

**STATEMENT TO BE MADE BY THE MINISTER FOR TREASURY AND  
RESOURCES  
ON WEDNESDAY 2nd MARCH 2011**

**Fiscal Stimulus – Pomme D’Or Farm Housing refurbishment**

The purpose of this statement is to inform Members about a decision in relation to Pomme D’Or Farm.

Members will recall, that in 2009, following advice from the Fiscal Policy Panel (FPP), the States voted in P55/2009 Economic Stimulus Plan to allocate £44m from the Stabilisation fund to the Consolidated Fund, to provide funding for the proposed discretionary economic stimulus programme.

Since that time, the Fiscal Stimulus Steering Group has overseen the Programme and has ensured that the Fiscal Stimulus criteria, namely the 3T’s, Temporary, Targeted and Timely have been met.

The Programme has been very successful, with a package of initiatives which have provided an extra stimulus to the economy and supported individuals, employment and businesses in Jersey through the downturn.

Earlier this year, I made the Assembly aware that I was allocating £2.2m in Fiscal Stimulus Funds to Skills and Training, and that I would return to the Assembly with a further statement.

My statement today is to notify Members that I intend to make an exception to the timeframe for Fiscal Stimulus allocations that were set-out in P55/2009 in order to extend the funding of the Housing maintenance programme. This will enable the important refurbishment works to go ahead on Pomme D’Or Farm estate between September 2011 and 2014. After consulting the Corporate Affairs Scrutiny Panel I plan to allocate £3.6 million for this purpose.

This will now mean that £44m has been allocated to Fiscal Stimulus projects.

The Fiscal Stimulus Programme has invested £5.2m in a Housing programme of maintenance of heating, roofs and windows in addition to the £8.1m capital build of Le Squez. The maintenance of the Pomme D’Or Farm estate is one of the Housing Department’s top priorities.

This allocation of £3.6m taken together with existing resources in Housing will further improve States assets, provide much needed improvements to States tenants, and reduce backlog maintenance, which has already come down from £75m to £40m.

Housing has Planning permission for this scheme and is well advanced with preparations for its delivery. This will facilitate a September 2011 start date.

Given the current financial climate, sales of States Housing properties under P6/2007 are difficult, which means that the Housing department has had to reduce the works they are planning to undertake. This additional allocation allows them to continue their programme while also taking advantage of lower tenders within the current market place.

The £3.6m will be refunded by Housing, as sales receipts improve.

The funding of this scheme would have fallen outside the time period for approval of funding by the Steering Group that advises me. However, I hope that Members agree this is a wise and effective use of resources.

I have made this decision after an initial proposition (P177/2010) was brought to the Assembly by Deputy Green, and following extensive consultation with the Assistant Minister for Housing. The new Minister for Housing has not been involved in this consultation since such time as his appointment was proposed. Further to this, I will consult with Corporate Affairs about this measure.

This project provides excellent value for money, it continues to serve as a boost to the economy, and provides an extremely welcomed improvement to the living conditions for the persons living at Pomme D'Or Farm. I hope members will join me in recognising this is an appropriate use of funds.

### **3.1 Statement by the Minister for Treasury and Resources regarding fiscal stimulus**

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

I am grateful to Senator Breckon for a copy of the statement. The purpose of this statement is to inform Members about a decision in relation to Pomme d'or Farm. Members will recall that in 2009, following advice from the Fiscal Policy Panel, the States voted in P.55/2009 Economic Stimulus Plan, to allocate £44 million from the Stabilisation Fund to the Consolidated Fund to provide funding for the proposed Discretionary Economic Stimulus Programme. Since that time, the Fiscal Stimulus Steering Group has overseen the programme and has ensured that the fiscal stimulus criteria, namely the 3 Ts: temporary, targeted and timely, have been met. The programme has been very successful with a package of initiatives which have provided an extra stimulus to the economy and supported individuals, employment and businesses in Jersey through the downturn. Earlier this year, I made the Assembly aware that I was allocating £2.2 million in fiscal stimulus funds to skills and training and that I would return to the Assembly with a further statement. My statement today is to notify Members that I intend to make an exception to the timeframe for fiscal stimulus allocations that were set out in P.55/2009 in order to extend the funding of the Housing Maintenance Programme. This will enable the important refurbishment works to go ahead on Pomme d'or Farm Estate between September 2011 and 2014. After consulting the Corporate Affairs Scrutiny Panel, I plan to allocate £3.6 million for this purpose. This will mean that the £44 million has been allocated to fiscal stimulus projects. The Fiscal Stimulus Programme has invested £5.2 million in the Housing Programme of maintenance of heating, roofs and windows, in addition to the £8.1 million capital build of Le Squez. The maintenance programme of Pomme d'or Farm Estate is one of the Housing Department's top priorities. This allocation of £3.6 million taken together with existing resources in Housing will further improve States assets, provide much-needed improvements to States tenants and reduce backlog maintenance, which has already come down from £75 million to £40 million. Housing has planning permission for this scheme and is well-advanced with preparations for its delivery. This will facilitate a September 2011 start date. Given the current financial climate, sales of States housing properties under P.6/2007 are difficult, which means that the Housing Department has had to reduce the works that they are planning to undertake. This additional allocation allows them to continue their programme while also taking advantage of lower tenders within the current marketplace. The £3.6 million will be refunded by Housing as sales receipts improve. The funding of this scheme would have fallen outside the time period for approval of funding by the steering group that advises me, however, I hope Members agree that this is a wise and effective use of resources. I have made this decision after an initial proposition, P.177/2010, which was brought to the Assembly by Deputy Green and following extensive consultation with the Assistant Minister for Housing. The new Minister for Housing has not been involved in this consultation since such time as his appointment was proposed. Further to this, I will consult with Corporate Affairs about this measure. This project provides excellent value for money, it continues to serve as a boost to the economy and provides an extremely welcome improvement to the living conditions for the persons living at Pomme d'or Farm. I hope Members will join me in recognising that this is an appropriate use of funds. **[Approbation]**

