

STATES OF JERSEY

OFFICIAL REPORT

THURSDAY, 29TH SEPTEMBER 2016

1.	Connétable L. Norman of St. Clement:	4
1.1	Deputy M. Tadier of St. Brelade:	4
1.2	Deputy M.R. Higgins of St. Helier:	4
1.3	Deputy M.R. Higgins:	4
1.4	Senator A.K.F. Green:	4
1.5	Deputy M. Tadier:	4
1.6	Deputy K.L. Moore of St. Peter:	5
1.7	Deputy M. Tadier:	5
1.8	The Connétable of St. Clement:	5
1.9	Connétable C.H. Taylor of St. John:	6
1.10	The Connétable of St. Clement:	6
1.11	Deputy M. Tadier:	6
1.12	The Connétable of St. John:	7
1.13	The Connétable of St. Clement:	7
ARRANGEMENT OF PUBLIC BUSINESS FOR FUTURE MEETINGS		8
2.	The Connétable of St. Clement:	8
PUBLIC BUSINESS – RESUMPTION		9
3.	Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - third amendment (P.68/2016 Amd. (3)) - continued.....	9
3.1	Deputy J.A. Martin:	9
3.1.1	Deputy M.R. Higgins:	9
3.1.2	Senator I.J. Gorst:	10
3.1.3	Senator A.J.H. Maclean:	12
3.1.4	Deputy G.P. Southern:	14
3.2	Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - sixth amendment (P.68/2016 Amd. (6)).....	17
3.2.1	Deputy J.A.N. Le Fondré of St. Lawrence:	17
3.2.2	Senator A.K.F. Green:	20
3.2.3	Connétable M.P.S. Le Troquer of St. Martin:	21
3.2.4	Deputy G.P. Southern:	22
3.2.5	The Connétable of St. John:	22
3.2.6	Senator S.C. Ferguson:	22
3.2.7	Senator P.F.C. Ozouf:	23
3.2.8	Senator I.J. Gorst:	24
3.2.9	Deputy M. Tadier:	26
3.2.10	Deputy J.A.N. Le Fondré:	28
3.3	Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - eighth amendment (P.68/2016 Amd.(8)) (Vacancy Rate).....	30
3.3.1	Deputy J.A.N. Le Fondré:	31

3.3.2 Senator A.K.F. Green:	33
3.3.3 Deputy R.G. Bryans of St. Helier:.....	36
3.3.4 Deputy A.D. Lewis:.....	37
3.3.5 Senator S.C. Ferguson:	39
3.3.6 Deputy L.M.C. Doublet of St. Saviour:.....	39
3.3.7 Deputy S.M. Wickenden of St. Helier:.....	39
3.3.8 The Connétable of St. John:	40
3.3.9 Deputy K.C. Lewis of St. Saviour:.....	41

LUNCHEON ADJOURNMENT PROPOSED.....41

Deputy S.G. Luce of St. Martin:	41
Deputy M. Tadier:	42
The Connétable of St. Clement:	43
Deputy G.P. Southern:	43
Senator L.J. Farnham:	43
Deputy A.D. Lewis:.....	43
Deputy J.A.N. Le Fondré:.....	43
Senator S.C. Ferguson:	43
The Connétable of St. Clement:	44
Deputy A.D. Lewis:.....	44

LUNCHEON ADJOURNMENT.....45

3.3.10 The Deputy of St. Martin:	45
3.3.11 The Deputy of St. Peter:.....	46
3.3.12 Deputy M. Tadier:.....	46
3.3.13 Deputy E.J. Noel of St. Lawrence:	48
3.3.14 Senator A.J.H. Maclean:.....	50
3.3.15 Connétable S.W. Pallett of St. Brelade:	52
3.3.16 Deputy S.M. Brée of St. Clement:	53
3.3.17 Senator P.F. Routier:	54
3.3.18 Deputy J.A. Martin:	54
3.3.19 Deputy M.J. Norton of St. Brelade:	55
3.3.20 Senator I.J. Gorst:	56
3.3.21 Deputy G.P. Southern:	57
3.3.22 The Connétable of St. Martin:	58
3.3.23 Deputy J.A.N. Le Fondré:	59

3.4 Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) – twelfth amendment (P.68/2016 Amd.(12)).....61

When the 3.4.1 Deputy S.Y. Mézec of St. Helier:.....	61
3.4.2 Deputy S.M. Brée:	64
3.4.3 Deputy D. Johnson of St. Mary:.....	64
3.4.4 Senator A.J.H. Maclean:	64
3.4.5 The Connétable of St. John:	67
3.4.6 Deputy J.A. Martin:	67
3.4.7 Senator L.J. Farnham:.....	68
3.4.8 Deputy M. Tadier:	70
3.4.9 Deputy G.P. Southern:.....	73
3.4.10 Deputy A.D. Lewis:	74
3.4.11 Deputy R. Labey of St. Helier:	75

3.4.12	Senator P.F.C. Ozouf:	76
3.4.13	The Connétable of St. Mary:	80
3.4.14	Deputy J.A.N. Le Fondré:	82
3.4.15	Senator I.J. Gorst:	83
3.4.16	The Connétable of St. Lawrence:.....	84
3.4.17	Deputy S.Y. Mézec:	84

[9:30]

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

The Greffier of the States:

Monsieur le Connétable de St. Pierre.

1. Connétable L. Norman of St. Clement:

The Constable is required to attend at the Royal Court this morning on parish business and he should be with us within the hour but has asked if he could be excused while he conducts that business.

The Deputy Bailiff:

Yes, défaut excusé.

1.1 Deputy M. Tadier of St. Brelade:

Could we have a vote on that, please?

The Deputy Bailiff:

If you wish to vote on that, then we will take the vote after the States are constituted, Deputy. [Roll call continues]. We now come to consider then whether the Connétable of St. Peter can be défaut excusé. The Deputy has called for a vote on that. Does anyone wish to speak on whether ...?

1.2 Deputy M.R. Higgins of St. Helier:

Could I ask a ... I am not sure it is a point of order but it is certainly information from the Chair. Is it not the oath of all Members that the States takes priority over all business? Does that also include the Royal Court?

The Deputy Bailiff:

The position is that the oath requires Members to devote their time and to attend upon the States when necessary to do so. However, as Members will be aware, there are circumstances in which a certain amount of latitude is granted where that is concerned, obviously cases of illness and also cases of States business and sometimes when there are other pressing concerns. It is within the discretion of the Assembly to mark a Member as excused from appearance and that is what is before us at the moment, Deputy.

1.3 Deputy M.R. Higgins:

Sorry, could I just seek a further clarification? Is there an order of precedence? In other words, is it laid down, for example, the States comes before the court or the court comes before the States?

The Deputy Bailiff:

I am not aware of anything which creates a statutory precedence one over the other.

1.4 Senator A.K.F. Green:

I would just like to speak briefly in support of the Constable. We have on many times allowed others to be excused for various reasons, as you said, Sir. In particular, when you are attending the Royal Court it is hardly a frivolous thing.

1.5 Deputy M. Tadier:

If I explain the rationale, the first question I would ask is: is there anybody else from the Parish of St. Peter who could represent the affairs that are going through the Royal Court other than the

Constable of St. Peter? I suspect there are, but if not, why not? The public of this Island have voted to keep the Connétables in the States and that is because they want them here presumably to partake and assist during debates and presumably also to vote on behalf of the States. It seems to me that here we have an individual who is not absent on States business but is absent on parish business, and that flags up a concern. It seems to me that on the first point I suspect there is somebody else from the parish who could be present at that point and, if not, there should be somebody delegated from the parish to represent in the Royal Court at that point. I think it is as simple as that. I do not think that the Connétables can have it both ways. There are clearly times when for personal reasons we are given absence from this Assembly, also on States business and for elements of discretion, but I do not think it should be standard that when a Connétable or anyone ... indeed, would I be given absence for attending in the Royal Court to assist with something to do with the St. Brelade administration? I think that is a moot point. Of course, there will be precedents in the past where that has been set, but I think it is important to put some kind of message down here today that we expect all Members first and foremost to be present in the Assembly, especially if they are on-Island rather than conducting private or parish business.

Senator I.J. Gorst:

Before we go to the vote, could I just raise the défaut on Senators Maclean and Farnham, please?

The Deputy Bailiff:

Thank you. The défaut is raised on Senators Maclean and Farnham. Deputy of St. Peter?

1.6 Deputy K.L. Moore of St. Peter:

I just wanted to state to the Assembly that the Constable has been called before the Royal Court on a matter of an extinguishment of a road in the parish and the Constable, as the titular head of the parish, does have ultimate control over that. I also think that the Deputy is taking a somewhat arbitrary approach and it would make it very difficult for other Members to make that judgment call in future. We all aim to be in the Assembly whenever we possibly can because we take our oath very seriously, but if we for very genuine reasons cannot be here, it seems that if we vote for the Deputy's proposition here then we could always be at the mercy of our colleagues because we would not understand whether they are going to take a positive or a negative view to our absence.

[Approbation]

1.7 Deputy M. Tadier:

On that basis, would it be helpful if I withdraw the proposition noting the comments of the Deputy of St. Peter that it is perhaps not fair on the Connétable? But I would like to refer this matter to P.P.C. (Privileges and Procedures Committee) as a matter of urgency. I think it needs some kind of resolution. I am happy to vote on it otherwise but just trying to be reasonable.

The Deputy Bailiff:

Very well. Sorry, did you wish to ...?

1.8 The Connétable of St. Clement:

I would much prefer to go to the vote **[Approbation]** because the Deputy has made some points which I would wish to answer to the Assembly. If it is just allowed to be withdrawn, the challenge that he has made cannot be answered.

The Deputy Bailiff:

I think as the States were not in a position by common assent to excuse, Connétable, it can only now be put to the vote, now the States is constituted.

Deputy G.P. Southern of St. Helier:

Can I lift the défaut on Deputy Doublet?

The Deputy Bailiff:

Yes, the défaut is lifted on Deputy Doublet. The Connétable of St. John?

1.9 Connétable C.H. Taylor of St. John:

I think also on a point of clarity dealing with an extinguishment of a road or otherwise is parish property and, therefore, not only does the Constable but his 2, 3 or whatever number of procureurs also have to be present and it has to be all persons present, not just the Constable or a procureur and he could not in any way be deputised on this occasion.

The Deputy Bailiff:

Thank you for that clarification, Connétable. Very well, those in favour of ...

Deputy M. Tadier:

Is there a summing up?

Deputy J.A. Martin of St. Helier:

Appel, please.

The Deputy Bailiff:

I beg your pardon, Deputy?

Deputy M. Tadier:

There is usually a summing up, is there not, on a proposition?

The Deputy Bailiff:

Well, firstly, is the proposition formally seconded? **[Seconded]** Yes, very well. Well, I am prepared to let you sum up briefly on what should be an entirely straightforward administrative matter.

1.10 The Connétable of St. Clement:

Surely it is my proposition. I proposed that the Constable be excused. Surely it is my proposition and, therefore, for me to sum up.

The Deputy Bailiff:

Well, **[Laughter]** the position is that I think, in fact, the Chairman is correct, Deputy. It was the Chairman who stood and asked for the Connétable to be excused. You indicated you wished the matter to be put to the vote, but I think the Chairman is correct, it is his proposition that should be put to the vote and, therefore, his proposition that should be seconded **[Approbation]** and he would be in the position to sum up. So, I apologise for getting that slightly wrong.

1.11 Deputy M. Tadier:

In that case, may I raise a point of order? I think we are allowed at any time during proceedings to ask a question of the Attorney General or the Solicitor General, who are not here. Perhaps in their absence ... and the reason I ask that is that we have had a statement as if it were fact, which it may or may not be, from the Connétable of St. John that the Connétable must attend the Royal Court when it is a matter to do with a road being taken over or a road transaction. Now, I am not sure if that is true. I suspect that we have procureurs in the parish who deal with the Bien Public, which is to do with the ownership of the parish, and we have a roads committee that deals with that. I do not

think it is necessarily correct that the Connétable must be present whenever a transaction happens in the Royal Court, so I suspect that the Connétable may be inadvertently misleading the House. **[Members: Oh!]** It would be good to have a lawyer in here ... I said inadvertently. I do not know, that is why we have an Attorney General, is it not, to ask these kinds of questions?

The Deputy Bailiff:

The proposer is not only the Chairman of P.P.C. but also the President of the Comité des Connétables. In summing up, I am sure he will be in a position to answer from the understanding of the Connétable at least. It does not seem to me that a knowledge of what the strict legal position is is likely to ... because the proposal to excuse was not advanced on the basis of the strict legal position as far as I understand it. It was simply advanced as to whether, given that the Connétable of St. Peter is in the Royal Court, he should be excused. The interjection ... I am sorry, you have already spoken, Connétable, unless there is a question.

1.12 The Connétable of St. John:

If I may clarify it, the Parish of St. John has recently passed contract within the last 2 months on a road and I can assure you categorically that the Constable and the procureurs had to be present. I do know this and I dislike my integrity being questioned.

[9:45]

The Deputy Bailiff:

No, sorry, Connétable, as a matter of strict interpretation of what was said, there was no questioning of your integrity. The most that was said was that what you said might have been inaccurate inadvertently, so I do not think there is any imputation of your integrity. In my view, the matter should now be put to the vote unless you would like to say some words in response, Connétable.

1.13 The Connétable of St. Clement:

Yes, I would. Firstly, what a valuable way to spend our time in such a busy debate. **[Approbation]** I am not a lawyer but I can inform the Deputy and the States that the Connétable is required to attend the Royal Court on any property transactions, road extinguishments or whatever. The reason for that is that the Constable is a delegate of his parishioners and a delegate cannot delegate to a third party to act on his behalf or on the parish's behalf at the Royal Court. He cannot give a power of attorney to anybody or to a lawyer or anybody else. I am sure that if Deputy Tadier wishes to check this out with his legal advisers he will find that to be the case. All of us Constables who have been involved in property transactions on behalf of the parish will know this to be true. But the real point is that the Constable is required to be in the Royal Court this morning. He needs to be in the Royal Court this morning and, therefore, there is no question in my view that he should be excused for the relatively short time that he will not be in the Assembly. I maintain the proposition.

The Deputy Bailiff:

Very well, those in favour of ...

Deputy J.A. Martin:

The appel, please.

The Deputy Bailiff:

The appel is called for. I ask the Greffier to open the voting. The proposition is whether the Constable of St. Peter should be défaut excusé.

POUR: 38		CONTRE: 3		ABSTAIN: 1
Senator P.F. Routier		Deputy G.P. Southern (H)		Deputy M.R. Higgins (H)
Senator A.J.H. Maclean		Deputy M. Tadier (B)		
Senator I.J. Gorst		Deputy S.Y. Mézec (H)		
Senator L.J. Farnham				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Clement				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of St. Saviour				
Connétable of Grouville				
Connétable of St. John				
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 of St. John				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				
Deputy A.D. Lewis (H)				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				

ARRANGEMENT OF PUBLIC BUSINESS FOR FUTURE MEETINGS

The Deputy Bailiff:

Chairman, I understand you would like to discuss arrangements for future business or at least warn people about future business.

2. The Connétable of St. Clement:

Yes. I think even the most optimistic among us will not think or believe that it will be possible for us to complete the business on the Order Paper today. Therefore, we need to think about a continuation day or days. A number of Members have approached me and it has been suggested (a) we should continue tomorrow or (b) that we should continue next Tuesday. I would like Members to think about this during the morning and once again just before lunch I could make a proposition,

which is likely to be at the moment that we continue tomorrow in the hope of trying to complete the business today and tomorrow. **[Approbation]** But clearly it is a matter for the States to decide.

The Deputy Bailiff:

Very well, Chairman. If Members would then please consider that during the course of the morning and then it is right, I think, that Members decide just before lunch as to whether we continue tomorrow or next week.

PUBLIC BUSINESS – RESUMPTION

3. Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - third amendment (P.68/2016 Amd. (3)) - continued

The Deputy Bailiff:

We now continue the debate on the third amendment. Does any other Member wish to speak on the amendment? Deputy Martin.

3.1 Deputy J.A. Martin:

I will be brief and if we had finished last night this speech would not have happened, but there we go. What prompted me was the speech of the Minister for Economic Development. I think he went totally off script because when I listened to the Minister for Social Security, she said that this is going to happen. It might not be particularly in this way but Deputy Southern is trying to bring things forward in the way that does not go above the ceiling we already have. When the Minister for Social Security spoke, she said a review would be done. It is a review a year too late, as the Deputy of St. John has already told us. We criticise all the time Back-Benchers who bring amendments to policymakers' and Ministers' decisions, but you must remember they do not have the people behind them to do the research. I think if there was much closer working, if Deputy Southern was brought in and told maybe where this was going and how they would get there, it might have avoided it. We still might be where we are today, but to bring out comments and then say he did not get this right, he has not thought of that, we have not done this, is all very divisive. So I was really, really surprised, as I say, with the speech of the Minister for Economic Development. We all want to grow the economy and he says it is growing, but he says this is not ... any form is going to hurt businesses, but it is going to happen. It is a Council of Ministers decision. The last time I looked he was on the Council. It does leave it open for someone else to speak to say where we are going because that will decide whether I support this option, because I am not always going to support Deputy Southern. I think he is on the right track and I am not convinced it is the right time. I am not convinced that we do have the safeguards in train as the Minister for Social Security wants because you cannot take money out when the money is not coming in. I absolutely agree with that, so I will listen, but I want to know the truth. I want to know what I am debating and I will listen to ... maybe the Chief Minister is going to speak to tell us what the party line is, or the Council's line, sorry, and then I will listen to the summing up before I decide. Sorry, thank you.

The Deputy Bailiff:

Does any other Member wish to speak? I call upon Deputy Southern to respond. I am sorry, it has not shown at all, nor is your light showing. Very well, yes, Deputy Higgins.

3.1.1 Deputy M.R. Higgins:

I only want to draw Members' attention to something in the Council of Ministers' comments on this which I find quite interesting. I do not think that Members are fully aware of the implications of what they are saying in their comments. Under the heading "Economic Issues" they mention in the first paragraph: "We need to remember that businesses do not pay tax, people do." This is an

admission by the Council of Ministers that they have given up on getting any tax from companies. When they brought in Zero/Ten, it meant that the only people paying tax are financial service companies - and not even all of them if you look at some of the answers to questions that we have had over the last 2 sittings - and utilities at 20 per cent. So no companies in Jersey are paying tax. Now, they are saying then it is people who pay tax. Well, many of the companies are not paying tax at all. The Council of Ministers originally brought in the deemed distribution rules, which were they were going to try and claw back a notional sum from the profits that they receive. Now, they were told right from the beginning in this Chamber that there was no way they were going to get that past the European authorities. Why? Because it discriminated between firms in Jersey and firms outside. So the ones outside pay no tax but Jersey firms would have to pay tax. That was ruled out of order by Europe and when we are told by the Council of Ministers how successful they were in their negotiations and Zero/Ten was accepted, it was accepted less that deemed distribution, which meant that their tax revenue fell substantially. So that is the first point. Then they go on to say one of the consequences of bringing in this increased contribution that Deputy Southern wants is that the cost of employing people would go up. They are saying that employers could increase prices to offset the increasing costs. They have had such a bonus anyway. They are not paying any tax. It says reductions in the number of people employed to minimise the increase in employment costs. They have still had this big bonus. They are not going to cut down on the number of people that they have. They say it will reduce dividends for shareholders, which could deter investment in the Island. Everybody wants to invest in the Island as a company because they pay no tax. So some of the things that they have mentioned in here countering Deputy Southern's proposals are totally bogus. What I would say is looking through both the proposals put forward by Deputy Southern and by the Council of Ministers, I think Deputy Southern is on the right track. We have already heard last night at the very end, very ably put by the Deputy of St. John, that they have already been planning this. In fact, this is what they are going to do over the next few months to try and get increased funds coming through. In other words, they have used this measure in the past, which he gave examples of, and they are planning on doing it in the future. Why are they opposing Deputy Southern? Well, quite simply because it is Deputy Southern. He has brought forward a proposal. He has put forward suggestions on how this situation could be dealt with and we could get rid of the health charge, but they do not want to vote for his proposition. In fact, they would not want to vote for any Back-Bencher's proposition because this Council of Ministers is so arrogant they believe that anything that is not coming from their mouths is not worthy of any merit and should not even be considered. I would urge Members to support Deputy Southern on this one because he is on the right lines and even if he loses today, we will see it probably in a year's time.

3.1.2 Senator I.J. Gorst:

I am pleased to follow Deputy Higgins and his comments on economic theory, but I do not want to correct him because I know that upsets him. I do not want to go into some of the comments that he has just made about whether Ministers accept Back-Benchers' proposals because a number of proposals that Members have brought to the M.T.F.P. (Medium Term Financial Plan) we have tried our best to find a middle way and some we have been able to accept in that regard. I want to, however, just remind us of Deputy Maçon's speech from yesterday afternoon. The Deputy of St. John is, of course, right; there is within the M.T.F.P. a capping of the amount that the taxpayer puts into the social security fund. What that means is that ultimately the breakeven point, that is the point at which the contributions are going not only to meet current pensions and into the reserve but will just get to the point where they are just meeting current pensions and no money will go into the reserve. So by capping supplementation, of course, you reach the breakeven point earlier than you might otherwise have done. What Deputy Maçon alluded to - I am not sure if he said it quite in these terms - is you can only use money once. What Deputy Southern is saying in his amendment in its basic form is that when Social Security undertake their review ... and I am surprised and I do

not think he is claiming he does not know about that review as Deputy Martin is indicating, because he is on the Scrutiny Panel and I understand that the Scrutiny Panel have been made aware of the review.

Deputy G.P. Southern:

I am fully aware of the review and its details and the 10-point list of things to be investigated.

The Deputy Bailiff:

Deputy, the Chief Minister is speaking. If you want to ask him to give way to make a point of clarification, you can and he can agree or not, but you cannot just interject.

Senator I.J. Gorst:

He has clarified that he is aware of the review. I do not want to give all the details of the review this morning, but I do feel that I am having to touch just slightly on that area because the social security fund, the way we deliver pensions, is something ... I think it might have been the Deputy of St. John that said there have been sensible, good, long-term decisions made about that benefit and about that fund. The benefit is the old age pension and sick pay. Good, long-term decisions have been made about that. I think the Deputy of St. John challenged us on capping and supplementation. We have had a couple of changes to the way supplementation was calculated. It could be argued, and I do not demur from this, that those changes could have been seen as short-term changes around the long-term fund. I do not demur from that comment in this regard. The simple fact is this. That consultation will ask us as a community and us as legislators how we want in the future to deal with the ageing demographic, how we want to, if we want to, use that reserve fund - which is something else that Social Security have managed incredibly well together with Treasury and it has worked incredibly well - how we might want to ask people who, where, how they might want to pay a bit more to maintain the benefit or whether they want to look at whether the benefits are appropriate going forward.

[10:00]

That has to be done in a way that takes the whole community with us. We are often challenged for not taking people with us and we do not want to go into that today because we will be here for the rest of the month. Well, the rest of next month, not just this month, probably if we want into that subject. The simple fact is this. You can only use those mechanisms once and if Members today decide rather than the health charge being proposed by Council of Ministers and Treasury they want to take the flexibility that is currently built into the social security system in order to do ... I do not know if it was Deputy Southern or one of his colleagues talked about having a differential rate under the standard earnings limit to above the standard earnings limit. Understanding where the cap should be on the social security contribution into the future, is it still a third, a third, a third? We have seen some slight small changes there. You can only use that once and if we decide today that we are going to use it for the health charge, we then cannot use that same money and those same contributions for the pension and for sick pay. We just have to be absolutely clear about that. You cannot use it twice. I do not think that any Member has all the sufficient details to be able to make the decision to say they are going to take the flexibility from the old age pension ... which is something that we guard and we can be proud of the decisions that our forebears have made in that regard, albeit they got challenged and criticised and vilified at the time. Do we have the information to say rather than the health charge that is being proposed, we are going to remove flexibility from being able to deal with the ageing demographic and the old age pension? I can only answer that for myself and the answer has to be no, we do not. That is what Deputy Southern is asking us in a nutshell. All the things that Senator Farnham said I think are correct, but in a nutshell it is: are we taking flexibility from the old age pension and tying the hands of Social Security or are we going ahead with the charge as currently proposed, albeit some Members I know

do not like the charge as it is currently proposed? If you do not like the charge as it is currently proposed, I do not for a minute think that this, taking that flexibility from the pension scheme, from the social security scheme, is the right answer. Therefore, I ask Members to reject the amendment.

3.1.3 Senator A.J.H. Maclean:

The Chief Minister made a number of very good points there. I would pick up on the final word that he used, and that was flexibility. This is a word that I have used a lot in recent months and, indeed, I was pleased to see that it came out in the Fiscal Policy Panel's annual report. They talked about the need for flexibility and that is exactly why the Council of Ministers have come up with the package of measures that are contained within this Medium Term Financial Plan. The Minister for Social Security has had to make some very difficult decisions and has had to front some very difficult decisions in terms of changes within her remit. She is fully supported by all the Ministers and the Council of Ministers in what she has had to do. But we have to be clear here that although Senator ... I was jumping the gun a bit. I nearly said Senator Southern over there, Deputy Southern. Although Deputy Southern has clearly thought carefully about his proposition, what he clearly has not done is considered the wider implications of the move. There are some errors within the proposition, the amendment that he has before Members today. He talked, for example, about the 2 per cent increase. In fact, there was a 2 per cent increase introduced in 2012, very recently, so what he is proposing here with this amendment is a further 2 per cent in 2018 and a further 2.5 per cent in 2019. That is 6.5 per cent and this is an imposition on the business community. One of the matters that the Council of Ministers had to balance and weigh up in putting this package in this M.T.F.P. together is getting that right balance to ensure that there is not too much of a hit on any parts of our community, whether it is business or whether it is private individuals, whatever their earning levels are. Difficult decisions but nevertheless we have sought to try and get that balance right. That was one of the reasons why, and this was criticised by some, including the Corporate Services Scrutiny Panel in regard to distributional analysis. There were suggestions by them and other Members that there had not been any work done considering the impact of the overall proposals and, indeed, there was. Ministers were considering right from the beginning some of the impacts that were going to result from decisions that were being made when bringing forward the package. Ultimately, towards the end when the package was nearing completion, a distributional analysis was undertaken and as a result of that the plan itself was amended to take that result into consideration. We do need to be very careful about the impact here of this proposal that Deputy Southern is proposing. It will, as my colleague, the Minister for Economic Development, has already said yesterday, have an impact ultimately on jobs. Although Deputy Southern has reassured us that small earners will not be impacted, of course there are businesses in areas like marketing, architects, digital tech, fledgling businesses whose earnings will be impacted and their ability to employ people when you are starting a business. The S.M.E. (small to medium enterprise) sector, the small and medium-sized business sector, in this Island is - and I have said this before - the lifeblood of any community because it is local people who put their money and their time and their sweat into setting up and risking their funds on developing these businesses. Layering additional costs on those individuals when they are trying to get those businesses up and running and sustained is something I think we need to avoid at all costs. Do not for one minute think that the Council of Ministers have not given due consideration to a similar proposal to the one brought forward by Deputy Southern, but it was not deemed to be the right time to be looking at such measures or, indeed, at the scale at which he is proposing it. That is why it was rejected. I would like to also pick up on some of the comments that Deputy Higgins made. He says he does not mind being criticised and that is good because I am just going to make a couple of points. I am going to say that he was very clear in saying that the Council of Ministers has given up on taxing companies. That is completely untrue. Companies are taxed. He did, to his credit, mention the fact that there are 10 per cent and 20 per cent charges and they are largely in the financial services

area, utilities he talked about. But, of course, it has been broadened out further than that in the mining sector, which also falls under the tax regime that is currently in place. What he is missing out on is that the emphasis has changed and shifted to employees, so high-earning employees in particular are being hit. Shareholders, ultimately local shareholders, are also being taxed as we would expect. Now, there is an issue and we are clear about that. That is where we have non-locally owned companies where the shareholders are outside of the Island. We have been very clear about this for some time. Other jurisdictions have looked at this matter, such as the Isle of Man and more recently Guernsey, and they have introduced measures including what is dubbed the 'Tesco tax' in the Isle of Man, looking at bringing in a broader section of businesses. Why was it called the Tesco tax? Because there happened to be a very large business of that name in the Isle of Man with a large turnover in the retail sector and the Isle of Man adjusted their Zero/Ten structure to be able to generate some additional revenue. To be clear, the tax leakage for non-locally owned companies here in Jersey where the shareholders are living outside of the Island is assessed to be in the region of £7 million or £8 million. Now, let us be clear. That is £7 million or £8 million that as Minister for Treasury and Resources we would like to see available for paying towards and funding some of our key public services and that is why we have started data collection from companies to understand to a greater extent what is going on within locally zero-rated companies, what shareholders are doing with money that perhaps to an extent is left within the company, but also allowing us to have the data to be able to consider measures such as those that have been introduced in the Isle of Man and in Guernsey. But until we have the data to be able to support any proposed change or possible change, to be clear, then, of course, we cannot do it. So we have not, Deputy Higgins, given up on taxing companies. Companies already make a considerable contribution to our revenues and we are always looking at ways in which the system can be enhanced and that will not stop. There have been mentions during the debate that there are no plans for the ageing population. That could not be more untrue. Of course there are plans. This is one of the issues that is at the very heart as far as the Council of Ministers are concerned in terms of P.82, the health strategy, long-term care scheme that was introduced and, of course, the social security fund, the I think about £1.4 billion that is in the fund currently. It is there because we have planned. Previous Ministers for Social Security have made difficult decisions to ensure that that fund is at a sufficient level to be able to provide what is necessary over the coming years. The major review that Social Security have announced, which starts in October, is going to aim to ensure the long-term sustainability of that particular fund. I was pleased that the Deputy of St. John spoke yesterday. She made some kind words about enjoying her time in Treasury. I would add that it was a pleasure having her in Treasury. But she made comments about the £20 million and the Council of Ministers' move ... I think she was rather suggesting we were being a little naughty perhaps in the approach taken. But what I would say is that the reduced contributions through the M.T.F.P., which accounts for the £20 million over the plan period, is essentially a one-off measure. It is using reserves and, of course, the advice that we have had from the Fiscal Policy Panel is that we should be doing exactly that when the economy is weaker before it returns to capacity. We should be using our reserves and that is exactly what this Council of Ministers is seeking to do. However, Deputy Southern over there is making a proposal which is not a short-term, one-off measure. He is proposing something which is going to in 2018 have an impact of around about £8.3 million and £16.8 million a year by 2019 for ever, into the future. There is nothing short term about that, so we need to bear in mind that fact as well. I would urge Members to reject this proposal from Deputy Southern. It is in some respects attractive because it appears as if it is hitting businesses, the employee contribution, but the impact is going to be far wider in the S.M.E. sector. We really do, at a time when there is a degree of uncertainty ... we have seen the economy begin to recover last year. We have seen the latest G.V.A. (gross value added) figures looking to be quite encouraging. We are still seeing some growth, but we do have risks ahead. We cannot afford to

layer this level of additional cost into the economy at this particular point, so I would really strongly say to Members please reject this proposal from Deputy Southern.

Deputy A.D. Lewis of St. Helier:

Could I have a point of clarification of the Minister?

The Deputy Bailiff:

You are seeking a point of clarification from the last speaker?

Deputy A.D. Lewis:

Yes.

The Deputy Bailiff:

Yes, I do not see any reason why not.

Deputy A.D. Lewis:

The Minister stated that there was possibly a £6 million to £8 million leakage from the lack of corporate tax as a result of the change to Zero/Ten. My understanding was that when G.S.T. (Goods and Services Tax) was introduced this was designed to plug that gap and at the time a figure of £40 million was suggested.

[10:15]

Could the Minister just clarify as to why he suggested £6 million and £8 million? I have heard this figure said before and it may well be correct but my understanding of when Zero/Ten came into being and all corporate tax was ...

The Deputy Bailiff:

I think this is getting perilously close to making a speech on the facts as opposed to asking for clarification.

Deputy A.D. Lewis:

Okay, thank you. I think I have made my point, yes.

Senator A.J.H. Maclean:

Yes, the figure - I think I said £7 million to £8 million - is assessed as being the likely leakage with regard to shareholders that are not local, so they take the profits of a locally trading company but the shareholders live outside of the Island. It is quite narrow and that is the reason it is that level and not a larger sum that the Deputy is referring to, which was the broad impact of the measures to Zero/Ten. Those were largely plugged by G.S.T. as he rightly said.

