

### **3.9 Deputy M.R. Higgins of St. Helier of the Minister for Treasury and Resources regarding the extent of all borrowing by the States, State-owned entities, State-controlled entities, Parishes and other bodies whose loans are guaranteed by the States:**

Would the Minister advise the Assembly of the extent of all borrowing from whatever sources by the States, State owned entities, State controlled entities, Parishes and other bodies, whose loans are guaranteed by the States giving details of the projects, timescales, rates of interest and most importantly, total States liabilities to these loans?

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

I would hope that the Deputy would agree and the Assembly that this is probably a question more appropriately directed as a written question. **[Approbation]** I also will say to the Deputy that the States accounts presented to the Assembly each year provide details of States borrowing and liabilities and the 2008 accounts are to be published very shortly. What I can say, and I will do this as quickly as I can, the States does not have any traditional borrowing. There are a number of guarantees, as Members will be aware, in place for a number of issues. One example is a guarantee to HSBC of up to £14.9 million for amounts outstanding in respect of the Jersey New Waterworks Company. Secondly, there is a guarantee to Barclays Bank for a maximum of £4.7 million for amounts in respect of loans to the Jersey Arts Trust in connection with the renovation of the Opera House. The States also provide guarantees in respect of 2 particular schemes, the small loans guarantees scheme where the States guarantee up to 75 per cent of loans, total £641,000. There are also loans for students in higher education which total £418,000. In the past the States has, and these are a number of years ago, entered finance lease arrangements for certain capital projects, Morier House, Maritime House, at the John La Fondré Departure Hall at the airport and the airport alpha taxiway. These last 2 examples, of course, being slightly different as they relate to the commercial undertakings of the airport. In essence, this information is into the public domain. Jersey has virtually no debt, some guarantees but all of which are, of course, substantially offset by the significant cash resources that the States has, unlike most other jurisdictions of other governments in the world.

#### **3.9.1 Senator S. Syvret:**

Could the Minister inform the Assembly what potential liabilities exist for the various States pension funds and will these be included in the accounts when they are published?

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

There is some, and I am increasingly recognising the need for us to communicate far better exactly what the liability for State pensions are. The fact is, that unlike again other governments, changes were made to our public sector employment pension, that the liability legally for any deficits remains with pensioners and the current active members and past pensioners. If there was a deficit then there are effectively the regulations set out that benefits would be adjusted and that is accepted by the States auditors who do not make a contingent liability in terms of the public sector deficit. I recognise, however, that the Senator and others may not fully understand the scheme and the public sector scheme and I undertake further to perhaps give a presentation to

States Members on behalf of the States Employment Board with the Chief Minister to better explain it because clearly there are some hares running around here.

### **3.9.2 Senator S. Syvret:**

The question is that while there may be no strict legal liability for these debts, is it not the political reality and the social reality that if the funds do hit serious difficulties, people are going to look to the States to meet the deficits?

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

One thing I have learned with Senator Syvret is everything is a crisis and everything is a major problem. Let me be clear. Our public sector employment's pension scheme has had a number of changes made to it that this Assembly have debated in recent years, most recently in dealing with the past service liability. There are issues with the States pension scheme, but they are minor in nature and let nobody in this Assembly believe that there is some yawning black hole which taxpayers will have to fund. The liability is for pension holders and the current contributors, not this Assembly.

### **3.9.3 Senator A. Breckon:**

I wonder if the Minister could explain where the letters of comfort that were given housing associations and trusts sits with States guarantees?

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

That is a very good question, and certainly the States in the past have given some letters of comfort in order to facilitate and to assist housing associations to build some 800 units of social rented accommodation. They vary in different degrees and they have been tightened and loosened as the requirements of markets. Currently I am in discussions with the potential issuing of some further letters of comfort. They fall short of a guarantee in respect of some social housing schemes to make social housing schemes happen and particularly I am very keen to see social housing schemes for the Parishes develop for our senior citizens. But if the Senator wishes more information on that, I am happy to disclose that in a written question, if that is of assistance to him.

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

In terms of the general principle, would the Minister not concede that if a project like the incinerator is built to serve future generations, then its financing should be spread over the period of its service to those generations?

