy which there clearly is. She is saying that our spending in the short-term was going to be inflationary.

[15:45]

No, it is not. It is going to keep people in work and I will come to the Minister for Housing and his important responsibilities to ensure that that continues to happen.

**Senator S.C. Ferguson:**

Correction. If the Senator would give way, I did not say that it was going to be inflationary in the short-term. I said that by the time the economy starts recovering fully it will be inflationary.

**Senator P.F.C. Ozouf:**

That is why we are going to deal with supply side issues and I will come to the productivity issues in a minute. I am grateful for even the sort of slightly pithy remarks that I have to make because Senator Ferguson was quite negative. I hope she is going to vote in favour of all areas of this Budget because I thought her Corporate Services Scrutiny Panel report was certainly signalling that it should be supported and her external advisers were saying that. I am very grateful for the remarks of the Constable of St. Lawrence. She is a new member of the Corporate Services Scrutiny Panel. She, I think, is constructive criticism. She shines the light into areas such as productivity and she is right to do so but she is also, on balance, supportive of this Budget and I am extremely grateful for her constructive criticism. I am going to come back, if I may, to the issues of productivity which she raises. I want to try and convince, if I can, Deputy Le Fondré to support this Budget. I thought that he was a little bit unfair. He was an Assistant Minister for Treasury and Resources. He harps back to G.S.T. rises. He even, if I may say quite cheekily, suggests that there will be a note left by me in the Treasury to say, almost *à la* Chris Byrne I think it was ... no, he is head teacher of somewhere. Chris somebody, there is a Labour person that left a note to say: "There is no more money left." He was an Assistant Minister in Treasury and Resources in 2007 and 2008 and I arrived in the Treasury and I make no criticism at all because the world had changed. The world had changed in terms of deficits, in terms of economic reality and I did not find a note and I am not going to say that there was a note but I wonder where Deputy Le Fondré was in 2007 and 2008 in suggesting that there could be problems down the line. Again, from Deputy Le Fondré I hear no solutions. I hear criticism. I hear lots of criticism. I hear a criticism that I have got something of the Gordon Brown about me in terms of my spending. I say that is a bit rich. I will give way if he wants to. He may want to say something nice.

**Deputy J.A.N. Le Fondré:**

That was a quote from a letter in the *J.E.P.* from the past Treasurer of the States not necessarily from myself. Obviously, I endorse the comments but they were comments made by someone else.

**Senator P.F.C. Ozouf:**

But he says he endorses them and that is the problem. He is an accountant. I think he knows how we account for repairs and maintenance. I think he understands the concept of capitalisation and I would particularly object ... and I will invite the former Treasurer into the Treasury to explain what we are doing in relation to our spending. We are doing something important. We are taking debt on our balance sheet. What Gordon Brown did is he took debt off the balance sheet. He created P.F.I.s (Private Finance Initiatives). He pumped up capital spending off balance sheet and now the U.K. economy has got significant problems to deal with it. I am doing the opposite. You could say that the Jersey Homes Trust ... and the Deputy is a trustee of one of the housing trusts, so he better be careful in terms of what he is saying about off balance sheet matters because we did put social housing debt off balance sheet. We did do it and I think that there are some lessons to be learnt from that. We are doing the opposite of that. We are taking debt on our balance sheet, taking low interest rates, long-term interest rates, locking them in and then we are going to be passing off to the Housing Company under strict rules. We are doing the opposite of what the accusations of the former U.K. Chancellor were and I am really disappointed that he should make such a cheap shot in comparison, which I think is not only wrong but it is doubly and triply wrong. He has got his debits and credits wrong. He asked about the incentives to work. I think that was him. I have gone maybe over a page. I think somebody did. Well, I would just say in relation to incentives to work the marginal tax rate is doing exactly what the Minister for Social Security and the Chief Minister and many other Members in this Assembly are saying is making work pay because the marginal rate cut is going to help those people on lower incomes and I think that is a very positive thing to do. He did say: "What are we doing about marriage?" Well, I am not married. I am not in a civil partnership but I jolly well understand that our current taxation system, again which he was involved in the Treasury for a while, is unfair to marriage and I understand that and this Budget does something about that. Yes, it does not solve it all but it signals the intention to independent taxation and we are making a step forward in terms of rebalancing the single personal allowance versus the married couple allowance. There is a long way to go for that but that is now being done and I hope that he would support that. I would say, again, he questioned the affordability of the marginal rate. Again, I do not know what I can do to please him. He criticised the increase in G.S.T. a few years ago and says we did not need it and should not have done it. Then at the same time we are producing a tax cut and he is saying he does not like that. I do not understand it. He makes the link with long-term care as a number of other Members did. Long-term care is an aspiration of ... I am looking around this Assembly, many Members of this Assembly, and we are going to have a debate with the Minister for Social Security next week. In this debate almost the marginal tax rate cut has been said: "Oh, it does not matter about the marginal tax rate cut because we are just taking it away in the long-term care charge." The long-term care charge gives a new benefit. It gives certainty to our senior citizens, a lot of them have not contributed to the new-long-term care charge, but they have contributed over the decades of their contribution and it gives them a new benefit. What does the Deputy want us to do? Does he want us not to do the marginal rate cut, not to do the long-term care charge, not to do anything? I am not sure. I was disappointed as an Assistant Minister of T.T.S. there was not one signal mention of the department in which he is responsible for because I want to support strongly T.T.S. in the work that they are doing and I thought that was a shame that he was not supporting the department that he is supposed to be an Assistant Minister for.

**Deputy J.A.N. Le Fondré:**

A point of clarification. I am voting for the capital elements of the spend. It is only part A I had a reservation about and it is the sustainability in the medium-term. That is it. The rest of the Budget I am supporting. Part E I am abstaining on because of a conflict of...

## **Senator P.F.C. Ozouf:**

He has had his say and I have finished dealing with his comments. I am going to be very positive. I am coming to the positive elements but I do hope that Deputy Le Fondré is going to support all parts of this Budget because this is a tax-cutting budget and I hope he will support it. To Senator Breckon, I wondered where the speech was from. I do not know what to do to Senator Breckon to please him either. He sounded as though his speech was in a pre-2007 groove. Since 2007 we have had a huge financial crisis. We have had to make huge difficult decisions. Ireland has gone bust. The U.K. has nearly gone bust. We have got countries with 100 per cent of G.D.P. We do not have 100 per cent of G.D.P.; that would mean £4 billion of debt that we would be structuring here instead of that. We have not got £4 billion of debt, and I will deal with debt in a moment, but as of today we have got a balance sheet of £3 billion to £4 billion, so on the pendulum we could have had debt of £4 billion, we could have had zero or we could have plus £4 billion. That is where we are, I say, to Senator Breckon after the so-called financial crisis and it is because there have been some difficult decisions that have been taken. He criticised the housing spend and I ask him to consider whether he supports the £250 million Housing Bond. He cares about housing. He cares about social housing. He wants to put money into protecting those people who cannot get into the housing market. I do not have a list of all the propositions he has brought over the years for that but what the Minister for Housing is doing, and this £250 million bond, I thought is doing exactly what he has been supporting in many years of advocating investment in social housing. Deputy Baudains, I value him as a prudent, sensible Jerseyman. He has got a great knowledge of motors and infrastructure but he has a slight tendency, if I may say so, for looking back with rose-tinted spectacles. I do not say that they have no barnacles on but certainly I want to convince him that the new way of dealing ... and I have just seen him through the door. I am sure he will be in the Assembly in a minute. There is something of the ghosts about that. **[Laughter]** Do we really want to go back to those ghosts of short-termism? He wants to go back to a budget where we fix the spending and then do the tax. Does he want to go back to a world in which the Housing Committee and the Telecoms Committee, which we both sat on for an uncomfortable period, had to bid for money at the same time as the hospital or T.T.S.? We are solving all of those things of that Housing Committee, that I sat on with Deputy Baudains, all that time long ago. We do not have any sink estates any more or we certainly will not have any more sink estates any more as a result of the ... **[Approbation]** but we are putting money into all the social housing stock and I am massively proud of what we are doing. It is not getting worse, it is getting better. I will also be very clear that I will set out, next year, the revised and strengthened arrangements for the Strategic Reserve. I will set out how we are going to do the Stabilisation Fund and replenish that. I am looking forward to putting in the detail of the Housing Development Fund arrangements and I will come back to housing in a minute. Deputy Southern, I have left him in the middle of my response because he is partly supportive and partly critical but I am grateful for his support in relation to the issues that he believes that we are making real investments for and I am grateful for his support. He has brought, tenaciously, a number of requests to spend money from the Strategic Reserve in recent years. We have not been able to do that and the chart that we have published in relation to the response to the Corporate Services Scrutiny Panel shows why we were right, perhaps, to resist Deputy Southern in the requests between 2005 and 2011 for the Strategic Reserve not to be touched because the black line and the blue line above it; we should not spend anything below the black line. That is keeping the Strategic Reserve in real terms. If we had done what he wanted then we would not have the money now. I do not think he means this but sometimes he wants jam today and put the problem off tomorrow. Well, he has got some jam today. He wants jam tomorrow as well but we have got to pay for it. He is right to criticise some of the past areas but we are investing and we are investing in all of those areas. To Deputy Young, now I really want to try and say some things that are going to get him over the line and supporting the Housing Bond and some of the areas that he did say ... he said in his speech that he might not support the Housing Bond but

I had a chat with him over lunch and he wants a couple of reassurances that might get him to support the bond. He did raise an important question about the new proposal that had been made yesterday about the hospital and the suggestion that by buying the 2 new hotels we could have a single site hospital operation. I do not think that is possible but of course the Minister for Health and Social Services and Property Holdings will continue to work on the hospital plan and the phased approach. I think we have got to be quite careful of listening to people who have self-interests in relation to buying hotels and other issues. I think we are all adult enough and grown up enough to know that lobbying is absolutely fine but we need to know where people are coming from. Certainly, I do not want to be in a position of having to not be able to deliver the Minister for Health and Social Services' objectives or what she needs to deliver in her hospital. So I do not believe that we could fit all the hospital site on an expanded general hospital site but I think that there is work to be done. I do think that Overdale is the right place to put some of the daycare centre operations. I understand that cancer care, renal care, some of the other areas of health ... the Minister for Health and Social Services has been on her own roadshow on the hospital plan and I am grateful for that. He did mention economic leakage. The F.P.P. has been very clear about economic leakage. They have said that it is a risk in a small economy but on balance they have said that the economic stimulus that we have put in has been absolutely the right thing to do, so I appreciate the comments that he has made. The particular issues that he wanted to know was that there are some further issues about the Housing Bond that are going to have to be put in place. This Assembly is going to have to consider a consequential amendment to the Public Finances (Jersey) Law 2005 in January which is going to need to be agreed because the percentage of borrowing that we are permitted is set out under the very strict Public Finances (Jersey) Law 2005 and we are going to have to win States approval for that.