3.1.4 Deputy G.P. Southern:

What a joy it is to be here again for a third day running, fourth day running. Okay, a very good debate with many contributions, but let us start with the most recent, Senator Maclean's, who criticises me for making errors and not accounting for the 2 per cent that the Council of Ministers introduced back in I think 2014. It may have been 2012. The fact is that the decision has been made by a Council of Ministers previously to raise the contribution to 2 per cent on this particular sector, on employers, not employees, and those earning over £50,000 a year. Nonetheless, he says, this is going to impact on the small and medium enterprises. No, it is not. It is employers whose employees earn greater than £50,000 or self-employed who also earn more than £50,000. It is not impacting on the small business sector. This is impacting on some fairly substantial earners. That is the reality. He also referred to the Tesco tax, making efforts to raise money from companies

other than the Zero/Ten regime. I have looked at the Guernsey figures and I think it raises at a maximum £2 million. We are talking here about £15 million to cover what we refer to as the health tax. I remind Members that what we are talking about overall is that. A decade ago business paid £400 million in tax. Individuals paid something like £80 million out of their own pockets. Over the past decade deliberately policy from the Council of Ministers has resulted in the reverse of that. Now it is £400 million from middle earners, individual tax, and it is around £80 million from companies. That is one of the things we need to address. Certainly, using the Chief Minister's words, in taking people with us, listen to the people out there who talk about where our taxes are. Listen to the middle earners who talk about how they have been hit in the last decade. This tax in its formula as devised by the Council of Ministers is already unpopular. Listen to what the speeches were on the hustings at the recent by-election: every Member sitting there to be elected against the health tax as currently constituted because it is an extra 1 per cent on those who are already paying more. Let us go back to this so-called flexibility that we have in dealing with the social security fund. That 1 per cent, the health tax, we have just been told by the Minister for Social Security will be complemented by possibly after the review another 1 per cent, another 2 per cent for contributions into the social security fund. So the reality is even if we vote for this now, yes, there will be a review. Sometime in the next 2 years or so we will be coming forward with a bare, basic choice for members of our society and we will be saying: "What do you want us to do? Do you want us to raise contributions to social security to cover pensions and other benefits or do you want us to reduce pensions and other benefits or do you want us to do a mixture of both?" That will be happening whether we vote for this amendment or not. In 2 years' time down the line, we are going to be faced with that choice because the reality is we cannot afford to keep paying pensions from the social security fund at the current rate. We need to increase contributions or reduce payments, and that will be the stark choice. That will happen whether we vote for this amendment or not. As sure as eggs is eggs it is going to happen. I listened very carefully to what the Minister for Social Security and the Minister for Health and Social Services said yesterday and I did not hear anything that said this is the wrong move. Because what they were saying was: "It is something that is under consideration by ourselves anyway. You happen to have got there first and said: 'Let us use it for the health tax.' We might have used it in other ways but we are going there. That is going to happen." What I did hear yesterday very clearly was that somehow the proposal I have formulated damages the H.I.F. (Health Insurance Fund) and the Social Security Fund itself. The Deputy of St. John dealt absolutely clearly with that yesterday. She said, in fact, what we have done with the social security fund is we have capped the supplementation artificially. What is that, effectively? Effectively, that is saying here is our fund. It is coming to a critical tipping point. What have we done with it? We have borrowed £20 million from it. It is closer to the tipping point than ever because of our short-term measures because we need that money now. That is effectively what we have done. We have borrowed from that hypothecated fund to keep going. Ditto with the Health Insurance Fund. Raising these new charges from employers does not damage the Health Insurance Fund one jot. It does not take away what the contribution already is that goes into the Health Insurance Fund at all. What has the Council of Ministers done? In order to prop themselves up and limit the tax raising to £15 million for health tax, they have taken £5 million for each of 3 years, £15 million in total, out of the Health Insurance Fund in order to prop up spending in terms of the Medium Term Financial Plan. So, far from this being a risk, my amendment being a risk to the H.I.F. and the social security fund, the Ministers themselves, with their short-term Billy Bodge-it approach, short-termism, let us borrow from the H.I.F., let us borrow from the social security fund, for the moment that will get us through, and I am accused of producing something long term. Yes, I should hope so because I think we have had enough of Billy Bodge-it mechanisms to cope with the short term. The other criticism I heard was from the Minister for Economic Development, who suggested there was some confusion between me and my colleague 2 seats away, Deputy Mézec, because he wants to challenge the tail in the proposed health charge, the protection for the

really wealthy and the really high earners, and I have not dealt with that. I have not dealt with that because that would make it too complex to organise and draft. There was a lot of time and effort spent in drafting this particular amendment to get it right. It was not possible, it just became simply too complex to also address this protection for the really high earners. So that is yet to be debated. It will be debated as amendment 8, I believe. That is separate and would add a further £2.2 million to what we are gathering today. So, a great deal of sound but not a great deal of content, I do not think, from the Council of Ministers. Do not do this now because we are going to do it later. We have done something similar in the past, when we chose to, to raise £7.5 million, but do not do it now to raise £15 million for the health charge. The health charge, unpopular already, adds 1 per cent to the middle earners and they know it, and will be supplemented by further rises in social security contributions I am sure as night follows day sooner or later in the next 2 to 3 years. That will happen. But do not do what basically Deputy Southern, a mere Back-Bencher, suggests, even though it is a perfectly sensible thing to do and produces the £15 million that we need in order to cover the health tax in what I believe, taking the people with us, that people will understand that this is also an attempt to get a little more contribution out of particularly high-earning employers, high-value employers, and that is the reality of what will happen. I maintain the amendment and call for the appel.

The Deputy Bailiff:

The appel is called for. I invite Members to return to their seats.

POUR: 11		CONTRE: 30	ABSTAIN: 2
Connétable of St. Saviour		Senator P.F. Routier	Deputy J.A.N. Le Fondré (L)
Connétable of St. John		Senator P.F.C. Ozouf	Deputy of St. John
Deputy J.A. Martin (H)		Senator A.J.H. Maclean	
Deputy G.P. Southern (H)		Senator I.J. Gorst	
Deputy of Grouville		Senator L.J. Farnham	
Deputy J.A. Hilton (H)		Senator P.M. Bailhache	
Deputy M. Tadier (B)		Senator A.K.F. Green	
Deputy M.R. Higgins (H)		Connétable of St. Helier	
Deputy J.M. Maçon (S)		Connétable of St. Clement	
Deputy S.Y. Mézec (H)		Connétable of St. Lawrence	
Deputy T.A. McDonald (S)		Connétable of St. Mary	
		Connétable of St. Ouen	
		Connétable of St. Brelade	
		Connétable of St. Martin	
		Deputy of Trinity	
		Deputy E.J. Noel (L)	
		Deputy S.J. Pinel (C)	
		Deputy of St. Martin	
		Deputy R.G. Bryans (H)	
		Deputy of St. Peter	
		Deputy R.J. Rondel (H)	
		Deputy A.D. Lewis (H)	
		Deputy of St. Ouen	
		Deputy R. Labey (H)	
		Deputy S.M. Wickenden (H)	
		Deputy S.M. Bree (C)	
		Deputy M.J. Norton (B)	
		Deputy of St. Mary	
		Deputy G.J. Truscott (B)	
		Deputy P.D. McLinton (S)	

3.2 Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - sixth amendment (P.68/2016 Amd. (6))

The Deputy Bailiff:

Very well, we now come on to amendment number 6. I ask the Greffier to read the amendment.

The Greffier of the States:

Page 2, paragraph (a)(i): To agree in principle that in respect of public sector employees earning more than the average annual salary, as calculated by the Jersey Statistics Unit, the employer rate in respect of P.E.C.R.S. (Public Employees Contributory Retirement Scheme)/P.E.P.S. (Public Employees Pension Scheme) should be reduced by 1 per cent per annum, and the employee rate increased by 1 per cent per annum, until such time that the employer rate and the employee rate are equal (it being assumed that any adjustment that is less than 1 per cent necessary to achieve final equalisation shall be implemented in the final year of adjustment), requesting the Minister for Treasury and Resources accordingly to bring forward the necessary legislation, if any, to give effect to this change for debate in the States Assembly and, in consequence thereof, after the words: "as set out in Summary Table B" insert the words: "except that the allocation of resources to each States department and non-ministerial States-funded body shall be reduced in 2019 by the amounts specified in table 1 in the report accompanying this proposition." Page 2, paragraph (a)(ii): For the words: "as set out in Summary Table C" insert the words: "except for the addition of £1,475,000 in 2019."

3.2.1 Deputy J.A.N. Le Fondré of St. Lawrence:

I do not particularly expect this to be a long debate but in my view it is something that does need airing and I also know this is not a welcome proposition among certain quarters. We are facing increased financial pressure. Let us be clear. Even since the M.T.F.P. was lodged, our projected annual income in 2020 will fall by a further £9 million a year.

[10:30]

To cover this, we are going to take a further £16 million out of the strategic reserve. We are going to be using our capital reserves ultimately to fund revenue expenditure. We are in a period of uncertainty. Yes, there could be upsides but prudence dictates not to bank on those until they have happened and we know that they are sustainable. We have various charges and revenue-raising measures coming in. We still do not know the full impact. Perhaps hopefully from the Chief Minister I will receive an answer to my written questions at some point. I think he said they were somewhere in his office and there had been a glitch. At present, we have no idea how these charges sit in the context of all the other things that have changed in the last few years and by how much middle Jersey now carries the burden. Within that lot, the Council of Ministers are looking eventually to tax, if you are a taxpayer, us twice for using the toilet. Why do I say that? As I have said it before, taxation is about the provision of services that Government provides. The processing of human waste, i.e. sewage, and solid waste have to be some of the most basic services we already pay for, yet despite all the talk of savings and efficiencies, we continue to have a very generous pension scheme. Not just a good scheme but a magnificently generous scheme. Now, just to illustrate that, for example, and this is obviously in the public domain because it is from the accounts, the Chief Executive of the States has a pension pot which has a transfer value of just over £2,500,000 according to the accounts. I have always understood that employer contributions are not treated as a benefit in kind, even above a certain level, and are, therefore, not taxable. I would be happy to be corrected on that. I emphasise nobody has done anything wrong here, but this pot of money would likely have had a significant contribution paid into it by ultimately the taxpayer. The

increase in transfer value was around £140,000 for 2015 alone according to the accounts. Now, in the U.K. (United Kingdom) more recently, there have been caps placed as follows. I hasten to add I am doing a very high-level thing. This is straight off the Inland Revenue website. If your pension pots go above, among other things, £40,000 a year and £1 million in one's lifetime, above which you will be taxed. I will put that into context. I am not a great fan of looking at the U.K. in terms of our taxation system, but given that the justification of the waste charge is that many other jurisdictions do this, I trust that perhaps for this budget or the next budget we might start looking at these kinds of areas of effectively excess. I mention all of this because it is not something that gets particularly aired and I think that given the redundancies, the stealth taxes that are being introduced, it does seem to me this would be an area that is worth looking at. Let us come to the pension scheme itself. The employer rate, i.e. what we as the employer ultimately and the taxpayer are paying into the pension scheme, will be increasing to 16 per cent and potentially 16.5 per cent. It just happened that when we as a panel looked at the regulations last year, we identified that the average contribution rate for employers in the private sector was 10 per cent. So we are paying above the odds to the tune of around 6 per cent. We are, therefore, subsidising the public sector pension scheme well above what employers in the private sector would pay. Just before I continue, I really should thank the Council of Ministers for further inspiring me on this matter. To quote the M.T.F.P.: "In some areas, it is appropriate that a user of a particular service pays for that service rather than being subsidised by the taxpayer." That is the justification that is coming through, for example, on waste charges and other areas. So at a time that the Ministers are seeking to tax me twice for going to the toilet ultimately through a waste charge, I think we need to start sending a message that these kinds of areas need to be addressed. Now, Ministers will say: "We have just done that." They say it is unfair that we should go back to the employees so quickly, J.N.G. (Joint Negotiating Group) have written in, *et cetera*. Let us address some of these. I was very briefly involved in the J.N.G. at one point and there are many excellent people on it. It represents the employees, i.e. public sector workers. It has some of their representatives on it, and on the other side the employer, also civil servants. So fairly obviously none of them are going to be particularly keen to see their pensions affected, so I am not surprised they do not support this amendment. I was reminded of some other remarks that get made. One of Senator Green's favourite homilies: "If you keep doing things the same way you will end up with the same result." This is the problem. Even in the last month, the financial forecasts have changed. Financial pressures have increased and under this we are refusing to even look at this area. We would have to change the laws or regulations, we would have to go back and negotiate, every reason for not doing something. We must be a good employer. Yet contrast that with the nursery education funding debacle: no consultation, certainly no negotiation. This was imposed from above, so why did we treat third party organisations with less respect, bearing in mind what I am proposing is 2 years away? Contrast that with I think it was the teachers debate yesterday, is it not? We are putting it into the plan and then we are going to go away and negotiate. That is effectively what I am saying in principle. Now, please note on the proposition I take the money and I put it into contingency. I have specifically allowed for the Minister to be able to go to the negotiating table and if he needs the money for an extra year then it is there. But this would encourage the Ministers so that they can start negotiating. We are not living in aspic, although it may sometimes feel like it. We are not immune from the financial storms that are buffeting the globe. What is the justification for saying to the employees: "We need to come back and talk again"? Well, things have changed. Greater financial pressure is the answer. In reality, what we are saying is that we want you, the employee, to save more into your pension pot because we cannot afford to continue to do so to the level that we presently do. This will still be a generous scheme, just slightly less magnificent. It requires the employee to put aside more of their own money into what is a very generous scheme rather than the taxpayer subsidising the scheme to such a massive extent. Please note this is only for employees earning above average annual salary, so the lower earners would be fully protected. The comments

from the Council of Ministers include the following. The employee contributions are already increasing to an average of 8 per cent of earnings, absolutely true and this would be fair. That is higher than the average employee contribution in the private sector in the Channel Islands, 5 per cent. I would be delighted if the Council of Ministers wanted to match the private sector rates for both the employer and the employee. That would be brilliant. Let us take them down to 5 per cent and 10 per cent. But I think there would be one slight teeny tiny flaw in that approach. Basically, very, very simplistically, I think the scheme would eventually go bust. There would not be enough money going into the scheme at all. Perhaps that identifies the other problem, also identified by scrutiny advisers, who raised concerns about the long-term affordability of the contributions in place. The comments also make remarks about not being able to make comparisons just on this level due to the private sector getting bonuses and various other perks. This argument does get thrown around occasionally. I wanted people to look at this particular graph which was sent round. Very, very simple and it is something that was done for a Corporate Services panel, I cannot remember exactly when or when the first time round, and it was recently updated for another purpose. What that basically shows, I would hope people understand, is that the red bar is, broadly speaking, average earnings in the public sector. The blue bar is the average earnings in the private sector - one will see that there is a significant difference there - and the green bar is the difference. I think it clearly demonstrates the dilemma. While this is averaged it clearly shows there is a massive differential between the private sector and the public sector, and while there is a fractional narrowing in the last 2 or 3 years, there is quite a large difference. Obviously, quite a lot of that difference is due to pensions. So, at a time when we are imposing further charges on middle Jersey and also on lower earners, at a time when the healthcare charge is capped and at a time when taxpayers will be taxed twice for going to the toilet, can I seriously look into a constituent's eyes and say: "Yes, I can justify all of these costs to you and, yes, I can justify these high pension schemes"? Answer: of course I cannot. The world of pensions continues to change. We have improved matters but there is further to go. I wanted to highlight this to Members because to me it is an area which still needs addressing. I fully expect to get a lot of flak flying in my direction in about 4 minutes' time I would suggest. The proposition does 2 things. Firstly, it gradually reduces the employer rate by 1 per cent and it gradually increases the employee rate by 1 per cent until they are equal. That would be roughly at 12 per cent and would take approximately 4 years. It would eventually save approximately £6.3 million per year and over the period of those 4 years, because of the graduating up, that would be about £15.5 million over that period. So we are not talking particularly small sums. It does not affect lower earners. It does not affect teachers because they are in a different scheme for which the employer contribution rate is lower, and there are some complexities involved in that. There is flexibility in this. In other words, if the timing does not work and the negotiations do not work, the Minister would still be able to transfer the money out of contingency and back to the departments if needed if negotiations took longer. As I said, I fully expect to get a lot of flak coming in my direction on this amendment. I wanted to highlight it to people because for me in the longer term it is an issue that will continue to need to be addressed. The sooner one starts flagging up the possibility of moving things forward, it is the usual thing, the earlier you start planning on these types of things, the easier they are to implement, even if you have to do it in 5 years' time rather than waiting until 2020 and saying: "By the way, we have a problem." This is a very hard and a difficult decision, but as custodians of the public purse this needs to be looked at. I am sure in the next few moments we will have some very interesting comments against this, but I reiterate. Can I look my constituents in the eye at the time we are introducing all of these charges and when the burden of the state upon them is increasing, can I look them in the eye and justify this? I cannot and I think it is a matter for Members to consider. I thought it was an appropriate place to bring it into the M.T.F.P. because it is ultimately about taxpayers' money.

Deputy G.P. Southern:

A point of clarification, if I may, Sir?

The Deputy Bailiff:

We need to have the proposition seconded before you can have a point of clarification.

Deputy G.P. Southern:

Too quick for my own good.

The Deputy Bailiff:

Is the proposition seconded? **[Seconded]** Then, Deputy, you have a point of clarification from the speech of the previous speaker?

Deputy G.P. Southern:

Please, yes. When the proposer refers to an average 10 per cent rate among employers, is he talking about an average of all employers or an average of those employers with workplace pension schemes?

Deputy J.A.N. Le Fondré:

The short answer is it was a survey done based on 85 employers across the Channel Islands. I cannot give the detail on that without going back and checking. I will try to do that before the end of the debate. In my understanding, it will have been employers with pension schemes. So I think the concern would be is if it is employers who did not include pension schemes would that bring the rate lower. The point is it is an average across the private sector. There will be fluctuations, absolutely, because I can say my employer scheme when I was involved in one was about 5 per cent. I am aware of people who do not have one. I am aware there are some very old ones and probably no longer functioning which have higher rates. But overall the trend, 10 per cent is not an unreasonable rate and seems to be a reasonable rate for a good employer these days.

3.2.2 Senator A.K.F. Green:

I would not want to disappoint my dear friend, Deputy Le Fondré, because I am going to throw a bit of friendly advice and flak to the Deputy. In opposing Deputy Le Fondré's amendment, my comments are heavily influenced by my experience and role as Deputy Chairman of the States Employment Board. I do feel distinctly uneasy with the Deputy's suggestion at this time, and he did say that I would say some of this. The contributions of some members have recently been revised and the pension scheme has already put up contributions both for the employer and the employee. I stress recently revised and I do agree with the Deputy on one thing. If we always do what we have always done, we will always get what we have always got. But we are not doing what we have always done. We have changed from a final salary scheme to a career average scheme, and more on that later. I stress recently changed, recently revised, because it was less than a year ago, only November last year, this Assembly approved the regulations that set out changing from a final salary to a career average. That included very clearly the contribution rates and it was almost unanimous in this Assembly.

[10:45]

The scheme has been operating now for new entrants since 1st January. These regulations, as I say, were put for approval and they were not just dreamt up. There were years of negotiation with the Committee of Management and of course the Committee of Management wanted to get the best deal that they could for the people they were representing. That is natural. We, from the States Employment Board, were trying to get the best deal for the public. That is right, but it was years of negotiation, not something that took place with a couple of memos and emails. There was close scrutiny; it was negotiated with the Joint Negotiating Group. It is my understanding that, unlike

Guernsey and the United Kingdom, the negotiations here, largely avoided animosity and recourse to legal action, which were all part of the scene in both the U.K. and in Guernsey. I am very concerned that the changes that the Deputy proposes to such a core aspect of the scheme, who pays what, and I will come back to that in a minute, would mean that we would have to go back to negotiate a settlement again, years of work, and I do not think it would be very easy to do. The perception from our employees, and I think that has been borne out in the letter that they sent us, would be that an agreement so recently negotiated in good faith could be overturned for reasons that were never previously raised before, although from our side we had opportunities to do so if we had wanted to. Let us not forget that the employee contribution rates are already scheduled to rise from 5 per cent to nearly 8 per cent, and a further rise to an average of 12 per cent would surely be resisted. On a practical level, I am concerned about the effect an increase of contribution rates might have on the ability to recruit and retain staff. Those affected by this amendment are nurses, social workers, doctors, consultants, technician manual workers, paramedics, physios and childcare officers, just as an example. I just went through the rates of pay for those ones that I could easily lay my hands on. All of those will be affected. Further increasing the contribution above the increase already agreed for large sections of the public sector, I would suggest, would do little to raise the morale for the States. We have a responsibility to be fair to our employees. They do a very good job in challenging circumstances. I am a little bit concerned here with the comments that the Deputy made about comparing us to the private sector, that we are having a little pop at the public sector here and I am not happy about that. Remember that a pension is nothing more than a deferred payment. The private sector, when the Deputy was looking at their pensions, did he also look at their bonuses and their medical expenses and the cars that they get as well and taking that into consideration, none of which our staff get? A pension is a deferred payment, nothing more and nothing less, something we have negotiated with them, and I ask Members to reject this outright and hopefully we will not spend too long on it.

3.2.3 Connétable M.P.S. Le Troquer of St. Martin:

I like to follow on from Senator Green. My colleague has said it probably a lot better than I could have said it. The Deputy makes a very good point in the amendment and I would suspect that every Member has a degree of understanding of the suggestions that he makes and I am sure some of the public will as well. After all, it is States Members who seem to be continually criticised, especially the Council of Ministers. It also seems that many civil servants and senior manual workers on the public payroll receive similar criticism continually. This is basically asking, as we know, the States employees to pay the additional 1 per cent of their wages as an increased pension contribution for what is seen as the good and, as the Deputy said, subsidised scheme better compared to private schemes and reducing the amount the employer, the States, pays by 1 per cent and continuing with that increase. I would like to remind Members that I am a member of the States Employment Board and while accepting that some States employees may have issues with the States Employment Board at the moment, we are trying to work together on a whole range of issues. There will be members of the public who are not employed by the States, those working in the private sector, who will be quite happy to see the States employees, as has been said, pay extra. As the Senator said, we have not long since made changes to the pension scheme contribution for States employees where new staff pay 3 per cent more and the existing staff are likely to pay a further 3 per cent from 2019. The new staff are paying it now. We committed to fix the contribution rate until 2023 and now seek to change that commitment. The 2015-16 pay negotiation has not yet been resolved and I think it is unlikely to be resolved to the satisfaction of all our staff. The 2017 negotiations are likely to further see States employees unhappy and further increases or further pay negotiations are likely to be difficult as well. We are working with our States employees regarding workforce modernisation. We are looking at staff grades at the moment within the public sector workforce and this at a time of possible redundancies. The Deputy

is not detached and refers to that in page 4 of his amendment. Now we would like to tell the staff that we would like them to pay an additional 1 per cent from 2019 and that is going to continue to rise until the employer/employee rates are equal. Even accepting that the Deputy has suggested that it would only apply to those above the average annual salary, I am unable to support the move and I am sure there are other people who are probably on the average or below who might think it could come to them as well in due course. Stepping back from my role on the States Employment Board, I feel very uncomfortable as a States Member to tell our hardworking States employees, not only those earning above the average salary but all of them, that we can consult with you, that we can agree to do deals with you, we can make promises to you, we can create the legislation to support that agreement, and within 12 months and after 18 months or more of negotiation we will seek to change those agreements. Is that what they expect of a good employer? I do not think so. I think it would be morally wrong to renege on an agreement and it is not the way I work or I have ever worked before. For that reason, I will not be supporting the Deputy's amendment and I ask other Members to reject it.

3.2.4 Deputy G.P. Southern:

The Deputy understands full well that I will not agree with one iota of what he proposes, but just briefly, as I mentioned before, an average is a moving feast. It is an average of what? We definitely need clarification on that but that would not affect whether I vote against or for this proposition. The Deputy appears to be concerned to target only the high earners and he might expect some support from me in that, but I have got news for him. You have got a mechanism for targeting high earners if you think they are earning too much; it is called taxation. It is not called messing around with their pensions and it is not called messing around with pensions when they have just spent at least 2 years in careful, painstaking, pin-fiddly negotiations about what we can afford, what is sustainable and what is possible and what is sensible. That has happened in recent times and we should not be going anywhere near steam-rolling that and saying that painstaking agreement does not count for anything because the States have just ordered us to do this. That should not be happening. It should not be happening with newly qualified teachers' pay, it should not be happening with pensions. It is a no-no from the very beginning.

3.2.5 The Connétable of St. John:

When you look at this graph I think it is fairly obvious that there is a disparity between the private and the public sector. This graph shows that the public sector has significantly higher wages than the private sector as an average across everything. It would be wrong to continue that discrepancy and it would be wrong to continue a pension that is equally discrepant. All that the proposer is trying to do is to put a marker in the sand that in the future we are going to have to examine this position and we are going to have to reduce pensions because it is unsustainable. Public finances are changing, costs are rising, priorities are changing. We need to invest, as has been drummed into us by the Chief Minister and the Council of Ministers, in education and in health. That money is prioritised in other areas and we need to constantly examine. So this is putting a marker down that things do need to change, that pressures are changing, priorities are changing, and I would urge Members to support this proposition.

3.2.6 Senator S.C. Ferguson:

Senator Green makes all sorts of comments about benefits in the private sector. I have worked in both the private and the public sectors so I do know a bit about these. These do not exist in total for many workers in the private sector. He is saying that they do not exist for workers in the public sector. As I say, not all workers in the private sector gets these bonuses and in fact I know a number of people in the private sector who have not had a salary increase for 5 or 6 years. The benefit for public sector workers has usually been the job security and the average salary, though,

has now risen to just a little less than that of the private sector. It is unbalanced and I think the Deputy is absolutely right to highlight this for people.

Connétable D.W. Mezbourian of St. Lawrence:

I wonder if the Senator would give a way for a moment. Regretfully, I think we are inquorate.

The Deputy Bailiff:

Yes, we are inquorate. I am sorry, you will have to pause there, Senator. I invite some Members to return. Very well, Senator, we are now quorate again. Please continue.

Senator S.C. Ferguson:

I was saying that the real benefit for public sector workers has been the job security and, as I say, the average salary. There have been studies over the last 10 years, 12 years, to my knowledge that have shown that the salaries of the lower end of the scale in the public sector are in fact higher than equivalent posts in the private sector. The reform that is going on and the wages reorganisation is very welcome. However, I think this amendment of Deputy Le Fondré does highlight the fact that pensions, as I agree, are an important part of salary but they also need looking at. I understand there were changes made at the end of last year but I do not think these particular changes, aimed as they are at the higher rate of taxes, earnings, will have much effect, will affect the general feelings of the workforce.

[11:00]

It could be said, in fact, that it is only fair to increase the contribution for the higher paid workers because in actual fact the lower paid workers are subsidising their pensions and the taxpayer underlying it is subsidising the lot. So I think this is a very worthwhile amendment and I support it.

3.2.7 Senator P.F.C. Ozouf:

The mover of the proposition makes, in his opening remarks, a series of widespread, broad attacks on the Council of Ministers' policies, which I will not attempt to respond to in detail. Suffice it to say that these are the characteristics and the repeated comments that effectively downgraded income forecasts means that we are in difficulty, more money from reserves means that we are difficulty, criticises the Council of Ministers for not making enough savings, criticises the fact that we are investing in infrastructure, speaks about a toilet tax; the words that he uses, charging people twice to use a toilet. He says effectively everything is in a mess, everything is wrong, or most of it at least. The past Treasury was certainly wrong in their income forecasts, the current one appears no better than the last one, and we need to send a strong message to this past and present Council of Ministers that they need to get their house in order. These comments do not need to be challenged in any sense of taking much of this Assembly's time now because we will come to some major debates later, but it is worth just challenging one or 2 of them and I will summarise 3 points. First of all, we have a public sector pension scheme, unlike that of the United Kingdom and most other countries, that has a fund that contributions have been put into. If I may ask the Deputy with respect not to simply pluck out figures of one individual's pension pot because that person has worked and this Assembly has passed regulations to put in a pension pot for employees. Any individual, even you, Sir, I think any senior civil servant or Crown officer, information about their pension pot could be made. It could be, of course, said that in a post-Brexit situation that the pension amounts of money within P.E.C.R.S. have seen a Brexit bounce because of the wise and prudent investment strategies that have been pursued by the Treasury and their advisers. They all are public investments. Indeed, as he says this Council of Ministers is failing and we are taking money out of our reserves, it may just be also worth saying to Members, of course, that some of those reserves may have already been covered by the increased returns, as has been done in recent years because of the prudence of this Assembly in having reserves, unlike other places that have

mountains of debt. The characteristic that is put across, the portrayal that Deputy Le Fondré makes, which is, of course, it seems to me ... it is interesting, I was pleased to hear ... certainly everybody in this Assembly is not part of a political party, or most of us are not, but certainly one can characterise and we do need to position certain speeches as to where they are coming from economically: the economic right and the economic left. That is something perfectly legitimate. We have seen here a speech of somebody on the right of the economic situation and we are seeing, I think, the economic left also opposing what the economic right are doing. In other debates we are going to see them coming together and giving the centre a good kicking. Some realism is needed, some realpolitik is needed, some time wasting and some facts are needed about the reality of where we are. We are not in this dreadful situation that requires such propositions to change carefully negotiated pension schemes that actually exist as opposed to pension arrangements in the United Kingdom and other governments that come out of tax revenue. Yes, that is tax revenue. Pensions and civil service pay comes from tax revenues in the U.K.; there is no fund. We are talking about the percentage that is made on funds. Some want to criticise some civil servants, saying that they have gold-plated pensions, that somehow they are sitting behind their desks with their feet up waiting for their golden pensions. It is not like that at all. The Deputy may remonstrate but that is what he is saying. He is indicating that effectively we should be making some civil servants pay more and we think about the comparisons of what we need, which is a good public sector workforce that is paid properly, that is receiving proper pensions that are prudent and properly made for and properly provided for in a fund that does not create a huge liability for the States and the people of Jersey in the longer term, which they do not. Many of the remarks that he and others have made in the past about the ballooning deficit in the public sector pensions I would challenge and I would suggest that such a proposition must not be approved. It would be unwise to approve such propositions without evidence and without negotiation. We will come back in later debates. This is one of a series, this is a starter of a number of propositions. I say to the Deputy, if he wants to start his proposals, of which this is one, by broadsides against everything that is wrong, I do not want to take up this Assembly's time but I will say the opposite of what the actual economic situation is and where we are standing in truth with empirical evidence of how well we are doing. This is not the right approach, it is not right to characterise everything that is wrong, it is not right to say doom and gloom and to engage in Project Fear. It is not right. I want realistic, true, accurate, latest information before Members to make information, not just emotion and fear, and I urge Members to vote against an unthinking and unwise proposition.

3.2.8 Senator I.J. Gorst:

Sometimes it is difficult to know where to start with an amendment and I say this in regard to this particular amendment because I think during the move of the amendment the Deputy recognised that the changes that have been carefully negotiated and made during the last Government, changes that were brought to this Assembly, changes that were put in legislation were the right thing to do. It seems to me his underlying concern was about a final salary scheme and contributions not meeting the pension and he is also concerned about comparison with the private sector. Perhaps we will come back to that final comparison because that is somewhat of a subjective issue. The Government and this Assembly have, through negotiation, asked members of the scheme to move from a final salary scheme to a career average scheme. That is a great improvement so let us not pretend and go out to the public again with the insinuation that there is a gold-plated scheme, that Government have done nothing about it, that employees have not understood that the scheme needs to change, because they have, they absolutely have. I congratulate those employees who were involved on the Joint Negotiating Group. They were a fine example of what it means to serve the public, because the Government and this Assembly asked them to contribute more, to contribute more for a reduced benefit because the scheme that was in place could not continue. I congratulate them because they recognised and they understood that the scheme had to change. Of course there

was a lot of negotiation about the level of benefits, the accrual rates, and that is right, that is how it should be. But the fundamental underlying principle that we were going to ask them to contribute more for a reduced benefit they accepted and they worked within a framework and those parameters. I am afraid that this amendment would undo all that good work and it casts, in an unfortunate way, that our employees are not aware of the need to have changed and are not aware of the way that pensions are moving. That is the reverse. They are, they have done and they have worked with us to take action. That action, as Members will see from the comments, is that non-uniformed services will be paying an extra 3 per cent in contribution for a reduced benefit. Uniformed services will be paying even more for a reduced benefit.