#### **The Connétable of St. John:**

I would just like to offer for the 88 tenants of Pomme d'or Farm and for the Department thanks for the co-operation of the Minister for Treasury in this matter. We are a good way towards funding this now and we will be looking to put things in place. We already having planning permission on that, so it is just to offer a thanks to the Minister for Treasury.

**The Bailiff:**

We will discount that from question time, then. Deputy Le Claire?

**3.1.2 Deputy P.V.F. Le Claire:**

Notwithstanding that the work was identified as being in the region of £7 million and now it has been identified as £3.6 million (it must be a remarkable reduction in the quote) the statement says ... I will pick up on the Assistant Minister's advice here: "The £3.6 million will be refunded by Housing as sales receipts improve." What does that mean, how will that happen?

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

In relation to the cost, the £3.6 million is the fiscal stimulus funding, there is an additional allocation from Housing itself; from memory, it is £1.2 million from their capital and a further £500,000 from its revenue expenditure. Of course, we expect that the tenders for this could be below originally what was anticipated because of the slowness of the housing market. In relation to the repayment of this, Housing is selling units, as the Deputy will know, and that has not continued at the pace that it was expected because of the downturn and we will have discussions with Housing about the extent to which the sales which they were expecting to be made, which would have facilitated this capital spend, can repay this amount in the same way that Le Squez is.

**3.1.3 Deputy J.A. Hilton of St. Helier:**

I was going to ask a very similar question but a question I will ask is: in the statement, the Minister makes reference to the backlog of maintenance of £75 million down to £40 million. Can he tell the house how he intends to assist the Housing Department in carrying out some more of this maintenance?

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

That is the total amount of money that would be required to put the entire housing stock into the condition that we would want and there is going to be a challenge going forward about how we identify this with the limited amount of money that we have in the capital programme. My own view about how this could be solved is the moving of the Housing Department's social-rented landlord function into a standalone body that would give it much more flexible funding mechanisms just as social housing provision is provided in other places, and particularly in the United Kingdom, in a much more innovative way. We need to be more innovative in relation to the funding of social housing, and that is how that will be solved.

**3.1.4 The Deputy of St. John:**

Can I say how appalled I am that yet again money is coming from the stimulus fund and not going into other areas of our infrastructure. Some months ago, or 18 months ago now, we saw large sums of money going on Victoria Avenue when it could have been broken into smaller portions across the Island. Yesterday evening on TV we had a ...

[16:00]

**The Bailiff:**

If you would, Deputy, a reasonably concise question because there are a lot of Members wanting to ask questions?

**The Deputy of St. John:**

Yes, Sir. Will the Minister agree that the £300,000 mentioned by officers of T.T.S. (Transport and Technical Services) yesterday on television for repair to road potholes, is a minute part of the money required for the state of our roads, which are very poor, and when will the Minister get it

into his head that we must look after all our infrastructure, in particular our roads, before people are injured on them?

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

I agree with the Deputy that we require more money for our infrastructure. I would remind the Deputy that we have done a great deal in order to find money for infrastructure: we have solved the waste issue with the energy from the waste plant, we have put more money into roads. This is the problem that we are going to have to tackle in this Assembly of how we do fund, in the medium term, infrastructure requirements. I recognise the Deputy's concern, liquid waste is on our agenda for resolution, but there are other issues that we need to deal with and the Assembly is going to have to assist me later on this year in finding solutions to these issues.

**The Bailiff:**

I am sorry, Deputy but there are so many people wanting ...

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

I want to deal with that ...

**The Bailiff:**

No. Deputy Southern?

**3.1.5 Deputy G.P. Southern:**

Does the Minister for Treasury accept that he is, in a way, robbing Peter to pay Paul since he is insisting that the money is paid back and therefore money generated from sales, which should go to refurbishment and maintenance, will not in future go to them. Pomme d'or may be okay, the next project down the line or the one after that is not going to be okay because he is insisting that the money be paid back.