[16:00]

There is great deal of work to be done. The in-principle decision on the Housing Bond is being taken today, that is going to mean that the Treasury is going to be able to start the process of getting that bond into the market. There are some rules that have to be associated with that Housing Development Fund and Deputy Young will know, I think, the Housing Development Fund was used for a number of reasons a number of years ago, for example, Woodville Estate, at the back of the old maternity unit. We are going to put some new revised rules on the Housing Development Fund. There is going to be a code of direction of using it, *et cetera*. So there is a long way to go. This is not the end of the road, the end decision for the Minister for Housing, but it certainly is a signal that starts that process. We are going to have to work really hard to sell that bond by that way. We are going to want to try and get the lowest possible interest rate and doing that means that we have got to explain even more about the whole public finances position of Jersey. There is a great deal of work to be done but I am confident that we are going to do that. I ask the Deputy, perhaps in these final remarks, to just look at the Corporate Services Scrutiny Panel's response and the F.P.P. response that I have made in relation to what we are going to do with both the Strategic Reserve Stabilisation Fund and H.D.F. (Housing Development Fund). The Connétable of St. John, he sent me a little note to say: "Do not worry, I will give you some nice comments in the third reading." Unfortunately there is not a third reading but I know he is secretly a supporter because I know that he cares about infrastructure spend and by goodness me what an infrastructure spend record this Assembly has got. He is questioning the borrowing. He is a businessman and he understands that virtuous circle that the Minister for Housing responded to, the virtuous circle of getting in rent and repaying it. I would ask him to think about whether or not he is going to support the Housing Bond. I am sure that he has got parishioners in St. John that do not have access to housing. I am sure that St. John may welcome some investment in social housing in the future and I am sure that he will work out that there is never a better time to lock in low interest rates. He is probably not a borrower himself because he is probably one of those Jersey men that does not

borrow but if you do have to borrow now is the best time to do it. You can lock in 30 year money if you issue a Government Bond and we can lock it in at very low interest rates and we can benefit the next 10 or 20 years of social housing tenants to do so. I think that he wants to support the bond but he just wants me to give some extra reassurance that it is the right thing for a prudent Jerseyman to do. I am not going to criticise him for not coming up with any solutions but he did raise the prospect of not having a concern about taking money from the Strategic Reserve. The Strategic Reserve, as the Connétable of St. Mary has said, has been preserved and we are preserving the value and the capital value of the Strategic Reserve in real terms. So it is the investment returns. It is over and above ... we have kept the Strategic Reserve value in place that we think we can afford, £297 million. He is probably a pretty wily investor and I think that he would probably know that a 5 per cent investment return is not a bad prudent assumption for the next few years. So I would just ask him, before he votes, does he have an alternative for the hospital? Does he has an alternative to do the investment that is so required in terms of our elderly citizens healthcare, looking after the maternity unit, whatever it is. Every man, woman and child needs access to healthcare and we are going to give them the facilities that they can have that and there is going to be no top cost to taxpayers to do it. But what is the alternative, not do it or tax people? I would just ask him to consider it. Senator Farnham, he says “working together”, well I want to work with the Home Affairs Department on all of the important issues of preventing problems on Jersey streets. If I may say I think that his remarks about us not supporting tourism may have been appropriate a number of years ago. I do not think they are any longer correct. We all support tourism. We want to help tourism. I welcome the Minister for Economic Development’s comments already about tourism and I do not think that we would be getting EasyJet into Jersey with additional volume, 3 rotations a day, an extra route every 5 years, if they were not confident in tourism. So I ask him to reflect, does he want to continue the mantra of saying that this Assembly does not support tourism and does he really think that there is a hotelier out there that is going to close their doors because we have put a penny on a pint. I just do not believe it. Now, if he has got those problem tourism people within the Jersey Hospitality Association then send them to the Minister for Economic Development and send them to the Tourism Development Fund.

**Senator L.J. Farnham:**

I am going to be sending them to the Minister for Treasury and Resources never mind all the...

**Senator P.F.C. Ozouf:**

No, because there is a seamless segregation of duties in relation to this. I do the rules for the Tourism Development Fund and Innovation Fund and the Minister for Economic Development and his team looks after them. So I think we need to stop this refrain, stop this criticism of saying that this Assembly does not support tourism, we do. We are putting money in to do it and I think that he probably needs to reflect on the remarks that he has made. So I think I have dealt with Deputy Vallois. Deputy Vallois is constructive. She asks questions and, yes, there is more to be done in terms of Social Security and Income Tax. The first stage of that is the Long-Term Care Scheme, by charging the levy on long-term care on the basis of Income Tax which basically means that people on lower incomes do not pay as much. There is always more to do but I ask Deputy Vallois, please recognise what has already been done. I am very grateful for the support of the Deputy of St. Martin, Deputy Bryans and the Connétable of St. Brelade. They were all complimentary and they are all, I think, certainly the Connétable and the Deputy of St. Martin, are both examples of constructive scrutiny that is now going on. I think that they were right. Also, the Deputy of St. Martin warned of complacency. We must not be complacent. This is a good budget but we now have to work hard to secure that economic growth in the future and he is right to say that we should be doing more in terms of saving money. The Minister for Economic Development and the Chief Minister have said that. There is no let-up in the constant and necessary path of making more



savings. You criticised the Minister for Economic Development for talking about savings but if we are going to deliver what effectively is balanced budgets in the longer term and if we are going to meet the revenue expenditure in future budgets we are going to have to make some more savings but we are going to make some savings in a positive constructive way. I have just seen the Deputy of St. John ... oh, he does not want to give way. The Constable of St. Brelade talked about teamwork, absolutely, and this teamwork is a result of lots of people ... we have got a long way to go before this Budget is finished and I will deal with officers later in a positive way. He spoke, I think, very constructively, as did Deputy Pinel. She is a Deputy who is going to benefit from some of the housing investment in social housing and she spoke about Le Squez. There will never be another return to the kind of underinvestment that we have seen in social housing and she knows that. I am sorry her children do not benefit from the improvement that is going to be made as far as the tax system. Deputy Bryans spoke about innovation and I compliment him on the work that he has done with the Education, Sport and Culture Department and Deputy Le Hérissier on making the case for digital rollout of I.C.T. (Information and Communication Technologies) education, to Deputy Le Hérissier in terms of sport innovation. The Connétable of St. Mary spoke about the Grand Projet. She said she understood how people have been squeezed. We know that. There has been a very difficult number over the last few years, a lot less worse than other places, but now we have the opportunity of doing it. I am pleased that she is pleased. There are winners in this Budget for everybody and some of the winners ... it is not a case of Ministers having special access or being treated favourably but the Minister for Housing, the Minister for Transport and Technical Services and the Minister for Health and Social Services are winners, and their departments, for investment. We are making huge investments. I do not need to work anymore in terms of that but next year, as a result of the decisions that we will take, the Minister for Housing will have money for 20 units at Nicolle Close, 39 units at Hampshire Gardens, 32 at De Quetteville Court, Le Squez phase 3 and Lesquende with 44 more essential units. The £250 million is going to deliver those much-needed extra social housing units but it is also going to deal with the final refurbishments that are required at Hampshire Gardens, Convent Court, Caesarea Court, De Quetteville Court, Hue Court and Osborne Court. I just say “those issues” because it has all been worked out and this Assembly has already approved the Housing Strategy. The debate has rightly focused around productivity also. Productivity is probably what the Jerseyman and Jersey woman do all the time. They do more with less. That is the definition of productivity, if somebody wants a simple one, and that is what we are going to do in terms of public spending and in terms of making sure of the economy. If you increase productivity ... and why does it matter? You raise the standard of living of the community in which you operate and that we serve and that is why it matters and that is why there should be an extra special focus on it. There has been a focus on it. I have to say it is disappointing to say that Senator Ferguson, again, does not see the productivity agenda. The productivity agenda is enhanced and embraced in the financial services work that we have done, the Rural Economy Strategy which the Deputy of Grouville has been involved in. That is all about productivity and the new tourism strategy is about productivity too, not supporting businesses that no longer can be supported or are supportable, not supporting zombie businesses, as Senator Ferguson says. There are lots of good tourism businesses in Jersey. There are 3 strategies that are going to be at the heart of the productivity agenda in the next year. The population policy will focus on high value immigration. That is what we should be doing. We should be also focusing on the skills strategy and the Minister for Economic Development is coming forward with an enterprise strategy. We are putting productivity, to quote the U.K. Chancellor, on steroids and rocket boosters and it should matter because productivity really matters and that is what is going to deliver us growth in the longer term. I am grateful for Senator Routier’s comments about the marginal rate. I think that all of those previous Finance and Economics Committee Members would be very pleased about this marginal rate cut and I welcome his comments and I also thank wholeheartedly the Chief Minister for his steadfast support of this Budget process which I think has

been a constructive example of teamwork throughout all the Council of Ministers. This is a budget that does deliver that economic growth. It does deliver an environment which can have job creation. It does improve education. The Minister for Education, Sport and Culture did not speak but this Budget is doing things for sport in a way that never has been achieved perhaps in recent years and it is preparing the Island for an exciting Natwest Island Games in 2015 and it is doing something for Fort Regent. I am immensely proud about that. I will not repeat the fact that this is a tax cutting budget, a marginal rate cut. We are doing things for children at university. We are enhancing that by around £800. We are solving long-term care and we are solving health, we are solving Liquid Waste and we are solving housing. I think we have had a good debate. I hope I have responded to all of the questions that Members have raised. I am going to propose that this Budget proposal be taken in each of the individual parts. That is the right and appropriate thing to do and I thank Members for their support. I hope that they are going to all vote in favour of everything. I see Deputy Young has got a question.

**Deputy J.H. Young:**

If I may ask clarification of the Minister for Treasury and Resources. We did have that conversation and I am grateful for the clarification on the housing points he has given. If he could clarify 2 questions. He made the point that the approval for borrowing on the housing loan was up to £250 million and I would like him to confirm that we do not propose to, as it were, commit it all at once. If he could perhaps tell us what part we need to commit earlier on. The other point is regarding the point I requested on item (f) to do with the funding for the hospital about the fact that proposition (f) talks about us releasing an initial sum of £10.2 million. I would like him to clarify whether that means that by approving it, this means that the hospital project ... that planning can go ahead up to the figure of £10.2 million but any other further release of funds from this source would require this House to give specific approval. If he could clarify that point.

**Senator P.F.C. Ozouf:**

Yes, it is up to £250 million because we want to retain some flexibility in relation to the actual amount that is borrowed, either because of market situations at the time when we go and do the bond but also because the Deputy will, I am sure, recall that the £250 million is made up of 2 aspects: £207 million for refurbishment of existing units and the rest of that for new units and that £43 million is dependent on the Assembly almost agreeing and taking a judgment about whether or not this Assembly is likely to agree the further rezoning proposition which would mean that there are more social houses done.

[16:15]

There is a judgment call that is going to have to be taken and there is a difficulty because, as Members will be aware and when they go home this evening or if they have been looking in their iPads, they will see that the U.K. economic situation is improving and I do not want to miss the boat of locking in low interest rates of the like that they are. That is why it is up to £250 million and I would say that what the Minister for Housing has been doing is he and his team, and I commend them, with Property Holdings, they have been achieving some crackingly good returns for their projects that they have been letting out for tender. If we do not think we need £207 million for the refurbishment of all of those projects, we will not borrow it. It is as simple as that, but I hope that we will also agree for the new units. On the hospital, I want to be clear. This Budget is about setting the direction of how the hospital will be funded. That is why we are asking Members to agree the variation of the terms of the Strategic Reserve but the further withdrawals are going to have to come back to this Assembly for approval. We are not approving £297 million for the hospital. We are saying to the Minister for Health and Social Services that is her budget but we are going to have to have the individual approvals later on and I hope to do that as soon as possible

when the plan for the hospital is worked up. Again, this is cart and horse. I think that it is right to set the Budget. We are setting a clear direction. I hope that gives the Deputy the comfort that he wants.