Deputy J.A.N. Le Fondré:

Can I ask a point of clarification from the Chief Minister?

The Deputy Bailiff:

If the Chief Minister is prepared to give way.

Deputy J.A.N. Le Fondré:

As he refers to uniformed services, could he just clarify what the employer contribution rate is on uniformed services, please?

The Deputy Bailiff:

Are you able to give that point of clarification?

Senator I.J. Gorst:

I do not have it with me. I think the Deputy already knows it because I think it was either in his opening speech or it is in his amendment but that does not detract from the fact that we are asking them to pay considerably more. As part of those negotiations, we looked elsewhere in the world and one policy being adopted by other places, some of those other places not so far away, is that they were proposing changes to their pension scheme that would have meant it was not fully funding, only funding up to, I think, about 60 per cent funding. We could have made that choice. You probably did not realise we were thinking about your pension in this way, Sir. **[Laughter]** We could have made that choice. That would have reduced the contribution rates in the manner that the Deputy is now asking us to do. We could have said we do not think that it is right that the employer also has to pay more so we will just muddle on for a few more years and have it partially funded and, by the way, that muddling on would mean we would just be leaving it for another 5 years to sort it out and to change it and to deal with any deficit.

[11:15]

That is not responsible. That is not responsible and I would have no part of that, but it would have been easier. It would have been far easier because it would mean we would not have had to reprioritise, reorganise, change the way that we are spending, but it would not have been right. It would have been a short-term solution and that is what this would be. It is attractive because it chimes with a certain belief that employees in the public sector somehow are just sitting around and not pulling their weight and getting fantastic salaries and great pensions. It chimes with that belief and I know that that is not what the mover of the proposition thinks. I know that, but I am afraid his amendment chimes with that view of the world. Perhaps picking up on some of the things that Senator Ozouf said, some Members of this Assembly have accused the M.T.F.P. of being a slash and burn, reducing expenditure, cuts right, left and centre. Yet the Chairman, in his presentation to Members earlier this week, was complaining that the spend in 2019 was still greater than he would have liked to have seen, and we will come on to that, no doubt, in the next amendment. I am not

sure whether the Chairman is going to be moving on that or one of his colleagues. The truth is that this M.T.F.P., despite all the boo-ha or ha-boo ...

The Deputy Bailiff:

I am not sure I am familiar with either of those 2, Chief Minister.

Senator I.J. Gorst:

I am being corrected with ya-boo over here. It does make some difficult decisions about reprioritising spending, does try and stop the growth in government at the same rate that we have seen in the past, does invest in strategic priorities and important challenges that this community faces and it does it in a balanced way. That is why we find ourselves on the one hand being accused of being uncaring, austerity, and yet on the other we are being told that we are not doing enough, that we should be cutting more, that we should be slashing pension contributions. I ask Members to consider where the balance lies. It was not easy to deliver the changes that have been delivered. In fact, there is one employee group who are still arguing with us about it, despite the legislation, but believe me they are not arguing because they would like us to ask them to contribute more. I will let you into a secret; it is the reverse. There has to be balance. We have to try and make decisions for pensions over the medium-ish term. I look to Deputy Brée because we had a conversation only last week about what was short, medium and longer term, the medium term of between 10 and 15 years in this regard, and that is what we did when we made these pension changes. There may need to be changes in the future but an amendment on the back of the M.T.F.P. saying we are going to equalise the contributions between employees and employers is not the right approach, as attractive as it might appear to some Members. It is not the right approach for all the reasons I have given. It is not the right approach because it is not a fair way to deal with employees and it is not the right approach because it would just put pressure, even more pressure, on pay restraint and delivering the restraint that the M.T.F.P. asks of us to deliver as well. Let us send a message to our employees that we are grateful that they engaged with us in changing the pension, that we are grateful that they accepted the need to contribute more for reduced benefits and we are not just going to suddenly change our minds.

3.2.9 Deputy M. Tadier:

We have heard from the right, we have heard from the even more right, so let us maybe hear some more from the social democratic centre where politics is happening across the world these days. Members might laugh and it is often easy when you live in a bubble like the States Assembly as politicians to get a misrepresentative idea of where the centre lies. What I see from international politics and national politics is that things like the living wage, proper maternity and paternity leave, affordable housing and even rental control, dare we even listen to things like that in Jersey, are not considered to be extreme left propositions but they are things that even the right-wing parties, the centre right, even in the U.K., are proposing. The U.K. have got their own living wage now, which was brought in not by a socialist government, not even by a Blairite Labour Party but by the neo-liberal Tory Party. Let us just have perhaps a reconfiguration of where we think the centre and the extreme parameters lie in the real world, but I do not rise to talk about that. The very simple point I would like to make more generally, and it pertains to this proposition from Deputy Le Fondré as well, is that I firmly believe that economic equality is a key measure when it comes to running just and also good and happy and economically vibrant societies. There are many studies that show that in societies where the gap between the richest and the poorest is narrow as opposed to being quite high that is where you get better societies, better economic functioning because everybody can afford to participate economically and socially and also, of course, culturally in the life of that Island, in our case. Interestingly what we see is that the tendency is within the public sector generally ... and we all criticise, indeed my colleague on the senatorial campaign quite

rightly in many ways criticised, the high end of the civil service who are often getting high wages and we saw some very high levels and very public examples of wastage that was taking place. It is absolutely right that every Member in the Assembly speaks out against that and does what we can to combat that and, of course, it is imperative that Ministers have the right safeguards in place. But putting that aside, globally speaking when it comes to public sector workers, the amount that the lowest paid public sector worker and the highest paid gets is of much different proportion to that which you see in the private sector. In the state sector the difference between the lowest and the highest paid is relatively small. It might be a factor of 15, something like, between the road sweeper and somebody at the top of the tree who is getting perhaps ... we know what the figures are. That is the starting point and I want to see a levelling up rather than a levelling down in pursuit of an equal society. It does not mean that everybody is paid the same, of course. It means that you can get people functioning together without the disparities. I would have been interested to know whether the figures that the Deputy has used are the median or the mean. I do not know if he has touched on that already. I suspect they are the median, which is probably the best figure to use, but of course the mean would show a completely different picture, especially when it comes to the private sector, I suspect. There are some very high earners out there. I think the point that has been well made already is that if we were dealing with a public sector that was completely intransigent, that was frozen in aspic, and we had unions and workers who were not committed to public sector reform then it might be a different scenario, but in fact we have got something completely different. The public sector and the unions are committed to engaging meaningfully in public sector reform. That does not mean that there will not be debates and disagreements and it does not mean that they or the Council of Ministers will necessarily get what they want all the time but it means that there is a process to go through. As we have said in previous debates, that process should be respected and the negotiations and the good work that is already going on should also be respected. What I would like to see is a more global approach to the consideration of pensions. Even in the U.K., as I said before, which is not a left-wing country by any means, especially England with the government, they have a system whereby pensions are now obligatory in the private sector. That will be rolled out, if it is not fully in place at the moment, requiring all employers to provide some kind of pensions scheme for their employees. They recognise that ultimately if we have people retiring with no provision of their own, and often without any thought of their own, that is not good for the individuals, it is not good for society, but ultimately it is not good for the taxpayer because somebody has to pick up the bill and in our case it would be the Social Security Department. It has to be said that, of course, we all live with inequalities. Not everybody gets the same but it does not mean we cannot do more to improve that. We take a risk. The good thing about having public sector workers who at least have a pension, contributorily they have paid into it and of course the employer has paid into it, is they will not necessarily be dependent on the state in future. I do not think that can be said for certainly my generation or those younger than me. We will see people retiring with absolutely no provision and while some people will stand up and say: "Well, that is their fault, is it not? They have should made provision for that", it is very difficult to make pension provision in an island such as Jersey which is so expensive, when you have got no opportunity to buy your own house, when you have got no opportunity to save money because all your money is going out in rents, *et cetera*. We will have a situation where you have longstanding States Members, even who have been here already 15 years perhaps, when they retire will have nothing and they will be knocking on the door of Social Security to get their income support. I am not saying that that is wrong and that is perhaps representative of the wider society but it is certainly unusual to have parliamentarians, I think, who are in that situation, but why should they be immune is perhaps the argument. The other point perhaps is to do with employer and employee contributions. This idea that perhaps we do not necessarily understand ... we can understand contributory contributions for pensions in terms of the employee contribution because, of course, they benefit from that and some people might be thinking: what does the employer get out of the

equation because they are just giving money to the employee? Of course, there is the wider model socioeconomic consequence that we want people to be looked after when they get to retirement age, if they get to retirement age. But moreover I see it in a slightly different way. The employee is making provision for themselves from their wages for the future. The employer, of course, pays for the time and the work that they engage from the worker but the employer's contribution is essentially wear and tear. When you employ somebody you employ them for their work and their energy that they give you but the pension contribution from the employer is essential wear and tear that they will need to be dealing with later on because if they had not been working of course they would be in pristine condition, more or less, when they come to the age of retirement. Many are not in pristine condition, it must be said, when they get to the age of 65, 67 or 69, which it may well be in the future. I think all these things need to be considered in the round. I do not think this proposition does that, but let us not kid ourselves. Provision is going to be more difficult in the future and I would like to see a scenario whereby we have a socially democratic leaning government in the future which knows that pension provision is important and that we do not have a divided society. Rather than always constantly levering down, attacking teachers, attacking any particular sector of society and saying: "They get paid too much, we have got to pay them less and less" and decreasing the state, we need to stand up and say: "No, there is a function of the state which is valid. It must be protected." Neither the so-called centre Government that we have, or the right, is willing to do that. Both are cutting back on the state. It is just a case of who cuts back quicker than the rest. There needs to be a party, I believe, and a grouping of politicians who say: "No, we do need a proper centrist approach to politics and it is not coming from the mainstream", as currently is the case.

[11:30]

3.2.10 Deputy J.A.N. Le Fondré:

That was not as bad as I was expecting, I must admit. I think it was a little bit sad that there is all sorts of accusations in my direction, that I did not value the public sector, that I was attacking various people, it was doom and gloom, *et cetera*. I know certain people ... the Assistant Minister to the Chief Minister has just left but he and I will disagree somewhat and I tend to find he is over optimistic and I would tend to prefer myself to be prudent. Plan for the worst, be prudent, and if you get the money in, brilliant, bank it, then you can spend it. What I keep thinking back to, it is not about whether we have a good quality public sector workforce. I think we do. We must have valued employees because otherwise we would have some real problems here. Equally, we have got some very good people and a good private sector workforce. They are not that different in terms of they do different functions but people in the private sector work hard, people in the public sector work hard, and all I am trying to say is that what it looks like is that the public sector pension scheme is overly generous at the moment and particularly given what looks like coming ahead. That was the point about if you keep doing things the same way you end up with the same result. We are in a time of change. We need to start thinking about these long-term things. There was a comment made about we are not going to do things, we need the true and latest information. My comments about the pressures on the financial forecasts were obviously completely made up, or possibly if we refer to the Treasury documentation that we had in in the last few weeks anyway, which do ... certainly this is a briefing that the Corporate Services Scrutiny Panel had and obviously it is in the I.F.G. (Income Forecasting Group) comments that came out last week that broadly speaking by 2020 our revenue is going to be £9.5 million lower, probably recurring, that the plans to cover this are going to be taken out of our reserves. If one goes back I am going to say 5 years but certainly if you go back 10 or 15 years, touching the rainy day fund was an anathema. We did not do it and yet here we are, we are taking an extra £16 million out to cover the difference. That means we are going to be funding, as I said, revenue expenditure out of capital. What I am trying to say is there are indications now that things are changing, that our financial pressures are

getting harder. That is about then looking forward. I am sorry, am I not right in saying that the Council of Ministers want to introduce a waste charge; they want to introduce a health charge; they obviously are talking about a hospital funding charge; and all of these are going to be falling on to, I will say, taxpayers and Islanders? We do not know necessarily what they are going to look like. We have got to take time, we have got to negotiate. Absolutely. I think it was Senator Green said it took years to negotiate last time round. The comments from the Council of Ministers was 18 months. The point is it is setting a marker. It is saying, yes, this is something we need to do. In fact, the Chief Minister should welcome this amendment because in terms of whichever group he was saying were not in favour of increasing from where they are, this might just encourage them because otherwise they might be more than they asked for. How much consultation and notice did we get when we put G.S.T. up on all consumers from 3 to 5 per cent? How much say did the Islanders, our employers, have ultimately? That is what I keep trying to take it back to, that times are changing and we are putting further and further pressure on all Islanders and I personally I think particularly middle Jersey. If one looks at - and I have lost the graph now - that wonderful graph on the healthcare charge, and I am sure under Deputy Mézec's future proposition we will be looking at it again, it starts up and I think it hits 1 per cent at about £50,000-odd and then it starts going away from 1 per cent at about the £120,000 mark. That means if that is middle Jersey - I am not sure about the top end of that - we are going to be charging those people £500, £600, £700, £800 a year more and that is coming in 2019. Bear in mind, as I said, this latest update; obviously completely not valid. It has got "Treasury" at the top of it; it cannot be valid, can it? Is that not the latest information? Is that not the information that says we have a further financial problem and it is about £9 million-odd? This is not going to solve the problem. It is about mind-set, it is about changing things, it is about sending a message. Bear in mind again, we are at the very tight level that having taken an extra £16 million out of our reserves by 2019, our surplus at the end of 2019 is £500,000. We are that tight. I do not think there is really that much more to say other than to emphasise again what this does or would do is gradually increase the employee rate, it would decrease the employer rate to an average of about 12 per cent. I do emphasise it is average and it gets complicated. Just to remind the Chief Minister, with his memory lapse, the present employer rate for uniformed services will be 20 per cent, as I understand it. As I said, it is not about whether you value one more or less than the other in terms of private sector workers and public sector workers. It is about this differential that we are all paying for. That says it. I fully expected the comments that we received. I wanted to put the marker down that at some point I think this needs to start changing and it is up to Members whether they want to send that message or not.

The Deputy Bailiff:

Do you maintain the amendment?

Deputy J.A.N. Le Fondré:

I call for the appel and maintain the amendment.

The Deputy Bailiff:

The appel is called for. I invite Members to return to their seats. The Greffier to open the voting.

POUR: 10		CONTRE: 34		ABSTAIN: 0
Senator S.C. Ferguson		Senator P.F.C. Ozouf		
Connétable of St. Saviour		Senator A.J.H. Maclean		
Connétable of St. John		Senator I.J. Gorst		
Deputy of Grouville		Senator L.J. Farnham		
Deputy J.A. Hilton (H)		Senator A.K.F. Green		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Peter		
Deputy K.C. Lewis (S)		Connétable of St. Lawrence		

Deputy A.D. Lewis (H)		Connétable of St. Mary		
Deputy R. Labey (H)		Connétable of St. Ouen		
Deputy T.A. McDonald (S)		Connétable of St. Brelade		
		Connétable of St. Martin		
		Deputy J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy of Trinity		
		Deputy M. Tadier (B)		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy M.R. Higgins (H)		
		Deputy J.M. Maçon (S)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy R.J. Rondel (H)		
		Deputy S.Y. Mézec (H)		
		Deputy of St. Ouen		
		Deputy L.M.C. Doublet (S)		
		Deputy S.M. Wickenden (H)		
		Deputy S.M. Bree (C)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

3.3 Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) - eighth amendment (P.68/2016 Amd.(8)) (Vacancy Rate)

The Deputy Bailiff:

We now come to amendment 8 in the name of the Corporate Services Scrutiny Panel and I ask the Greffier to read the amendment.

The Greffier of the States:

Page 2, paragraph (a)(i): After the words: “as set out in Summary Table B,”, insert the words: “except that net revenue expenditure shall be decreased for each Ministerial Department and Non Ministerial States Funded Body in 2017, 2018 and 2019 by an amount to be calculated by the Department for Treasury and Resources in order to reduce the vacancy rate, defined as budgeted against actual F.T.E. (full-time equivalent) for that department or body in 2016 to a maximum of 3 per cent.” Page 2, paragraph (a)(i): Remove the words: “with in relation to the head of expenditure of the Health and Social Services Department, the approval of £5,000,000 in each of the financial years 2017 to 2019 dependent in accordance with Article 16(4) of the Public Finances (Jersey) Law 2005, on the approval by the States of the transfer of these sums from the Health Insurance Fund to the Health and Social Services Department.” Page 2, paragraph (a)(ii): After the words: “as set out in Summary Table C”, insert the words: “except that the total proposed contingency amount for the financial years 2017 to 2019 be increased by an amount equal to the reduction in net revenue expenditure specified in paragraph 1 above.” Page 2, paragraph (a)(ii): From the amount identified in paragraph (3) above, shall be deducted £5,000,000 in 2017, £12,500,000 in 2018 and £20,000,000 in 2019, which will remain in the Consolidated Fund to replace and be used for the

same purposes as the proposed Health Charge and the transfers from the Health Insurance Fund. Page 2, paragraph (c): Paragraph (c) shall be deleted.

3.3.1 Deputy J.A.N. Le Fondré:

I could be a sucker for punishment today but this is an amendment being brought by the Corporate Services Scrutiny Panel. In our report of Corporate Services on the M.T.F.P., we have highlighted that the States is carrying a very high vacancy rate of 12.9 per cent and that is included in the figures in the expenditure that we will be asked to approve. This means that departments are receiving money for posts but the posts are not being filled. We have been advised that a comparable rate in the U.K. public sector for funded vacancies is 3 to 5 per cent, although some local councils impose a zero rate and they apply a further efficiency saving. We are, therefore, proposing to reduce the vacancy rate for all departments down to 3 per cent. The calculations would be undertaken by the Department for Treasury and Resources as they will be in possession of the most up-to-date information. Reducing the rate to 3 per cent would still allow departments to retain almost a quarter of their current level of vacancies and by reducing the rate down to 3 per cent we have calculated that this would raise over £35 million a year. Members have got a sheet in front of them and I shall talk that through shortly. At its heart, this amendment is about instilling budgetary discipline in an area where there appears to be a lot of slack in the system. To be honest, there also appears to not be a lot of effective control or reporting in this area. There are a lot of temporary staff, a lot of posts being held open. We should not be increasing the financial burden on Islanders when there is still potential for savings to be made within the public sector. Of course the panel supports investment in health and education, *et cetera*. However, evidence suggests that we can reduce expenditure through other means sufficient to negate the need for the health charge. I will just repeat that: sufficient to negate the need for the health charge during the course of this M.T.F.P. On the health charge itself, one of the panel's findings was the argument for imposing a charge for health has not really been adequately made at this stage. We also recommended that the health charge should be withdrawn unless the Council of Ministers can demonstrate that there are no further savings and efficiencies that can be made within the public sector. In the case of vacancies, there are clearly still further savings that can be made. The £35 million - as I said it is slightly more than that - that is raised is more than enough to negate the health charge and associated transfers from the Health Insurance Fund. The money over and above these amounts would be put into contingency and would be available if departments can demonstrate a genuine need for the vacant posts. Sorry, I am just going to wait for people to stop shuffling round. Right. Over the life of the M.T.F.P. this would raise about £107 million. £37.5 million would be needed to cover the health charge but there would still be £69 million held in contingency to cover for genuine needs over and above the 3 per cent vacancy rate that is left with departments. The Council of Ministers, in their comments on the amendment, make reference to the impact of this amendment on departments. However, it must be remembered that these are vacant posts being removed from the system, not posts with people in them, according to the reporting. We highlighted in our report that the vacancy rate gives departments the chance to make easy savings, and this is the real concern here. The comments also refer to posts that are currently being recruited to or covered by agency staff. That is fine. If these posts are indeed genuinely needed they will be covered by the 3 per cent vacancy rate that departments will retain plus an allocation from the funds put into contingency. What I would like to do is just talk through the sheet. I am sure other panel members will make reference to it as well. If one looks at table 1 on the sheet that has been circulated, Members will see that the calculation of the financial value of the total vacant posts is just over £46 million a year. What we are saying is that if we leave 3 per cent in the departments ...

[11:45]

Sorry, start again. Go to table 2. If we take 3 per cent from the vacant posts and leave those with the departments, that would free up, in table 2, the vacancy saving of about £35,747,000 a year. That is the top row in table 2 takes you to £107 million in total. As Members will see, the next line shows the costs of the health charge and the H.I.F.: 2017, £5 million; 2018, £12.5 million; 2019, £20 million; total £37.5 million. Under that there is an average line but just put to it in perspective, it is about £12.5 million a year. That would leave in contingency after one has set off those figures, the numbers that say balance and contingency of £30 million, £23 million and £15 million for 2018, 2018 and 2019, totalling £69 million. Do not forget, look at the line underneath, there is still a 3 per cent vacancy rate left with the departments of 10, 10 and 10, £32 million in total. What we have calculated is that is the total available for vacancies if you leave the 3 per cent and what is left in contingency after taking out the H.I.F. and the health charge. In 2017 it is £41 million, in 2018 it is £34 million and in 2019 it is £26 million; £102 million in total. We have translated that into posts. It is a bit of a rough and ready calculation but it gives Members an idea. That would cover just under 800 posts in 2017, in 2018 just under 651 and in 2019, when in theory all this stuff is in, 500. So we have been told the world would end as a result of this. We have been told. The pushback from the departments has been quite incredible, I have found: "We are going to have to make real cuts in health and education, those really heart-jerking areas that we all want to encourage and how dare you even think about it." I think the comment says: "Ultimately the proposition would impose a cut in staffing budgets that would require all States departments to cut and cease core services and make permanent staff members compulsorily redundant at the cost of an average £50,000 per employee." Do you think we have upset someone somewhere? One rather has the impression that what we uncovered is an interesting little stash for contingency hidden away by the chief officers. The reason I say that is because the rate has been 12.9 per cent. As Members will see in our amendment at the back table which I shall just refer to, if one looks in the appendix to our amendment it is 12.9 per cent based on June 2016, it is over 10 per cent based on September 2015 and it is over 10 per cent in terms of June 2014. So it is not just a one-off blip; it has been carried for quite some time. When one starts getting the kind of pushback we have had one does have to ask the question: is it realistic? Is it realistic that if the volume that they are going to need, all of the vacant posts, are taken away it is going to cause a major disaster? No doubt that is the comments we are going to hear from the Council of Ministers, but we make the point that in 2019 we would have to be wanting to use 500 posts of the vacancies and even then you would still be able to offset the health charge and the H.I.F. and still cover and not upset the finances that we are going to be asked to approve later. I think that is probably enough numbers from me. I hope that makes the point. These are, we consider, reasonable numbers. I emphasise the point that what we are doing is we are taking the money out of the departments and putting it into contingency, so we are not spending it. We are then offsetting the measures for the health charge, bearing in mind the impacts and all that sort of stuff that that health charge is going to have on members of the public. Anything else is there over and above the contingency of £10 million a year that we have left in the departments for those departments who can justify the jobs, who can justify and say: "Yes, we need this number of extra posts." Provided they can justify that to the Minister for Treasury, they can have access to those funds we are going to leave in contingency. In total, those funds in contingency alone are just under £70 million excluding the extra money that is already sitting in the departments. Add those together, look at the figure, bottom right, table 2, £102 million. That is after reduction of the H.I.F. and the health charge. So when this was brought to our attention basically we felt it was our duty to bring this to Members and to have a debate on it. I shall be looking forward to the comments as to why we cannot be doing this and why the world is going to end, but I emphasise that according to the reporting this is about vacant posts. It does not represent jobs of real people, according to the reporting. There will be some element, we know, of overlapping but we think there is a lot of room in those numbers. I think at that point I make the proposition for the amendment.

The Deputy Bailiff:

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

3.3.2 Senator A.K.F. Green:

This is the second time I have followed my friend Deputy Le Fondré. The world will not end for Members of this Assembly if this amendment is accepted. It will end for the most vulnerable in society, but more on that later. This amendment is based on the flawed appreciation of how the States of Jersey manages headcount. The proposer fails to recognise the dynamic nature of vacancy management and the significant amount of change that is being undertaken throughout departments. In the Council of Ministers' comments we stated the overall effect of this amendment would be to remove proposed growth in the staffing budget, including for the priority areas of the M.T.F.P. such as health and education, and more on that later. It would impose additional savings on all departments. Perhaps the Deputy would say that is the point, but it would be savings above those already proposed to meet the financial envelope approved by the States when we debated the M.T.F.P. last October. What staggers me most is that the Corporate Services Scrutiny Panel on page 1 of their report say the savings appear to be aspirational and then go on to add another £35 million worth of savings. I do not want to use the term "savings" because if this amendment is accepted it will not be a saving. If this amendment is accepted it will cost more than it currently does to run our services, and I will speak more on this later. The overall effect of this amendment would be to remove the proposed growth in staffing budgets, as I said including the priority areas such as health and education. Care in the community would be affected as would mental health and children's services, and I will explain why in a moment. For education, the effect would also be to impose additional savings on the department already proposed by the M.T.F.P. debate in 2015. These savings, I have already said, have been described by the panel that have brought this proposition as aspirational. They are aspirational, they do not believe we can achieve them: "By the way, here is another £35 million." The manpower budget for the States of Jersey was agreed in the debate that we had and the proposed figures have been calculated by departments based on the costs of the manpower required to deliver the service, so we do not have some sort of slush fund of vacancies sitting there to bulk up our funding, and I will explain for my own department in detail in just a minute. The proposal is unbelievably naïve. It fails to recognise that all organisations have a turnover. This vacancy of 888 full-time employees in June 2016 includes posts that are actively under recruitment, indeed posts for which offers of employment have already been made. It also includes posts that have been put in there awaiting the development of new services, and again I will cover this when I talk about my department in particular, Health and Social Services. The vacancy rate changes on a daily basis - we are a big organisation - as people leave employment, retire, move on to other jobs and as other people, employees, start. The vacancy factors are also impacted by events that happen through the year. For example, the vacancy factor in education will be higher in the school summer break as appointments are not yet in place for the new academic year. Contracts may well have been signed and agreed but the people have not started work. I would like to just say something about vacancy management. I am sure the Ministers of each department will have some detail and some comment to make for each of their departments, but at the end of August the States were, for a variety of different reasons, using 181 agency workers to cover vacant posts. Health and Social Services alone, with Education alone, using 237 full-time equivalents to cover temporary workers. My own department employs agency and locum staff in relation to health-related professions, locums, bank nurses, sometimes to cover vacant posts, sometimes to cover speciality posts such as consultants on leave. Education uses supply teachers and temporary lecturing staff. These are non-permanent members of staff. None of these workers were accounted for in the vacancy rate. However, the budgets from the vacant posts are used to fund this arrangement. We have to have some way of being able to pay those people who you bring in as locums or bank nurses or supply teachers. To be clear, the proposed reduction in

vacancies would equate to - this is what really worries me - an 8 per cent cut in budget on top of the current savings already agreed within the M.T.F.P. To be specific, for Health and Social Services it will remove £17 million more on top of the savings that we have agreed to make in areas that are considered to be a priority by the Council of Ministers. That is 12 per cent of our budget. To put it into context - I am not saying that we would do this, we would not be this irresponsible - it would equate to the entire funding for our mental health services. Currently the Department of Health and Social Services is recruiting 130 of these vacancies with offers of employment or signed contracts already in place. In some cases, I have referred to before, posts are being covered by temporary staff and those wages, that budget against those vacant posts, are being used to pay those staff. They are being used where we have been unable to attract or recruit, for whatever reason, permanent staff, for example in C.A.M.H.S. (Child and Adolescent Mental Health Service) or the 55 extra social workers we are putting into children's and adult social services. These still show as vacancies because we have been unable to fill them with permanent staff but there are temporary and locum staff covering those posts. We are holding 48 posts to be removed from the establishment. That is 48 posts that we have managed to reduce our establishment by in making efficiencies. Those 48 posts show on our books and they are going to be removed at the end of the year. That is fine, you can have those 48 posts. We have managed to flag those. There are 35 posts that are sitting there as approved by P.82. I talk about P.82 quite a lot when we are talking about service development or service cuts and for the newer Members it might be worth getting hold of P.82/2012, *Health and Social Services: A New Way Forward*. This is putting us in a position whereby we are doing things differently.

[12:00]

We are investing in the community. We are investing in primary care. Thirty-five posts are there waiting for those developments to happen, as planned. In my own department alone, there are only 21 posts that are through vacancies. Now, if you take those away, that means that we lose all flexibility. I do not mean it means that we lose the money, what I mean is that if, for example, somebody in administration retires and we decide that we want to take 3 nurses instead, if you take those 21 away, we have got no flexibility. You have lost one post and you want to replace it with 3, so that is 2 extra. I do not think it is unreasonable to have 21 posts in a big department that are through vacancies. Touching briefly on other departments, and I am sure the Ministers will add detail to this, if we go with the amendment and cut the vacancy rate to 3 per cent, in Education the proposed reduction in vacancies would be the equivalent of £7 million, a 7 per cent cut in Education, which is one of priorities, education and health, another 7 per cent cut. To put that in context, that would be - and again, I am sure the Minister would not do this - the entire funding for the youth service, the careers service and early years provision, including the N.E.F. (Nursery Education Fund). For the Department for Infrastructure, they would lose 23 per cent of their staffing budget, £5.1 million. This would nearly double the amount already required to be saved as part of their transformation of service reviews. Furthermore, the Department for Infrastructure acts as a service provider for a number of States departments, most of which attract an income stream which offsets the cost. Removing the staff budgets would leave the Department for Infrastructure with an unachievable income target and no means of delivering the service. The Chief Minister's Department would be required to lose 31.8 full-time equivalents, £1.66 million, despite the fact that we have already agreed the figure in the M.T.F.P. This would result in the I.S. (Information Services) Department, our computer department, if you like - I cannot think of the right words - Information Technology Department not having the funds required to enter into contracts with suppliers or to be able to refill the vacant posts to deliver key services. It would need to reduce other corporate areas of delivery, including H.R., and the consequences would be a very significant reduction in the provision of I.T. and human resources across the States. The Department for Community and Constitutional Affairs would find it challenging and difficult, I am advised, to

meet their statutory requirements in prison, as well as putting in jeopardy the Police and Crime Intelligence Unit. Ultimately, the proposition would impose a cut in staffing budgets that would require all States departments to cease core services. It is not a threat. If this is accepted, this is what will happen, we will have to make a number of permanent staff compulsorily redundant and the cost of each redundancy is estimated on an average of £50,000. But before concluding, I would like to speak not as a Minister, but as a former senior line manager, and I promised you more on this earlier on. If successful, this amendment will not bring about a reduction of £35 million, as claimed. We are fortunate - and I think we all agree that, despite the banter that we might have - to be supported by very hard-working, dedicated staff, who I know will do their utmost to reduce the impact of any reductions on the public; I know they will. But this will mean redundancies above those we have already planned and those that remain will have to cover what services we can. That cover will not come at a basic rate, because you have taken away the establishment. That cover will come at time and a half and double time. I have seen this time and time again as a line manager, when they froze vacancies. If you go to somewhere like Sandybrook Hospital, and I am speaking from experience, where you have got one catering assistant in the kitchen and she is off - or he is off, it could be a he as well - there is 100 per cent loss of the shift. You have to cover that and that will have to be covered on time and a half or double time. There is no getting away from that. So this £35 million saving, if you continue to run services as we would like to, to meet the needs of the most vulnerable in our society, we will have to do that at double time and time and a half. It is a falsehood to say there would be a saving. As I say, I hope I have convinced Members that this would not be cheaper, not unless we stop doing some of the core things that we are already doing. It would not be as irresponsible to shut down the whole of mental health services, but we may have to shut down a bit of everything in our services. In conclusion, the Council of Ministers has already prioritised on the strategic priorities of the States. This amendment undermines the process. I have to say, when I saw this, you had to hold me down. I could not believe how naïve it was and the damage that it would do. The prioritisation carried out by the Council of Ministers has been extensive and we have carried it out alongside ongoing spending reviews; we have been supported by external advisers to identify where savings and efficiencies across the States and within individual departments may be achieved. The prioritisation of available funding has evolved over that discussion and over several versions of proposals before we agreed the allocations, and believe me, those discussions were lively and robust. Significant work has been carried out in the period since the debate in 2015 to finalise our proposals. The proposals have been refined and based on the consideration of the impact on levels of service, which I hope I have shown Members. Each department has prioritised its available funding. The final proposals were subject to a distributional analysis and a series of ministerial reviews to assess the impact on services. The Council of Ministers believes it is presenting a sustainable package, but this amendment will completely undermine that. The Deputy also talked about: "We can put some of it in contingency, and if the departments want to, they can make a bid for it" but you cannot spend the money twice, you cannot put the money aside as a health fund and then say: "It is also available, by the way, for departments that still need it." I hope I have convinced Members that for my department - and all the other departments, because we have touched on the other departments - we need it. You are not going to make those savings, you are going to increase costs if you accept this amendment. The package puts at risk, I think, P.82 *Health and Social Services, A Way Forward*, the P.82 to transform Health and Social Services to meet today and tomorrow's continuing care needs. In P.82, we said to do nothing is not an option. Support this amendment and that will be the outcome. Unusually, I usually just ask Members to reject this amendment, I am not going to do that today, I am going to beg them to reject it, I am really going to beg them. This will put the heart of some of the services we are providing in jeopardy, and I think hit the most vulnerable in our society. If it is accepted, we will try and negate as much as we can, but it will mean wholesale redundancies, increased costs and reductions in service.