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

My answer to that is very simple. If there is a revenue stream that one can put against the repayment, then there would be a case potentially of borrowing because effectively then you could allocate it. I am afraid that there is no appetite in this Assembly, despite some strong environmental arguments, in favour to introduce a black bag tax that would pay for the incinerator. I am not suggesting that one should be done. I am not suggesting that that is the case. There is no revenue stream for the incinerator and that is the reason why it should be taken in whole at once and paid for. We meet our liabilities in the year they are expenses. Not many governments do that.

### **3.9.5 Senator J.L. Perchard:**

Will the Minister for Treasury and Resources, who says that hares have been set running by concerns over the debts that now exist in the public employment retirement scheme, undertake to seek up-to-date legal advice on whether the liability for the deficits clearly falls with pensioners that are recipients of pensions, present members of the scheme and future members of the scheme and report back to the States of Jersey to confirm that the liability stands with those that enjoy the benefits of the scheme and not with the taxpayer?

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

I am happy to do so. The Senator, who was a Member of the States Employment Board, will be aware of the formal process of the publication of the actual variation. The actual variation for 2007 is going to be released, as I understand it, very shortly and certainly as far as the legal advice, of course, the S.E.B. (States Employment Board) takes advice in relation to its obligations. Let there be no doubt while there is not a crisis in terms of pensions there are, in good planning sense, in forward looking, in prudent assumptions of future employment, et cetera, there will be needing to be some changes inevitably made to pension contributions going forward. That is not a surprise and it is certainly nothing that other governments in other public sectors are not having to deal with.

**3.9.6 Senator J.L. Perchard:**

The Minister, thank you for his answer, but did not answer the detail, and that is I asked him to get up-to-date current legal advice on the scheme and who is liable for the deficit and report back to this Assembly. Will he do that and when will he do it?

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

I will do so. That is an issue for the States Employment Board which is chaired by the Chief Minister. I will consult with him. Clearly there is an issue which is of concern to Members. We need to explain it. I can say to Members that yesterday the S.E.B. met for 2 hours discussing exactly what the issues are in relation to the public sector schemes and other pension arrangements. As we do normally, we act upon advice, but I give that undertaking.

**3.9.7 Senator B.E. Shenton:**

Will the Minister confirm that the liability already taken by the States for the pre-1987 debt is now in excess of £200 million and at the meeting yesterday it was rather an emergency meeting because the past service deficit, which should only be attributable to pensioners and members of the scheme is now in excess of £70 million?

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

The Senator really must, I think, take some responsibility for ensuring that hares are not running. That is absolutely not the case and the Senator would not expect me to discuss the details of a States Employment Board discussion. What he says is absolutely wrong.

**3.9.8 Deputy P.V.F. Le Claire of St. Helier:**

Would the Minister not agree when these sorts of questions arise in the States it sets grave concerns among the community, among the retired ex-employees and the current employees? Would he undertake today to issue a statement this afternoon to reassure those members because I know from having been on this committee of management for a number of years anything like this raised under these sorts of

conditions, there are serious concerns from people that are in retirement, quite possibly ill health retirement, that have serious issues about these sorts of worries and I think we need to stop some of these hares that have just been set running. Would the Minister undertake to reassure probably now some concerned members of our community?

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

I would hope that some remarks by a Senator in asking questions should not be taken and extrapolated into any sort of issue. These are issues which have been in discussion in relation to the public sector pension scheme for a long time. I am learning about these issues, I am asking questions so that I can understand it. In relation to the past service liability, the Senator is well aware that this Assembly made a decision to make a contribution on an annual basis, I think £1 million or £2 million a year, to deal with that issue. There are actuarial valuations that are carried out on schemes and they will be dealt with, but there is certainly no issue. There are going to have to be some changes made to the scheme. That is the same in other places and we have been well served and well funded in terms of our schemes. I am not going to rush into any announcements. That would be wrong, that would be the responsibility of the Committee of Management and others to do so, but I will discuss with the Chief Minister to make appropriate statements that could certainly give people confidence about the schemes that we have which is the truth.