**The Greffier of the States (in the Chair):**

Deputy of St. John, you did not speak in the debate. I am curious how you think you can ask for something to be clarified.

**Deputy P.J.D. Ryan of St. John:**

I was going to clarify, Sir, I did not want to disturb the Minister for Treasury and Resources in full flow, but Mr. Chris Beirne is the highly esteemed principal of not just any other school or some secondary school. He is principal of the highly esteemed Beaulieu Convent School and I thought that should just be clarified. I would also like to apologise to the Assembly. I was not able to be in the Assembly because I was chairing an important Education meeting where some people have flown in from some distance to be here but in case my Assistant Ministers have not already said so, I would like to thank the Minister for Treasury and Resources for his additional sports funding, *et cetera*.

**The Greffier of the States (in the Chair):**

Deputy, the Minister has summed up. So therefore we come to the vote and the first vote is on paragraph (a) which is effectively to approve the estimate of income through the various taxation measures set out and if Members are in their seats ...

**Connétable A.S. Crowcroft of St. Helier:**

Sorry, Sir, could I seek your clarification? If I want to vote against the impôts rises, is now the time to do so?

**The Greffier of the States (in the Chair):**

No, your time will be when we come to the Draft Finance Budget Law.

**The Connétable of St. Helier:**

Thank you.

**The Greffier of the States (in the Chair):**

Therefore the Greffier will open the voting on paragraph (a).

<b>POUR: 36</b>		<b>CONTRE: 8</b>		<b>ABSTAIN: 1</b>
Senator P.F. Routier		Senator A. Breckon		Connétable of St. Helier
Senator P.F.C. Ozouf		Deputy G.P. Southern (H)		
Senator S.C. Ferguson		Deputy of St. Ouen		
Senator A.J.H. Maclean		Deputy J.A.N. Le Fondré (L)		
Senator B.I. Le Marquand		Deputy S. Pitman (H)		
Senator F.du H. Le Gresley		Deputy T.M. Pitman (H)		
Senator I.J. Gorst		Deputy M.R. Higgins (H)		
Senator L.J. Farnham		Deputy J.M. Maçon (S)		
Senator P.M. Bailhache				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Brelade				

Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy A.K.F. Green (H)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

Very well. I will ask the Greffier to reset the voting system and the next vote is on paragraph (b) which is, although I am not sure it has been referred to during the debate, about the appropriation of growth expenditure for 2014 and the Greffier will open the voting on paragraph (b).

<b>POUR: 39</b>		<b>CONTRE: 5</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Connétable of St. John		
Senator P.F.C. Ozouf		Deputy G.P. Southern (H)		
Senator A. Breckon		Deputy of St. Ouen		
Senator S.C. Ferguson		Deputy S. Pitman (H)		
Senator A.J.H. Maclean		Deputy T.M. Pitman (H)		
Senator B.I. Le Marquand				
Senator F.du H. Le Gresley				
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				

Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

I will ask the Greffier to reset the voting system. Paragraph (c) next refers to the Capital Programme Capital Projects for 2014 other than States Trading Operations and the Greffier will open the voting.

<b>POUR: 40</b>		<b>CONTRE: 4</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Connétable of St. John		
Senator P.F.C. Ozouf		Deputy S. Pitman (H)		
Senator A. Breckon		Deputy T.M. Pitman (H)		
Senator S.C. Ferguson		Deputy G.C.L. Baudains (C)		
Senator A.J.H. Maclean				
Senator B.I. Le Marquand				
Senator F. du H. Le Gresley				
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				

Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

The Greffier will reset the system. The next vote is on paragraph (d) which is the reference to the Capital Projects of the Trading Operations for 2014 and the Greffier will open the voting.

<b>POUR: 40</b>		<b>CONTRE: 4</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy S. Pitman (H)		
Senator A. Breckon		Deputy T.M. Pitman (H)		
Senator S.C. Ferguson		Deputy G.C.L. Baudains (C)		
Senator A.J.H. Maclean				
Senator B.I. Le Marquand				
Senator F. du H. Le Gresley				
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				

Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

We come now to paragraph (e) which is relating to the terms of reference of the Housing Development Fund and the permission for borrowing up to £250 million and I would point out to Members that the words that appear between paragraph (c) and (d) have become somewhat superfluous in that this law has now received sanction and been registered in the court. The proposition was drafted before that happened but it does not affect the meaning of the paragraph and I will ask the Greffier to open the voting.

<b>POUR: 37</b>		<b>CONTRE: 6</b>		<b>ABSTAIN: 2</b>
Senator P.F. Routier		Senator S.C. Ferguson		Senator A. Breckon
Senator P.F.C. Ozouf		Connétable of St. John		Deputy J.A.N. Le Fondré (L)
Senator A.J.H. Maclean		Deputy G.P. Southern (H)		
Senator B.I. Le Marquand		Deputy S. Pitman (H)		
Senator F.du H. Le Gresley		Deputy T.M. Pitman (H)		
Senator I.J. Gorst		Deputy G.C.L. Baudains (C)		
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of St. Ouen				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

Finally we come to paragraph (f) which refers to varying the uses of the Strategic Reserve Fund and allocating an initial sum of £10.2 million and the Greffier will open the voting.

<b>POUR: 38</b>		<b>CONTRE: 6</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator S.C. Ferguson		
Senator P.F.C. Ozouf		Connétable of St. John		
Senator A. Breckon		Deputy of St. Ouen		
Senator A.J.H. Maclean		Deputy T.M. Pitman (H)		
Senator B.I. Le Marquand		Deputy J.M. Maçon (S)		
Senator F. du H. Le Gresley		Deputy G.C.L. Baudains (C)		
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.G. Le Hérissier (S)				
Deputy J.A. Martin (H)				
Deputy G.P. Southern (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy S. Pitman (H)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy M.R. Higgins (H)				
Deputy A.K.F. Green (H)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**2. Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013):****The Greffier of the States (in the Chair):**

Very well. The States must now give legal effect to the decisions that have been taken in the Budget and the first piece of legislation is the Draft Finance (2014 Budget) (Jersey) Law. I ask the Greffier to read the citation.



**The Deputy Greffier of the States:**

Draft Finance (2014 Budget) (Jersey) Law 201-. A law to set the rate of Income Tax for 2013 and to amend the Customs and Excise (Jersey) Law 1999, the Goods and Services Tax (Jersey) Law 2007, the Taxation (Land Transactions) (Jersey) Law 2009 and the Stamp Duties and Fees (Jersey) Law 1998. The States, subject to the sanction of Her Most Excellent Majesty in Council, have adopted the following law.

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

The Assistant Minister is going to take the legislation that now follows.

**The Greffier of the States (in the Chair):**

Yes, very well. Assistant Minister, do you wish to propose the principles of the draft?

**2.1 Deputy E.J. Noel (The Assistant Minister for Treasury and Resources) - rapporteur:**

Yes. Following the decisions reached in the Budget debate, the Draft Finance (2014 Budget) (Jersey) Law proposes the standard rate of Income Tax and the Income Tax exemption thresholds for 2014. It sets out the impôts duties for 2014 and it maintains and extends the thresholds for first-time buyer relief in respect of stamp duty and land transaction tax. It also makes some minor amendments to the G.S.T. law and I move the principles.

**The Greffier of the States (in the Chair):**

Are the principles seconded? **[Seconded]** I just wanted to clarify, Assistant Minister, the principles refer to setting the rate of Income Tax for 2013 which seems slightly curious to me. Is that a typographical error?

**Deputy E.J. Noel:**

It is a typo in my speaking note.

**The Greffier of the States (in the Chair):**

It is the matter the Deputy Greffier read out. The citation of the law says: "A law to set the rate of Income Tax for 2013" whereas Article 1 clearly refers to 2014. I believe it is a typographical error that Members are no doubt content to correct when the law is published. Very well.

**2.2 Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Articles 1 and 2:**

**The Greffier of the States (in the Chair):**

There is no Scrutiny for budget taxation drafts so, Minister, do you wish firstly to propose Articles 1 and 2 because there is an amendment required to Article 3?

**2.2.1 Deputy E.J. Noel:**

Yes. Article 1 sets out the standard rate of Income Tax for 2014 year of assessment at 20 per cent. Article 2 sets out the Income Tax exemption thresholds for 2014 year of assessment for individuals, married couples and civil partnerships. Each of the exemption thresholds have been increased by 1.5 per cent and then rounded appropriately. This Article also reduces the marginal rate of tax from 27 per cent to 26 per cent from 1st January 2014. I propose Articles 1 and 2.

**The Greffier of the States (in the Chair):**

Are Articles 1 and 2 seconded? **[Seconded]** Does any Member wish to speak on either Article?

**Senator P.M. Bailhache:**

I do not wish to speak on the Article but I would just like to draw your attention to the fact that I do not think we voted on the principles so perhaps we could vote on them at the same time as we vote on the Articles.

**The Greffier of the States (in the Chair):**

You are perfectly correct, Senator. All those in favour of adopting the principles, kindly show? Those against? The principles are adopted. Therefore all Members in favour of adopting Articles 1 and 2, kindly show? Those against? Those Articles are adopted. Now, we come to Article 3 which amends the duty rates on alcohol excise duty. Members should find on their desks circulated earlier today a single-page document which amends Article 3 to reflect the decision of the States yesterday. It is very lengthy so I will not ask the Greffier to read it, but I would ask you to propose Article 3 as amended by the decision of the States yesterday, Assistant Minister.

**Deputy J.H. Young:**

Could I ask a procedural point, if I may?

**The Greffier of the States (in the Chair):**

You can, indeed.

**Deputy J.H. Young:**

On this item, what would be the effect of us not approving this amended Article 3?

**The Greffier of the States (in the Chair):**

Duty rates would stay at the current levels, Deputy. Assistant Minister?

**2.3 Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Article 3 as amended:**

**2.3.1 Deputy E.J. Noel:**

As you rightly said, Article 3 sets out the impôts duties on alcohol from 1st January 2014 as amended up to the levels proposed by the Minister for Treasury and Resources. Following the amendment, the proposed increases in duty are equal to 127p on one litre of spirits, 5p on a bottle of wine, 6p on a bottle of strong beers and ciders, 1p per pint on the standard beers and ciders and the introduction of the new band of duty for lower strength beers and ciders that will be set at 50 per cent of the standard strength duty rate. I propose Article 3 as amended.

**The Greffier of the States (in the Chair):**

Is Article 3 seconded? [**Seconded**] Does any Member wish to speak on Article 3?

**2.3.2 Senator L.J. Farnham:**

It strikes me there is an opportunity to right a wrong just now. [**Laughter**] [**Approbation**] I know we had a debate on this yesterday but given the strength of feeling that has come back to me in my position as President of the Hospitality Association, and given how close the vote was on the Constable of St. Helier's proposition, I would urge Members to search their souls rather deeply and just consider the ramifications. Senator Ozouf was right. It is not going to mean the end of the tourism industry if we put duties up but it sure would be a gasp of oxygen for them if we had the nerve to hold them where they are, still at a high level, but just peg them for another 12 months. Let us give the tourism industry a little bit of a hand-up right now.

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak? Minister for Treasury and Resources?

**2.3.3 Senator P.F.C. Ozouf:**

I urge Members to respect the decision in the debate that we had. I think we had a good and constructive debate on the issues of alcohol. I would remind Members that we conceded that debate and I would also ask Members to support the introduction of the lower rate and all of those areas that we have brought. If we simply leave everything as it is, then we will not have a lower rate for lower strength beer and I have to say that the Senator ... I ask him to reflect again on his remarks about gasps of oxygen for the tourism industry. This has a consequence. We can play around with procedures at this stage but there are consequences of hundreds of thousands of pounds and millions of pounds for us if we do so and I ask Members to stand by the decisions that they made yesterday.