3.3.3 Deputy R.G. Bryans of St. Helier:

I am pleased to follow the Minister for Health. Members will remember last Friday there was a meeting at St. Paul's, where the Government was outlining its proposals for the M.T.F.P. I arrived late, because I had been attending the Duke of Edinburgh's meeting up at Crabbé with His Royal Highness. I got there and it had just about finished at the time. I spoke to my Finance Director, and I do not know in all the time that I have known her, both as an Assistant Minister and Minister, I have ever seen her so concerned. I took her aside and I said: "What is the matter?" and she said: "I am really, really worried." I said: "Why?" She said: "Because I do not think Members fully understand what this means." I said: "Okay, let us sit down and see if we can work it out so that we can explain" and here is my opportunity to do that, just as the Minister for Health articulated. So I am just going to read out in a second what she said, but just as the Minister for Health said, this is really important that Members understand this. This amendment is based on a flawed understanding of how the States of Jersey reports and manages its fulltime posts. It is a misunderstanding that could cost the Education Department £7 million, doubling our savings target and putting immense pressure on our system. It needs to be explained. It is complicated, but let me walk you through it. There are 2 ways of counting F.T.Es (full-time equivalents). The first is actual F.T.E.s, which is simply the number of people working for us on a permanent basis at any given time. The second is budgeted F.T.E. This is a different figure. It is the number of people we expect to employ by the end of the calendar year. Since 2015, this number has included temporary staff who work for us regularly. In Education, that means supply teachers, sessional youth workers, Highlands visiting lecturers and others. These staff are all essential to keep our schools, youth projects and the college running. We know that we need them every year, so they are included in the budgeted F.T.E. The actual F.T.E. and the budgeted F.T.E. for Education are different by 107, because there are 69 supply teachers in schools, 10 sessional youth workers, 26 Highlands lecturers and 2 library staff. These staff have to be paid, so they are included in the budgeted F.T.E., but they are shown as vacancies. So far so good. However, the budgeted F.T.E. is not as straightforward as it sounds. This is because the financial calendar year and the academic year do not match up. Our budgeted F.T.E. has to include any extra staff we might need for the start of the new school year in September and because of this, it always looks like we are over-estimating and have a large number of vacancies. We do not. It is just that these staff have not started working yet. For example, the 2016 budgeted F.T.E. for Education will include an extra 44.4 staff for demographics, extra classes for rising pupil numbers and improving standards, the Jersey Premium. These are not real vacancies. It is a timing issue. If you take away those extra 44 posts, you take out real people on the ground in our schools, there will be classrooms without teachers in September and no one to help the Jersey Premium students. If these supply staff and extra teachers are left out of the number, the percentage of vacancies at Education drops from 10.6 per cent to 1.8 per cent, which is reasonable. These are not, as was suggested by the Deputy earlier, hidden pockets of money. We are often accused of shroud-waving, but this is real people and real jobs. The impact of this amendment will be significant for Education. It equates to £7 million, which is 7 per cent of the total Education budget. This would be in addition to the total of £7.7 million savings already included in M.T.F.P. 2, therefore this amendment would double the savings target for Education at a time when Education is one of the States strategic priorities. I should mention that Education have already included £240,000 for vacancy management in this M.T.F.P. If we were unable to utilise these supply teachers, then schools would not be able to operate, as there would be whole classes without a teacher and youth centres would have to close. We would not be able to reap the benefits of the pupil premium initiative, as there would be no budget or F.T.E. to recruit the staff to the schemes which have demonstrated improvements in standards from the pilot phase. If this amendment is approved, the impact on the education system would be one or more of the following options: cease all work on early years, saving £4.5 million; close the careers service, saving £0.7 million; stop all youth work, saving £1.8 million; close 8 one form primary schools. A

one-form primary school without a nursery costs £834,000, which would increase average class sizes from 25 to 33.

[12:15]

Close 2 secondary schools, saving £8 million; cease all funding to fee-paying secondary schools, both provided and non-provided, saving about £9 million; cease all special needs funding and close the special needs schools. I want to reiterate what I have said many times before, because it is important. At Education we have a coherent plan, one that has been carefully considered to reshape our education system and make it fit for the future. It is an ambitious yet workable plan. We have gone through a process of reviewing services and budgets, considering whether services could be delivered in a different way and ensuring that all resources are effectively targeted to outcomes, particularly in relation to raising standards and achievements and supporting vulnerable families. We are underway, but we have only had one full academic year of this new direction. If we are to succeed, then this amendment must be rejected. If approved here today, it would effectively destroy our plans to raise standards and make improvements. More than that, it would do severe, lasting and unnecessary damage to the education system. We are already proposing savings, and while difficult, they are all deliverable. If other savings were possible, then they would have been included in the M.T.F.P. 2 document already. At this time, it is not possible for Education to make another £7 million of cuts. Services would have to be stopped and children would suffer as a consequence. If you thought that the N.E.F. problem was bad yesterday, just consider this. In summary, I strongly oppose this amendment and urge all Members to reject it. It is based on a flawed appreciation of how the States of Jersey manages its workforce and the savings imposed on the Education Department. As a result, it would mean the closure of frontline services at a time when education is a States strategic priority. We would be failing our children. I cannot support this amendment.

3.3.4 Deputy A.D. Lewis:

We have just heard 2 emotional and very good speeches from 2 extremely important departments which we are trying to put more money into anyway, which is Education and Health. There is a bigger issue here though and it is just basically the management of our entire public sector. I have just Googled some figures of vacancy run rates in the U.K. and the N.H.S. (National Health Service), for example, ranges anything from 1.7 in the north-east of England to 7.2 in the East Midlands. Those are their run rates. County councils are even lower; that is general public sector within the county councils. Some county councils, self-funding ones at least, operate on a zero figure plus/minus 3 per cent. The whole idea of this is so that you are not running a high vacancy run rate, so you are applying your budget on a zero-budgeting basis to all the things you need to do in that county. I would say here that we have basically a flawed process, which makes it very difficult for the Minister for Education and the Minister for Health to fully identify what the real vacancy run rate is. Instead, what appears to be happening is that if you have a vacancy run rate, you can then use the money you have not used in that vacancy run rate for a carry-forward to assist your budget planning for the following year. To me, this is really poor accounting. This is not real life and that is where the problem is, which makes the job of the Minister for Education really difficult, so that he then has this barrage of opposition from his staff, and quite rightly. When you listen to the Minister for Health, anybody would think the whole system was going to shut down, the way he was describing that. If you assess it statistically in the way that he is suggesting Deputy Le Fondré is trying to do, then yes, that is what would happen. I do not believe that is what Deputy Le Fondré's intentions are at all. What he is trying to do is get real transparency on the vacancy run rate and we do not have that at the moment. If this debate does nothing else, it needs to focus the minds of the Council of Ministers, the Statistics Unit and the management in those key 2 departments, Health and Education, as to how they account for the vacancy run rate. In businesses,

this is extremely important, because often your largest overhead in any service sector industry, of which the public sector is largely a service sector, albeit publicly owned, is your headcount, your employees. It is a huge amount of money and in Health and Education it is our biggest, yet we do not really have a proper handle on the figures of our vacancy run rate. That is a complete flaw. If we take the figures that we have at the moment in Deputy Le Fondré's proposal here, we have got a run rate, I believe, of 12 per cent. We are looking at a national average across the whole N.H.S. of about 4 per cent. Tell me - perhaps somebody can tell me - are we just not comparing apples with apples? Is the N.H.S. so different to our own health authority? Are we managing that vacancy rate so differently that you just cannot compare? Even though we have like a microcosm of the N.H.S., we supply so many different services in Jersey that often in the U.K. will be done in a multitude of hospitals, so it should be easier, surely, to measure what you are doing in terms of your vacancy run rate. We should not be using this situation to create carry-forwards, particularly in Education, it would appear, to then fund that school. The amount of times I have heard head teachers who I have met in my district - and I have a lot of schools in my district - who say: "Yes, we are running that one light at the moment, because in order to meet my budget, I need to keep that vacancy open for a little bit longer." I find that an astounding way to manage a business, in this case, the business of Education. I do take on board what the Minister for Health is saying, if that is what would really happen because of the way they are measuring their vacancy run rate, but if they are measuring it like that, they simply should not be. It does not give you a true picture of how your business is operating. It is a major flaw, I think, in the way that we manage that element of our expenditure and it is a huge amount of our budgeted headcount. So I am minded to vote for this proposition for the simple reason that the Council of Ministers will have to go away and work out how to do this and what they will have to do is manage it better. I have had meetings with the Minister for Treasury before and he said one of his greatest concerns is how departments manage their vacancy rate, in other words, when they have a vacancy, there was a habit in the past of immediately advertising and replacing it. I believe that has got a lot better and I think we have the Minister for Treasury to thank for that, because he has made departments more accountable on that basis. He could do so much more though, because with this proposal, each department is not going to be denied and told: "You cannot have this person; you cannot have that service; you cannot provide it; you do not have the person to do it." They will simply have an extra loophole to jump through, through the Minister for Treasury and Resources and his officers, to make sure that that vacancy is not being kept open for any other reason other than a very legitimate one, not to create a carry-forward, which is what has happened in the past. So I think this a good loop to jump through or hoop to jump through. Yes, it might create a bit more work, but look at the savings. You could be saving up to £40 million in your cash flow, which is what a business will be looking at. That is what we should be seriously looking at and we are not, yet the Minister for Treasury and Resources says he wants to get a better handle on vacancy run rate, he wants to make sure people are not running light for budgetary reasons. This is his opportunity to do exactly that, because they will have to come and talk to the Minister for Treasury and Resources first. That does not mean they are going to stop mental health services being provided or a nursery closing down. That is not what this is about at all. Deputy Le Fondré, the last thing on his agenda is to shut down all those key services, which as an Assembly we have all agreed we should be spending more money on: health and education. That is not his intention at all. What this is about is getting that management of the vacancy run rate much, much better. I do not think it is good enough. We are talking here about millions of pounds of public money that is not being clearly stated as to how it is being managed and budgets being propped up by carry-forwards as a result of vacancies occurring. I listen with great respect to the Minister for Health and his passion to keep those services going, but I am sorry, he is being hoodwinked into believing that this process that Deputy Le Fondré is suggesting is completely flawed on the basis of how he currently accounts for his vacancy management. That I think needs to change.

3.3.5 Senator S.C. Ferguson:

I am pleased to follow the Chairman of the Public Accounts Committee, because he has put his finger on the nub of this proposal, because there is something very wrong in the management information system if these vacancies are not really vacancies at all, it is just a timing difference. I will not repeat everything that was said, but it just does not make sense. I have spent time in the public sector and vacancies and maintenance have traditionally been members of rearranging your budget. This is a splendid amendment to the M.T.F.P., because it really has pointed out a significant problem. As Deputy Lewis has said, it is a significant problem which is costing us a lot of money. I hope Members will support this worthwhile amendment.

3.3.6 Deputy L.M.C. Doublet of St. Saviour:

Would you permit me to remain seated to speak?

The Deputy Bailiff:

Yes.

Deputy L.M.C. Doublet:

Thank you. I am not going to support this amendment, but I do thank the panel for bringing it, because I think it raises some important issues that we are discussing today. From the Minister for Education, he did try to explain to the Assembly how it works in a school and I can see that if there is a class that does not have a teacher, there is a vacancy there, we are not just going to leave that class without a teacher, a supply teacher is brought in. But the teacher that may have just left the post could have been at the top of the pay scale, as an experienced teacher, and then the supply teacher that comes in could be paid at a much lower rate, meaning that there is some extra money there. I think this has been described as a lifeline to our schools when we were on a visit recently, so that is the first issue, that it highlights the fact that things that are very tight in some departments, and I think particularly in Education, it underlines that, that there possibly is not enough money in that particular department. But more generally, clearly there is work to be done. I would like to know for all of the departments, perhaps some of the departments where the services to the public are not as direct as perhaps Health and Education, where is that extra bit of money going and what is it being spent on? So I agree with Deputy Andrew Lewis there, I would really like to know where that money is going and see some improved financial management there. We have heard from the Ministers what cannot be done. I would like to hear: what can they do to help Members in that respect and what can they do to tighten up the financial management there. Also, another concern I have is if you are managing a department and you are managing staff and you have a vacancy which you are filling with supply workers or locum workers or perhaps workers on zero-hours contracts at a lower rate, what incentive do you have as a manager to fill that post with a permanent member of staff with a contract? I am concerned that people who are managing these departments are getting that little extra bit of money because they are employing temporary staff on a slightly lower wage, I think that is disadvantaging the employees. They might not be getting that small permanent contract with the pensions and the benefits that would normally go with the job and they might be stuck on a zero-hours contract, so that is just an issue that I have been aware of that I would like to flag up that is related to this. Perhaps some of the other Ministers in response could clarify some of my questions there.

3.3.7 Deputy S.M. Wickenden of St. Helier:

After listening to Deputy Bryans explain how the actual F.T.E.s, budgeted F.T.E.s, happen and how it is all sorted, there is no surprise that the Corporate Services Scrutiny Panel came up with this amendment, as they did. I think they were just trying to look at other options. That is their job, to be honest, when we are looking at a Medium Term Financial Plan. But did the Ministers ever go

back and say: “Is this the right way to budget? Is there not a better way?” I too, certainly over the financial crisis, was working in the private sector as a line manager, like Senator Green, and I had many times where all staff were frozen. If I needed another member of staff, I needed to go almost cap in hand to the board of directors and say: “I need this person”, do a business case and it was either approved and I received the money or it was not.

[12:30]

But we had zero-based budgeting, so we knew where our money was. There was a pot of money, which in this world would be held by the Minister for Treasury and Resources, and you would go to him and say: “We need a locum” or: “We need a supply teacher now. Can we have the money for that or can we budget it in a different way to say that we are doing it?” But it is not clear and it probably should be. Zero-based budgeting is not that hard. The police have recently just done an amazing job of it and I think it is fantastic and it should be carried along. But you cannot blame the Corporate Services Scrutiny Panel for coming up with an alternative option. I think they have been quite clever in what they thought they were doing. I cannot support it and I do not think any of us can. The way that it is accounted and how it is used would totally cause complete trouble to what the public services are trying to do, but you cannot blame them. We need to get better with our accounting, we need to start showing what we are doing and how we are doing it better, because it is clearly not the right way that we are doing it now, so let us have this as a shot across our bows and do something better.

3.3.8 The Connétable of St. John:

The Minister for Health said the savings in the M.T.F.P. proposal are aspirational. That was what the Corporate Scrutiny Panel said. Let me be more precise: the savings that the Council of Ministers are proposing are aspirational, not the savings we are. We have identified an area where, to put it into English, it is a pair of baggy skin-tight trousers. You cannot have a pair of baggy skin-tight trousers because that is what is called an oxymoron, or so I am led to believe. I agree with the moronic bit, but not the oxy bit. What has become very clear in this debate is that the management information and the accounting processes are simply not fit for purpose. When running a business, the most important thing is that you know where every penny goes and where every penny comes from and if you do not, then you are in the dark. We have a Council of Ministers that are very clearly in the dark. What the Corporate Scrutiny Panel is proposing is removing the bagginess from those skin-tight trousers. I will just give you some figures. In December 2013, the States employed 6,210 F.T.E.s, which has been explained as full-time equivalents. This comes from the Statistics Unit and it is rounded to the nearest 10 persons. In December 2015, 2 years later, we are employing 6,130 F.T.E.s. Brilliant, 100 people less in 2 years. Hold on, where is the catch? The catch is called Ports of Jersey and Andium: 320 jobs have been removed from the States into those arm’s length businesses, so we have had a net increase in the last 2 years of over 200 extra personnel between 2013 and 2015. To give an example, the Department for Infrastructure had a very controversial scheme last year to remove some staff through a voluntary severance process. Somebody who took that voluntary severance came to me and said: “I am really angry, because I thought I was doing my bit. I took early retirement, I am following a few of my passions, only to find somebody else had been given that job.” Where was the saving in that? So the question or the suggestion I have is very simple: what we are proposing is that the vacancies are taken away at the beginning of the year, the 12.9 per cent vacancies, the money that would be earmarked to the department is put into contingencies. We are not taking it away, we are just putting it into contingencies. Then during the year, if you require an extra teacher, an extra doctor, an extra consultant, you make your case and you get what you need, but at the same time, what we are suggesting is that if voluntary redundancy or some form of staff reduction mechanism has taken place, we need to take the post away and not leave that there as part of the bagginess in a skin-tight

pair of trousers. A simile is if your child has pocket money of £8 a week to go and spend on sweeties - sorry, I slipped up there; we need to put it into words the Council of Ministers understand - £8 to invest in the confectionary industry, you do not give him £10 and say: "Can you bring me the change?" you give him £8. That is what we are proposing. I urge Members to be prudent. Sorry, that is what the Minister for Treasury and Resources said, so we are of one accord: could we please be prudent and could we please support this proposition?

3.3.9 Deputy K.C. Lewis of St. Saviour:

Just very, very briefly, I will be supporting this. I will speak very briefly, because the Constable of St. John has put everything admirably. Having previously been in the confectionary business, I do appreciate his comments. I would take issue with some of the things that have been said. The Minister for Education says he does not like shroud-waving, but finished his speech by saying if we accept this, then we may have to close down a special needs school, which I thought was the ultimate in shroud-waving. This is just an accountancy procedure. We are putting the money back to Treasury so if these vacancies need to be filled in the future, they will be there. No one is taking anything away and I urge people to support the amendment.

Senator A.K.F. Green:

Can I seek a point of clarification from the last speaker?

The Deputy Bailiff:

Yes, you can.

Senator A.K.F. Green:

I just ask if the Deputy could explain to me, if he puts the money into the contingency fund and there is a need for it and we use it, how are you going to fund the health service? Because this is meant to replace, as I understand it, the health fund.

Deputy K.C. Lewis:

You just make the case to the Treasurer. It is as simple as that.

LUNCHEON ADJOURNMENT PROPOSED

Deputy S.G. Luce of St. Martin:

Could I propose the adjournment, Sir?

The Deputy Bailiff:

It is open to any Member to propose the adjournment.

Deputy M. Tadier:

Can I propose, as I did yesterday, that we sit until 1.00 p.m. and come back at 2.00 p.m. for every day during this debate?

Senator P.F. Routier:

I believe there are a number of us who have meetings that are due to start very soon. I assume that the Minister for the Environment is going to speak for longer than 4 minutes, so if that is the case ...

The Deputy of St. Martin:

I am happy to speak for 4 minutes, if it helps, Sir.

The Deputy Bailiff:

To limit your speaking to 4 minutes? I am sorry, no, the adjournment has been proposed so we have to decide on the adjournment. That is the first proposition. Is the States seconding that proposition? **[Seconded]** Members who agree to adjourn, kindly show. Yes, the appel is called for. I invite any Members not at present to sit and I invite the Greffier to open the voting.

POUR: 32		CONTRE: 11		ABSTAIN: 0
Senator P.F. Routier		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Connétable of St. Martin		
Senator L.J. Farnham		Deputy J.A. Martin (H)		
Senator A.K.F. Green		Deputy of Grouville		
Connétable of St. Clement		Deputy J.A.N. Le Fondré (L)		
Connétable of St. Peter		Deputy M. Tadier (B)		
Connétable of St. Lawrence		Deputy S.Y. Mézec (H)		
Connétable of St. Mary		Deputy A.D. Lewis (H)		
Connétable of St. Ouen		Deputy of St. Ouen		
Connétable of St. Brelade		Deputy R. Labey (H)		
Connétable of St. Saviour		Deputy of St. Mary		
Connétable of St. John				
Deputy G.P. Southern (H)				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				
Deputy L.M.C. Doublet (S)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

Deputy M. Tadier:

Before we do adjourn, I did raise this yesterday, and while we are talking about States efficiencies, could we agree that in every subsequent day that we sit, if there are any subsequent days, that we have a 1.00 p.m. until 2.00 p.m. lunchtime? As I said, most people seem to manage to deal with the 1.00 p.m. until 2.00 p.m. As long as we have got enough notice of that, I do not see why we could not accommodate that in future.

The Deputy Bailiff:

I think that is a matter that can be proposed at the appropriate time. Could I suggest we propose it at the end of today and deal with it at that point, Deputy? I was remiss: before formally adjourning, I forgot to call upon the Chairman, who indicated that he wished to consider how we deal with matters on future extension days. Chairman.

The Connétable of St. Clement:

Despite the fact I think we have made pretty good progress this morning, I still do not think there is any opportunity, or there is any realistic opportunity, of the business being concluded this afternoon, so I would like to propose and suggest to the Assembly that we continue this sitting tomorrow, Friday, in the hope and perhaps even expectation that we could complete the business tomorrow.

The Deputy Bailiff:

Is that proposition seconded? **[Seconded]** Does any Member wish to speak upon whether or not we ... Deputy Southern.

Deputy G.P. Southern:

It is my experience - and it is a very lengthy experience now - that if we go continually back into this Chamber, the standard of debate and the brain power you can bring to it goes markedly down and bad decisions have been made on the fifth day. We are far better off taking a break and coming back on a Tuesday refreshed. It does not have to take any longer, but there will be a far better standard of debate and far better thinking and clarity.

The Deputy Bailiff:

Does any Member wish to speak? Senator Farnham.

Senator L.J. Farnham:

I wonder if any other Members share my optimism that with a bit of a luck and a fair wind, it could be finished today and that we might consider sitting until 6.30 p.m. or 7.00 p.m. in that eventuality?

The Deputy Bailiff:

I think we must do this in proper sequence. If anyone has anything to say about whether or not we should continue tomorrow, then please, I will call upon you.

Deputy A.D. Lewis:

If I can just add my own thoughts on tomorrow, you get continuity if you carry on to the next day. I think that is very valuable, so I would certainly support the prospect of moving forward tomorrow. Also Members have other commitments on Tuesday, whereas many of us, assuming that this may happen on Friday, have kept diaries pretty free tomorrow, so I would suggest that most Members would find it far more convenient and a better continuity of debate to roll over to tomorrow.

Deputy J.A.N. Le Fondré:

Unfortunately, on the other camp, I would tend to prefer to go to Tuesday. I am open to it, but Tuesday would be a better option for me, I agree, because we will have been in ...

The Deputy Bailiff:

At the moment, if anyone wants a different date other than continue tomorrow, you vote against the proposition, so Senator Ferguson.

Senator S.C. Ferguson:

Yes, I was just saying that normally we rarely have come back on a Friday, we would normally put it over to the following week. Some of us have appointments with external bodies tomorrow, so we are not going to be able to be here.

The Deputy Bailiff:

Very well. If no other Member wishes to speak on this, then Chairman, do you have any further observations to make?

The Connétable of St. Clement:

Whichever day we choose is going to be inconvenient for some Members. Clearly it is totally a matter for Members or a majority of Members. I maintain the proposition. Should it get defeated, then clearly we will move to next Tuesday, but the proposition I maintain, Sir, that we sit tomorrow.

Deputy A.D. Lewis:

Was Senator Farnham suggesting also that we maybe continue late into this evening?

The Deputy Bailiff:

No, we must deal with one issue at a time, Deputy. We must deal with one issue at a time. The first issue is whether we continue tomorrow, if we do not finish business today. Very well. Those in favour of continuing tomorrow, kindly show.

Deputy J.A.N. Le Fondré of St. Lawrence:

Can we have the appel, Sir?

The Deputy Bailiff:

The appel is called for. I ask the Greffier to open the voting.

POUR: 32		CONTRE: 10		ABSTAIN: 0
Senator P.F. Routier		Senator S.C. Ferguson		
Senator A.J.H. Maclean		Connétable of St. Brelade		
Senator L.J. Farnham		Connétable of St. Martin		
Senator A.K.F. Green		Deputy G.P. Southern (H)		
Connétable of St. Clement		Deputy J.A.N. Le Fondré (L)		
Connétable of St. Peter		Deputy of Trinity		
Connétable of St. Lawrence		Deputy M.R. Higgins (H)		
Connétable of St. Mary		Deputy J.M. Maçon (S)		
Connétable of St. Ouen		Deputy S.Y. Mézec (H)		
Connétable of St. Saviour		Deputy of St. Mary		
Connétable of St. John				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy K.C. Lewis (S)				
Deputy M. Tadier (B)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy R.J. Rondel (H)				
Deputy A.D. Lewis (H)				
Deputy of St. Ouen				
Deputy L.M.C. Doublet (S)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				

Deputy T.A. McDonald (S)				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

The Deputy Bailiff:

Very well. My suggestion is that as the States have voted to adjourn that we take any other timing issues after the adjournment, whether we stay late this evening or not, but we stand adjourned now until 2.15 p.m.

[12:45]

LUNCHEON ADJOURNMENT

[14:14]

The Deputy Bailiff:

We continue with the debate upon the eighth amendment. Does any other Member wish to speak upon the amendment?

The Connétable of St. Lawrence:

That was a ringbinder moment.

The Deputy Bailiff:

Does anybody else really want to speak upon the amendment?

3.3.10 The Deputy of St. Martin:

I will not take too much of Members' time.

[14:15]

Members may remember on Monday afternoon during questions, I was asked about savings and efficiencies and general money in my department and I explained how I had been set some targets to make savings and efficiencies and how I had met them. I do not recall telling Members, but one of the main ways that I have come up with the savings and efficiencies is to do something that the public seem to ask us for a lot, which is to reduce the headcount. I have managed to take a number of people, who are coming up for retirement and vacancy posts and find ways to still provide the service, but with less staff. The proposal that we have here would reduce my staff levels in my department by another 8 posts. It would take my efficiencies, that I have identified and I think I can deliver, from somewhere around the mid-20s to the mid-30s; it would be somewhere in the region of a 35 per cent saving, an additional £400,000 to come off my budget. When I sat before my Scrutiny Panel some months ago now to explain my savings and efficiencies, they were very critical of me and said how did I expect to be able to deliver the service, given the number of posts that I was taking out. Now I find that another Scrutiny Panel wish to take even more posts away. This proposition was a great surprise to me and I have to say to Members, I am still confused and troubled as to how the Scrutiny Panel have misunderstood the way that vacancies are handled with the States. For an example, in my fisheries team, even with efficiencies, I try very hard to run the fisheries protection vessel with 5 members of staff. Recently we had a vacancy and we were down to 4 people. Now, that one vacancy showed as one on the list, but we needed that money to employ skippers and other qualified people to come on board our boat to be able to provide the service. What the Deputy is proposing, I would probably lose that post. That would mean that just regardless of the fact I have still got 4 people in the team, I cannot provide any of that service because that particular team would not be up to numbers. I will not say very much more, but all I would say to the Deputy is this: he has told the Assembly today that he has, over the term of this

plan, identified £102 million worth of savings. That is an incredibly large figure and all I can say to him is this: if he genuinely believes that, this is the wrong proposition. If he thinks the Council of Ministers have got £102 million of savings up their sleeve, he should bring a vote of no confidence in us. This is a major amount of money. **[Approbation]** I cannot obviously support this amendment and I would urge Members to do the same. There has been a misunderstanding that has gone on here somewhere and I hope we can resolve it, but this amendment is not going to help.

3.3.11 The Deputy of St. Peter:

I do think it is important to labour the point and to try to illustrate to States Members why we are not like a county council and why our figures are such. At Community and Constitutional Affairs, the current vacancies are 56.3 F.T.E.s, that is 8 per cent to 9 per cent of our total. We are in the middle of a major process of service redesign. In this area, around half of the vacant posts are being held until our service review is complete. For example, as the police change the way they work and adopt the new model of policing, they need flexibility of vacancy management to bring staff costs down and to make our savings targets. These posts have already been taken into account as part of those savings targets and any posts, which are not needed once service redesign is complete, will then be removed from our baseline. Like my colleague, the Minister for Health and Social Services, around a third of our vacant posts are currently being recruited to and we operate under a system of batch recruitment. Unlike a county council, we have a police force among our number. In order to properly recruit and train new police officers, it is necessary to do that in a batch system, because if we were to recruit individually, as some Members have suggested today, it would be far more costly, because you would have to take each of those new recruits and train them one by one, which is simply counterintuitive. So I put it to Members that we are working in the most efficient way. Also, there are about 8 posts that are available for quick responses to emerging areas of risk, for example, the financial and cyber-crime departments. We also hold around 6 posts for secondments, maternity cover and acting-up cover. These are all unfunded posts and there are no savings possible from them. Relationships with the trade union representatives are very important, particularly at the moment when we are going through workforce modernisation. The proposal to reduce posts without consultation or negotiation with trade unions, particularly in the uniformed services, risks bringing matters to a standstill. It could also jeopardise our modernisation programme. In summary, between 2015 and 2019, my department is working to deliver savings of more than £4.8 million. That is 10 per cent of our budget. It has been a challenging process to bring the figures before you this week, and removing another £1.8 million, which is what this proposal would do to my department, would inevitably affect frontline emergency services and that, in turn, would affect the statutory duties that we provide to members of the public in this Island. The police, for example, removing drugs investigations and counter-terrorism, town and community policing, safeguarding vulnerable adults and responding to 999 calls could all be impacted. At the prison, it could reduce prisoner rehabilitation services and make it difficult to meet legal obligations. The fire and rescue service would find it a challenge to maintain minimum safe crewing levels for emergency responses. At Customs and Immigration, they would not be able to guarantee an effective border control, and we all know how important that is in these times. This represents a significant risk to Jersey remaining in the common travel area. I urge Members to reject this amendment. It may sound appealing, but it simply does not work and could have consequences for our statutory services. Ministers are not being hoodwinked here, but if Members vote for this, they could be.