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

No. I think that the Assembly in the Annual Business Plan needs to make decisions in total about capital spending and so the fact that the fiscal stimulus is going to come back to be repaid, it will mean that this Assembly makes the decision. If you like, the fiscal stimulus is a cash-flow issue and the Assembly will make the decision about the long-term allocation of whether or not capital receipts are going to the Deputy John's issue of infrastructure or the issue of Housing. So it empowers this Assembly to make the decisions of where capital money is going.

**3.1.6 Senator S.C. Ferguson:**

Is the Minister aware that such forms of quantitative easing have a multiplier of less than one, about 0.75? Is there not a danger that this will be inflationary, and how does this all fit with the objectives of the C.S.R.?

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

Those are good but very wide-ranging questions.

**The Bailiff:**

To which you are going to give a concise answer. [Laughter]

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

Yes. I will attempt to but quantitative easing ... there is a direct benefit: if we spend money on construction in the Island with the criteria of fiscal stimulus in local jobs, multipliers or

otherwise, it will keep people in work in an otherwise depressed construction industry and, frankly, academic debates about quantitative easings are not relevant; this is C.S.R.-compliant because we are going to get better value for this construction contract which is needed to be done because of the depressed state of the construction market.

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

I would just like to ask the Minister when was it agreed that money paid out of fiscal stimulus would have to be repaid and were any other allocations subject to that same condition?

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

Yes, indeed. The other big project which was being repaid, and this is not repaid for the benevolence of the Treasury, this is repaid for the good order of the States Assembly in deciding where capital ultimately is being spent on the political priorities, so I do not think we are being unfair to Housing in relation to this particular issue. They do have a revenue stream, for example, from Le Squez, which can be capitalised, which should be repaid, which allows this Assembly to reallocate that money for other important infrastructure projects or, indeed, other Housing projects as well.

**3.1.8 Deputy M.R. Higgins of St. Helier:**

As the work is being phased block by block, I am concerned by the fact that the sum being provided is less than that estimated and relies on tenders coming in, some almost £2 million less than the original figures. Can the Minister assure me that we will not find some residents being let down and their homes not being completed because the money runs out? I must also add that, while I was against the £7 million being borrowed or purloined by the Minister for Treasury from the Housing budget in the first place, I would like to thank him for coming up with this money for the residents of the Pomme d'or Estate, who have been badly let down in the past.

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

First of all, for the avoidance of doubt, Le Squez was the only one that was repaid. This money was not purloined from the Treasury, it is as though the Minister for Treasury is in this unique position: the Minister for Treasury in conjunction with the Council of Ministers, reprioritised the capital programme, put this as a lower priority and in advance put the urgent matters that were needed in the Health Department, things like the intensive care unit, to be a higher priority. We have been trying to find solutions to different departments' capital requirements and the fiscal stimulus has allowed us to do that. As far as the residents not being able to see their accommodation upgraded, we are reasonably confident, effectively, if we get the refurbishment done in the next few months, we will have sufficient resources in order to complete the programme.

**3.1.9 Deputy M. Tadier:**

How does the Minister respond to the argument we heard in the last debate that if the £23 million profit that the Housing Department made was not transferred to the Treasury, they would not need to be having this money applied in the fiscal stimulus, they could use that money themselves to provide and to prioritise Housing repairs as they saw fit themselves?

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

I think that is a very good question and I have got some work to do to explain the reality of this. It is not a profit-making business in terms of the Housing Department, this was a budget which was internally, in Housing, collecting rent and providing money to support people in social housing. The fact that we introduced income support and put that in a different department

means the accounting entries are now showing that there is a credit for Housing which is effectively going across to Social Security. This is not a dividend from Housing Jersey Limited, this is accounting treatment reflecting the very high cost of providing social-rented housing in 2 different departments. Nothing has changed, but it appears to me that history is being attempted to be rewritten in terms of this bonanza of money for the Housing Department; it is not quite that, if I may say.

**3.1.10 The Deputy of St. Mary:**

Very interesting answer. Yes. The Minister's statement makes the case for investment when he says: "This allocation of £3.6 million, taken together with existing resources in Housing will further improve States assets, provide much-needed improvements to States tenants and reduce backlog maintenance." It sounds very good. Can the Minister assure Members that this commonsense approach to public expenditure will be continued in some form, even though the F.S.P. (Fiscal Stimulus Package) is now concluded?

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

I think it is the C.S.R. as opposed to the ...

**The Deputy of St. Mary:**

F.S.P., Fiscal Stimulus Package.

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

I think the Deputy wants me to bring forward proposals to just spend a lot more money and I understand the tensions that we have in all sorts of different departments, scarce resources mean difficult decisions, and that is the allocation of capital resources. Ministers want lots of money for their capital projects, I understand that, but we have to make the best priority allocations and this Assembly makes them annually in the Business Plan.

**The Bailiff:**

I know there are other Members who have got questions but, unfortunately, that is the end of questions to the Minister on his statement.