#### **2.3.4 The Connétable of St. Helier:**

I was not going to speak because we did have the debate yesterday but the Minister for Treasury and Resources decided to make a contribution and was, I think, rather misleading. He said that if we do not approve these increases, we will not have the new lower band of beer duty. We are only having that lower band of beer duty because he proposed it in his emasculation of my amendment so it is quite disingenuous for him to say that we need to support this in order to have that lower band. Tourism would far rather have no increase next year than the fairly substantial increase, albeit with his slight concession.

#### **2.3.5 Deputy J.A.N. Le Fondré:**

I want to make 2 comments. I am very grateful to Senator Farnham for making the point that we did have another chance at this and I am going to be consistent in my voting so I shall be voting against this amendment. I did also want to take the opportunity because I did not want to leap in and go for a point of clarification on the Minister for Treasury and Resources previously, because I think he may have misinterpreted 2 of my comments earlier, not ...

#### **The Greffier of the States (in the Chair):**

You cannot talk about that now.

#### **Deputy J.A.N. Le Fondré:**

I do wish to make a comment because he implied that the reason I abstained on part E, which was to do with the Housing Bond, was purely because of my role on a Housing Trust. That was it. There was no comment. It would seem, I think, that the Minister for Treasury and Resources may have picked up the wrong end of the stick. The only comment also, because I did not want to give him the wrong impression, was the comment about the Gordon Brown reference. He would obviously not welcome the comparison. It is more about the use of investments as enterprise. That is what I wanted to put on record.

[16:30]

#### **The Greffier of the States (in the Chair):**

You should have raised those points earlier, Deputy. The Constable of St. Mary?

#### **2.3.6 The Connétable of St. Mary:**

I know I am flogging a dead horse here but I am going to say this anyway because I am confused. If the effect of not adopting this would be to ... it is not, as people keep seem to be alluding, to go back to what the Constable of St. Helier proposed yesterday, it is to go to what Deputy Power proposed and I thought we had expressly voted not to adopt that. Procedurally, surely, there is some sort of lacuna here.

#### **The Greffier of the States (in the Chair):**

That may well be a procedural lacuna but it is the way it is, Constable. The States are obliged to give legal effect to the Budget as an in principle proposition. Effectively we must give legal effect on the legislation. Legislation always takes precedence over the other decisions. The Constable of St. John?

### 2.3.7 The Connétable of St. John:

Yesterday there was some confusion when it came to voting on that particular issue and even the Chair appeared somewhat confused. On this occasion I want to stay for the *status quo* that we agreed on yesterday, please confirm that I vote pour and not contre.

### The Greffier of the States (in the Chair):

Indeed you do. The decision for the States is to vote for the Article proposed as amended by the Minister which reflects a decision yesterday, or to vote against the Article which keeps duty rates at their current rate because there would be no Article to increase them. Now, if no other Member wishes to speak, then I will call on the Assistant Minister to reply.

### 2.3.8 Deputy E.J. Noel:

I think the good Deputy of St. Mary has made the reply for me. [Aside] No? Sorry, the Constable, fine. This, in effect, will put us back to the failed amendment of Deputy Power and not the amendment that the Constable of St. Helier was suggesting and I maintain the Article.

### The Greffier of the States (in the Chair):

The appel is called for on Article 3 proposed as amended and the Greffier will open the voting.

<b>POUR: 26</b>	<b>CONTRE: 19</b>	<b>ABSTAIN: 0</b>
Senator P.F. Routier	Senator A. Breckon	
Senator P.F.C. Ozouf	Senator S.C. Ferguson	
Senator A.J.H. Maclean	Senator L.J. Farnham	
Senator B.I. Le Marquand	Connétable of St. Helier	
Senator F.du H. Le Gresley	Connétable of St. Clement	
Senator I.J. Gorst	Deputy R.C. Duhamel (S)	
Senator P.M. Bailhache	Deputy J.A. Martin (H)	
Connétable of Trinity	Deputy G.P. Southern (H)	
Connétable of St. Lawrence	Deputy of St. Ouen	
Connétable of St. Mary	Deputy J.A.N. Le Fondré (L)	
Connétable of St. John	Deputy S.S.P.A. Power (B)	
Connétable of St. Brelade	Deputy S. Pitman (H)	
Connétable of St. Martin	Deputy T.M. Pitman (H)	
Connétable of Grouville	Deputy T.A. Vallois (S)	
Deputy R.G. Le Hérisssier (S)	Deputy M.R. Higgins (H)	
Deputy of Grouville	Deputy J.M. Maçon (S)	
Deputy J.A. Hilton (H)	Deputy G.C.L. Baudains (C)	
Deputy of Trinity	Deputy of St. Mary	
Deputy K.C. Lewis (S)	Deputy R.J. Rondel (H)	
Deputy E.J. Noel (L)		
Deputy A.K.F. Green (H)		
Deputy of St. John		
Deputy J.H. Young (B)		
Deputy S.J. Pinel (C)		
Deputy of St. Martin		
Deputy R.G. Bryans (H)		

## **2.4. Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Article 4:**

### **The Greffier of the States (in the Chair):**

Do you propose Article 4 related to tobacco duty, Assistant Minister?

#### **2.4.1 Deputy E.J. Noel:**

Yes. Article 4 sets the impôts duties on tobacco from 1st January 2014, the increase being 47p on a packet of 20 king-size cigarettes. I propose Article 4.

### **The Greffier of the States (in the Chair):**

Is Article 4 seconded? [**Seconded**] Does any Member wish to speak on Article 4?

#### **2.4.2 Senator P.F.C. Ozouf:**

I would just take this opportunity of reminding the tobacco industry that the duty rate goes up for products that goes in tobacco warehouses and therefore I understand that as of 1st January last year, there were 3 or 4 months' worth of supply in those warehouses at the old duty rates. I would expect therefore those dutied products to therefore be trailed out and for there not to be the exhibiting of a cartelised market with uniform prices going up by importers. I will be watching very carefully for this issue. This is hundreds of thousands of pounds' worth of bagged additional duty which does not come to the Treasury. If they want to put their prices up and send the cheque to the Treasury, I am sure we will receive it but certainly it should not be passed on to consumers. [**Approbation**]

#### **2.4.3 Senator L.J. Farnham:**

I wholeheartedly agree with the Senator's statement but what can the Minister for Treasury and Resources do about it? I urge the relevant Ministers to look at taking action over this in the future.

### **The Greffier of the States (in the Chair):**

If no other Member wishes to speak, I call on the Assistant Minister to reply if he wishes.

#### **2.4.4 Deputy E.J. Noel:**

Just to say I am grateful for the Minister for Treasury and Resources to remind Members of what happened last year. On our calculations, we estimate that the additional super profit made by the wholesalers was some £300,000 to £400,000 so to answer Senator Farnham's point, hopefully next year, officers are in discussion with the 2 importers and they hope to introduce a bonded warehouse going forward where limited supplies will be allowed to be taken out just prior to the year-end so we hopefully will not see this problem again. I am also looking forward to the CICRA (Channel Islands Competition Regulatory Authority report when it comes out in the early part of 2014 as I am sure that will be enlightening. I maintain Article 4.

### **The Greffier of the States (in the Chair):**

The appel is called for on Article 4 and I will ask the Greffier to open the voting.

<b>POUR: 34</b>		<b>CONTRE: 9</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator A. Breckon		
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Connétable of St. Clement		
Senator B.I. Le Marquand		Deputy G.P. Southern (H)		
Senator F. du H. Le Gresley		Deputy S.S.P.A. Power (B)		
Senator I.J. Gorst		Deputy S. Pitman (H)		
Senator L.J. Farnham		Deputy T.A. Vallois (S)		
Senator P.M. Bailhache		Deputy M.R. Higgins (H)		
Connétable of Trinity		Deputy G.C.L. Baudains (C)		

Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisssier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy T.M. Pitman (H)				
Deputy E.J. Noel (L)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

## **2.5 Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Article 5 as amended:**

### **The Greffier of the States (in the Chair):**

Very well. We come now to Article 5 which relates to hydrocarbon oil to fuel. This has also been amended in light of the amendment by the Connétable of St. Helier adopted yesterday. Members should find on their desk a short amendment relating to high octane ultra-low sulphur petrol, *et cetera*, and I will invite the Assistant Minister to propose the Article as amended.

### **Deputy J.H. Young:**

Can I ask for clarification? Is this the same situation if this is voted down, then the duty on fuel will stay as it is now? Is that correct?

### **The Greffier of the States (in the Chair):**

Exactly the same, yes, Deputy, yes.

### **Deputy J.H. Young:**

Thank you.

### **The Greffier of the States (in the Chair):**

Assistant Minister?

#### **2.5.1 Deputy E.J. Noel:**

As you quite rightly said, Article 5 sets the impôts duties on motor fuel from 1st January 2014. This Article has been amended following the agreement of the Constable of St. Helier's amendment yesterday. Therefore the impôts duties as amended reflect a cost of living 1.5 per cent increase on the duty rates for 2014. I propose the Article as amended.

**The Greffier of the States (in the Chair):**

Is Article 5 as amended seconded? [**Seconded**] Does any Member wish to speak on the Article?

**2.5.2 Senator S.C. Ferguson:**

I think there are a couple of points that should be made. As I said earlier this morning, I am assured by the Assistant Minister for Treasury and Resources that Income Tax receipts are well up and ahead of forecasts this year and fuel is a constituent of just about everything we consume on the Island. Every person, whether it is the food that gets to the shops or the buses, anything ... and I therefore would recommend to people that let us give ordinary people a break.

**The Greffier of the States (in the Chair):**

Does any other Member wish to speak? Do you wish to reply, Assistant Minister?

**2.5.3 Deputy E.J. Noel:**

Just very briefly, just to put this into context. This is 0.6 of one penny a litre on fuel and in the recent past, this is something that has come to much criticism from the outside world and for us on one day to approve something and on the next day to not approve it I think it would put us in a poor light. So I hope Members will support this Article as amended by the Constable and I maintain the Article.

**Senator L.J. Farnham:**

Just a quick point. The tiny amount of 0.6 of one penny did the Assistant Minister say? In which case, that tiny amount would not be a great loss so I might change my vote on yesterday.

**The Greffier of the States (in the Chair):**

The appel is called for on Article 5 proposed as amended and the Greffier will prepare the voting system and the Greffier will open the voting.

<b>POUR: 25</b>		<b>CONTRE: 20</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator A. Breckon		
Senator P.F.C. Ozouf		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Senator L.J. Farnham		
Senator B.I. Le Marquand		Connétable of St. Helier		
Senator F. du H. Le Gresley		Connétable of St. Clement		
Senator I.J. Gorst		Connétable of St. John		
Senator P.M. Bailhache		Deputy J.A. Martin (H)		
Connétable of Trinity		Deputy G.P. Southern (H)		
Connétable of St. Lawrence		Deputy of St. Ouen		
Connétable of St. Mary		Deputy of Grouville		
Connétable of St. Brelade		Deputy J.A.N. Le Fondré (L)		
Connétable of St. Martin		Deputy S.S.P.A. Power (B)		
Connétable of Grouville		Deputy S. Pitman (H)		
Deputy R.C. Duhamel (S)		Deputy T.M. Pitman (H)		
Deputy R.G. Le Hérisier (S)		Deputy T.A. Vallois (S)		
Deputy J.A. Hilton (H)		Deputy M.R. Higgins (H)		
Deputy of Trinity		Deputy J.M. Maçon (S)		
Deputy K.C. Lewis (S)		Deputy G.C.L. Baudains (C)		
Deputy E.J. Noel (L)		Deputy J.H. Young (B)		
Deputy A.K.F. Green (H)		Deputy of St. Mary		
Deputy of St. John				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				

Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Connétable of St. John:**

Excuse me. I note the Constable of St. Clement's light was on but it has not registered.