3.3.12 Deputy M. Tadier:

If you type the words “shroud-waving” into Google, the first thing that comes up is: “Shroud-waving, noun, British informal (especially in the context of healthcare funding). The practice of focusing on the potentially negative effects of a particular policy in order to influence public

opinion”, or in our case, States opinion. It comes up first, as you will see if you type those words in. It seems to me that we have had a few speeches, particularly the one from the Minister for Education, which I read between the lines, and perhaps looking back on it, the way I interpreted it was that we know that we shroud-wave all the time, but this time the shroud-waving is real, so we know that we cry wolf on several occasions, but on this occasion there really is a wolf coming over the hill. That is the way I have been interpreting many of the speeches and, indeed, we have had Minister after Minister standing up and saying: “You could not possibly do this, what the Corporate Services Scrutiny Panel is saying. It would basically bring the functioning of Government to a halt.” Now, we know that there are different sects within this Assembly, as we have been told this morning, that you have got the centrist Council of Ministers, you have got the left of our party, supposedly - I definitely take the fact that we are to the left of the Council of Ministers, I have got no problem with that - and that we have got a right-wing element, which is represented by Deputy Le Fondré. But, in this case, it would seem that he has changed his position, that the Corporate Services Panel are no longer just right wing in terms of the economy, but they have turned to be anarchists, because what they are seeking to do is destroy the very functioning of the public sector, because if we pass this today, then Home Affairs is going to completely shut down; the police force will not be able to function, there will be rioting on the streets; the hospital will cease to function, nobody will be able to get any operations and there will be a very long waiting list for hip and knee operations, the likes of which we have not seen before, of course - cough, cough. The Chief Minister’s Department will presumably shut down. I am not sure if that will make any difference. **[Laughter]** The Strategic Housing Unit maybe will not be able to bring forward their urgent controls to make sure that everybody in the Island has affordable rent now, which they are clearly doing and taking drastic action on. So the bottom line is I am not sure who to believe on this one. I do not think for one moment that the Corporate Services Scrutiny Panel are a bunch of anarchists. What we are being told is that they may inadvertently be proposing something which would lead to a situation of anarchy in Jersey and, certainly, we would not want to see our public sector workers and the public services harmed. It seems that the Council of Ministers have got a much more moderate way of harming our public services going forward and are doing it by 1,000 cuts rather than by one fell swoop, which is perhaps a much better way for the right to do their cuts programme. As I said, I am not sure who to believe, but the way I look at it is simply this way: this group, this panel are saying: “We are not taking the money away, we are not burning it, we are not putting it even back into the Strategic Reserve. We are saying make it contingencies, because essentially they should be contingencies.” It will focus the minds of the Council of Ministers to decide where the real jobs are and where the phantom posts are that are being kept open for reasons that are perhaps not necessarily accounted correctly, to make sure that we can do things better. So when Deputy Wickenden stood up and said: “Look, there are real problems in the way that we manage F.T.E.s and also manage the budget; we need to be looking at this better and we need to put a shot across the bows of the Council of Ministers”, that is completely different to the message we got from the Minister for Home Affairs when she said: “We are working in the most efficient way already.” There seems to be some kind of discrepancy between those 2 positions. I certainly do not think that we are working in the most efficient way we are already, because it has been flagged up and highlighted quite clearly that there is much room for improvement in what we are doing today. I do agree with Deputy Wickenden that we do need to send a shot across the bows to the Council of Ministers, as he said, and the way we do that is by voting for this proposition. When we do that, the wheels of Government and the wheels of the public sector are not going to fall off. What will happen is it will focus the minds of the Council of Ministers to look and say: “What can we do? Perhaps we can deliver this. If we cannot deliver it, then we will have to come back to the States and say: ‘This is what we can deliver; this is what we cannot deliver. Are you happy with that?’” But I would fully imagine that when the money is in contingencies, if there are needs within those departments, if they are genuine needs for people who are not on the actual F.T.E. list,

but they are still real people who need to be recruited, either on a part-time or temporary basis, then the money is asked for: "Please can we have some money for this? We need to employ 10, 20, 50 teachers, some bank staff at the hospital, so please let us draw down that contingency money." That is my understanding of it, maybe put simplistically, and if that is the case - and Deputy Le Fondré is nodding his head - then I have got absolutely no problem in voting for this. It seems to be the case. I will wait for the summing up, but if that is what is being put on the table, that seems a good, correct way to be doing things, where we have been told for decades that we need to have financial probity in the way that we handle the States accounts and that seems to me what the Scrutiny Panel is, in their own way, proposing today.

3.3.13 Deputy E.J. Noel of St. Lawrence:

I am pleased to follow Deputy Tadier, because before lunch Deputy Lewis said that the panel are not proposing to take anything away and that the savings are being put into contingency, which departments can bid for, so this is totally misleading. A similar statement was also made by the Constable of St. John. When challenged by Senator Green and Deputy Lewis, it was repeated that all of the money to be bid for was going into contingency. This clearly is not the case, because £20 million of it will be permanently removed, removed to replace the health charge and the H.I.F., so after £35 million, £36 million going into contingency, £20 million of it is coming straight out. The proposition is quite clear: it is only putting in contingency that amount of £36 million and then deducting the £20 million for the H.I.F. This is clearly identified in the panel's own recently circulated paper, an amount referred to in the second table as: "Health charge and H.I.F. actual." That means that there are additional savings, that will be required from departments, totalling some £20 million.

[14:30]

That is not sustainable. My department has been very proactive and realised early on that significant amounts of savings would need to be made. Indeed, in the spring of 2014, T.T.S. (Transport and Technical Services) realised that budget pressures, the growth needed for additional services in Health and the increased need in Education would be a significant threat to T.T.S.'s budget. To this end, T.T.S. stopped recruitment and started managing vacancies straight away. This was in the spring of 2014. I would like to formally thank the political leaders, being Deputy Kevin Lewis and Deputy Le Fondré, in starting that journey with the department and having the foresight to help me when I became Minister in the autumn of 2014 to revolutionise the way T.T.S. and now the D.f.I. (Department for Infrastructure) deliver services to the public. However, what I am really disappointed with is that the previous Minister and the Assistant Minister have proposed this amendment as part of the Corporate Services Scrutiny Panel. I can only assume that they have forgotten the pressures and the challenges that the department have to deal with on a day-to-day basis and are happy to inflict even greater cuts on the department. To my knowledge, they have not even bothered to ask the department what the real situation is, whether this amendment would be sustainable and practical. The reduction in people working for my department has been significant, and until we recently signed the contracts with the private sector partners, we could not reduce the headcount numbers. By the end of this year, a significant number of posts will be returned to the centre. However, this is where I do not see the logic in this amendment. My department is committed to continue to provide services to the public and the budget previously allocated to staff will need to go to paying those outsourced contracts with the private sector. The remaining monies will go towards our savings and we have said that all along. As Members will know, my department has embarked on a comprehensive programme of service reviews across the whole of our organisation and we have started in the service areas where we believe there will be the greatest scope for savings. Prior to, and during these reviews, if there were retirements or resignations in those areas, we took the very responsible approach of, whenever possible, retaining that vacancy

rather than reappointing. This means that we were able to reduce the number of staff that might be adversely affected. This was extended to other areas within the department, so it might be possible to redeploy those staff. In the past 12 months, in the region of 100 employees have been released by the department through redundancy schemes. That is about a fifth of our staff. The department's savings programme relies on providing services more efficiently with fewer staff and outsourcing services wherever it is appropriate. Currently, yes, we do have a large number of vacancies, but this does not mean that all of those budgets associated with those staff posts are no longer required. The funds for outsourcing services come from those very staff budgets. There will be some staff savings, but most will go to the outsourcing costs and the balance will be part of our savings targets in this M.T.F.P. In the coming months, we will be able to reduce the number of posts we hold and the savings we have been able to make will go towards our targets in the M.T.F.P. Removing approximately £5 million more from D.f.I. - in total to the £7.8 million that we have already committed to, and on top of the £11 million that we are seeking to raise through waste charges - would mean that over the period of the M.T.F.P., my department's net budget would reduce by a total of £24 million down to £21.5 million in 2019, including £12.5 million in relation to the States of Jersey property estate. Over that period, that would be a reduction of in excess of 50 per cent. That would leave a net budget of just £9 million to run the whole of the critical infrastructure of this Island. Obviously, this is just not possible without having a significant impact on our community. My department has done, and will continue to do, fantastic work in identifying and realising efficiencies and working smarter to drive savings throughout the organisation to meet the current targets and to provide the services that the public require. This amendment would effectively not only be taking those savings we have already made and are going to make, but also take further funding used for outsourcing the services. This will require us not only to make the same levels of savings again, but it will also have a significant level of additional savings. Double counting savings is not a way of achieving efficiency, it just cuts services. Between 2009 and the end of 2014, in the cleaning and parks and gardens division of my department, we reduced staff numbers by 27. However, given the level of savings expected and required of us, since the start of 2015 we have lost a further 103 people in this area. Some of these have retired, but the majority have been through our redundancy schemes. It is not the case that the budgets associated with these staff can be released. We still need to provide the services. Savings are being made and, on average in these areas, we have found that it is around 40 per cent cheaper to outsource these services. Where it has not been cheaper, we have maintained that headcount and those services in-house. This area, despite the high number of job losses, contributes only £1.2 million year-on-year to our savings target of £7.8 million and yet the panel proposes to remove another £5 million savings as a result of having 100 vacancies. Accountants are sometimes accused of knowing the price of everything and the value of nothing. This amendment looks like a great piece of accountancy-led manipulation of numbers. However, in reality, this comes down to people and basic services, but we are talking about people here. My department has led a very difficult process of changing how we provide services while treating people with respect and dignity. We have worked with union colleagues, central procurement and H.R. and proved that with the right leadership, commitment and, more importantly, with care, we can change how we do things and make our services sustainable and affordable. We have not done it by manipulation of the numbers and I, as one accountant, do understand the value. This amendment jeopardises the work, it returns the States to the dark days of cuts and salami-slicing. I urge Members - in fact, I copy the words of Senator Green, I beg Members - please do not do that to the people that are left in my organisation.

The Deputy Bailiff:

Deputy, I should perhaps have intervened earlier on, but by the time it occurred to me it was too late. You did, obviously, make the suggestion that what had been said by a previous speaker was misleading. You would confirm of course that that was inadvertently misleading?

Deputy E.J. Noel:

It was inadvertently misleading, Sir.

3.3.14 Senator A.J.H. Maclean:

If this was such a jolly good idea, perhaps the Council of Ministers might have also considered it as well. I think the Deputy of St. Martin alluded to that fact only a few moments ago. The numbers are so significant - the levels of savings and efficiencies that the Council of Ministers has been seeking to deliver have been so large - that this is an obvious place for us to have gone. Indeed, we have, and I think it was Deputy Andrew Lewis who mentioned at the beginning of his speech, or during the course of his speech, about vacancy management. It is a matter that has concerned me for some considerable time. I am pleased to say there have been improvements in vacancy management. The areas that I had particular concern about were where posts were left, as appears to be the case - and I will come back to this in a minute - empty and then were being automatically filled. There did not at the time appear to me to be a rigorous enough process to question whether indeed those posts automatically had to be filled, or not, or whether the department could look at alternative ways for delivering a service. That type of service redesign is ongoing. Is there more to do? Yes, there is a considerable amount more to do, but progress has also been made. I would tell Members that so far, since the Medium Term Financial Plan was approved last year for the first year, progress in terms of headcount has been impressive. So far we have seen 142 F.T.E.s taken out of the organisation. What does that mean in real terms? What that means is £6 million of recurring savings and that is important. We are on the road, the journey has begun. There is still some way to go, but we are making progress in this area that concerns the Corporate Service Scrutiny Panel and I think it is important that we focus on that and remember it. I too was also going to raise the point that Deputy Noel had done about the comments made by Deputy Kevin Lewis earlier, and I think Deputy Tadier also was on a similar track, where they were inadvertently misleading the States with regard to the position of this particular amendment, because the amendment is very clear and Members need to be absolutely clear about its meaning. That is that £36 million is not going to be taken out of departments and placed into contingencies that departments can then call upon if they need. That is not the number, because from that number money is being taken and in fact there is going to be a shortfall of £20 million, so £20 million is coming out of the base budgets of departments. That £20 million is, in effect, additional savings. Now, why that is interesting to me in particular - and I am looking in the direction of the Chairman of the Corporate Services Scrutiny Panel - is because he and his panel have, quite rightly, been challenging me and the Treasury Department and other departments about savings and efficiencies and the ability for departments to deliver savings and efficiencies. Indeed, they have made it very clear, at the outset, that the target of £90 million was going to be, in their view, extremely difficult to deliver upon. They also made it clear that they thought we had done enough to look at what the distributional impacts were going to be on the proposals being drawn up at that stage by departments. We said we had; we said we would be doing further work and we have. A distributional analysis was undertaken and, as a result of that, to minimise the impact on Islanders, we reduced that savings target down to £77 million. Here we now have a proposition from that same panel saying: "You should be increasing it by £20 million and increasing it above where it started from." How does that make sense? How do we justify that? How do we reconcile this proposition to the position of the panel? The panel are right, it was difficult, and that is why we decided to spread it out over a longer period of time. We have decided that, in certain areas, Islanders cannot take the hit that was being suggested by departments. That has to be spread further and we have to do more on, in particular, efficiencies as opposed to savings. In fact, the vast majority, all bar £4 million of the £77 million - £4 million of which are charges - the vast majority are efficiencies and only £4 million is related to savings; that is where the service is stopping. I think these are important points that need to be made absolutely clear. There has been a

lot of talk today about Health and Education, and rightly so, because this proposition would have a significant impact on those departments. I am not going to repeat the arguments the Ministers themselves have put forward, but it is probably worth bearing in mind that other departments, and other areas of government, will also be impacted. I look, for example - I think it is relevant - towards again the Chairman of the Corporate Services Scrutiny Panel, and indeed all those involved in the scrutiny function, because I note from the States accounts that there are in fact underspends in the Greffe and in particular in the scrutiny area, in 2011, going back a little way, a 26 per cent underspend. That was about £349,000 in round figures. More recently in 2015 - by the way, there have been underspends each year, but I am just giving some examples - it was down from 26 per cent to only 17 per cent, but still a significant amount of money, £251,000. Now, I talk a lot in this Assembly about flexibility. I believe the scrutiny function, I believe the Greffe should have flexibility. I believe the Greffe manage their funds very professionally and very appropriately. I think they need to be given the flexibility to do that. We do not know, do we, exactly what reviews scrutiny might wish to do, what might come up halfway through the year that needs extra resource, consultants perhaps being brought in to support the scrutiny function or whatever it happens to be.

[14:45]

There is plenty of money in there in theory, there is plenty of money in there spare with regard to headcount, because not all the headcount in terms of scrutiny officers are utilised either. The principle is exactly the same. I do not want to see that money being taken away, what I want to see is it being properly managed. That is what we should all want. Not just in that department, we should want it across all departments of the States and, by the way, do we think there is lots of money sloshing around in the system, as is being suggested by this proposition? If there was, would we not spot it somehow? There is underspend. At the end of the year we see underspend. Yes, last year there was an underspend of £25 million. It sounds a lot of money at face value but let us put a little bit more detail around that £25 million. Around 50 per cent is benefit spend. Again, I have used the term flexibility. The Social Security Department need to have built in to their budgets flexibility to be able to deal with changes that may occur in year, and that is absolutely right. Do they snaffle that money up and - to use a term that is probably not parliamentary - trouser it? No, they do not. They pass it back to Treasury, quite appropriately. I do apologise and I do withdraw that if you feel it is inappropriate, Sir.

The Deputy Bailiff:

Yes, thank you, Senator.

Senator A.J.H. Maclean:

But, nevertheless, I am sure Members appreciate the point. The fact of the matter is departments at the end of the year have underspends and if there are underspends relating to staffing, of course that would come through in those numbers as well and the departments can apply for carry forwards for particular pressures that may exist. That is exactly right. Now, does it mean there is not a problem? Does it mean that some of the points Members have made have not been extremely valid? Indeed they are extremely valid and those are around the vacancy numbers and the monitoring and reporting. Can we do better? Yes, I think we can do better and I think we should do better, and I believe we will do better. I will explain to Members why that is the case. First of all, I would just add to my earlier points. I talked about the Greffe and the way they manage their finances in a very professional way. I should also have added that finance directors across departments do the same. They manage their budgets, as Members would expect, very carefully and they focus on the numbers, the money, and that is what they should be focusing on. But could we improve? Yes, we could. Members may be aware of this, but if they are not I will just confirm the point. There is going to be, next year, a new H.R. and payroll system, combined, introduced. It

is in process at the moment, it will come into effect next year and it will give far better management information and start to address a number of the concerns raised by Members as part of this debate. That is exactly as it should be. So what I am saying standing here is, yes, where we are now ... and I can understand, to be fair to the Corporate Services Scrutiny Panel, why they have spotted this and thought to themselves: "This is a real opportunity." I hope other Ministers have explained why it does not work in practical terms. I hope by explaining the situation with underspends I have explained that there is not lots of money sloshing around in the system that would make it practical to deliver anything like the numbers that Corporate Services are suggesting. I am just going to wrap up by giving Members a few more very quick numbers that will help them in their deliberations, hopefully. These are numbers up to August of this year in relation to the vacancy position: 27 per cent of vacancies up until August this year are posts that are under active recruitment at the moment; 26 per cent of posts are on hold. They are on hold because services are being redesigned. That is exactly what we want. We want services redesigned, we want more effective and efficient ways of delivering those services and it may not require so many people. So, there are posts there that previously they would just have automatically been filled, now they are not automatically being filled and that is exactly what we should want in this Assembly. I applaud it. I would then add on top that there is 25 per cent of the current vacancy numbers which are, as my colleagues in Health and Education have mentioned, temps, locums, supply teachers, bank nurses and so on and so forth. So, 25 per cent of the number accounts for those areas. Seven per cent, almost 7 per cent, deals with activities within the Health Department relevant to P.82 approved by this Assembly some while ago. About 7 per cent of those vacancies, those posts to be filled, to carry out what we agreed was going to be delivered in improving our health service. Fifteen per cent of the numbers are empty posts and the important point is that there is no budget for them. No budget for them. So that is the final 15 per cent. That lot should add up to 100 per cent, or thereabouts. I hope Members appreciate the position. I hope I have been able to give some additional clarity. This amendment, although I accept well meaning, I know I have very strong feelings about vacancy management, and I think Deputy Le Fondré knows that and that is why I am pleased to see there has been progress and there is more to do. This, unfortunately, from a practical perspective, just will not work. It would be crippling for our big departments in particular, but it would be crippling for other departments and it is, therefore, something that I would encourage Members very strongly to reject. Thank you.

3.3.15 Connétable S.W. Pallett of St. Brelade:

Very, very briefly, I just want to talk about my own department at Economic Development, Tourism, Sport and Culture. In the proposition itself, there is a vacancy level of 13.7 shown in the figures which shows 11 per cent of the department's F.T.E.s. Now, I agree, looking at that it is not an insignificant percentage of our total F.T.E.s, but I think that probably needs some explanation. E.D.T.S.C. (Economic Development, Tourism, Sport and Culture) has a broad portfolio. It has changed significantly over the past couple of years and the balance to spend has been heavily and increasingly weighted towards non-staff spend. Ongoing service redesign has changed the balance between staff and non-staff expenditure significantly over the past couple of years and, as a consequence, it has been erroneously stated that the department, E.D.T.S.C., carries budget for unfilled vacancies in the period 2017 to 2019. It does not. To suggest that there is 30 vacant posts in Sport, that will not be filled, is factually incorrect. There is no, as has been suggested, elephant in our room. In fact, the creation of Jersey Sport, which is currently in process and we will hopefully see that created by April 14, will see a reduction in 13 F.T.E.s staff expenditure in 2017 as the activity undertaken by the Sports Development Team transfers to Jersey Sport. The individuals concerned will be employed by Jersey Sport and the cost of their employment on terms determined by Jersey Sport will be covered by the grant from E.D.T.S.C., which will be non-staff expenditure. The budget for the 13 posts cannot be released, as might have been suggested, as this

will be part of the grant funding that will eventually go to Jersey Sport. These posts will not be left vacant, they will disappear from the public sector into the private sector where, I have no doubt, they will undoubtedly flourish. So, that is all I really want to say, whether it is a misunderstanding or it has not been explained properly, but there are not 13 vacancies, they are 13 posts that will move from the public sector into the private sector. So I think I just wanted to explain that point just regarding our own department.

3.3.16 Deputy S.M. Brée of St. Clement:

I think this amendment has raised some very interesting points, but I am slightly concerned that Members have misunderstood the basic principles behind the amendment. We have heard from various Ministers and some of them have been scaremongering *par excellence*. We have had a lot of numbers, a lot of statistics, and we have had conflicting information thrown at us from various speakers in this debate. I think the question that we are trying to ask is, have we uncovered the major flaw in the M.T.F.P.? We have heard at length from the Minister for Treasury and Resources, and I hate to say it, but the phrase did spring to my mind: “Methinks the Minister doth protest too much.” Basically, what this amendment is setting out to do, is to introduce budgetary rigour and discipline into departmental budgeting. It is allowing each department to maintain a 3 per cent level of vacancy management. It is then saying: if you have a perfectly justifiable and required number of additional posts, then you apply to the funds that are sitting in a central contingency. So, rather than trying to say: “We need, oh, 285 staff”, it is saying you have to justify that. You have to be clear as to what your vacancy management rate means. It is not saying we are going to close down schools, we are going to shut down child services; it is not saying that we are going to be unable to police the streets and we are going to see riots running through St. Helier, it is trying to introduce rigour and discipline into budgetary planning. Now, a lot has been said about figures and I think it is important for us just to look at what is being suggested. Yes, this saving will enable the proposed introduction of the health charge and the transfer from the H.I.F. not to take place. However, if you look at the levels of savings there are over the 3-year period, based on our calculations, I am sure you will have to agree that that is a substantial amount of money. There is a substantial amount of money being left in contingency even after we have negated the requirement for a health charge. So, to say that we are going to be facing savage cuts and we need to think of the people who work for us I think is being a little bit over-emotional, because the figures do speak for themselves. Now, vacancy management, the budgetary expenditure for each department, must not be looked upon as flexibility to cover other areas because that clouds what the budgets are telling us. The Council of Ministers in this M.T.F.P. are saying that we are making major savings, we are cutting where we can, but we need the public to pay more money. They are wrapping it up as a charge, but I think most of us can quite easily see that it is more of a tax than a charge. What we are talking about here is public sector reform. That has been spoken about for a very long time and promises have been made and we have missed delivery targets. Public sector reform takes many guises but surely, looking at the way in which vacancies are managed and budgeted for, and asking departments to justify the level of staff that they require to deliver the services that they are required to deliver cannot be a bad thing. Also, I would like to remind Members that this is not something that the Corporate Services Scrutiny Panel has dreamt up itself. This was brought to our attention by our adviser. Just to remind people, the adviser we used was the Chartered Institute of Public Finance and Accountancy. They are exceptionally well-versed in looking at these sort of plans, they have extensive knowledge, and to steal a phrase from the Council of Ministers: “Who are we to question our adviser’s advice?” I would suggest to Members that, yes, this needs to be thought about, but to vote against this amendment is going to be saying we support the continuation of inaccurate and opaque budgeting and we support the introduction of a health charge because we are not willing to tackle public sector reform head on. So, I would urge

Members to vote in favour of this because it will deliver a number of benefits and it will not see rioting on the streets or children living homeless on the streets.

[15:00]

Senator L.J. Farnham:

The Deputy referred to rioting in streets and homelessness, I wonder where he picked that up from, or was it just another figment of his imagination, because I do not recall saying that.

The Deputy Bailiff:

No, Senator, you cannot interject in that way. It is either a point of clarification, or anything else, that is simply... If you would like you to continue with your speech, I do not think you have spoken yet.

Senator L.J. Farnham:

There was not a speech, I was just simply asking ...

The Deputy Bailiff:

It did appear to me to be the beginning of a speech, Senator.

Senator L.J. Farnham:

No, it was not, Sir, I can assure you.

The Deputy Bailiff:

Thank you very much, please sit.

3.3.17 Senator P.F. Routier:

During this debate we have heard many versions of what is going to be achieved by adopting this amendment and, unfortunately, there have been some which have been wide of the mark. One of the issues that I am struggling with - I am not struggling with my decision about which way I am going to vote - is certainly the view that the panel have had about the effect of what this amendment will do for our community. We often talk about distributional impacts of the decisions that we make, but what about the social impacts of what is going to be achieved by this amendment because I know people are going to be saying that there is a bit of shroud-waving and there is ... but from what I am aware of and what I know would happen within the health services, it would be a disaster. It would be an absolute disaster if this went through, because it would make a lot of pressure within Social Services, they would not be able to recruit to the services which they need in the children's services. I know it sounds like shroud-waving, but it is the reality that this will happen. I would like to think that when the panel had been thinking about their proposals that they had taken these things into consideration, because I do not believe they have. I believe they have looked at the bottom line, they have looked at what they want to achieve in, supposedly, saving money, but they have not looked at the social impact of what will happen. So, I ask Members to keep that in mind when they are deciding which way to vote. Please be sure about the way you are going to vote. Please reject this, because it is not an acceptable thing to do.

3.3.18 Deputy J.A. Martin:

I will be brief. I listened to all the speeches and all the speeches from the Ministers had been written or have input from their accounting officers, who do not want to do it any other way. This is what this has been asking. I work with Deputy Lewis, I did work with Deputy Wickenden on the Public Accounts Committee and, as Deputy Brée has just said, we have been promised change for the way accounts are presented, the way money is stored, not in silos, not holding money here and covering it. You can just read the comments from the Economic Affairs Scrutiny Panel, which is

the same adviser. There is an elephant in the room and it is vacancies. This is the adviser pointing it out. This is not Helier Clement's comments, this is the Institute of ... not the ones the Council of Ministers employ, not the 3 on the F.P.P. (Fiscal Policy Panel), it is another lot, but who do you believe? But none of them are rampant scaremongers or shroud-wavers, which Deputy Tadier was trying to allude to. So, I will listen to the summing up but I believe ... it was a stretch too far when the Minister for Education stood up and said: "Support this and we will close 2 secondary schools." Yes, that was the shroud. The absolute ... he insulted my intelligence to tell me the advisers to this panel would suggest something that would shut down 2 secondary schools, stop the implementation of mental health services. I really believe that the Council of Ministers think we have gone into la la land and we do not understand what is going on. Remember when you vote, the people, very good people, have been working this system, the accounting officers in all the departments for very many years and they do not want the change, or they are holding back so far that it is very frustrating. So who do you believe? The Constable of St. John is definitely very liberal, not. So they are not trying to take this money away, they are trying to get an understanding of the M.T.F.P. and, as I say, please be careful who you believe, because they are written quite well. They were written by the accounting officers in the ministerial department, who presented them here today, and I want this to change. We have been promised change for too long and we are carrying very, very much. As I say on page 2, comment 2, it is called the elephant in the room that the advisers point out. So it is not good. Do not stand up and tell me about the schools, and this and that, because I do not believe it, I really do not believe it. To vote for this amendment would be to get these entrenched accounting officers into the 20th century, bringing up the rear for the 21st century and into public sector reform. That is what we need to be doing, so you can support this amendment and you can absolutely know nothing is going to be closing down tomorrow.

3.3.19 Deputy M.J. Norton of St. Brelade:

A pleasure to follow Deputy Martin with her talking of the elephant in the room and the script that I am supposed to have, well-written, in front of me. No script. No elephant in the room either. In fact, there might be an elephant in the room, the elephant in the room referring to the Scrutiny Panel comments, Economic Affairs Scrutiny Panel comments, they refer to the elephant in the room and, as the other Assistant Minister for the department that I am for, Economic Development, Tourism, Sport and Culture, pointed out, the 13 posts that were mythically commented on there are going over to Jersey Sport anyway. But did the - as Deputy Brée alluded to - fantastic, eminent, adviser pop into Economic Development, Tourism, Sport and Culture? Did he speak to our chief officer? Did he speak to one of our officers? Did he email one of our officers? Did he phone one of our officers? No. No, he looked at a piece of paper and misconstrued it. There is no elephant in that room. The vacancies commented on in Economic Development do not exist and yet they are in the comments, and yet they are part of the 888 that all of these figures are based on. The 888 that the Minister for Treasury and Resources has already said, broken down in percentages, can be explained. There may be some way to go when it comes to reporting vacancies and vacancy management, and how we present that vacancy management. But do not be deluded to thinking there are 888 full-time F.T.E.s and the value of all of those, and all of the figures that you have based down here are based down on that. So, when that falls down, the money is not there. There is no elephant in the room. I was not going to speak, but the comments that have been made previously by Deputy Martin, I felt I had to speak, I had to point out when it comes to the advisers, and I throw no disrespect on the eminent advisers who are, obviously, very capable of doing their job, but you would have thought that they might have contacted the people within departments and spoken to them and, if they did not understand, then surely they could have asked for an explanation as could the Scrutiny Panel concerned.

Deputy S.M. Brée:

May I request a point of order? Is it permissible for a Member of this Assembly to question the integrity of a professional adviser without that adviser having the right of reply?

Senator L.J. Farnham:

The Deputy has been doing it all day.

The Deputy Bailiff:

Thank you, Senator. I think a point of order is for the Chair. The position is that, obviously, parliamentary privilege applies to anything said in the Assembly. Members, obviously, must guard themselves against making unguarded and unfortunate allegations, but I did not hear an allegation impugning the integrity of the person, who was the author of the report. The methodology was certainly questioned, but the integrity was not and that appears to me to be a legitimate ambit of political comment. Does any other Member wish to speak? Chief Minister.

3.3.20 Senator I.J. Gorst:

So do not believe anything you have heard. Who do you believe? Very good questions. Very, very good questions. I have been in this Assembly for a year or 2, not as long as some of my erstwhile colleagues to either my left, or my right, or in front, but it is a saying which is oft repeated and that is, "What does the proposition say?" Because there has been some confusion about what the proposition says and there appears to have been some confusion on behalf of some of the panel members about what the proposition says. Of course, the proposition does say take the money from departments and it into contingencies. Yes, it does, that is what it says in black and white. Well, in black, actually. But it also goes on to say something else. It says from those monies that you have just put into contingency, do not do the health charge: there by 2019 is £15 million; and do not transfer the money from the Health Insurance Fund: thereby in 2019 an extra £5 million. So it takes £35 million out of departmental expenditure - I am sorry to sound like an accountant - it puts that £35 million into something we call contingencies, but it does not stop there, it says take £20 million in 2019 and do something else with it. So, that is not: employ people in departments; that is: do not do the health charge, do not do the transfer from H.I.F. Believe what it says, because that is what the Chairman, in his summing up, is going to ask us to agree to. Taking out £35 million from contingencies. If it simply said that, as some Members believe, it might have been half an idea, but it does not just say that. It does not say: departments manage all vacancies better and when you have shown us that you have done so, you can have the money back to employ people in health, to employ teachers. It does not say that. It says: whatever your need is, we have just reduced it by £20 million in 2019. You will have to survive in 2019 with 3 per cent contingency that has been left in the budget - I have not double checked the numbers, but I think the Scrutiny Panel suggests from their paper, I think it was the panel that provided this paper, that is £10 million across a £700 million spend. Let us get it into context. With that £10 million you can employ who you like.

[15:15]

Oh, and by the way, we will give you another £15 million at 2019, but you are going to have to make the case for that £15 million. That is what it says. That is not scaremongering, that is not shroud-waving, that is simply reading out the proposition that the panel have put before us. But the first class accountant, that will be summing up on behalf of the panel, will go along the years - and I assume he has his calculator with him - and he will do a little bit of addition and he will say: "Do not worry, States Members, do not worry, colleagues, because if we add them up over the years, they will have £102 million to play with." That sounds far more reasonable, you could employ a nurse or 2 for that, I have no doubt. You may even be able to employ a lawyer or 2 in the Law Officers' Department for that. You can employ a teacher or 2, you can employ more people in Social Services, you can employ people in mental health service provision, but that is not how it

works. The Chairman knows that is not how it works. We move to a balanced budget over the period and it is the ultimate “what is available” at the end of that period in that year which is ultimately important. Because otherwise it does just push departments into doing what the panel are criticising departments for doing and that is managing in the early years, because the Chairman will say: “Well, there is plenty of money sloshing around in the early years” and putting off doing any changes. That is what this amendment does. It stops the health charge. Some Members may like it because of that. It stops the transfer from the Health Insurance Fund. Some Members may like it because of that, but what are the panel asking us to vote on? They are asking us to, with one press of the button, one exercise of the finger, save £20 million in 2019 extra. £20 million in 2019 extra. I have not been watching the voting record of the panel, because I do not do such things. We all vote as our conscience sees fit, but I wonder if some of the panel members have voted to increase spending throughout the course of this debate. I do not know, that is for them to know. What I do know, is that that their report casts doubt and challenges the level of efficiencies that are already in the M.T.F.P. and yet, with this one amendment, they ask Members to increase that saving target by £20 million in 2019. In fact, one Member suggested we could get rid of the Chief Minister’s Department for that money; well, that is a choice for Members ... and I see other fellow party Members nodding their head. That would mean getting rid of all I.T. people, it would mean getting rid of H.R. people, it would mean, forgive me, Minister, closing the offices that we have in London, in France and Brussels, if we did it like that. But for me that is not the issue. The issue is about being able to use the growth money to employ people to provide the services that we, in this Assembly, believe are critical to our future. It is no shroud-waving to point at Health, because the panel know that their own adviser, in his report, said that health should not be included in such a vacancy management proposal. But it is included. I could go on, we have the afternoon ahead of us, a lovely autumnal day. I could go on about the changes that are being delivered, I could talk about the fact that we would like to see them delivered faster. I could talk about the people who have been made voluntarily redundant, the 100-odd of them, between 150 and 200 of them. I could talk about the 145 people who had come off the F.T.E. headcount, change is happening. I could talk about the work that the Minister for Infrastructure is doing. I could talk about the work that is happening in the I.T. area. I could talk about the work that the Home Affairs Department are undertaking, managing the headcount in the police force, providing a modernised service with fewer people. I could talk about all those things, because it is happening. Members can criticise Ministers because they think it is not happening quickly enough. It goes with the territory, as I often say, but fundamentally this proposition delivers by 2019 - do not be bamboozled by the big number that you will hear in the summing up, because it is the year 2019 which is important - by voting for this proposition you will be saying to departments that you need to have made an extra £20 million saving, because that is not remaining in contingency, that is not for departments to bid for if they have a need in health, or education, or any other area, that has gone. You cannot spend it twice. You have to think carefully about where you are spending your money. That is the choice before us. It sounds appealing, it sounds quite attractive; it sounds as though it will have no consequence because we are just putting a bit of money into contingency. That is not where it stops. From that money it takes it out to stop the health charge and the transfer from H.I.F., so it does affect departments and it affects departments in unacceptable ways. Believe what it says in the proposition. Read the adviser’s report that Health should not even be here today. Thank you.