**The Greffier of the States (in the Chair):**

The Constable of St. Clement voted, contre, yes. [Laughter]

**2.6 Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Articles 6 to 13:**

**The Greffier of the States (in the Chair):**

Assistant Minister, do you wish to propose the remaining Articles together, so Articles 6 to 13?

**2.6.1 Deputy E.J. Noel:**

Yes. Article 6 relates as in the last Article relating to impôts duties and sets the rates for a vehicle excise duty from 1st January 2014. The rates set out in the table included in Article 6 have been increased by 5 per cent from the rates of vehicle excise duty of 2013. Article 7 maintains the increase in the maximum threshold upon which first-time buyers are able to benefit from the release of stamp duty and land transaction tax. Under Article 7, the threshold of £450,000 will be maintained until 1st January 2015. Article 8 prevents businesses from reclaiming G.S.T. where they supply goods such as white goods as part of the supply of a dwelling. This change ensures that the G.S.T. law reflects the existing regulations of the Taxes Office in this regard. Article 9 makes it clear that the zero-rating of construction of dwellings only applies where the dwelling is built on bare land or where existing buildings are demolished completely. Article 10 relates to a purely administrative matter and allows a controller and a person registered for G.S.T. to agree that the G.S.T. registration will be cancelled on whatever date that they determine between them. Article 11 closes a loophole in the existing G.S.T. law under which in some circumstances businesses can import goods and then the goods can be extracted from that business without suffering a G.S.T. charge at any stage. Article 12 is another administration matter that addresses a potential unfairness in the current law. It permits the controller greater flexibility to allow a G.S.T. registered person to claim relief for input tax where to do otherwise would cause an injustice. Finally, Article 13 provides the citation and confirms that this law will come into effect from 1st January 2014. I propose Articles 6 through to 13.

**The Greffier of the States (in the Chair):**

Are the Articles seconded? [Seconded]

**Deputy M.R. Higgins:**

Sorry, will the Assistant Minister take Article 6 out of it, please?

**The Greffier of the States (in the Chair):**

So Article 6 separately? Yes, you can request that. Deputy Baudains?

**2.6.2 Deputy G.C.L. Baudains:**

I wonder if the Assistant Minister could clarify something for me. I am looking at Article 6. It appears to me that if one imported a 10-year old tractor or indeed a 1960s classic vehicle, you would pay normally £723 tax on that. It used to be the case that a vehicle of 20 years of age or more was relieved from that duty. Could the Assistant Minister assure me that still applies?



### **2.6.3 The Deputy of St. Martin:**

I am just a little bit confused. I know it is easily done and I hope the Assistant Minister can help me. Both the vehicle emissions duty and the stamp duty on the sheet that was circulated this morning states income forecasts for 2014. The numbers have changed and in the yellow column, as amended, both those figures have changed and I would just like an explanation as to why they have changed when we have not amended them.

### **2.6.4 Deputy J.H. Young:**

I wonder if in replying the Assistant Minister would give us a little bit more on these changes in respect of G.S.T. in Articles 8 and 9 about construction works. Obviously I wonder if he could explain perhaps the reasons why this is necessary. We did not obviously have any discussion about this during the debate so far. Is there some problem here? Are people abusing the G.S.T. exemptions? Because, if not, I would be troubled about them. Having a situation where we started to impose taxes on things to do with construction and building, which are not currently there, I am troubled about that but I would like to hear the reasons for that and also, while we are at it, Article 11. What is going wrong here under the suggestion that people are getting goods in G.S.T. free and fiddling it, I suppose? I would like to hear a little bit more about that before we vote.

### **The Greffier of the States (in the Chair):**

I call on the Assistant Minister to reply.

### **2.6.5 Deputy E.J. Noel:**

Firstly, I am happy to take Article 6 separately. To clarify Deputy Baudains' point, I can confirm because I have done it recently myself that vehicles over 20 years old are exempt from the V.E.D. (Vehicle Emissions Duty) but they still have to pay the G.S.T. on import. With regards to the Deputy of St. Martin, unfortunately I have not got a colour-coordinated example in front of me but I think the only figures that have changed are the duties on the hydrocarbon oil and not the actual V.E.D. duties.

### **The Deputy of St. Martin:**

The stamp duty has changed by £300,000. It is not a small amount.

[16:45]

### **Deputy E.J. Noel:**

That is the first-time buyers stamp relief. The extension of it has cost us £300,000 per year on average to extend the first-time buyer relief from £400,000 to £450,000 but it is stamp duty. With regard to the queries by Deputy Young, the Articles that he refers to are closing some loopholes because we have a small number of cases where developers are trying to claim back full G.S.T. refunds on products that they are selling where the particular sites they worked on were not completely flattened in the first place. They may have left a wall or part of the structure there. These Articles are being brought in there to clarify the situation and similarly there has been some confusion about what is a fixture and a fitting in a property and what is the white goods that are being sold when they sell the property and they have different G.S.T. implications. This is tidying up the law to alleviate this grey area. With that, I hope I have answered Members' questions and I maintain the Articles.

### **The Greffier of the States (in the Chair):**

Very well. Members have requested, as they are entitled, Article 6 to be voted on separately so we will ...

**Deputy J.H. Young:**

Could we also have the G.S.T. ones voted separately as well, please?

**The Greffier of the States (in the Chair):**

Yes, if you wish, Deputy. Very well. Members presumably wish the appel on Article 6. It has been called for separately. If Members are in their designated seats, the first vote is on Article 6 relating to excise duty on motor vehicles. The Greffier has opened the voting.

<b>POUR: 37</b>		<b>CONTRE: 5</b>		<b>ABSTAIN: 1</b>
Senator P.F. Routier		Deputy G.P. Southern (H)		Senator S.C. Ferguson
Senator P.F.C. Ozouf		Deputy S.S.P.A. Power (B)		
Senator A.J.H. Maclean		Deputy S. Pitman (H)		
Senator B.I. Le Marquand		Deputy T.M. Pitman (H)		
Senator F.du H. Le Gresley		Deputy M.R. Higgins (H)		
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy A.K.F. Green (H)				
Deputy J.M. Maçon (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy J.H. Young (B)				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

Very well. The next vote therefore will be on Article 7. Those Members in favour of adopting Article 7 kindly show? Those against? Article 7 is adopted. Do you wish a separate vote on all the

G.S.T. Articles, Deputy? Very well. If Members are content to take Articles 8, 9, 10, 11 and 12 which relate to Goods and Services Tax together, the next vote is therefore on Articles 8 to 12 and the Greffier will open the voting.

<b>POUR: 38</b>		<b>CONTRE: 5</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Deputy G.P. Southern (H)		
Senator P.F.C. Ozouf		Deputy T.M. Pitman (H)		
Senator A. Breckon		Deputy M.R. Higgins (H)		
Senator S.C. Ferguson		Deputy J.M. Maçon (S)		
Senator A.J.H. Maclean		Deputy J.H. Young (B)		
Senator B.I. Le Marquand				
Senator F. du H. Le Gresley				
Senator I.J. Gorst				
Senator L.J. Farnham				
Senator P.M. Bailhache				
Connétable of St. Helier				
Connétable of Trinity				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. John				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Grouville				
Deputy R.C. Duhamel (S)				
Deputy R.G. Le Hérisssier (S)				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy S.S.P.A. Power (B)				
Deputy S. Pitman (H)				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy T.A. Vallois (S)				
Deputy G.C.L. Baudains (C)				
Deputy of St. John				
Deputy S.J. Pinel (C)				
Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

Finally, the citation, Article 13, all those in favour kindly show? Those against? Article 13 is adopted.

**2.7 Draft Finance (2014 Budget) (Jersey) Law 201- (P123/2013) - Acte Operatoire:**

**The Greffier of the States (in the Chair):**

Now, the Assistant Minister, in accordance with normal practice, wishes to propose an Act to give immediate effect to the Finance Law and Members should find the Act declaring that the Finance (2014 Budget) (Jersey) Law shall have immediate effect on their desks and I will ask the Greffier to read the citation.

**The Deputy Greffier of the States:**

An Act declaring that the Finance (2014 Budget) (Jersey) Law shall have immediate effect. The States in pursuance of Article 15 of the Public Finances (Jersey) Law 2005 have made the following Act.

**The Greffier of the States (in the Chair):**

Assistant Minister?

**2.7.1 Deputy E.J. Noel:**

This is just merely to bring the law into effect with immediate effect. We do this every year and I just maintain the proposition.

**The Greffier of the States (in the Chair):**

Is the Act seconded? **[Seconded]** Does any Member wish to speak? All Members in favour of adopting the Act, kindly show? Those against? The Act is adopted. We come now to the second piece of budget legislation the Draft Income Tax (Amendment No. 43) (Jersey) Law and I will ask the Greffier to read the citation.

**Deputy J.H. Young:**

Sorry, have we debated the Amendment No. 43?

**The Greffier of the States (in the Chair):**

No, we are just getting to it.

**Deputy J.H. Young:**

Oh, sorry.

**The Greffier of the States (in the Chair):**

But you have just reminded me, Deputy, that I do not think we voted on Third Reading on the last ... even the former presiding officer did not remind me so **[Laughter]** all those in favour of adopting the Finance (2014 Budget) (Jersey) Law in Third Reading, kindly show? Those against? It is adopted in Third Reading.

**3. Draft Income Tax (Amendment No. 43) (Jersey) Law (P.124/2013)**

**The Greffier of the States (in the Chair):**

I will now ask the Greffier to read the citation of the Income Tax (Amendment No. 43) (Jersey) Law.

**The Deputy Greffier of the States:**

Draft Income Tax (Amendment No. 43) (Jersey) Law, a law to amend further the Income Tax (Jersey) Law 1961. The States, subject to the sanction of Her Most Excellent Majesty in Council have adopted the following law.

**The Greffier of the States (in the Chair):**

Assistant Minister, do you propose the principles of the draft?

**3.1 Deputy E.J. Noel:**

Yes. This is the second piece of legislation giving effect to the decisions made in the Budget in the Draft Income Tax (Amendment No. 43) (Jersey) Law. This piece of legislation makes a number of changes to the Income Tax Law 1961, including changes to the filing of tax returns which is covered in Part 2 of the legislation. Part 3 makes a number of changes to the distribution laws that were introduced last year and Part 4 makes a number of miscellaneous changes, including some changes to the tax regime for high net worth individuals. I will give more detail of these changes as I propose the individual Articles. I therefore move the principles.

**The Greffier of the States (in the Chair):**

Are the principles seconded? **[Seconded]** Does any Member wish to speak on the principles?

**3.1.1 Deputy G.C.L. Baudains:**

Just to make the observation, I think it was yesterday but it does seem to be a long time we have been on this voting that the Minister for Treasury and Resources suggested that taxation should be simple. I would like him to apply that principle to this because I did struggle understanding this particular project.

**The Greffier of the States (in the Chair):**

Do you wish to reply, Assistant Minister?

**3.1.2 Deputy E.J. Noel:**

Only that this is tax legislation and unfortunately like some things in life, tax legislation is not simple. I maintain the principles.

**The Greffier of the States (in the Chair):**

All those in favour of adopting the principles, kindly show? Those against? The principles are adopted and once again there is no reference to Scrutiny for budget legislation. Assistant Minister, I do not know how you wish to propose the Articles. There is an amendment which needs to be proposed to amend Article 27 to give effect to the decision on the charitable gifts but would you be happy to propose the Articles *en bloc* and take Article 27 as amended and ...

**Deputy E.J. Noel:**

Yes if Members wish to proceed that way, I would be delighted to. I would like to propose Articles 1 through to 26 and, as you say, take Article 27 separately and then move on to Articles 28 through to 34.

**3.2 Draft Income Tax (Amendment No. 43) (Jersey) Law (P.124/2013) - Articles 1 to 26**

**The Greffier of the States (in the Chair):**

Yes, very well. So if you wish to proceed that way, we will take Articles 1 to 26 first. Do you wish to make any remarks, Assistant Minister?

**3.2.1 Deputy E.J. Noel:**

On individual Articles just to run through for Members because there are probably areas that did not touch on in the debate. I will be as quick as I can. Article 1 is obviously the interpretation provision.

**Senator L.J. Farnham:**

Another 50p for the meter over here, please, Sir. **[Laughter]**

**Deputy E.J. Noel:**

Article 1 is an interpretation provision. If I may just give a brief overview of Articles 2 through to 10 **[Laughter]**. Looks like we do need to put some money in the meter, Sir. Time taken for these Articles ... sorry, order provisions in the Income Tax Law that specify the form in which tax returns should be made into one new provision. **[Laughter] [Aside]**

**The Greffier of the States (in the Chair):**

I just wonder, Assistant Minister, if you would just pause while the lighting is as it is. We do not want **[Laughter]** ...

**Senator P.F.C. Ozouf:**

We just wanted to make a more disco kind of arrangement for the ...

**Deputy E.J. Noel:**

There is a ladder outside.

**Deputy G.C.L. Baudains:**

I notice for once the Chief Minister is now kept in the dark. **[Laughter]**

**The Greffier of the States (in the Chair):**

I understanding the lighting has tripped the main light. Do you wish to continue, Assistant Minister, or can Members ...

**Deputy E.J. Noel:**

I can see my notes. I think I should just recap and start from the beginning of Article 1. Article 2 to 10 facilitates the Taxes Office to move forward for electronic filing of tax returns. Taken together, these Articles consolidate all the provisions in the Income Tax Law that specifies the form in which tax returns should be made into one provision. Part 3 concerns Articles 11 through to 24. These Articles make a number of changes to the anti-avoidance distribution rules that were introduced in last year's budget. No significant changes in the rules are proposed this year and the changes predominantly seek to ensure that the rules operate as intended. This is achieved by improving some of the wording used in the rules, clarifying some definitions and the applications of the election to apply the simplified basis of taxation. The Articles also specify tax treatment of dividends paid on fixed rate preference shares. Moving on to Parts 4 and 5, I will speak to Articles 25 and 26 and obviously we will take Article 27 separately. These parts deal with a number of miscellaneous amendments which Members may find a little less dry and I will start with Article 25. Article 25 under I.T.I.S. (Income Tax Instalment System) where an individual has tax deducted from their pay by their employer, the Taxes Office will treat the individual as having paid the tax even if the employer fails to pay the tax deducted across to the Taxes Office, for example, where an employer goes out of business. This treatment is right and proper. However, this treatment also applies to individuals who control companies to protect tax revenues. Article 25 withdraws this treatment from individuals who receive a salary from a company in which they control more than 20 per cent of the shares and that company fails to pay the I.T.I.S. across to the Taxes Office. In this situation, the controlling individual will effectively be personally liable to pay the tax represented by its I.T.I.S. across to the Taxes Office. This again is right and proper. Article 26 addresses a lacuna in the law under the Income Tax Law. Self-employed individuals are allowed a tax deduction for the employer element of their Social Security contributions. Article 26 ensures that the deduction available includes the 2 per cent employer contributions on earnings above the standard limit. This change has been backdated to 2012 when the relevant changes in the

Social Security contributions occurred. Backdating this law change will benefit taxpayers by treating them as was always intended. I propose Articles 1 through to 26.

**The Greffier of the States (in the Chair):**

Are the Articles seconded? **[Seconded]** Does any Member wish to speak on any of Articles 1 to 26? All those in favour of adopting the Articles, kindly show? Those against? They are adopted.

### **3.3 Draft Income Tax (Amendment No. 43) (Jersey) Law (P.124/2013) - Article 27:**

**The Greffier of the States (in the Chair):**

As you have alluded to, Assistant Minister, Article 27 is substituted by an Article which gives effect to the decrease in the charitable donation limits and Members should have that amendment on their desks. I ask you to propose Article 27 as amended.

#### **3.3.1 Deputy E.J. Noel:**

I do not think we need to spend any time explaining this. I merely support this amendment and propose Article 27 as amended.

**The Greffier of the States (in the Chair):**

Is Article 27 seconded? **[Seconded]**

#### **3.3.2 Deputy J.H. Young:**

Could I also speak?

**The Greffier of the States (in the Chair):**

Yes, you can.

#### **Deputy J.H. Young:**

Just to say briefly, obviously as the proposer of this amendment which was adopted, to thank the Minister for Treasury and Resources and Assistant Minister for their support which enabled it to be adopted and the House for voting it in. While I am on my feet if I also might say looking at the rest of the Articles, there are a lot of things in here in the Income Tax (Amendment) Law obviously 43rd Amendment, 34 Articles. It is good to know that we have a simple Income Tax Law as was said yesterday. Is there any possibility that in future years, we could see the tax amendments which are not dependent on the Budget and a bit more in advance so we have got the opportunity to go through them in a bit more detail? Just for future years but thank you again. Thanks for the support on the amendment so obviously I am going to support the amendment.

**The Greffier of the States (in the Chair):**

Do you wish to reply, Assistant Minister?

#### **3.3.3 Deputy E.J. Noel:**

Only that I am grateful for Deputy Young bringing this amendment through and I was happy to accept it. I would point out that all the Income Tax legislation was lodged with the Greffe on 8th October, so I think there has been plenty of time for Members to scrutinise it. I maintain Article 27.

[17:00]

**The Greffier of the States (in the Chair):**

All those in favour of adopting Article 27, kindly show? Those against? It is adopted.

### **3.4 Draft Income Tax (Amendment No. 43) (Jersey) Law (P124/2013) - Articles 28 to 34:**

#### **The Greffier of the States (in the Chair):**

Do you wish to propose the remainder of the Articles together, Assistant Minister?

#### **Deputy E.J. Noel:**

I do.

#### **The Greffier of the States (in the Chair):**

Articles 28 to 34.

#### **3.4.1 Deputy E.J. Noel:**

Article 28 is an anti-avoidance provision and gives the controller the powers to challenge taxpayers where they structure their affairs on a non-commercial basis in an attempt to deduct an excessive amount of interest on loans. Article 29 makes 2 changes regarding exemption thresholds. Firstly, it gives rise to effectively increasing the age on which individuals become entitled to the age enhanced exemption threshold from 63 to 65 while quite rightly protecting those individuals who have already become entitled to the enhanced thresholds. Secondly, it also creates the additional £3,000 allowance to the higher education allowance for those young people at university. Article 30, currently when calculating the amount of child allowance available to parents, that allowance may be reduced by the child's earned income. We are making an amendment here whereby that Article only applies to unearned income. Therefore we are not putting in a barrier to students having a holiday job when they come back to the Island or indeed once they are away studying, it does not affect their parents' tax allowances adversely. Article 31 clarifies the taxation of oil importers and suppliers that was introduced in 2012. It makes it clear that a company which either imports or supplies hydrocarbon oil or a company which does both will be subject to tax at 20 per cent. Article 32 makes an amendment to the tax regime applying to high net-worth individuals facilitating individuals who were here and taxed according to the tax regime that applied prior to July 2011 for them to be taxed under the new tax regime that has applied since July 2011. However, to move to the new tax regime, an individual must make a written application. Each application will be looked at on a case-by-case basis and the transfer between regimes will only be permitted where the Minister for Treasury and Resources, following consultation with the Chief Minister, considers that it is justified on social or economic grounds and it is in the best interests of the community. For avoidance of doubt, a transfer will only be considered where the individual can demonstrate an identifiable and measurable economic benefit to Jersey from allowing the transfer. Article 36 states that Articles 26 which related to the deduction available for the Social Security contributions as they are affected from 2012 whereby all the remaining Articles are effectively to fall on 1st January 2014. Finally, Article 34 is obviously the citation. I propose Articles 28 through to 34.

#### **The Greffier of the States (in the Chair):**

Are the Articles seconded? [**Seconded**] Does any Member wish to speak on any of the Articles? I am going to put the Articles. Those Members in favour of adopting them, kindly show? Those against? The Articles are adopted and we will get it right this time, Assistant Minister. Do you wish to propose the Bill in Third Reading?

#### **Deputy E.J. Noel:**

I do.

#### **The Greffier of the States (in the Chair):**



Is that seconded? [**Seconded**] Does any Member wish to speak in Third Reading? All those in favour of adopting the Bill in Third Reading, kindly show? Those against? The Bill is adopted in Third Reading.

### **3.5 Draft Income Tax (Amendment No. 43) (Jersey) Law - Acte Operatoire:**

#### **The Greffier of the States (in the Chair):**

Now, Assistant Minister, as with the previous legislation you wish to propose an Act to declare it has immediate effect. I will ask the Greffier to read the citation of the Act.

#### **The Deputy Greffier of the States:**

An Act declaring that the Income Tax (Amendment No. 43) (Jersey) Law shall have immediate effect. The States in pursuance of Article 15 of the Public Finances (Jersey) Law 2005 have made the following Act.

#### **The Greffier of the States (in the Chair):**

Assistant Minister.

#### **3.5.1 Deputy E.J. Noel:**

I propose the Act.

#### **The Greffier of the States (in the Chair):**

Is the Act seconded? [**Seconded**] Does any Member wish to speak on the Act? If not, all those in favour of adopting the Act, kindly show? Those against? The Act is adopted.

### **4. Draft Income Tax (Prescribed Limit and Rate) (Jersey) Regulations (P.125/2013)**

#### **The Greffier of the States (in the Chair):**

We come finally on the Budget legislation to the Draft Income Tax (Prescribed Limit and Rate) (Jersey) Regulations and I will ask the Greffier to read the citation.

#### **The Deputy Greffier of the States:**

Draft Income Tax (Prescribed Limit and Rate) (Jersey) Regulations. The States, in pursuance of Article 135A(12) of the Income Tax (Jersey) Law 1961, have made the following Regulation.

#### **The Greffier of the States (in the Chair):**

Assistant Minister, do you propose the principles?

#### **4.1 Deputy E.J. Noel:**

I do. These Regulations are essentially a tidying-up exercise. The tax rates applying to high net-worth individuals are set out in the Regulations rather than in the Income Tax Law itself. The changes to the Income Tax Law that we have just agreed mean that the cross-referencing to the Regulations containing the tax rates are no longer followed through. Therefore we need to amend the Regulations such that the cross-referencing does follow through. To avoid confusion, I would like at this stage to confirm that there are no changes as are proposed to the tax rates applying to high net-worth individuals. I propose the principles.