3.3.21 Deputy G.P. Southern:

I thank the Chief Minister for bringing this debate almost to its conclusion with yet another round of shroud-waving. How much I enjoyed the prospect of all I.T. services disappearing, all H.R. services disappearing and closing every office that we have abroad. If only, no. In that last speech it all gets a little personal, as if it is Deputy Le Fondré’s, or Deputy Brée’s, personal report. I remind Members it is not, it is following the advice of C.I.P.F.A. (The Chartered Institute of Public

Finance and Accountancy), so they are used to doing this stuff. It is not a slip of the pen by which they have suggested, hang on, we need to deal with these vacancy rates and what is proposed. When it comes to numbers, again, all we have to do is refer back to the numbers produced on the leaflet today and observe 888, a 12.9 per cent vacancy rate. Go to the bottom of the page and total available for vacancies in 2017, £41.5 million; total available for vacancies in 2018, £34 million; total available for vacancies in 2019, £26.5 million, equating to between 800 and over 500 vacancies. The space is there to do that. The use of the contingency is, I believe, possible and indeed advised. I think we can vote for this amendment following our consciences and without any collective responsibility but with an easy heart.

3.3.22 The Connétable of St. Martin:

I did not want to speak after the Chief Minister, but now Deputy Southern has spoken and I thought I would say a few words. I did prepare my notes reading through the papers, the proposition, the amendment over the weekend, and I am pleased to say, although I could not describe it eloquently like the Chief Minister did, that there were 2 parts and the Chief Minister has clearly said it this afternoon and I was not going to take it further. But my notes were to use funding from the unfilled vacancies of States staff positions and, secondly, in order to save the commencement of the health charge, and the Chief Minister has explained that exactly, that is what today's amendment is really all about, a 2-pronged fork. As the Minister for Treasury and Resources said earlier this afternoon, surely if the Council of Ministers would have thought of this, they would have brought it forward, but of course they had thought of it and he explained that. It is a way of getting funding. I made that note. I would like to thank the Chief Minister for the briefing that we did have on Friday. For those members of the public that were not there, there was discussion during that briefing that the briefing was not the place for the discussion to take place. I, personally, love going to all the briefings that we get, because it gives us a chance to speak and to listen at those briefings and to ask questions and then time for the debate in the Assembly. But I think it has also been important to have the debate this afternoon, as well, because the public now can see, those that have been watching, or those that are listening, we have had the informal briefing last week. Today, Members can listen. They have just heard the Chief Minister's - they have heard the whole debate hopefully - summing up there on what the situation is. My memory of Friday, which those Members that were present for that briefing, will be one of the Minister for Health, with his hands on his head, totally despondent. I have not seen him like that before, where he tried to explain to Members, and he has done again today, not quite in the same hand in head, although I think he is probably still thinking that.

[15:30]

I think a lot of things that have been said today have been quite important, about the 13 per cent unfilled positions. Members of the public might think that we do have too many staff, or suggest poor recruiting systems. Maybe there is work to be done with S.E.B (States Employment Board) and the States H.R. Department and the Council of Ministers and looking at showing this differently in the future and, I think, that has come out of the debate today and especially because it is not just a one-off situation. If we would have had this 13 per cent for this year only, but we are still talking in regions of 10 per cent in the last 2 years as well. I know it is only the way it has been displayed and shown. So, I think, as the Minister for Treasury and Resources said, if this was the way that the money could have been saved, we did not need it just for the health tax. It could have been used for any other project and tax reductions, pay rises and increased benefits to people; not just the way of reducing the health charge. So, I hope everybody will understand, I certain do, and I am satisfied this proposition would not work. It is not possible. It should not happen. I mean it may be voted, but it really should not. I think that I would urge all Members to vote against the

proposition this afternoon, not just for the few points that I have made, but that have been explained so eloquently this afternoon.

The Deputy Bailiff:

Does any other Member wish to speak? I call on Deputy Le Fondré to reply.

3.3.23 Deputy J.A.N. Le Fondré:

I think I should certainly thank Members anyway for all their contributions. Where do we start? I think we start ... very basically in the clue to this whole amendment is in the phrase “vacancies”. This, as far as we are concerned, does not take away the flexibility that Ministers are so attached to. What we are trying to do is introduce rigor and discipline into the process. I did quite like listening to the Chief Minister’s speech, most of it anyway. I have dug out a quote from our advisers of the Chartered Institute of Public Finance and Accountancy and that states: “If further efficiencies were generated as part of the reform agenda, including significantly reducing funded vacancies, the requirement to raise additional income sources could be potentially avoidable.” Page 14, executive summary. We can have all sorts of arguments about which departments should be affected, and all that type of thing, but that is their final position. Secondly, I have always understood, we have been told time and time again, this is a 3-year plan. It is not one year in isolation and the Chief Minister is absolutely right. I am going to refer to the very large figure of £102 million. It is not exactly insignificant, is it? We believe that gives sufficient headroom there to do what we are suggesting and the Chief Minister is absolutely right, save me going through the proposition. It comes out of the department, it goes to contingency, and you off-set the health charge and you are left with £102 million. Now, I cannot believe that there is not sufficient flexibility in there to avoid ... I mean how many schools are we closing down? Sorry, 2, thank you, Deputy Martin. I think there was a primary school in there as well and I have got a feeling Mont à l’Abbé School was in there and I am sure there was the riots bit and I cannot remember ... oh, yes, we were going to shut every office that we owned or had any control of off-Island, just to name a few. What is very clear here is everybody who has come along and says: “Oh, these figures [which I have just lost] they do not mean vacancies.” Guess what? Where did these come from? The Council of Ministers. They are not our figures. This was brought to our attention by our adviser, by the Chartered Institute of Public Finance and Accountancy, and all of these numbers are based on figures produced by the Council of Ministers. So, at the very least, the budgetary information, which we are relying on the entire M.T.F.P., shall we say, but certainly this lot, is poor, which would be consistent with what 2 auditor generals, at least 2 Public Accounts Committees and Corporate Services, in the past, have been consistent with. So is it not about time that we start getting decent budgetary information through, decent data underlying everything? Because, if not vacancy management ... well, that says, at the moment, 888 vacant posts. We were very clear, that is why we are putting it into contingency; we know we cannot be precise. That is why we are talking about the magnitude of the flexibility that is built in there. I pick up on a point from the Connétable of St. Martin, he mentions it. I hold that table up again, 12.9 per cent. Then the previous 2 years prior to that report has been over 10 per cent. We have been carrying this level of vacancies for quite some time. I tried to do a very quick search and it is slightly odd in terms of the reporting information; it has all changed. I had to go back to 2006, which was the report I could find, what was vacancy management then? What was the vacancy rate? 3.7 per cent is the answer. Okay. Not 10 per cent, not 7 per cent, not 13 per cent; 3.7. So we are taking it back to where things used to be and that, to me, illustrates the amount of, let us call it, flexibility that seemed to be built into this stuff. As far as we are concerned, on the basis of vacancies, we are not talking significant redundancies. We are not talking closing down half the Island social services. You take excess money and put it to one side and then departments can ask for it if they really need it. Money remains in the overall budget and do not forget we are not even taking all of the flexibility away from the departments, we are still

leaving them 3 per cent and that is £10 million quid, is the right expression, but that £10 million is not on a budget of £700 million. It is based on the payroll level, which is about £360 million. It introduces budgetary rigor and discipline. I have always understood the Chief Minister wanted discipline, but anyway. We accept there will be extra need for extra roles, but that will force departments to identify and apply for that extra headcount in a disciplined manner. Do not forget, as we keep saying, the percentages that we see, or rather our adviser sees, in their experience, in all sorts of other places, are a lot lower, even as low as zero in certain areas, in certain circumstances. These are not our numbers. They are advised to us by the Chartered Institute of Public Finance and Accountants and they are based on numbers produced by the Council of Ministers. That is the foundation. The numbers come from the Council of Ministers. This does go to the heart of public sector reform and it does negate the need to charge the public any more at this time. On that basis, I am not going to address what I will call the shroud-waving. I just make the point, it is about public sector reform and going to the heart of it. I maintain the amendment and ask for the appel.

The Deputy Bailiff:

The appel is called for. I would ask Members to

Senator A.K.F. Green:

May I seek a point of clarification first? I just wondered if the Deputy could confirm that his adviser’s report did suggest it exclude health from the calculations.

The Deputy Bailiff:

Do you wish to give any point of clarification, Deputy? You are not compelled to.

Deputy J.A.N. Le Fondré:

I have read the extract from the ... I have given the overall results of the adviser’s comments and I am very happy to reread it and he says: “If further efficiencies were generated as part of the reform agenda, including significantly reducing funded vacancies, the requirement to raise additional income sources could be potentially avoidable.” I will say there was discussions around health and there are some issues in there, but that was his overall conclusion and he thinks there is sufficient headroom, without damaging those type of services.

Senator A.K.F. Green:

Would the Deputy confirm that, on page 66, the adviser says that health should not be included?

The Deputy Bailiff:

No, that is not really a point of clarification. That is, effectively, a statement in the Assembly. Very well, the appel is called for. I invite Members to return to their seats. I ask the Greffier to open the voting.

POUR: 17		CONTRE: 29		ABSTAIN: 1
Senator S.C. Ferguson		Senator P.F. Routier		Deputy R. Labey (H)
Connétable of St. Saviour		Senator P.F.C. Ozouf		
Connétable of St. John		Senator A.J.H. Maclean		
Deputy J.A. Martin (H)		Senator I.J. Gorst		
Deputy G.P. Southern (H)		Senator L.J. Farnham		
Deputy of Grouville		Senator P.M. Bailhache		
Deputy J.A. Hilton (H)		Senator A.K.F. Green		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Helier		
Deputy K.C. Lewis (S)		Connétable of St. Clement		
Deputy M. Tadier (B)		Connétable of St. Peter		
Deputy M.R. Higgins (H)		Connétable of St. Lawrence		

Deputy J.M. Maçon (S)		Connétable of St. Mary		
Deputy S.Y. Mézec (H)		Connétable of St. Ouen		
Deputy A.D. Lewis (H)		Connétable of St. Brelade		
Deputy S.M. Bree (C)		Connétable of St. Martin		
Deputy T.A. McDonald (S)		Deputy of Trinity		
Deputy of St. Mary		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy R.J. Rondel (H)		
		Deputy of St. Ouen		
		Deputy L.M.C. Doublet (S)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

3.4 Draft Medium Term Financial Plan Addition for 2017 - 2019 (P.68/2016) – twelfth amendment (P.68/2016 Amd.(12))

The Deputy Bailiff:

Very well, we now come to Amendment 12 and I ask the Greffier to read the amendment.

The Greffier of the States:

Page 3, paragraph (c), after the words “Health Charge” insert the words “which does not include an upper limit.”

When the 3.4.1 Deputy S.Y. Mézec of St. Helier:

Council of Ministers brought forward their Strategic Plan last year to outline their priorities for this term of office, they included a section to describe what they believed the purpose of taxation should be. They said that taxes should be low, simple and broad and I saw this and straightaway thought that one key word was missing: the word “fair”. Because, surely, when deciding who pays what to contribute to our public services, fairness should be at the forefront of how we make these decisions. So, I brought an amendment to the Strategic Plan to include fairness as a criterion on which taxes should be based, which was accepted by this Assembly. But, clearly, when the Council of Ministers then set about forming their plans to create a new tax they were suffering from amnesia, because that word “fairness” was clearly not on the agenda at those meetings, because eventually what has been proposed is a tax where the highest earners in Jersey will be asked to pay a reduced effective rate, leaving the bulk of the burden to be carried by middle earners, many of whom are already feeling squeezed and are facing cuts to the services that many of them rely on. I say this on a day after the States decided to end many of these families’ access to free nursery places for their children, where we voted to slash the pay for newly qualified teachers and where, ultimately, we are voting on a continuation of a Medium Term Financial Plan, which has seen £10 million of support cuts for the poorest and most vulnerable people in Jersey. I, personally, see it as morally repugnant that a government can, despite hiding these plans from voters at the last election, take office and at the same time that they get to work on plans to slash support for the poor and vulnerable, say that they will go out of their way to make sure that those with the highest incomes, the people who are most able to afford it, and will probably barely even notice it, will not be asked to pay more. Instead, it is the middle who will be squeezed. I ask, how can that possibly be fair?

Like I have said on tax policy before, you do not drill for oil where there is no oil. Likewise, you should not seek to tax people who can scarcely afford it. You should go for those who can. But what has been most frustrating in the run up to this debate has been having to put up with some Ministers outright denying that their tax plans are regressive. This health tax is not a progressive tax and it does not matter how many times Ministers stand up in this Assembly and deny it, because it is simply not true. The definition of a progressive tax is, and I quote: “A progressive tax is a tax at which the rate increases as the taxable base increase.” With this health tax, as the taxable base increases, the tax rate decreases. It is black and white. There is no debate. They should not continue with this fantasy that, somehow, it is progressive. It just is not. It is the complete opposite. Their so-called distributional analysis, which accompanied the Medium Term Financial Plan, had a graph showing the effective rate of this tax for people on different incomes and I have attached that graph as the first appendix to this amendment. The graph starts out looking quite good, because the poorest do not pay anything. Who could disagree with that? But then, as earnings go up the rate goes up and it peaks at 1 per cent from about £64,000 a year and continues on until you get to about £164,000, where it dips, just slightly, but then the graph stops.

[15:45]

So, they published a graph which, at first glance, does not look too bad. So I saw this and straightaway emailed the Treasury Department to ask for a version of this graph which goes to incomes up to £1 million a year, which I have attached as the second appendix to my amendment. What do we see? A ski slope. The effective rate plummets the higher your earnings are. If you are earning £1 million a year, putting you in the very top income bracket of Jersey earners, you will be paying a lower effective rate than somebody who is scraping by on £17,000 a year. By no stretch of the English language can that possibly be described as progressive, or fair. The Council of Ministers are trying to say: “No, it is progressive because the revenue that is raised from it will be spent on health, which tends to help lower paid people more.” That is such a perverse argument for so many clear reasons, the first being; “Well, that is not the definition of a progressive tax.” It does not matter what you spend it on, it matters how you raise it. That is what defines whether a tax is progressive, or not, but that aside, considering that point really is just so ridiculous, I fail to see how it could possibly be progressive to ask a healthy, poor, person to pay more than a sick, rich, person. But what is most about this argument is that it ignores the fact that there is often a connection between financial hardship and illness. Illnesses can be caused by bad diets and lifestyles, because of not being able to afford healthier things and other illnesses can be exacerbated by stress caused by being worried about paying the bills. The Government claims it is progressive to put more into healthcare funding while pursuing policies - which will cause some people financial hardship - that will stand every chance of making their health worse. That, to me, is completely counterproductive. But, the next part of their argument against my amendment is that we must keep our tax system internationally competitive because, of course, adding less than a per cent, it will be to these people, is clearly going to ruin our competitiveness. I mean, it is just so ridiculous when you think about it. Jersey’s tax system is already competitive and it will continue to be competitive if my amendment is accepted. They say, and this is the quote: “The removal of the income cap might raise questions about the longer term certainty of the personal tax regime.” The cheek they have to say that my amendment raises questions about the longer term certainty of the personal tax regime when they, themselves, have pledged to introduce new taxes, with the option open to introduce even more new stealth taxes in the future without giving away any detail. It is they who are undermining certainty in our personal tax regime. Certainly not me. I am simply trying to amend the plans that they have come forward to change our tax system and make it fairer, something that they should have done in the first place, given that that was what this Assembly voted to amend their own Strategic Plan to do. I am sorry, but whatever questions that are raised about the longer term certainty of the personal tax regime are as a result of the poor management of

our public finances by the Council of Ministers. To rack up such a substantial public spending deficit that now requires them to alter our personal tax regime anyway means that there is a question mark above our status, irrespective of whether this particular amendment is accepted or not. So it is them, not me. To say that my proposal to make tax slightly different will bring about Doomsday for Jersey, while their proposal to make tax slightly different is essential for securing our future, is totally disingenuous and, frankly, it is ridiculous.

The Deputy Bailiff:

Deputy, I have already corrected someone for using the term “disingenuous”. It carries with it the interpretation of deliberate dishonesty. So, please, withdraw that.

Deputy S.Y. Mézec:

I withdraw it. I am fairly sure I have heard Members use it before without being called up ...

The Deputy Bailiff:

Yes, you have and by ...

Deputy S.Y. Mézec:

... but I will withdraw it, since you are asking me to. I think advancing the arguments that they have done, arguments which are of such low calibre, I think it shows a lack of respect to anyone who dares think differently to them. Now, not only does Jersey already not have the lowest tax rates in Europe but we do not even have the lowest tax rates in the Channel Islands, so I think to say that we cannot possibly change anything least it will destroy our economic success is clearly a ridiculous argument. We are still competitive and we still will be if this amendment is accepted. In fact, I think it is bad for our international reputation to be a jurisdiction that deliberately hammers low and middle earners, yet will bend over backwards to accommodate higher earners. People in other parts of Europe look at tax systems that do that with disdain. They think it is unfair and it makes us look dodgy. That is what we are seeking to do here. So, in terms of international reputation I think the Council of Ministers are certainly going the wrong way. But why does the principle of competitiveness only apply for high earners? Do they not realise that it is not just high earners who are mobile? It is not that difficult to pack your bags and move to somewhere in the U.K., where house prices are far lower, there is better support for kids, higher education costs, and where it is free to see a G.P. (general practitioner) and all of us in this Assembly will know of people who have done it and that is potentially local home-grown talent going away to contribute to an economy and society somewhere else. Jersey cannot survive as an economy with only low earners and high earners. We need those people in the middle too and, for too long, they have been taken for granted and squeezed and squeezed. These are people who are hardworking, often well-educated, with important skills that we need for our economy and I think it is wrong to ask them, time after time, to shoulder the burden and say that others, who would not even notice the extra tax being implemented, should be accepted. How can that possibly be fair or right and, ultimately, I think it is economically short-sighted to constantly squeeze this group, who contribute so much to Jersey society. But, my favourite part of their argument, and this argument really is spectacular I think. My favourite part of their argument against my amendment is the bullet point where it talks about the effects this will have on 1(1)(k)s, who will see their effective rate on their income above £625,000 be increased from a terrible, punitive, nasty 1 per cent to a terrible, punitive, nasty 2 per cent. These poor dears, my heart truly bleeds for them. Fancy that, having to pay a horrible 2 per cent while others, on a fraction of their income, have the luxury of a non-punitive, sensible 22 per cent tax rate, but remember it is 22 per cent for now, because if Senator Maclean gets his way it is going to up to even further to fund the building of the hospital. So, I have brought this amendment because I think this debate we should have right now should be about principles of fairness, pure and simple. I really hope that States Members will think about how they look and what it will do to

the States' reputation for us to vote in favour of slashing support for the poorest and most vulnerable people in our society; to slash the pay for newly qualified teachers, to cut free nursery places, to cut all sorts of other services and increase taxes on ordinary Islanders, yet to say to the people in our Island, who have done the best out of what Jersey has to offer, that they will not be asked to shoulder their share of the burden. I think such an argument is economically, and morally, bankrupt and I bring forward this amendment to the States and hope Members will back it.

The Deputy Bailiff:

Is the amendment seconded? **[Seconded]** Does any Member wish to speak on the amendment?

3.4.2 Deputy S.M. Brée:

The proposed health charge, and I put the word "charge" in inverted commas, is classed as a user pays charge, because there is no way that we can call it a tax, can we? However, I can see nowhere a direct link between the amount that will be charged and the direct benefit I will receive from that charge, i.e. to put it in slightly different terms: if I use a health service, I pay all or part of the cost under a user pays charges system. However, if I happen to be the healthiest person in the world and never have the need to use any health service whatsoever, which I hasten to add is not me but anyhow, then I still have to pay the charge. Therefore, I would suggest this is nothing other than another tax, because I do not have the option not to pay it if I do not use the service. I take that thought and say: "Well, I can see no valid reason whatsoever economically, socially or inward investment-wise to support placing a cap on what is essentially a tax." If you follow the concept that all taxes should be broad, fair and simple, which, according to our Council of Ministers they do, then kindly explain to me why - and this is something I really do hope that somebody can explain to me - a health tax or charge, call it what you will, has a cap on it? Because, surely, the whole point behind the health charge is that members of the public of the Island of Jersey make a contribution to the improvement of health services to all in this Island and why should there be a cap on it if I happen to be in the very enviable and lucky situation of being quite a wealthy person. I also feel that there is a social element to this which is, I really do wonder whether or not the people who would be protected by the cap have ever been asked their opinion. I know a number of wealthy individuals and all have said to me they would not mind paying a little bit more to maintain Jersey as it is, to maintain the levels of services that everybody enjoys, because they want to contribute. They feel they have a duty to contribute, because they are benefitting from everything that this wonderful Island we live in offers. So, I think that we should support Deputy Mézec in this, because he is quite right, what he is doing with this is highlighting the fact that this is not a charge, a user pays charge. Let us be honest, why not? Let us say: "Okay, we accept that it is a tax" and then there is no confusion. There is no disparity between what somebody pays and, hopefully, should we elect to bring in such a tax or charge, then everybody will be treated the same and that, I think, is the important bit, equity. It needs to be fair and it needs to be equitable. So I really would urge all Members to support this amendment.

3.4.3 Deputy D. Johnson of St. Mary:

I simply wish to endorse Deputy Brée's last comment, or one of them. I too know of various people in the fortunate position of being wealthy immigrants, who would not mind paying the additional 1 per cent. My basic mathematics tells me that if one such person is fortunate enough to have an additional £1 million income that would give rise to a tax of £10,000. Would such a small sum really deter people, having that sort of wealth? I think not and agree with Deputy Brée's comments that a large number of the wealthier element of the population would be very happy to accept this and regard it as part of their contribution to the Island.

3.4.4 Senator A.J.H. Maclean:

I understand how this is a difficult amendment in many respects for Members to consider today. I particularly appreciate the comments made by the proposer earlier on. They were very compelling in some areas and in fact I, and many of the Members of the Council of Ministers, will agree without doubt with the general thrust of what the proposer is saying. Before we go into the details of what this amendment proposes, I would just like to make it absolutely clear that those on low incomes are protected from paying the health charge. It is a point I have made several times, but I do want to repeat it, because I have noticed it being misrepresented in certain areas in the media in particular. So, I want to make that absolutely clear. That is, of course, 30 per cent of Islanders fall below the income tax threshold and, therefore, pay no income tax and therefore, as a direct result, would not pay the health charge that is being proposed.

[16:00]

As I have said, Ministers are sympathetic to the principles of this amendment. The measure chosen for the health charge was not lightly taken by the Council of Ministers. It followed extensive analysis of a range of options. We drew on analysis of the fiscal strategy work reports commissioned, for example, by the King's Fund into health funding in the U.K. We considered the experience of introducing the long-term care charge and work previously commissioned by Treasury on a range of funding options for health more generally. We, of course, obtained the advice of our own Chief Economic Adviser when determining our proposals. His distributional impact analysis concluded that the health charge would be broadly progressive across the whole income distribution. If we look at that in detail, there would be no impact on those on incomes below the exemption limit, as I have mentioned, as they would not pay the charge. The impact would be progressive for those on the marginal rate, as the rate they pay would gradually rise to 1 per cent as their income rises. The impact would be proportional for those on the standard rate of 20 per cent as all would pay the 1 per cent rate. For those whose income is above the cap of £162,000, the proportion of income paid would gradually fall as their income rises. I am making these points to be absolutely clear because this is based on the distributional analysis work undertaken by the economic adviser. Let me explain why we designed the charge in the way that it was designed and why it might appear to be a little unfair. The Council of Ministers has to balance the long-term tax policy principles agreed by this Assembly in the Strategic Plan. The second principle is that taxes should be low, broad, simple and, as the proposer has already said, due to his intervention, and the Council of Ministers accepted it and agreed with it, fair. This principle, all 4 parts of it, shaped the Council of Ministers' thinking in a number of areas, for example, basing the charge on income tax, rather than social security payments, means people on low incomes are exempt, as I have said, and it is not just workers who will be paying it. Those with income from wealth, such as general investments, property, those over-65; they will all also contribute. Let us not forget that the reason we need to invest in healthcare arising principally due to the ageing population and that, of course, as Members will appreciate, is not a situation unique to Jersey. There are 4 other principles which also need to be considered when deciding on revenue raising measures. When considering an income cap, the Council of Ministers gave specific consideration to the fourth principle that taxes must be internationally competitive. Jersey operates in an internationally competitive environment. For the Island's economy to thrive, we need to maintain our position in that environment. So it is important we can attract and retain highly skilled people to work here; that we can attract inward investment and that we can attract high net worth individuals, the wealth creators; that put so much more into this Island than just the direct tax contributions that they make. I have mentioned earlier this week the point about the Jersey Hospice Ball, which I attended last week. Many of our inwards investors were there, and to see Jersey Hospice raise, at that event, on that night alone, over £750,000 is largely as a result of the high net worth investors that we get and are able to attract and we need to retain in this Island. We just have the latest economic growth figures, this week in fact, showing a healthy 2 per cent growth in our

economy in 2015, as measured by total G.V.A., and congratulations to the Minister for Economic Development and his team and Financial Services. I am sure they have made a valuable contribution to those figures. Now, this, I am sure, nevertheless, will have come as something of a surprise to Members of the Corporate Services Scrutiny Panel given their assertion that our economic assumptions and income forecasts are overly optimistic, but perhaps I digress. This is the second consecutive year though that the Island's economy has grown in real terms and we do not want to jeopardise this recovery, especially in the uncertain world that we currently live in. It is not only the business tax regime that has to be competitive but also our personal tax regime as well. Personal taxation has a broad meaning in this context. It includes all taxes, contributions and charges. We know that people who move here to work are not just looking at the tax rate. The whole package has to be right and that includes stability, political and economic stability. Let us remember the words of the Fiscal Policy Panel about the risks that we face in terms of delivering on our Medium Term Financial Plan and those risks were identified in one area as being political. In other words, making sure that we make the right political decisions for our long term sustainability. But, going back to the point about the package, as I have said, political and economic stability, certainty, lifestyle, our stunning natural environment, reliable and extensive air links. All of these factors are clearly important. Taxes, contributions and charges may not be top of the list necessarily considered by highly talented individuals, who are considering relocating to the Island, but changing the rules at the drop of a hat, without a proper process and due regard for all the facts, all the potential impacts will, without doubt, impact on investor confidence. After all, for inward investors, the world is their oyster. With modern technology they can move across the globe in a way that has never been possible before. Jersey is competing for talent with other Crown Dependencies and places like Cayman Islands, B.V.I. (British Virgin Islands) and Bermuda. Here, we have no upper cap for income tax except for those who move here under the special scheme for high net worth individuals known as 2(1)(e)s, or previously 1(1)(k)s, which is more recognisable to many. In Guernsey and the Isle of Man there are caps, which limit the amount of income tax that wealthy people have to pay. We compete with Guernsey and the Isle of Man and they put caps in place. In Guernsey, personal income tax is effectively capped at £110,000. In Guernsey, their social security contributions are capped at £132,000, not the upper cap that we currently have at £162,000, higher than Guernsey. The Isle of Man has an elective capped liability for personal income tax of £125,000 and social contributions are 1 per cent over the earnings cap of £41,000. Jersey is more expensive, but it has other things to offer and it is about getting that balance right. We have already pitched ourselves in this competitive world in a more expensive place than many of our immediate competitors; those who we are seeking to win business from and retain business from leaving here to go to. In Cayman, the B.V.I. and Bermuda there is no equivalent to our income tax. As in any market, our competitors will seek to highlight any change that puts them ahead and this could be exactly such a change, unless very carefully handled and considered, as the Social Security Department themselves are doing, with the reviews that they are undertaking. That is the right place and the right time to consider changing the cap. Let us not forget this cap at £162,000 did not start life at £162,000. It started life at £150,000. It increases every year on an R.P.I. (Retail Price Index) basis, but the Social Security Department and Ministers recognise the fact that there could well be headroom here to move it, but that has to be done based on facts and that is what the Social Security Department are seeking to do; establish what those facts are and what potential impacts would result from a move, not just lifting it off, as I have said earlier, at the drop of a hat, because we do need to be careful to protect our competitive position. That is why the Council of Ministers proposed an income cap, pegged at the same level as for the social security and long-term care. If the States Assembly supports the amendment and removes the cap, Members are doing the equivalent of increasing the standard rate of personal income tax and that is the message effectively that would go out broadly. This would be a significant change which, as I have said, would be picked up on by those who are our competitors and who would seek to take

advantage. It may well be factored into the decision made by people looking to relocate their businesses here as well. More importantly, the removal of the income cap might raise questions about the longer term certainty of the personal tax regime. For businesses and investors, certainty is critical and at the heart of Jersey's long term success. As already outlined during this debate, the stability and certainty of the tax regime is of paramount importance to the Island's economic policy and hence these kinds of questions would be more damaging than any specific increase. In proposing the health charge, the Council of Ministers determined that the cap would limit concerns over stability and certainty and support our current position. The cap also reflects the fact that the proposed health charge will be used for health expenditure and not for general revenues. If we do not raise the required revenue then the additional investment in health and social care will be put at risk. It is appropriate that there is a maximum amount that any individual can contribute to the fund in any one year. This is consistent with social security contributions and long-term care contributions, neither of which have an open-ended liability. I would like to repeat that people with income above the income cap will pay the health charge. They will not be exempt. The only people who will be are those who fall below, 30 per cent, as I have said, who do not pay. This demonstrates, I believe, how this Council of Ministers is seeking to protect those who cannot afford extra charges. Those in the middle are protected from the full burden of both income tax and the health charge by marginal relief. It is, as I have said already this week, the jewel in our tax crown. As to people at the very high income scales, the Council of Ministers is prepared to reflect further on this issue as we finalise details for the health charge. We are reviewing the tax system as part of preparations for independent taxation, as I have already stated earlier this week. Social Security, as I have just said, is about to start a comprehensive review of the system, but we should not make quick decisions without the facts. We need to continue to maintain our position and, in particular, the Council of Ministers is considering, and has considered, the long-term tax policy principles and considers that a health charge based on income tax with a reasonable income cap achieves the right balance between that which is fair and that which will ensure that we maintain our competitive position. I, therefore, ask Members to reject this proposition.

3.4.5 The Connétable of St. John:

A very eloquent speech from our Minister for Treasury and Resources. He says that potential high net worth earners could be put off if we did not cap this charge. I would suggest to him that this charge, in the first place, is far more likely to put off people coming here than the capping itself. This is yet another tax. Sorry, a bit like that investing in confectionery. It is called a health charge. But then it has no linkage between its end use and its tax raising measure, so it is not a health charge. It is this play with words and this spin that, quite frankly, I think, not only we in this Assembly, but the public outside this Assembly, are getting fed up with. This is another tax and, as another tax, it is far more likely to deter people coming here than whether it is capped or not. That is a minor detail. I think the bottom line is that the Council of Ministers need to look at how they spend money and make the necessary savings, rather than looking at ways in which they can introduce taxes disguised as health charges, waste charges and every other conceivable idea that they dream up. I will be voting in favour of this simply because if it does not have a cap, it will be called a tax then the Minister will not be able to introduce it.