#### **The Greffier of the States (in the Chair):**

Are the principles seconded? [**Seconded**] Does anyone wish to speak on the principles?

#### 4.1.1 Senator F. du H. Le Gresley:

I just wanted to draw Members' attention to page 15 of the Budget Statement with reference to the higher limit for high net-worth individuals. Where it says: "In addition to ensure that the contributions maintain their value in real terms, the minimum contribution will be reviewed every 3 years with a view to increasing the high net worth individual's tax contributions in line with inflation," I point out that this high limit of £625,000 was prescribed into law in 2011 and I would like the Assistant Minister to confirm that in 2015, there will be an increase as *per* set out on page 15.

#### The Greffier of the States (in the Chair):

Does any other Member wish to speak? I call on the Assistant Minister to reply.

#### 4.1.2 Deputy E.J. Noel:

I can confirm that we will be reviewing this in time for 2015 and I maintain the principles.

#### The Greffier of the States (in the Chair):

All those in favour of adopting the principles, kindly show? The appel is called for on the principles of the Regulations and I will ask the Greffier to open the voting.

<b>POUR: 36</b>		<b>CONTRE: 2</b>	<b>ABSTAIN: 1</b>
Senator P.F. Routier		Deputy S. Pitman (H)	Deputy G.C.L. Baudains (C)
Senator P.F.C. Ozouf		Deputy T.M. Pitman (H)	
Senator A. Breckon			
Senator S.C. Ferguson			
Senator B.I. Le Marquand			
Senator F. du H. Le Gresley			
Senator I.J. Gorst			
Senator L.J. Farnham			
Senator P.M. Bailhache			
Connétable of Trinity			
Connétable of St. Clement			
Connétable of St. Lawrence			
Connétable of St. John			
Connétable of St. Martin			
Connétable of Grouville			
Deputy R.C. Duhamel (S)			
Deputy R.G. Le Hérisier (S)			
Deputy J.A. Martin (H)			
Deputy of St. Ouen			
Deputy of Grouville			
Deputy J.A. Hilton (H)			
Deputy J.A.N. Le Fondré (L)			
Deputy of Trinity			
Deputy S.S.P.A. Power (B)			
Deputy K.C. Lewis (S)			
Deputy E.J. Noel (L)			
Deputy T.A. Vallois (S)			
Deputy M.R. Higgins (H)			
Deputy J.M. Maçon (S)			
Deputy of St. John			
Deputy J.H. Young (B)			
Deputy S.J. Pinel (C)			

Deputy of St. Mary				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy R.J. Rondel (H)				

**The Greffier of the States (in the Chair):**

Assistant Minister, you wish to propose the Articles of the Regulations 1 to 5?

**4.2 Deputy E.J. Noel:**

If I may, I would like to propose all Regulations *en bloc* and just take Members' questions if they arise.

**The Greffier of the States (in the Chair):**

Are Regulations 1 to 5 seconded? **[Seconded]** Does any Member wish to speak on the Regulations? If not, all those in favour of adopting the Regulations, kindly show? Those against? They are adopted. Do you propose the Regulations in Third Reading, Assistant Minister?

**4.3 Deputy E.J. Noel:**

I do.

**The Greffier of the States (in the Chair):**

Is that seconded? **[Seconded]** Does any Member wish to speak in Third Reading? Those in favour of adopting the Regulations in Third Reading, kindly show? Those against? They are adopted in Third Reading. Members will be pleased to know that concludes the consideration of the Budget. **[Approbation]**

**4.3.1 Senator P.F.C. Ozouf:**

I wonder if you will just permit me, if I may, to thank a number of people very quickly in relation to the Budget debate. We have had a very long debate and I am very grateful for Members' forbearance. I would like to thank my Assistant Minister for all of his work in relation to skilfully taking us through complex legislation. He is the one that has to do all the homework about it and I would like to thank him for all of his work during this debate and everything he does for the Treasury. **[Approbation]** But also it is appropriate for me to thank the officers that have been ... there is a chorus of officers that get us to the point at which we have a budget debate. Members have referred to the leadership of the Treasury by the Treasurer. I thank her and I also thank her for all her work in relation to leading the team. The Controller of Taxes, he has been outside answering Members' question, the Tax Policy Unit, Corporate Finance, Finance Directors across all States departments who have been working on the capital programme. I thank all of the Chief Officers. I thank the Economic Adviser for his work in relation to helping us with our economic policy and his work in dialogue with the F.P.P. and to the Law Draftsmen, the Law Drafting Department skilfully bring all of the intentions of the Treasury into complex legislation and I thank the Senior Law Draftsman for her help and also to the Greffe for your unstinting support in dealing with amendments, Members' queries and I thank the Law Officers' Department as well. I thank everybody who has been involved in what I think has been a very good budget debate and a successful conclusion to that. **[Approbation]**

**5. Minimum Wage: Amendment (P.135/2013)**

**The Greffier of the States (in the Chair):**

Very well. Now, Chairman of P.P.C., I do not know if you have taken any soundings from Members. There are a number of other items to be debated. It is 5.10 p.m. Are Members willing to proceed with the next item as planned or ...Very well, the next item is the Minimum Wage: Amendment in the name of Deputy Southern and I will ask the Greffier to read the proposition.

### **The Deputy Greffier of the States:**

The States are asked to decide whether they are of opinion to request the Minister for Social Security, having sought the views of the Employment Forum as required by Article 18(1) of the Employment (Jersey) Law 2003, to make an order fixing the minimum wage £6.77 per hour and as this figure is different from the £6.63 recommended by the Forum, to report to the States as required by Article 18(4) of the Employment (Jersey) Law 2003.

### **5.1 Deputy G.P. Southern:**

I make no apology for bringing this proposition. It seems to me I appear to do it annually but I think it is important that we do not lose sight of the minimum wage and what it means to people. I do apologise for the lateness of the hour and the probable exhaustion that most of us are feeling at present but it is important to recognise that the minimum wage is not just an economic issue. It is an intensely political one. This Chamber took the decision to establish a minimum wage some time back, and to maintain that, because it felt that it was important that all employees on the Island should be able to gain sufficient remuneration to do more than the minimum of just barely surviving. Therefore, the importance of the minimum wage is quite significant. Further to that, this House took the decision in 2010 to gradually grow the minimum wage as a percentage of the average wage from 40 per cent to 45 per cent. As the years have gone by we have singularly failed to do that. I remind Members that it is far easier to attempt that process over a number of years, slowly, when inflation and earnings are low. It is easier to start setting the catch-up when average earning rises are low rather than when, from time to time, wages are running away from us. So the establishment in 2007 took an assumed working week of 40 hours, 40 per cent of the average earnings across all sectors of £540 per week which equated to £5.40 an hour. In 2009 the forum unanimously agreed to show a commitment to very gradually increasing the minimum wage above 40 per cent and it went up that year to 40.5 per cent. In 2010, as I said, we voted for the proposal that the minimum wage should be set at 45 per cent of average earnings, to be achieved over a period of not less than 5 years and not greater than 15 years, from April 2011. In 2011, 2012, 2013, over that time we have made no effort to increase the minimum wage. In fact what we have today is a proposal that it should be set at £6.63, £6.63 is equivalent to 40.2 per cent of the level of mean weekly earnings, and an increase in 1.5 per cent in the hourly wage is equivalent to the increase in the R.P.I. (Retail Price Index). So we have linked it both to this 40.2 per cent which is what it was established at last year, and 1.5 per cent being R.P.I. So at least at the very minimum we are not eroding the purchasing power of the minimum wage, of the lowest paid in our society.

[17:15]

Contrary to the comments that have come from the Minister for Social Security - which are very, I must admit, employer-centric - I would comment and draw Members attention to the 2 comments which come from that other neutral body involved in this, other than the Employment Forum, which is J.A.C.S. (Jersey Advisory and Conciliatory Service). Last year they talked about the low level at which the increase was set and stated: "Having missed that opportunity, that will only exacerbate the problem of achieving a minimum wage level of 45 per cent of average earnings within the period of 5 to 15 years, as per the decision taken by the States in April 2010." The minimum wage rise last year was a mere 0.75 per cent. It is twice that this year. J.A.C.S. said: "A general 2 per cent rise across the board would ensure that sight and headway was not lost on the objective of increasing the minimum wage to a level of 45 per cent of average earnings within the

set period, as per the decision taken in the States in April 2010. This percentage rise will also protect, as far as possible, the value of the purchasing power of the minimum wage.” I remind Members that when the minimum wage goes up a whole set of things happen. If the minimum wage is raised then the Income Support bill comes down because Income Support is an in-work benefit, so for every penny you put on the minimum wage the Income Support bill comes down. To a limited extent, every penny you put on the minimum wage, tax bills go up. Not by a lot because not many people on minimum wage are paying tax, but some are, some families are and tax bills goes up. Social Security contributions, obviously every penny on Income Support, Social Security contributions go up and supplementation - which is running, I remind Members, at £60 million a year and rising - goes down. So taxes go up, supplementation goes down, Social Security goes up, and Income Support goes down. So in terms of the overall impact of the minimum wage, those things happen. What I am suggesting here are 2 issues. The first, I draw attention to the fact that when we calculate what the minimum wage should be we do not use the R.P.I. low income index, and, given that it is the minimum wage and must, therefore, represent low incomes, why don't we do use that? One of the reasons may be - and Members can look on page 5 of my report - if we do that, average earnings over the last 5 years have gone up by 10.07 per cent. R.P.I. has gone up by slightly more at 11.09 per cent, by R.P.I. low income has risen by 16.1 per cent and that would mean a significant increase if we were to adopt low income R.P.I., which I think is the appropriate measure that should be used on minimum wage calculations. If that were to happen we would be looking at £6.88 as the new hourly rate of minimum wage. However, I have not gone for that because I believe in one step that would be too far. But the fact is the other aspect of the calculation - and I think this is simply where the Employment Forum has gone wrong - is that we are still basing the average wage on a 40 hour week. The reality revealed by the census the year before last was that the average working week has gone down over the past decade and now stands at 39.2 hours. If we were to recalculate on the basis of the number of hours average people work then what we would find is not £6.63 but £6.77 as the proper rate. If I can just refer to one of the points made in the comments of the Minister for Social Security, he says that: “Two-thirds of minimum wage jobs are in sectors that rely on competition with other jurisdictions. Jersey's minimum wage rate continues to be higher than the minimum wage rates in the U.K., the U.S. (United States), and Guernsey. This has an impact on the competitiveness of those industries.” But if one looks for comparison with the minimum wages elsewhere one finds - using the Eurostat data - that there are 4 other countries in Europe that start with an hourly rate and multiply upwards to get a monthly rate which Eurostat uses for comparison. If we examine those - and they are our near neighbours, most of them - 5 there, France based on a 35 hour week, so the comparison when they compare with other states is 35 hours, times 52 weeks, divide by 12. That is their monthly rate. Ireland it is 39 hours. United Kingdom, with whom we do indeed compete, it is 38.1 hours. If we are to use an accurate comparator to compare with what is happening elsewhere for that competitive base, then we must surely adopt the actual average working hours that we use. I would suggest - and I am suggesting we should do it as of now - that we adopt the 39.2 hours which is the average working week here, and that we adopt a more accurate figure of £6.77 which in reality maintains the 40.2 per cent of the average wage. If we do not do that then effectively what we have said this year is that the minimum wage can decrease in its purchasing power and its relative value this particular year. I think this House, before it does that, should take very great care that what we are doing is, having set a minimum wage, we are just allowing it slowly not to increase but to erode. I think we should not be doing that. Hence my figure £6.77 more accurately reflects maintaining its value. If we do not go there then what we have done is we have let it reduce and made sure that the people who earn least in our society are worse off. That is the reality.