[16:15]

3.4.6 Deputy J.A. Martin:

It is always a pleasure to follow the Constable of St. John and I say to the Minister for Treasury and Resources, if it walks like a duck it is a duck. No, their comments, the first 4 bullet points only talk about tax. So I am very confused. The Minister said, the Minister for Treasury and Resources said, we cannot now remove the cap at the drop of a hat. Well, they are introducing it as ... how many hats are they dropping to introduce this charge? Has this been discussed with anybody? No. I

wanted to stand up to say this really goes back to where we were yesterday with the amendment of Deputy Le Fondré and when the Constable of St. Lawrence stood up and talked about fairness. We are introducing this. We are told 30 per cent of our population, working population, will not pay it because we are very proud they do not earn enough. How bad is that? How bad is that? “I stand up. I am the Minister for Treasury and Resources and I very proud to say 30 per cent of our population are so low earners they cannot contribute to tax.” Something is wrong there, but that is another story. But this is a tax. Deputy Mézec is trying to make something that is being brought in even across the board. What is 1 per cent to a millionaire on a £1 million? What is it? Probably, if you put that in the bank it will make it ... I am not asking Senator Ozouf, I doubt if he is a millionaire. **[Laughter]** He asked me if I was asking him. As I say, I make no comment. It is totally about fairness. The comparing our contribution of tax and what we do with our tax and social security, we provide a fantastic health service. We look after our poor. We look after our people who get sick. We look after the people who get unemployed, through the social security system. How much do you think they pay people in Bermuda and the Cayman Islands and the British Virgin Islands? I bet people there are still begging on the streets when they become not one of the people who pay very little tax, put it that way. So, I am not happy that they are comparing apples and pears, calling it a “health charge”. We already had the long-term care health charge, introduced at 0.5 per cent. When people are asking me: “Why am I paying 1 per cent in the first year when it is supposed to be ...” because tax does not recognise 0.5 percentages. It will even out after the first few years but it is still capped. People do not mind. When it goes up to the percentages, the earnings ... and remember we are talking about people who earn over this amount. A lot of the people that the Minister was talking about, attracting wealthy, and healthy, hopefully, earners ... no, wealthy residents, they have already made their millions. They are coming here to retire. They add a lot to our economy, but they are not earning. They will not fall into this tax bracket. So I am very sorry, Deputy Mézec makes a very good point. It all goes back to, do we want a fair society? Do you want a fair charge across the board? Minimum, 30 per cent of Islanders do not earn enough to pay it and then there is those in the middle, up to the £160,000-odd who will be paying it and then it dips right down to absolutely nothing and that is not fair. So their comments call it a tax, low, broad, simple and fair, and that the low part is what it is all about and we are not comparing like for like. I absolutely support this amendment and think that the Ministers - before they keep introducing these new taxes - should be doing their homework, not bring it to us with a drop of a hat and expect us to rally round and say: “Oh, well done” and not look at it and say: “This could be done a better way and you are not letting the higher earners off.” So, I think it is a no-brainer, under complete fairness that everybody should be paying what they can out of their earnings, if we are going to introduce it, and it looks like we will. If I support this I do not know if I am going to support the whole plan. It has gone so up and down. But we are talking about this amendment and if we are going to introduce this tax it needs to be fair and across the board.

3.4.7 Senator L.J. Farnham:

I think the argument about what is a tax and what is a charge is largely irrelevant at this stage and I will explain, because some Members clearly need to know the difference. First of all, the ramifications of this are to increase the maximum rate of income tax from 20 to 21 per cent, across the board. We are putting our income tax, the highest rate, up from 20 to 21 per cent; 21 per cent will be the maximum rate. The high net worth individuals from 20 per cent up to £625,000 and 1 per cent over they pay 21 per cent up to £625,000 and 2 per cent over £625,000. It is quite a significant difference. While some Members distinguish our society between rich and poor, they do tend not to look at us all as people, but some are rich and some are poor and the rich ones must be treated fairly or unfairly. I do not see why, just because somebody has accumulated a lot of money, often through very hard work, they should be treated more unfairly. The rate they pay may

be lower but the contribution is much higher. The more well-off in our society pay the vast majority of taxes in pounds, shillings and pence. They do. The highest earners pay the most tax and in a society citizens ... we all pay a raft of taxes and charges. We could call it all taxes. We could call any amount of money we pay a tax, or a charge. It does not matter, but we pay personal income tax. There is some corporation tax. There is Goods and Services Tax, a consumption tax, we all pay 6 per cent on ... 5 per cent on pretty much everything we buy with odd exceptions. There are Imp□ts duties. There are parish rates. Excellent value, parish rates. Superb value. They are low. They are low and fair and they cover the costs. They cover the costs of running the parish, superb. There are stamp duties and fees. Stamp duties and fees and utility charges. We all pay utility charges. I know, why do we not charge rich people double or treble for their electricity or water, because they can afford it? That is a good idea. I am surprised you have not thought of that yet. I will come on to social security in a second, but Deputy Brée asked the question, why should one pay if they do not use all of the service? Well, you see the difference between an income tax uncapped and the user pays charges; the charges are capped, so no individual pays a lot more money than they are ever going to use because they are user pays. The health charge will go to health service. So that is why, just for the Deputy's benefit, some charges are capped, because they are cost recovery, they are user pays, and based on the grounds that every citizen, rich or poor, whatever category Deputy Mézec wants to put them into, pays their fair contribution for their use. We do not treat anybody differently in our hospitals because they are rich or they are poor; they get the same excellent medical service. Social Security, we pay into. We all pay into Social Security. We have a number of benefits for that. We get income support if ever we need it. Sickness benefit, free prescriptions and a pension and that is fair and it is capped. But if we uncap that, which will surely follow if we start uncapping these things, then the floodgates will open, as far as I am concerned but then you have the same thing. It becomes unfair on those who have been financially more successful, who are already paying a lot more in pounds, shillings and pence to running society. Oddly enough, with our high net worth individuals, the 2(1)(e)s, I mean, really the income tax they pay, I think, compared to the overall contribution, is probably less. It is probably largely not irrelevant, because it is a significant amount. We only let 10, 15 maybe 20 of these people in every year and let us just say, for argument's sake, they pay tax on an average of £2 or £3 million each. If their tax return showed they had paid themselves £3 million, they would pay about £140,000 in tax right now. If Deputy Mezec's proposition were to succeed, well, that would go up to almost £180,000. Now, you might say that is not a lot of money, but on top of that tax the majority of that £3 million that they have pay themselves has been spent in the local economy. I will not go on, as there is no need to because, I think, Members know the contribution that these people make. I also want to touch on the work, the very hard work, and the success that has been built up over the years on our inward investment programme and I have spoken to, as has Senator Ozouf, and discussed this in great detail with the officers of Locate Jersey and they are on the frontline. When people look for a place to relocate and a place to live ... so we do not just say, whoever is going to write us the biggest cheque will come here, we do not want to provide brass plate service. We do not want to provide holiday homes for multi-millionaires, who want to jet set around the world and call in to us now and again. We bring in people that want to become Islanders, that want to engage in our community and be part of the Island and contribute and that works very well. These people are all very astute and they, and their advisers, will look at the competitiveness of the tax, because they have worked hard for their wealth. They want to retain it. They want to be able to pass it on to future generations to enjoy. I was speaking to the sales director of a major manufacturer of jets and he said: "This one here is £63 million." "Very nice", I said: "maybe we should have one for the Council of Ministers" but I was of course jesting. £63 million. I said: "Do your customers ... do you round it up to £63 million, why not make it £65 million because if they have got that sort of money what is the odd million?" He said: "You would be absolutely surprised at the detail. We almost go down to the last dollar when we price our

aircraft.” That is because these people are discerning. When they buy the aircraft they are often very generous and spend many millions flying their friends and relatives around and enjoying themselves. But that is why it is important that we have a competitive and stable inward investment proposition, because if we do not we are going to lose a heck of a lot more than by trying to squeeze a few thousand more out of them this way. I do not mind saying that we have discussed, the Minister for Treasury and Resources, Senator Ozouf and others, have discussed looking at what we charge high net worth individuals and we think there is a bit more scope to look at that and maybe increase it slightly and we are going to be doing that. We also have a long-term tax policy, R.33/2014. It is a comprehensive, detailed and working policy. It is being worked now. I suggest to Members, it will not take a minute, just have a look at it. Just look it up, look it up now, have a look; it is an excellent piece of work and we are using it. We are using it right now. I think in winding up we have talked about the rich and the poor and the fairness of society and, as I have said, it has got to be fair for everybody. Deputy Mézec likes to talk about middle Jersey, the middle earners and middle Jersey. That is green electoral sort of pastures to cultivate for the Reform Party. Oddly enough, if their policies of increased taxation for those that earn more, those that are over £80,000, £85,000, the very people that are going to have to pay more nursery fees and those are the very people that, if Reform get their way, will be paying considerably more in income tax in the future.

[16:30]

The middle Jersey, those that earn £80,000, £90,000, £100,000, £120,000; those are the ones that Reform Jersey will want to make pay in the fullness of time.

The Deputy Bailiff:

Senator, it must be getting late, because I should have picked you up on the use of the word “heck”, which has been ruled as unparliamentary in the past so perhaps you would ...

Senator L.J. Farnham:

I do apologise and I withdraw the word “heck”.

The Deputy Bailiff:

Thank you.

3.4.8 Deputy M. Tadier:

It is a good old Jersey word. That is the name of our album. The first album is called that Badlabecques, because it rhymes, kind of. Fascinating speech there from the Minister for Economic Development and I certainly learnt a lot about economics there, which I am glad, because I did not do any A Level economics myself so I feel a lot more educated and enlightened. The first thing to say is this not our tax. We are not proposing a new tax. This is the Council of Ministers’ tax. They are the ones that are saying: “We can no longer afford to pay for healthcare under the current system as it stands. Therefore, we are increasing the rate of tax from 20 per cent to 21 per cent capped.” We are simply saying: “That is interesting. We have tried to find alternatives here which have been rejected”, both our party, represented by Deputy Southern and Corporate Services Panel, have also tried to the same. There have been many discussions about how we might have alternative funds. But we have got to the point now where we are debating the health tax, I will call it a tax because I believe that is what it is. It is important to be transparent. So it is not our proposition to increase taxes. It is their proposition to increase taxes, even though they entered the last election, by and large those of them who stood for election and had contested elections, and said: “We are not going to increase taxes and we do not want to introduce any new taxes.” As soon as they get in, increase taxes, new taxes; that is exactly what they are about. We have always provided that we like to prefer either progressive taxation or, at the very least, peel back

progressive taxation, so that we can have it at least proportionate and this is exactly what Deputy Mézec and we are trying to do. We have all seen this graph presented to us, which is known as a ski slope, whereas it does have some kind of proportional ... it goes up like that, so that is progressive for the lowest earners, it plateaus up until about £150,000, just over, and then it peters off very slowly *ad infinitum* as it gets towards an effective rate of zero. As Deputy Mézec has already pointed out, if you look at that, somebody who is paying something less than £25,000, I think it is about £18,000, pays an effective rate of 0.2 per cent. So somebody who is pretty much a very low earner, probably not earning a living wage or it is just about a living wage, if we had one in Jersey, but probably not and has no disposable income whatsoever, living in Jersey will still be taxed an extra 0.2 per cent of their overall gross income whereas somebody who earns over £1 million a year will be taxed at less than 0.2 per cent. That is the reality of it. These are not points that can be disputed. These are actual facts that are provided by this graph. Interestingly, the graph before that, which was provided by the Council of Ministers, as part of the bundle of the M.T.F.P., showed a very partial graph so you did not see the full petering off of that tail of the graph. Now, it is always with some slight reluctance that I rise and refer to anything theological, but we all know the anecdote, the parable of the Widow's Mite, which can be found, obviously, in the Gospels of Mark and in Luke which is, essentially, you have some very wealthy people presenting at the temple, making their gifts quite ostentatiously, in some cases, into the coffers of the temple and then there was a poor widow who turns up to put her 2 copper coins into that offering. The question that was asked was, who contributed the most out of those 2? It was not the wealthy. It was those contributing out of their non-disposable income. They are giving everything they had. In a case, not necessary quite that bad, there are some provisions in there for the lowest earners. , uite frankly, why anybody on £18,000 a year in Jersey is seeing their taxes go up, I have no idea. If we had a more radical Government, a radical Government of the left, what they might suggest is that we are going to introduce a health charge for those earning above £150,000, because we know that a lot of people in Jersey are finding it difficult to live. They do not have much disposable income and even those on paper, who have a seemingly good combined household income, are still finding it relatively tough. They are contributing to the economy. So, we are only going to tax the super wealthy in our Island. Now, that would be one position to take. The Council of Ministers have taken completely the opposite and are saying: "Well, we are not even going to start to look at those individuals who have got the money. We are not going to drill where the oil is. We are going to drill where there is probably no oil, or where we know there is very little oil anyway." After they have done that it is very difficult to see where that is going to go. Remember, this is not the long-term plan either. This is going to raise a small amount in relative terms of what is needed for the overall health budget in the future of this Island. So, it is not a long-term sustainable plan but it is their plan. That is the point. We are saying: "Look, if you want to pursue this health tax, health charge, as they call it, but it is a tax, then at least do it properly." Is it so much to ask that we have a government introducing new policies, which are sustainable but moreover fair? They agreed to put the word "fair" into the Strategic Plan when we have talked about taxes being low, broad, simple and fair. They accepted that and said: "We are quite happy to put 'fair' in there." Yet, at every opportunity, it seems, that fairness is lacking in that. So this should be their policy. I sent an email before this debate to the Chief Minister and to the Minister for Treasury and Resources saying: "Will you be accepting Deputy Mézec's amendment?" because of all the amendments that have come forward this seems one of the most reasonable that has been put to the Assembly. It is working within their own parameters. Frankly, this idea that by changing the tax rate from 20 per cent to 21 per cent, which is their idea again, not ours, is going to somehow put Jersey in jeopardy in terms of its international ability to attract new business to the Island is, quite frankly, unbelievable. How many more shrouds do the Council of Ministers have left to wave, I would ask? Now, going back to the point of, is it a tax, is it a charge? I do not think we need to labour the point. I think most Members in here, of all political persuasions, are intelligent enough to know

that they cannot have the wool pulled over their eyes on this one. But I would say that if you put a cap on a monkey, it does not become a scholar and if you put that monkey, with a cap on it, in front of a typewriter, it is not going to, all of a sudden, be able to start typing the entire works of Shakespeare for you. In the same way if you put a cap on a health tax, it does not suddenly become a health charge. So the idea that if we take this cap off it is going to become a tax does not wash because it is already a tax. It is just a tax for people who are living here. This is an extended consequence of the narrative we have been hearing, I think, year after year, but which culminated again in the by-election of everybody, all the serious candidates, should not call them that, but all the candidates who had a serious chance of winning, shall we say, and even those did not necessarily poll as well, were pretty much unanimously saying: "Yes, the Council of Ministers is out of touch. They are squeezing the middle. We know that the tax system and the tax and spend system is broken." People are saying that from all over the political spectrum yet it seems that the Council of Ministers are the ones in denial. I am not sure why so much weight is being put on the 1(1)(e)s. Interestingly, Senator Farnham calls them (1)(1)(e)s, which is the new nomenclature, but he likes to talk in pounds, shillings and pence which shows exactly how out of date their fiscal policy is in the new 21st century world that we find ourselves.

Senator L.J. Farnham:

Would the Deputy give way?

Deputy M. Tadier:

I will not give way, but I will accede to a point of order if there is one. It is the risk of speaking too early in the debate.

Senator L.J. Farnham:

I did not say that. It was 2(1)(e) not 1(1)(e).

The Deputy Bailiff:

Oh, well, it is not a point of order.

Deputy M. Tadier:

I will give way. I need a break.

The Deputy Bailiff:

It is not a point of order. You can continue.

Deputy M. Tadier:

Okay, 2(1)(e). He is absolutely more *au fait* with that categorisation. I still trade in the old money of 1(1)(k)s, but I get there in some extent very soon. We must not personalise this. I think that happens too often when it comes to individuals. Of course, we hear the phrase said: "Oh, these individuals contribute in many other ways other than tax." The first point I would ask is, do we have the optimum amount of taxation that we could be yielding from these individuals? I personally do not think that is the case. On an ideological basis I am not comfortable with that system at all. I think that if we invite people into the Island and allow them to skip the queue anyway, whereas other people have to wait for 10 years to come here and establish themselves. That is one thing. I have got no problem in necessarily doing that on a case by case basis, but if they want to live in our beautiful Island and contribute, then they should at least be paying the 20 per cent tax rate or the 21 per cent tax rate which this Council of Ministers is now moving that base rate to. The idea; it is slightly offensive to suggest that these people are the only ones in society who have worked hard for their wealth. People who are super wealthy may have worked very hard, they may have not, and they, no doubt, have other people who they employ, who also work for

them and who contribute to that success. Others, of course, may inherit wealth, but we do not know that, but what you can be sure of is that somebody who works for a living in Jersey, which is the vast majority of our constituents that we represent, do need wages to survive, to pay mortgages, to pay rents, to pay for school fees, to pay for university fees and they are the ones being hit by this Council of Ministers. It seems to me that the first priority of this Council of Ministers, and it is not just them, historically it has been the case as well, is that they are not here to look after the people who are in our Island. They are here to represent, first and foremost, the financial interest of those who are not in the Island and that is exactly where the comments have been directed: “Oh, what about the people outside who might not come to Jersey?” I think that has been addressed already by my colleague, Deputy Mézec, when he said: “Well, there are lots of people in Jersey, who are already struggling in the centre, who are looking to move.” We talk about talent retention. Do we want a situation where the only people we can attract are always from the outside? It is great to have outside influences and fresh blood in the Island, but we would not like to think that individuals are leaving our Island necessarily because they are being priced out of the market. So I would suggest that we have really already had this debate. Across the spectrum, I think, yesterday, many of us sent a strong message to the Council of Ministers about fairness and equality when we had the debate on the nursery education funding. We all came from a different starting position, I think, but we said: “Equality is the key thing here.” Some of us thought that we did not like means testing, but many of us, I think the majority, agreed that if you are going to put in a new system in that case without any consultation anyway going forward, so consultation is selective at best when it comes to this Government’s approach to big changes in policy. We have already decided, I think, across the Chamber, whether we are Deputy constituency representatives, Constables who I know are also very well in touch with their representatives in the parishes, or any of the rest of us. I think that is critical. I think, to be fair, many of the Ministers, a lot of them Senators, not all of them, and not all Senators Ministers, have become detached and it is not they who are spending time, day in day out, down at Social Security, visiting people after work, after the sitting, tomorrow at the weekend. Many of us will be either at the parish hall, or visiting constituents in their houses, and having that interaction and we know how things affect people on a day-to-day basis. This should not be anything radical. It is the Council of Ministers’ own proposition, ultimately. We are just simply trying to work within their parameters and make what they presented to us fair. I, for one, do not mind paying more taxes, so long as I know that they are put to good use. I do not even mind paying higher taxes for nursery fees, even though I do not have children myself, knowing that somebody else is going to benefit from that. So, let us get over this idea that this is somehow a charge and not a tax. It is a tax and, as it is a tax, we need to make sure it is a fair, simple, across the board, tax, albeit with some progressive taxation for the lowest earners built into it. Who knows, if we have a straight line across here it might well be that the effective rate, at which people start paying their taxes, could be lifted so the allowance rate could be much higher to ease those who are really struggling at the lower, middle end of our socioeconomic demographic.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? I call on Deputy Mézec to respond.
Deputy Southern.

3.4.9 Deputy G.P. Southern:

It is the third day in, I am getting a bit slow. I am getting up.

The Deputy Bailiff:

I should warn Members: when I say “will respond”, as soon as the responding individual stands up, the debate is officially closed under Standing Orders. So people should not leave it too late to indicate that they are intending to speak. They may be just caught unavailable to do so.

Deputy G.P. Southern:

Following a very excellent proposal speech from my colleague on the left, I do not feel that there is much left to say, but I do want to just mention, basically, 2 things. One is the reappearance of shroud-waving, scaremongering.

[16:45]

I can quite understand at the time, whenever it was, 10 years ago, when I first proposed an extra tax rate of 25 per cent, or a higher tax rate of 25 per cent, and perhaps a higher tax rate of 30 per cent that the Ministers of the day, then, ran around saying: “No, end of the world. We will never see another rich person in our lives. They will all up and leave. All the companies will go, *et cetera*.” Now, to a certain extent I can understand that, but today, when I hear the same argument: “We have got to be very careful, they will not come here, they will go” about a rise in tax proposed by the Ministers of 1 per cent, I have to admit being just a tad sceptical. They appear to be running off a broken record. That is what they said 10 years ago when I proposed progressive taxation. That is what they are saying now. I do not believe it will happen. Secondly, I just want to examine some of the principles that they have got down there around taxation and, in particular, principles 2 and 3 on page 3 of the report. Principle 2: “Taxes should be low, broad, simple and fair.” We have dealt with fair and we accept low, 1 per cent, broad; what about simple? Now, the logic of the Minister for Treasury and Resources is: “I wanted to keep this simple. So what do I do? I adopt the taxation model, because I can run with that. I have got the staff to do it, we know exactly what it looks ... we know what it brings in. It is perfect.” Except income tax does not have a cap on it. Twenty per cent means 20 per cent. So what do I do? I complicate it by borrowing a cap from the Social Security mechanism of fundraising and I stick that on it. It is the same cap. What does that do? Why, it produces that ski slope, which results in large unfairness, a high degree of unfairness. The poorest pay at rates, effective rates, which may be higher than the rich. That is completely unfair. So it goes against their principles, in particular, that it should be kept simple. Fair and simple, they have got it wrong. Principle 3, this is a nice one: “Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest income are protected. While those on the lowest income are protected” and indeed they are. We can see it, but in fact what we have got at the other end is those on the highest incomes are protected. It seems to me that that is what they are doing by putting that cap on there, they are protecting the interests of the wealthiest. Now, that is not in the principles which we are going by. Protecting the poor is. Protecting the very wealthiest is not. Ultimately, what we have got here is an unfair tax. We can make it fairer, because we keep it proportionate at 1 per cent across the whole range of incomes apart from the very low incomes and that is the way to make it fairer; not this regressive taxation, the ski slope to get lower rates of effective tax for the highest earners.

3.4.10 Deputy A.D. Lewis:

Just briefly. Although I fully understand where Deputy Southern and Deputy Mézec are coming from with this, there is an area that, I think, Members should also think about. The focus has been generally on very high net worth earners, people that Senator Farnham and his department is encouraging to come to the Island, but there is a whole other cohort of professional people that come to Jersey that have a choice. They could go to Cayman. They could go to Singapore, Hong Kong. I am talking about international lawyers, finance people and so on. I am told in that sector, Jersey Finance will tell you, it is often quite challenging to attract the right calibre and the best calibre to Jersey, competing with all of those jurisdictions. They do look very closely at the entire package, the tax package if you like, their net earnings after any deduction of this kind. So, it is worth bearing that in mind. Members should do that. It is not just about the very high earners, who are very philanthropic. I am talking the high net worth individuals that we attracted for sometimes some different reasons. But bear in mind also they are paying 1 per cent of their worldwide

earnings as well as that cap at £625,000. So, they are making a significant contribution already, but we are competing with the world for these types of individuals; not just the super wealthy, but also the professionals that work in our industries, particularly the financial services, legal and fiduciary sectors. These people are earning a lot of money and they are paying a lot of tax, albeit lower than most places, but not as low as some of our competing jurisdictions. I think Members need to bear that in mind. As laudable as this is, and I absolutely understand where Deputy Southern is coming from. There is that competitive issue with our most important sector, which produces most of our tax revenue corporately. This does detract from the package that people do look at very closely. If you talk to recruitment experts that is what they will tell you. This will just go to another step to making it less attractive in some ways to others. So, on that basis I will not be supporting this amendment. I think those that can afford to pay more with this are paying more, albeit it is capped and if you look at the examples that are presented in the Minister's comments you can see there that there are other similar caps in competing jurisdictions.

3.4.11 Deputy R. Labey of St. Helier:

In spite of what Deputy Lewis of St. Helier has just said, I cannot help feeling this tax charge, as proposed, hurts middle Jersey the most. It hurts the people on the £50,000 wage, or less, or a little bit more, the most. The majority. Those who do everything right, pay all their taxes, do not go to accountants to find ways of not paying their taxes, do the right thing, get stung left right and centre. Senator Farnham uses the argument that we must not scare off the rich as has been ... and of course one does not want to do that. One values what the very wealthy ... whether they come in or whether their wealth has grown in the Island. Of course, one values their contribution. One is just questioning whether their contribution is now a little out of scale with what those on lower wages are earning. As proposed with the health tax, as I see it, if you earn £25,000 a year you are going to pay an extra £125 because you are being taxed on 0.5 per cent. If you earn £54,000 a year you are going to be taxed at 1 per cent; that is £540. That is a lot on £54,000 a year to meet. If you earn £165,000 you are going to be taxed at 1 per cent too, so that is £1,650. If you earn £400,000 you get taxed at 0.4 per cent; that is £1,600. That is less than the guy who is earning £165,000. Then, when you go up to £1 million you get taxed at 0.2 per cent so that is £2,000. If you are earning £1 million a year £2,000, I put it to you, is next to nothing. Whereas if you are earning £54,000 a year and you have got your family, your children, all the bills you are paying, another £500 plus, in tax, is a lot of money. I have got a big problem with this, because I think it is unconstitutional in our system to never mention this at election time. I am not naive and I know that going into an election, waving a banner saying: "We are going to charge you more tax" you are not going to stand a great deal of chance of getting elected. However, in the senatorial elections, for example, we did not hear an awful lot about bringing in new taxes and I went to quite a lot of hustings. A lot of our senators could probably assume that they were going to get back in quite easily, because they are extremely well-respected and I hand it to them, so there was not a great deal of chance that the top 6 were never going to get in. We always knew they were. I feel they could have been a little bit more honest about the ... okay, well, I am not saying they were deliberately trying to be dishonest. What I am saying is that there could have somehow been more information to the electorate on the difficulties that we were facing with balancing the books and how we were going to tackle that. I do think the electorate would have respected them for that, respected even more highly than the regard in which they are held by everyone. A buzz word of this Council of Ministers, as soon as they were in power, you could hear this buzz word. I hardly ever heard this phrase before and it was used left, right and centre, all the time. I heard it in the coffee room, everywhere, and it was "user pays". "User pays", this is the answer. User pays. I remember going to hustings and I did not hear the phrase "user pays" an awful lot but now it is the norm. It is the way of saying: "Well, we are not increasing taxes. We are using a user pays charge." There are a whole strata of our society, they are probably the ones on that £400,000 a year mark or more, and

those guys are doing on the £400,000 a year mark, do not forget. A whole strata of our society, who are not listening to this on the radio, or watching the television cameras, because what we do, what we have been doing in this Assembly for the last few days, means absolutely zero to them. They might be doing well in the finance industry. They might be a partner in one of our legal firms. Congratulations to them and we need them and well done to them. I am not disrespecting them, devaluing them. What I am saying is that what we are discussing does not really mean anything to them, because they are not going to notice anything financially at the end of the year, at the end of the financial year, or whatever. It is not going to affect them that much. It is middle Jersey. I do not know whether £50,000 a year is middle Jersey, or £30,000, or up to £65,000. I think it all is. They are the people we are squeezing. They are the people we are squeezing. I think this health charge is unfair. I am really unhappy about it and I think our Government is very “protect the wealthy” centric. , uite rightly, they make a very valuable contribution, but so do the middle earners and we are being unfair to the middle earners.

3.4.12 Senator P.F.C. Ozouf:

I was sorry and I know that Members will criticise ... I have not had any ... and I am grateful to those of us that are called to sometimes, on occasion, not be in this Assembly, which is our primary responsibility, because we have duties elsewhere. I was sorry that I was not able to be here for the other tax debate and the debate that was held on Tuesday with Senator Ferguson. There are similarities to both of those debates. I hope that the mover of the proposition does not mind me saying, because I was at the Labour Party Conference on Monday. I was there on Sunday, Monday and on Tuesday and then got here as soon as I can. Last year, I am sorry that ... I think it was last year, unfortunately I did not ... Deputy Mézec, as I did, as we bumped into each other last year at the Labour Party conference and we enjoyed a good discussion. I think he realised that I have some friends, some surprising friends, in some aspects of the Labour Party. I had an interesting experience. When you talk to people, which we must more, explain what we do, what we do not do ... I was in the Major Hall of the Labour Party Conference and had with me my iPad and I was watching, for the first time, the deliberations of this Assembly.

[17:00]

So I was listening on the one hand to the Labour leadership and hearing their plans for the economy, and I was listening to the debate, at the same time, here. A lot is said by politicians and a lot is said about the past and a lot is said about the future. There is an awful lot said about estimates. There is a lot said about fairness. One thing, I think we all are aware of, is that we all are trying to do the right and fair thing for the people of Jersey. I circulated to Members, and I wish to introduce one important aspect into this debate as Members decide whether or not they are going to support this. I say to Deputy Labey ... I hope Members have got my little memorandum, which you kindly agreed that I could circulate to Members, and I have sent it to the Scrutiny Panel. I think these comments are ... particularly I want to make to the likes of the Deputy of St. Mary, the Chairman of the Economic Affairs Scrutiny Panel, to Deputy Labey, to other Members, who are thoughtful, I think, very evidence-based Members of this Assembly. Who do not do fear. Who do not do short-termism. Who look at evidence and make decisions about the facts. Because, there is an awful lot of hot air and words that are said. There are a lot of labels that we use to describe each of our political approaches and some of it are criticisms of the past, with the benefit of hindsight. Some of it is political rhetoric. The Council of Ministers are accused of being the unfair supporters of the high earners and, therefore, by definition, the people that are against the workers, because, of course, if you are in favour of the higher paid, which this debate is about, because we want to charge or tax them some more, then effectively you must be against the low paid. I think the one thing in this Assembly is that there are not the extremes of left and right. I think that this Island is about ... and most Members sit here and make decisions that are centrist decisions. There is no

extreme left or right position that works. Beating poverty, all these things that have been trotted out by the extremes of left and right, both here and elsewhere, are largely the language of the past. We know what works. It is a successful economy. Plenty of people, with plenty of money in their pockets to spend. To improve their families and to improve the lives of those that they are caring for. That successful economy, being able to produce good levels of services, which more people want to come to. It is not a miraculous formula. It is the formula that is the Jersey way. The prudent, successful, stable Jersey way. So, can I just ask Members to turn because this debate, lest it be passed, is a message that we are not any longer going to be certain and stable. That we are changing fundamentally our approach in relation to our competitiveness and our taxes. Deputy Brée is back and I am delighted he is here because ... and I was very, very grateful to his panel - I mean that very sincerely - for the complimentary remarks that he gave in his Scrutiny Panel report about the work of my unit. I do truly thank him for that. It means a lot to me. Why am I saying this? I want to draw Members' attention, and if they have got my note, to 2 graphs. The first is the graph that is effectively finance industry employment. That graph has a shaded area on it. The shaded area was effectively the - and these are latest figures from Jersey Finance - post-Brexit. But what they show is the past projections of what could have happened with now the post-Brexit survey of finance firms, the actual, and what was expected to happen. The grey area was effectively what would have happened if we would not have sorted our financial services industry out. If this Assembly would have not taken courageous decisions to balance the books, to not do all the things that we are accused of doing. It did not happen, I am pleased to say. There are lots of comments about fear. I did not believe in the U.K. the debate on Brexit was a Project Fear, and I am not saying that my speech is about Project Fear. My speech is about Project Anti-Fear. It is about confidence, stability and what is the formula that works. This is a test, this whole M.T.F.P. debate is a test again, of whether or not this Council of Ministers has a plan that has worked, that is working and Members are judging effectively whether or not a plan that is going to continue to work. I ask Members to turn over, and I ask them to look at another graph that has 2 colours on it: one red and one green. I am not going to say anything about the benchmark. But I will just speak to the red line. The red line is where it is employment numbers in financial services. It is not a forecast to Deputy Le Fondré, so we do not have to argue about whether or not forecasts are right in evidence. This is fact. This is actual numbers of people in financial services that are employed and were employed by the end of 2015. Members can see that the good news is, is that the grey area from the previous graph did not happen. Apocalypse did not happen. Our employment numbers are up and, I am pleased to say to Members, they are going up more. Today we have more people in business and professional services than at the start of the crisis in 2007. Now, I have stood in this seat for a number of years and I have had to take a lot of flak on tax policies, about fairness and estimates and forecasts, and all the rest of it. This is one of the first times I am using some evidence, almost as a bit of a fight back, to say, now come on, let us have some facts about the fiction or the comments about what has been said in the past. I say to Deputy Labey, I will give him the 3 reports that were published before the election last year about the need for savings in the economy and the income forecasts. I stand by every single one of them. I stand by the comments, about the fact that there would need to be an M.T.F.P. that would need to be difficult and that would need to make savings and that would need to put money in health services for the benefit of the lower paid, for our elderly community, and all of the people that we are here to serve. It was explained from 2014 onwards that we would need to make savings. We have been scolded around whether or not we can make more savings. Well, we have had that debate and I am pleased that that debate has been comprehensively defeated, because there is only so much ... I will give way to the Deputy.

Deputy R. Labey:

I am grateful to the Senator and would ask him: have we made enough savings to levy taxes? Has this Government banked enough credit with the people of Jersey ...

The Deputy Bailiff:

Is this a point of clarification?

Deputy R. Labey:

No, I am just asking the Senator a question.

The Deputy Bailiff:

There is no facility during the course of a debate to ask a question when you have already spoken.

Deputy R. Labey:

My apologies.

Senator P.F.C. Ozouf:

I will not answer the question, because I know I cannot be questioned, but I will make my remarks, which are relevant, because it is about track record and messaging and what it is that the Island looks like. This whole debate is about the balance and finding a solution to matching income and expenditure in a sustainable way, whether or not that plan is going to work. I ask the Deputy, and I ask the doubting Constables that are in the ... quite rightly testing their ... that is what we are here to do in this Assembly. We are here to debate. We are here to test whether or not the Council of Ministers has a plan that is working. That is likely to work. Have we got our figures right in the past? Have we got our policies right in the past? Is this the plan that is the plan that is going to deliver growth in the future? What I am trying to say is that the answer is that for all of the huff and the puff and all of the accusations, that the plan that we have put in place, in this Assembly, which has been backed by last year's M.T.F.P. debate and previous M.T.F.P. debates, and I will not bore Members but I have got all the previous M.T.F.P. debates here, the whole lot of them for 2015. Unfortunately, I have most of them on my iPad as well, because I like reading at them. I have got all the M.T.F.P.s. I have read all the reports and I have seen everything else. But what this is showing is that we have an economy which is working. Now why is it working? If Deputy Tadier wants to encourage me to speak a bit more, I will. Because what I have to say to Deputy Tadier and his colleagues, and the mover of this proposal, is that their policies have not got a track record of working. They are coming from a certain political view, which I respect, that is democracy and that is politics, but they come from a political ... and the group that they would align themselves in the U.K., which is the Labour Party, failed to win the last election, because the people of the United Kingdom did not clearly have confidence in their economic policies. If anything, and I have got a present for Members and it is in the Members' Room ... most political careers end in failure and I met lots of failed politicians at the Labour Party conference, you tend to do that. This is Mr. Ed Balls, this is the former Shadow Chancellor, and he wrote a nice message. I had a long chat with him.

The Deputy Bailiff:

Senator, is this ...?

Senator P.F.C. Ozouf:

It is very relevant, Sir. He said to all his colleagues in Jersey: "Hello." It is in the Members' Room. Because what matters is the message that goes out. What we do in this Assembly is we send out messages that have big implications to the outside world and to those that are going to be the economic drivers. Deputy Tadier can show me graphs, but if he can tell me that his economic policies and the economic policy of basically sending out a message of instability and uncertainty is

going to mean ... I have stood up and opposed most of the things that have been proposed before in terms of what Deputy Mézec said and this kind of proposition in the past. We have won it so far. I have also had to say that there are some interesting alliances. There are people that have stood that are going to say that they are going to support this amendment, because they do not want the health charge at all. If they are against the health charge then they need to vote against paragraph (c). Let us not beat around the bush. Let us not try and make a political sophistry. If they do not want the health charge then they need to vote against part 3. They do not need to make it worse, please. Worse means that I, and those Ministers who do not only have to go to party conferences, that need to go out and win business for Jersey, because the thing that is the elixir of all politicians ... there are 3 ways you balance books. One is spending and that means making plenty of savings. We have made plenty of savings and we need to make some more. Technology is going to do that. But we have done 10 per cent twice and we are going to do some more in future and eGovernment is going to do more. But you can only do so much. So we have wrung the flannel and we have got as much out of savings in this time as we can. Are we going to wring the flannel some more? Yes. Now we have to deal with income. How do you get income? You can either raise the rates, you can tinker with the charges, you can call them a charge, or a tax, or whatever. I have been known to say if it quacks and it waddles it is a duck.

[17:15]

I am not going to get into the argument of whether this is a tax, or charge. It is a charge on income. But what this is, this is an additional charge which basically will affect our competitiveness. The Minister for Treasury and Resources has explained that. Our competitors, we - this report shows - are winning against. We are winning against our competitors. We are winning against every single other offshore centre in employment. Our employment numbers are up. The others are down, both in terms of value and employment. The elixir of every Parliament in the world is the thing called economic growth. It is free money, providing it does not come with too much immigration and, of course, I agree that that is a debate that is also an extremely important one. It is interesting that the U.K. is maybe looking at our form of immigration in their whole immigration debate in the U.K., but we will come back to that on another occasion. So it is economic growth. How do you get to have economic growth? Do you get it by sending signals out that we are changing the course? That we are going to change the course, that somehow we are going to break up the old rules and we are going to start removing caps that our competitors have not got. Look at the comments from the Minister for Treasury and Resources on this amendment. Our competitors have got tax caps. Our competitors have got lower tax and contributions, or whether or not you call it National Insurance, or social security. Look at their results, or at least one of them. They are all down. Whose plan is working? Is the Jersey plan working, or are our competitors' plans working? At the very time that we are trying to get business out of this confusing Brexit world, which is presenting more opportunities than threats, if we do continue on the path that we are going, we are going to send out a message of instability. There is much criticism that has been levied at some Members of this Assembly, me included. But this report of evidence in Jersey Finance is fact. It shows that our employment numbers are up and that they are set to rise. I want them to continue to rise. I want lots of people at all levels of income, with plentiful jobs, that are paying plentiful wages, and that means that we are going to see the Minister for Treasury and Resources' income go up. I do not want this Assembly, or I would prefer not, to have to go out and try and sell a message of instability and anti-competitiveness. Deputy Tadier can show his graph however he likes, but I have got my graph. I have got my graph which is the factual graph of ... I am not giving way, Sir. I will be finished shortly. My graph ... I will give way if it is a relevant question on the point I am making.

Deputy M. Tadier:

Just for clarification, this is not my graph. This is his graph. This is the Council of Ministers' graph.

Senator P.F.C. Ozouf:

Yes, but it is a graph that is not relevant to the debate because what is relevant to the debate is whether or not this proposal is going to deliver the kind of message that is going to secure economic growth and jobs. Is it going to do it? No, it is not. It is being promoted by the very people who have opposed everything that has got us to the stage where we have got jobs in growth, that our income forecasts are rising. That we have got jobs that have proven to where we are. We sometimes forget where we are. We are in an Island which is prosperous. A 100 per cent of G.D.P. (gross domestic profit) in assets. We have seen a Brexit bounce on the Social Security Fund and our Strategic Reserve, on everything else. We have been fighting hard and winning business and we have done so on a message of stability. In a Brexit world, where we should be sending out a message of cool, calm stability. A message that sends out that we are going to abandon things like income caps, no matter what the emotional strings are, because the emotions are always the things that work in politics. I want a positive emotional decision taken to vote down Deputy Mézec's amendment, which is about let us carry on and carry on with the plan that we have got, which is a plan that is working. That is a plan that is delivering jobs. That is delivering jobs for our young people, as opposed to unemployment. That is seeing rising income into the Treasury. Not a failed economic proposal which is, effectively, tax the rich, it is the easy way out. It is easy to say these things, but they have consequences. The points that are issues of competitiveness, and it is in the Treasury paper about the competition. The competition is going to love this if Deputy Mézec's amendment is going to pass. They are going to love it. I am afraid I want Jersey to win. I want to go and get those Brexit opportunities for Jersey jobs. I want to win against our competition. I want our economy to be stable. I want our tax system to be stable. I want our taxes to be low for as many people and as plentiful as people and are certainly ... I note with interest, that the movers of this proposition have never come back really and challenged this Council of Ministers on the fact that the wealthy are paid more, because 20 Means 20 means that they pay more. We take more out of more wealthy people than ever before. We have done so. The way you deliver an economy is plucking the golden goose carefully. You do not frighten it. You pluck it carefully. You feed it well. You look after it. You do not send frightening messages of instability. You do not feed it and it flies away. This amendment is about making that golden goose, that has been the reason for our success, have a shock, and it will fly away if we carry on making this kind of proposal, which Deputy Mézec is. I know I speak a bit too long sometimes, but the point is this really is important. This is a message of stability and certainty. If Members do not want to have part (c) then vote against part (c). Please do not make it worse and please do not send those of us, that are charged with going out and winning business for Jersey and going and putting our hands behind our back means that we will lose our competitiveness and the opposition, which is the other competitive jurisdictions that will be licking their chops at the prospect of those juicy jobs that will no longer be coming to Jersey because, effectively, we are sending a message of instability and basically measures of not encouraging the wealth creators coming to Jersey. I say no to Deputy Mézec. His policies have no track record. I say yes to economic growth, more jobs and stability and then we will win and then we will all be very happy.

3.4.13 The Connétable of St. Mary:

I regret to advise the Assembly that I do not have a graph. **[Laughter]** What I do have, though, is concern. I spoke previously about certainty and about stability. I have raised concerns about various things concerning the apparent arbitrariness of raising new charges left, right and centre. But what I am sure about is that there is no certainty by simply adding the words "does not include an upper limit" after "health charge". That leaves it even more open and uncertain than ever. So,

for that reason alone it is very simple: I am not voting for this amendment. I have something specific to say about paragraph (c). I will say that, hopefully, tomorrow, not too late, but for me this is quite clear. My concerns are with the proposal as detailed in the M.T.F.P. This amendment does not do anything to allay my concerns. Therefore, I am not voting for it, but I will let you all think about what I might be saying tomorrow; I will say it then. I might have a graph.

The Deputy Bailiff:

We are almost at 5.30 p.m., the Assembly has not indicated whether it wishes to go beyond the normal 5.30. I have notification of at least one other Member who wishes to speak. It could be that there are others.

Deputy M.R. Higgins:

Can I propose the adjournment; I think we have had enough time?

Senator P.F. Routier:

We seem to be mid-debate, Sir. We seem to be in the flow, I wonder if it would be worthwhile us concluding this debate.

Deputy M.R. Higgins:

I have just put forward the proposition that we adjourn.

The Deputy Bailiff:

There is a proposal that we adjourn. Is that seconded? **[Seconded]** Very well, all those in favour of adjourning until tomorrow morning kindly show.

Deputy M. Tadier:

Can we have the appel please, Sir?

The Deputy Bailiff:

The appel is called for. I invite Members to return to their seats.

Deputy J.A. Martin:

Can we get an indication, are we just going to finish this debate or ...? Which we do not know how many people need to speak in.

The Deputy Bailiff:

Perhaps it might be of assistance if Members simply gave an informal indication as to whether they still wish to speak who have not already spoken. I still only have one other person who is indicating a desire to speak. Very well, the appel has been called for. **[Aside]** The position is the adjournment has been proposed. It has been seconded. I have asked for an indication. The appel has been called for. I invite Members then to vote on whether or not we should adjourn until tomorrow morning. I ask the Greffier to open the voting. Pour is to adjourn until tomorrow morning.

POUR: 16		CONTRE: 24		ABSTAIN: 0
Senator S.C. Ferguson		Senator P.F. Routier		
Connétable of St. Lawrence		Senator P.F.C. Ozouf		
Connétable of St. Brelade		Senator A.J.H. Maclean		
Connétable of St. Saviour		Senator I.J. Gorst		
Connétable of St. John		Senator L.J. Farnham		
Deputy J.A. Martin (H)		Senator P.M. Bailhache		
Deputy G.P. Southern (H)		Senator A.K.F. Green		

Deputy K.C. Lewis (S)		Connétable of St. Clement		
Deputy M. Tadier (B)		Connétable of St. Mary		
Deputy of St. John		Connétable of St. Martin		
Deputy M.R. Higgins (H)		Deputy of Grouville		
Deputy J.M. Maçon (S)		Deputy J.A. Hilton (H)		
Deputy S.Y. Mézec (H)		Deputy J.A.N. Le Fondré (L)		
Deputy A.D. Lewis (H)		Deputy of Trinity		
Deputy S.M. Bree (C)		Deputy E.J. Noel (L)		
Deputy T.A. McDonald (S)		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy R.J. Rondel (H)		
		Deputy S.M. Wickenden (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		

3.4.14 Deputy J.A.N. Le Fondré:

I was interested in listening to, not the last speaker but the speaker before, and I would ordinarily have quite a lot of sympathy with what he was saying. I think the point is that it does not matter what it looks like, people obviously will balance off, if they are coming to a jurisdiction to work they will look at the total costs. True. However, when the long-term care charge came through, I very clearly remember, and I would have been in politics, but I do remember attending the accountancy conference of that particular year and I can remember some very senior speakers in the tax world saying: “This is an increase in my income tax rate” period. The long-term care charge I could kind of live with that. But then we look at ... I do not know if people picked up on it, but we did a piece of work in the Scrutiny Panel report and that does refer to what is happening in terms of both the long-term care contribution, the 1 per cent and the 1 per cent health charge. As far as we are concerned ... and the comments have already been used, if it waddles like a duck and quacks like a duck, it probably is a duck, and I think that is applied to the initial description of what a tax is. People are not particularly stupid in terms of they treat this as a tax. It comes from certainly people I have come across and know in the accountancy and tax professions. There is a concern out there about what seems to be out of control immigration and what is happening to middle Jersey and all that type of stuff. Then you go back to, and I am not going to wave another graph around, I think we know the point, but I am not a progressive taxation person, I am a flat tax person, if that makes sense. In other words, I do not want to ... if you are paying a rate apply it across the board and up it goes. That is basically what happens with income tax as it presently stands. Yet, if we are going to be going down this line of ... as I say long-term care I could kind of cope with it. But for the healthcare charge on top of it, and then for a hospital funding charge coming in on top of that, how many more sets of charges are we going to have and how many times is it going to be capped at a certain level? The problem there is, is what will our existing population think of it? That, I think, is the issue. Because once, I think we can cope with it. Twice, you are pushing your luck. Probably a third time I think you are out. The third time being when the hospital funding charge comes, as I understood; I will go back and check the transcript.

[17:30]

I have always understood that the Minister for Treasury and Resources said it was either likely or probably very likely, or whatever it was, that something would be coming down the line on that, and that is going to be very similar to the healthcare charge that is coming in. Therefore, although

from a family point of view, at some point or other, it is going to cost more money in some shape or form I think from a fairness point of view one has to go ... if you are going to go down this line of having these types of charges, of the Council of Ministers bringing these types of charges, they are starting the instability, then I think you have got to be fair, because that is being fair to the population. I am not a fan of it, absolutely not. But I think on the basis I will be supporting the amendment. I do not think it is going to get there, but we have been told there are all sorts of reviews going to be happening. There are all sorts of reasons what they are going to be doing. Unfortunately, we have got to be honest and say there is a fundamental change happening in our tax system and, on that basis, I will be supporting the amendment.

3.4.15 Senator I.J. Gorst:

I will not be long; I recognise the lateness of the day. I just want to perhaps reflect on the difference of approach between the 2 previous speakers. One being that, I think, the last speaker was a speech against the health charge. With respect to that speaker, because I think he was doing it with a heavy heart, and perhaps then he should vote against that part of the overall M.T.F.P. rather than the amendment. I understand that this amendment is difficult for some Members. I think what I am hearing from Members is that they would like Ministers to do more work on whether the cap, which is not in the proposition itself, but it is in the notes of the M.T.F.P., about whether the cap should be reviewed. That, I understand. Further work can be done on that before the details are brought forward. I would just remind Members of something that the mover of this proposition said in the briefing to Members, and that was that if he is successful today he will bring another proposition to remove the cap from the long-term care charge as well. I just ask Members to bear that in mind as well. I think my argument, because arguments have been made very eloquently by the Minister for Treasury and Resources and by Senator Ozouf, about the unintended implications of just simply accepting this amendment, without that other work being done to our potential competitive position and our stability. I think that the further work would be the correct way to go on the details rather than just amending the proposition in this way. I know that is difficult, because the mover, in his summing up, will say all sorts of things about those people who might take that cautious, careful, considered approach. But I ask members to think about which approach is best, because I think an approach, which carefully considers and has the facts and looks at all the details - as much as we might be criticised in that closing speech as being heartless, as being uncaring - it is the right way to go and then, when we get to the detail, Members can then rightly make the decision and not in the amendment today. I just wanted to pick up on something that Deputy ...

The Deputy Bailiff:

Chief Minister, we appear to be having 3 interjections from a machine now. Could whoever's machine is making that noise ... I am sorry to have interrupted, Chief Minister.

Senator I.J. Gorst:

Perhaps I am starting to sound like a machine, Sir. To pick up on something that Deputy Labey of St. Helier said, and that was there are people earning - to use his calculation - large wages that have no concern for what we do in this place and what we do is irrelevant to them. That could not be further from the truth. They may not contact us in the way that some members of our community do, but the decisions that we make here to carry on the course, as Senator Ozouf outlined, does affect them, and is critical to ensuring those good quality jobs and a strong economy for the future. So we should be mindful of all of the members of our community when we make these decisions. I ask Members not to support the amendment. If they are against the health charge, vote against it. If they would like to understand and us to do more work on a cap and a charge, then ask us to do that. But do not just simply vote for the amendment before us today.

3.4.16 The Connétable of St. Lawrence:

I often hear the term used: “That is a seductive proposition” and today Deputy Mézec’s amendment to me is a seductive amendment because, as we have already heard discussed, I believe in fairness and it does not seem to me, as an ordinary Member of this Assembly, to be equitable. So I am pleased to follow the Chief Minister, because he has just told us that further work can be done on this before bringing the charge forward. He just finished his words by saying he would like to be asked to do that. So, I am asking him now to do that and if he can guarantee either by a nod or a wink, or both, that he will do that then I will vote against this amendment. That does not mean that I will support the charge in future. Rather it means that I want more information. Because I was disappointed with the comments from the Council of Ministers, because I did not think that there was any real substance to them. I want to make my eventual decision on a very well-informed basis. As I say, I do not know what that decision is going to be. I was disappointed to note in the comments, as Deputy Martin mentioned, that it seems to be based on the income tax method and I think somebody said we are using both; we are borrowing the cap from Social Security, but we are basing everything else on the income tax system. So is it a charge, is it a tax? I do not know, but what I do know is that, if and when it is approved, we will all have to pay it. If I am going to vote for us as Islanders to be required to pay that I need more information and I need that guarantee, which I think we have just got, from the Chief Minister that further work will be done. So with that I am not going to delay us anymore this evening. I am not going to support this, but I am giving no indication of whether or not I will support the charge in its entirety, if it is carried, in this M.T.F.P.

The Deputy Bailiff:

Does any other Member wish to speak on the amendment? I call on Deputy Mézec to respond.

3.4.17 Deputy S.Y. Mézec:

I am being looked at, that is slightly off-putting. You can see on the cameras, you know. The arguments, which have been advanced by the Council of Ministers in this debate are, of course, identical to the arguments being advanced in the comments they lodged, although not quite as concise, it does have to be said. I did listen with frustration to Senator Maclean’s speech, because it felt like, as he was delivering it, that he had not edited it to take into account some of the counterarguments that I had made in my initial speech because, I think, the arguments they pursued are not as black and white as they had said. A lot of their arguments they were advancing, they would start by talking about what a terrible idea it was to possibly lift the cap on this charge in the first half of their speech, and then in the second half would say: “We are going to think about doing it anyway.” I am sorry, which one is it? If it is such a terrible idea to lift the cap, then you must never, ever lift the cap. But if it is quite a good idea to lift the cap then surely you investigate lifting it to see what the impact would be. Senator Ozouf can shake his head, but the Council of Ministers have said that they are looking at these caps while today they have advanced arguments about how crucial to the success of this Island these caps are, and if anybody ever gets anywhere near power who does not quite have the same philosophical attachment to those caps, they are somehow a danger to this Island. I think that Senator Ozouf said in his speech, which I have to be honest, a lot of the times felt like a very irrelevant tangent, bringing up all sorts of things that were completely irrelevant to this debate and he made us go through all of these graphs, graph after graph, and then had the temerity to say that it is our graph that was the irrelevant one. No, the graphs that he was showing were completely irrelevant. This is the graph we are debating today, because we are debating whether this line continues like that or whether it goes down. That is a very simple debate to have and when we are talking about all sorts of issues about how unemployment has got better over the past few years and how that is a sign that clearly the Council of Ministers plan must be working, when we are about to debate and vote on the next part of the plan, which has not been implemented yet, and so we do not know what effect it will have on all

the things they have been boasting about as so wonderful is to me, I think, a very strange waste of this Assembly's time. It would be better, I think, when we get to such a long sitting like this that we try to stick to the arguments and get to them as concisely as possible. I did think that a lot of that was very irrelevant. I will say that I was particularly grateful for the speech from Senator Farnham. Especially now that we have the cameras in this Assembly because we know it is a matter of time before somebody's speech goes viral and I think that might have been it, for the simple reason that so much of it was completely conflicted and so much of it was, I think, an argument which many Islanders will consider to be insulting. In particular, in the first part of his speech he spoke about how adopting this proposition would make our tax rate 21 per cent. Of course, no it will not, it will make it 22 per cent, that is his policy, not other people's policy in this Assembly, and that is just a very, very basic mathematical calculation that was very worrying to listen to him, and clearly see him not understand that. But he made this point about how we cannot possibly ask the wealthiest people in Jersey to pay the same rate as everyone else; not talking about a higher rate, not talking about a progressive rate, a proportionate rate. The same rate as everyone else; that 1 per cent.

[17:45]

Because many of these people are wealthy because they have worked hard. I am sorry, I think that argument is insulting, because the implication there is you are poor because you do not work hard, because you are lazy. That is wrong. It is insulting and, in particular for those middle earners who are going to be paying the highest rate of this tax, and it is a tax. I am not calling it a charge. It is a tax. It is particularly insulting to them. It is saying that you are not treated as the same calibre as these wonderful paragons of virtue at the top, who are there because they absolutely deserve it, because they work hard, and many of them do deserve it, and many of them do work hard. But, as Deputy Tadier said, it is possible to have unearned wealth, whether that is from winning the lottery or whether it is from inheritance, and to say that people who frankly are working - I was almost about to use an unparliamentary phrase, Sir, of course I will not - but people who are working incredibly hard day to day, struggling to make ends meet, who are struggling even more under this Council of Ministers than they were before, because of the cuts to nursery places that are about to come through, because of the tax rises that are going to come through, the implication that they are somehow not working as hard as those at the top, who have a deserved exemption because of how wonderful they are. I think it is an insulting argument and I really do not approve of this, what I believe is a demonization of working class people that should not be engaged in. I think it was a very out-of-order argument to make. The point has been made, we cannot possibly ask these people to pay more because they already do pay the most. Yes, they do pay the most, they pay the most cumulatively, not individually. I myself pay a higher tax rate than many 1(1)(k)s in this Island do. Individually that is. Our tax system does not work by grouping people into various income bands, making them all put their money into one bucket and then charging a tax rate on it. No, it is done individually or as a family. So, this idea that they are paying the most, yes, but it is cumulatively, not individually, so that is not really, I think, a particularly relevant argument to advance. I think that Senator Farnham also spoke about the floodgates here. I am sorry, but I did not open the floodgates. They opened the floodgates. They are intending to introduce even more stealth taxes. We have heard about the hospital tax. What is it going to be after that? Because we know we have not got a sustainable funding mechanism for higher education funding, so maybe it will be the education tax. I think I referenced in a debate earlier, it will be another 1 per cent if you are a graduate, so the tax rate for those people will be 24 per cent, or 25 per cent, or 26 per cent. That is the point, is that we are not having this argument in the way that we should be having it. If we are going to have this debate on tax, then we should be having it properly out in the open about how we believe our public services should be funded, which I think then makes the Council of Ministers' position even more untenable when they talk about this concept of stability and how we

cannot possibly change anything because that would bring Jersey's economy to its knees and nobody would ever consider getting on a plane to get to Jersey. I do say "get on the plane" because they obviously cannot get the ferry. But in their comments to Senator Ferguson's amendment the other day about having this tax review, at the same time as saying we cannot possible change our tax system because it is so brilliant and it is definitely the real reason that Jersey has historically been successful, in that same comments paper they listed all the changes that have been made to our tax system over the past few years, and again it is a contradictory argument. You cannot, on the one hand, say: "Keeping our tax system exactly the same is what has made the Island successful" and then say: "And look at all these wonderful changes we have made." It is a completely contradictory position. It either stays the same, or we accept the tax rates and tax systems should change to consider changing times and to consider changing needs, depending on what public services we need to fund. I then bring it back to what is the real point here: that this is about fairness. Why should middle earning people be constantly asked, under this Government to pay more, to receive less, and those at the bottom are protected. Nobody is going to disagree with that. In fact, some of us may even advance the argument that it is not right that 30 per cent of the lowest earners in Jersey do not pay any tax. I personally would like to see that number reduced. I would like to see more of those people paying tax, and the way you do that is by raising their incomes. That is how you do it. Surely, that is something we should be aspiring to rather than saying: "Is it not brilliant that 30 per cent of people do not pay tax?" No, it is shameful that there is 30 per cent of the public who are too poor to pay tax. I would like to see them earning much more and paying that tax. But, at the same time, it is completely wrong to say that those at the very top, who are the most able to contribute, should not be paying the same rate as everybody else. We are not even talking about progressive tax. We are talking about proportionate tax. Senator Ozouf said in his speech that there is no extreme right and there is no extreme left in Jersey. Of course, I agree with that and, speaking as somebody on the moderate centre left, people on the extreme left annoy me just as much as people on the extreme right, because they are not capable of dealing with facts. They are not capable of taking a pragmatic approach that will improve people's lives. But this proposition is anything but extreme. We are asking for people to pay the same amount. How can that possibly be an extreme position? You could not come up with a more centrist position when it comes to this tax, asking people to pay the same amount. If you wanted an extreme left position, it would be to raise the tax rate up to 30, 40, 50 per cent on these people, which nobody is supporting doing. I resent much of the comments that were made by Senator Ozouf, who spoke about our track record. Well, I am sorry, I am 25 years old. I do not have a track record. I am quite new to this game and the mistakes that have been made historically in this Island are nothing to do with me, they are to do with the people, who have been in control of this Island for a very long time, racking up deficits, letting our public services fall behind in the funding that they require, and allowing parts of our civil service to become so bloated that we are asking the poorest people to pay that price instead. None of that is my track record. It is all the track record of the members of the Council of Ministers who have been longstanding and there before.

Senator P.F.C. Ozouf:

Would the Deputy give way?

Deputy S.Y. Mézec:

I will not, Sir, simply on the point of basis he did have a very, very long say before; very long say. It is getting towards the end and I know Members would like to get home as soon as possible. Senator Ozouf called those people, who are earning large amounts, I think he used the phrase "golden goose" and said that it was our side of politics that wants to destroy this. Given that the majority of working people in Jersey work for small and medium enterprises I say that it is those people who are our golden goose and the people who run those businesses are treated rotten by this

Government because of the social security contribution system, where they pay a very regressive amount for the people who are not earning particularly high amounts who are self-employed. It is my side of politics that wants to support those people more. Let us not make this pointing: “Oh, you are anti-business, you are anti-business” because, I am sorry, that is the politics of the 20th century. We are in the politics of the 21st century and I think we need to be a bit more sensible about these sorts of things. Some Members who spoke in favour, I think, absolutely hit the nail on the head. Members are now accepting that no matter what the Council of Ministers say, this is a tax, it is not a charge. It is certainly not a user pays charge, because it has no correlation to how much you use the service and it is calculated based on your income. My favourite thing about it, it is not a tax, yes; which department collects it? The Tax Department. Oh, wow, there we are. So it is not a tax though, but it is based on tax calculations and collected by the Tax Department, but no, it is obviously not tax. Others Members also spoke ... I think Deputy Labey probably gave the speech of the debate when he spoke about how we are constantly hurting middle earners in this Island. That is the real point. I want Members to consider, when they come to press their button to decide how they are voting, is what symbol, what message do you want to send out to the people of this Island, the majority of whom are finding it more difficult to get by facing more user pays charges, seeing their taxes go up. Do we want us all to be in this together, or do we want the chosen special few to get exemptions and, at the same time, the Council of Ministers says: “Oh, do not worry, we are going to look at it at some point in the future.” It is the same as the previous debate we have had. Do not take the Council of Ministers’ word for it unless there is a vote behind it to force them to do it. That is the way we get action from them. If you want to see fairness in this system, you have to vote in favour of it. Do not just take their word for it. The final argument that was made, which is that if you have a problem with the health tax, then, of course, you can vote against paragraph (c) in the M.T.F.P. And make no mistake about it, I will, of course, be voting against paragraph (c) in the M.T.F.P. irrespective of when this amendment is brought forward, because I think it is the wrong thing to do, to introduce these stealth taxes. But my position in lodging this amendment: why on earth would I be lodging an amendment if I do not think that I am improving something rather than making it worse? I lodged it because I thought even if Members are going to disagree with those of us who do not want a health tax and say: “No, we are prepared to go down that road and have a health tax”, surely we should include the views of those who are very uncomfortable with it and say: “Well, let us try and make that health tax as tolerable as possible to the majority, even if there are a large section of the public, or Members of this Assembly, who have serious reservations about it.” This is a proposition to improve it and so, as a fall-back position, if you are uncomfortable with the health tax, at least you can say: “Well at least it is fairer than it was originally going to be. I am still uncomfortable with it, but it is better than what is originally proposed by the Council of Ministers.” So, if you want to vote against the health tax, by all means vote against paragraph (c) in the M.T.F.P. debate. I will be doing that as well, as I am sure many other States Members will be, but voting in favour of this amendment says ... **[Interruption]**

The Deputy Bailiff:

I accept your apology, but of course there is a fine. **[Laughter]**

Deputy S.Y. Mézec:

The final point, before I sit down, is I ask Members to consider what their constituents will feel when they look and see the voting record in the paper tomorrow and see which Members voted to increase their tax and decided to exempt the people who are most able to pay for it. I got into politics because I wanted to stand up for those people, not because I wanted to leave them in the dark and see their standard of living ever decreasing without any regard to asking those who are

most capable of contributing a bit more, to contribute that bit more. So I make the proposition and I call for the appel.

The Deputy Bailiff:

The appel has been called for. I invite Members to return to their seats. I ask the Greffier to open the voting.

POUR: 18	CONTRE: 27	ABSTAIN: 1
Senator S.C. Ferguson	Senator P.F. Routier	Deputy of St. John
Connétable of St. Saviour	Senator P.F.C. Ozouf	
Connétable of St. John	Senator A.J.H. Maclean	
Deputy J.A. Martin (H)	Senator I.J. Gorst	
Deputy G.P. Southern (H)	Senator L.J. Farnham	
Deputy of Grouville	Senator P.M. Bailhache	
Deputy J.A. Hilton (H)	Senator A.K.F. Green	
Deputy J.A.N. Le Fondré (L)	Connétable of St. Helier	
Deputy M. Tadier (B)	Connétable of St. Clement	
Deputy M.R. Higgins (H)	Connétable of St. Peter	
Deputy J.M. Maçon (S)	Connétable of St. Lawrence	
Deputy S.Y. Mézec (H)	Connétable of St. Mary	
Deputy of St. Ouen	Connétable of St. Ouen	
Deputy R. Labey (H)	Connétable of St. Brelade	
Deputy S.M. Bree (C)	Connétable of St. Martin	
Deputy T.A. McDonald (S)	Deputy of Trinity	
Deputy of St. Mary	Deputy K.C. Lewis (S)	
Deputy P.D. McLinton (S)	Deputy E.J. Noel (L)	
	Deputy S.J. Pinel (C)	
	Deputy of St. Martin	
	Deputy R.G. Bryans (H)	
	Deputy of St. Peter	
	Deputy R.J. Rondel (H)	
	Deputy A.D. Lewis (H)	
	Deputy S.M. Wickenden (H)	
	Deputy M.J. Norton (B)	
	Deputy G.J. Truscott (B)	

The Deputy Bailiff:

Is the adjournment proposed?

Senator P.F. Routier:

Yes, Sir, may I propose the adjournment?

The Deputy Bailiff:

The States stands adjourned until 9.30 a.m. tomorrow morning.

[17:58]