**The Greffier of the States (in the Chair):**

Is the proposition seconded? [**Seconded**]

### **5.1.1 Senator P.M. Bailhache:**

Deputy Southern says that he does not apologise for bringing this proposition but I think as a matter of fact that he should because this Assembly has set up a body to consider all the points that Deputy Southern made during the course of his speech. Almost a year ago, on 16th January this year to be precise, Deputy Southern addressed the Assembly in these terms and I quote from Hansard, he said: "If I were a member of the commission making recommendations, unless I had done something very bold and very outrageous, I would not expect my findings to be turned down by this body on any occasion where I had made a reasonable recommendation. I would not waste my time involving myself with that body if my findings were going to be turned over willy-nilly by this Chamber. I would feel I was wasting my time." I agree entirely, I should say, with Deputy Southern but it is true that he was then talking about States Members remuneration and not about the minimum wage, but the principle is exactly the same. We have set up a body, the Employment Forum, to consider all these matters and to weigh them in the balance. It is a representative body composed of all those elements of society, employers, employees, who have an interest in the outcome which is determined by the Minister for Social Security. So Members I think should ask themselves, if I may adopt Deputy Southern's word, what is outrageous about the recommendation of the Employment Forum. I suggest there is nothing and that the Assembly should not spend too much time on this proposition.

### **5.1.2 Deputy T.M. Pitman of St. Helier:**

I have always liked the consistency in this Assembly and I rise to speak after the last speaker to jog his memory to the fact the States had set up a fully independent Electoral Commission that of course did not stop him immediately intervening to hijack it and leaving us in the mess we are in today. But Deputy Southern has every right, he should not have to apologise for doing this. Deputy Southern has a record of fighting for those who are the most needy and I think there is nothing outrageous in his proposals. I do not think there is anything in them that could be seen as an attack or slight on the people who have come up with the proposals which he now wishes to amend. Members should just consider the facts of what Deputy Southern is asking, I believe. The fact that it is late and it has been a long week really should not come into it. Indeed, perhaps the Deputy should have postponed it for next week rather than risk the sort of graveyard shift. But here we are. Is this proposal going to be so damaging? I do not think they are. We have just argued about and congratulated the Minister for Treasury and Resources on doing a Budget, which is meant to be good news, and doing it as best he can for those who really need it. I think Deputy Southern's proposal should be seen in the light so I have no disagreement with those who have come up with these proposals but if Deputy Southern convinces enough people that his ideas are better and there is an improvement to be made, then let us support him. Let us certainly not condemn him.

### **5.1.3 Deputy G.C.L. Baudains:**

I am inclined to agree with Senator Bailhache, that the body concerned has not done anything outrageous. I would, however, suggest that they might have overlooked something and it is for that reason I shall be supporting Deputy Southern.

### **5.1.4 Deputy R.G. Le Hérisier:**

Building on what was said, it was, I think, unfair of us probably to insist on Deputy Southern proceeding. Would it be time for the adjournment so we can come fresh to this at the next sitting?

**The Greffier of the States (in the Chair):**

It is a matter for Members. There are other items to be debated but if we adjourn those would have to stand over as well. I do not know if the Chairman of P.P.C. (Privileges and Procedures Committee) or a senior Senator wishes to add anything?

**Senator B.I. Le Marquand:**

I did want to take very quickly P.144. I think there is a particular officer waiting to hear if he is going to get a senior job.

**The Greffier of the States (in the Chair):**

P.144, as you know, Senator, unfortunately will not be quite as quick procedurally as it may seem because it does need to be done in camera and we do then need to vote by ballots. But if Members are willing to remain for that would Members wish to defer further discussion on the proposition of Deputy Southern and take P.144 Agent of the Impôts? Very well, that seems to be the general consensus so that debate is adjourned until the next sitting when it will continue.

## **6. Agent of the Impôts: Appointment (P.144/2013)**

**The Greffier of the States (in the Chair):**

We will then take the proposition P.144 relating to the Agent of the Impôts. I will ask the Greffier to read the proposition.

**The Deputy Greffier of the States:**

The States are asked to decide whether they are of the opinion, in accordance with Article 4(2) of the Customs and Excise (Jersey) Law 1999, to appoint Mr. David Austin John Nurse as Agent of the Impôts with effect from 1st January 2014.

**Senator I.J. Gorst:**

Sir, just before we started, could I also say that I am quite happy to put off P.146 until the next sitting as well, which is just an appointed day act, just before we get started.

**The Greffier of the States (in the Chair):**

Thank you. Article 4(2) of the Customs Excise Law states that the appointment of the Agent of the Impôts shall be subject to the approval of the States who shall first deliberate on the subject in camera and then vote in public Assembly by ballot, the vote of an absolute majority of the Members present and voting being necessary for such approval. I will have to ask the ...

[17:30]

**Deputy M.R. Higgins:**

Sir, can I just ask first of all, is any Member planning on speaking on this thing, even in camera, if they are not then perhaps we can go to the vote?

**The Greffier of the States (in the Chair):**

I am afraid the Minister has to propose it in camera, according to the law, there is no alternative, so I must ask the radio and the journalists to leave the gallery and the Greffier to turn off the sound system. Are the galleries clear? Very well, I believe the public galleries are clear. I invite the Minister to propose the proposition.

**(In Camera proceedings)**

**The Greffier of the States (in the Chair):**

I will ask the usher to ask anyone who is waiting outside to return to the Assembly. As I did inform Members earlier, I have discussed this matter with the Deputy Bailiff who was due to be presiding. He was of the view, which clearly I share, that the law is very clear that the vote must be taken by ballot and we, therefore, have no alternative, even if this matter is potentially non-controversial. So ballot slips will be distributed and I invite Members not to write their name but simply to write pour or contre, or P or C.

**Senator L.J. Farnham:**

Sir, can I ask why the appel cannot simply be used for this sort of thing?

**The Greffier of the States (in the Chair):**

I can only assume the intention of the law was that the manner in which Members have voted should not be known and the law is the law, I am afraid, Senator. It is your law from your department. [Laughter] No doubt the Home Affairs Department may review this before the next occasion in which we have to appoint an agent. Members can simply write P or C.

**Senator L.J. Farnham:**

I will be seeking to change Article 4, paragraph 2, 1999, accordingly.

**The Greffier of the States (in the Chair):**

Members can simply write P or C on the ballot paper.

**Senator L.J. Farnham:**

Just a point, if I may just kill 10 seconds of the time. If the vote is unanimous surely it defeats the purpose of ballots by appel.

**The Greffier of the States (in the Chair):**

Senator, please do not argue. The law is the law and we are complying with the law. We are simply doing what the law requires us to do.

**Senator L.J. Farnham:**

No, I was not arguing, I was agreeing with you. Just pointing out a ...

**The Greffier of the States (in the Chair):**

Very well, I will ask the usher and the Deputy Greffier to collect the votes.

**Deputy R.G. Le Hérissier:**

Sir, is it true that Senator Farnham does not want him to collect any impôts? But this is another issue of in camera debates. We raise this time after time.

**The Greffier of the States (in the Chair):**

If I could ask the Deputy Viscount to count the votes. They can be taken out. I think that on the assumption that other matters will be deferred until the next sitting, that simply leaves the Chairman of P.P.C. to propose the business for the next sitting and for future sittings, which I think the most convenient way is looking at the Order Paper for next Tuesday which was distributed earlier.

## **ARRANGEMENT OF PUBLIC BUSINESS FOR FUTURE MEETINGS**

### **7. Deputy J.M. Maçon (Chairman, Privileges and Procedures Committee):**



I will try my best. I think perhaps it would be sensible, given that Deputy Southern has already started his debate, to begin with his proposition, followed by the minimum wage one, followed by P.145, which is Deputy Tadier's Legal Aid Reform one, which may be referred later on but we will just have it down so Members know it is there. Also then following that, P.146, which will move to the top of the Order Paper, as is proposed. I believe Members will want to note that lodged P.147, P.158, and now P.93, will all be sat on 21st January. Other than that I believe that will be the Order Paper.

#### **7.1 Senator L.J. Farnham:**

I am sorry, I do not want to appear obstructive, but I have an interest in P.93 as I lodged the first amendment to it, and I believe this is now the third time it has been deferred. I do not wish to cast aspersions but we cannot keep deferring propositions just because we might not think they are going to be approved. [**Approbation**] I sense that there is not the appetite in the Assembly to have a further debate on the reform process, because I have an amendment myself I have an interest in P.93 but I wonder if any other Member would suggest that we do not agree to continue with the P.93 debate. I will leave it at that.

#### **7.2 Deputy J.A.N. Le Fondré:**

I was going to rise to endorse exactly those comments. I accept that Senator Ozouf is absolutely right to defer it again, but my hope is that the Members of this Assembly would decide that enough is enough. I do not know what the timing is but by debating in January my understanding was that the limit was gone in terms of the deadline for getting the legislation through. I really hope Senator Ozouf might consider that.

#### **7.3 Deputy J.A. Martin of St. Helier:**

This was a discussion with myself and the Chairman - I am on the committee - and other than wasting people's time over Christmas, if the Senator wants a debate on reform it will be a waste of time at the end of January. We will not have time - we have checked with the Greffe, we have checked with law drafting - to bring anything new in for the elections on 15th October. So it should not be a delay. It is either going to go ahead next week or withdraw.

#### **7.4 Deputy T.M. Pitman:**

Very briefly, I just want to really fully endorse what Senator Farnham said and I think really that the Minister for Treasury and Resources, the proposer, should at least feel obliged to stand up and tell the States whether he is only doing this because he thinks the odds might swing a bit in his favour if he delays it before January.

#### **The Greffier of the States (in the Chair):**

Do you wish to reply, Senator?

#### **7.5 Senator P.F.C. Ozouf:**

I do not. I have the right, as any Back-Bencher, to maintain the position. All the people that have spoken have been consistently against bringing in the referendum, I imagine their views are not going to change. Unfortunately I am out of the States on States business. I predicted that there would be no appetite for taking P.93 today. I think we finish this on Thursday, I am not here next week, it has to be put to January. But I will continue to take soundings and I welcome Members contributions.

#### **The Greffier of the States (in the Chair):**

I think the Member has made his position clear, Deputy Maçon?

**7.6 Deputy J.M. Maçon:**

Yes. If Members have nothing else to say I would just like to advise the Assembly to book in 3 days for next week for the sitting.

**The Greffier of the States (in the Chair):**

Very well. There are no further comments on the order of business ...

**7.7 Senator F. du H. Le Gresley:**

Sorry, sir, I have not heard and I think I have been in the Chamber for 4 days without moving virtually, that nobody has announced from the Chair the Long-Term Care Scheme amendment comments that have been lodged by myself.

**The Greffier of the States (in the Chair):**

Yes, they have all been presented. Thank you, Senator, for reminding me of that. Just before the Assembly adjourns I can announce that the Agent of the Impôts was appointed, 35 votes in favour, 1 vote against, and there was one spoilt ballot paper. Therefore, that concludes the business of the Assembly and the Assembly will reconvene at 9.30 a.m. next Tuesday.

**ADJOURNMENT**

[17:43]