

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

5. The Minister for Treasury and Resources - statement regarding the Budget 2014

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

Members will be relieved that the Budget statement is not quite as long as Members would have thought. Obviously the Greffe thought that it was so good that it should be printed twice, but they have 2 copies of it. The Budget gives something back to the hard-working people of Jersey, who have carried on through difficult economic times. It is a Budget that supports economic growth, job creation, more and better homes, better education, better healthcare and a step-change in investment and improved infrastructure. The last 5 Budgets have involved making some extremely difficult decisions on tax and spending. While there has been some positive economic news at the global level in recent months, the O.E.C.D. (Organisation for Economic Co-operation and Development) policy advice at the global level is to continue to support demand in order to reduce the risk that the recovery will be derailed. That is why this year's Budget is different, a carefully constructed package to address the reality that the local Jersey economy is still under pressure. In 2012, economic activity fell, as measured by G.V.A. (Gross Value Added) in Jersey. Our G.V.A. is heavily influenced by interest-rates set by the Bank of England, so when interest-rates are low our G.V.A. will also be low. This does not indicate an underlying structural decline in the Jersey economy. Inevitably, interest-rates will rise and so will our G.V.A. It is very important for us to look at the performance of the Jersey economy as a whole. Actual tax receipts remain resilient and better than forecast. The number of people in work is close to a record-high. The average earnings increase in June 2013 was 2.2 per cent. This is an early indication that economic trends in 2013 have changed significantly, and there are also improvements in the business-activity indicators. Five of the 10 indicators for the finance sector improved, and 7 of the 10 indicators for the non-finance sector improved in the second quarter. We expect better news tomorrow. Recovery is now in sight and this Budget aims to help it. That said, as far as the labour market goes, despite the recent record-high employment levels, the I.L.O. (International Labour Organisation) unemployment rate of 5.7 per cent is unacceptably high for Jersey and we must do more. Turning to the tax measures, firstly impôts, there has been a fuel duty increase in only one of the last 5 years. This year it is proposed to put 2-pence on a standard pint of beer, 6-pence on a pint of higher strength beer, 47-pence on a packet of 20 cigarettes, £1.27 pence on a litre-bottle of spirits and 7-pence on a bottle of wine. These measures are designed to support the Minister for Health and Social Services' and the Minister for Home Affairs' programmes to reduce excessive drinking and smoking on the Island. We must remember that Jersey deaths from chronic liver disease are up to 40 per cent higher than would be expected in England and Wales. In 2010 there were 2,373 hospital admissions attributable to alcohol. Furthermore, there are around 200 smoking-related deaths in Jersey every year. The cost to the health service, let alone for the individuals and their family and friends, is considerable. I have also considered carefully the ongoing and as yet unexplained high margins that exist on virtually all products that carry duty. While those in the industry have lobbied, they have still not explained why it is that when duty and tax are stripped out the underlying cost of these products is so high. My message to Members is that their benevolence in not increasing duties in the past has not always translated into lower consumer prices, but what appear to be higher margins. I am willing to have a debate about this between now and the Budget debate in December. These proposed duty increases are also part of an overall package of measures that taken together are designed to cut taxes to lower and middle income taxpayers. There is no change to the 5 per cent rate of G.S.T. (Goods and Services Tax). Some minor changes will be made to clarify the detailed administrative arrangements. I can say that the Treasury and Resources Department will support the Economic Development Department on an Aircraft Registry by amending the G.S.T. legislation in tandem with the drafting of the law on an Aircraft Registry. We will continue to work with the Minister for Economic Development and his team on doing everything we can to support businesses. The Economic Development

Department now has considerable resources already approved, including the Innovation Fund. We look forward to the publication of the new Enterprise Strategy in advance of the Budget in December, which will set out how economic growth can be further boosted and businesses helped. Personal income tax in Jersey is based around the standard 20 per cent rate of tax with limited deductions and allowances. However, in order to protect the lower to middle income earners a separate calculation called ‘marginal relief’, with a 27 per cent rate, is also made with much higher allowances. Taxpayers pay whatever calculation gives them the lowest tax bill, so no one in Jersey pays more than 20 per cent of their total income in tax. This Budget proposes 3 bold measures. Increase income tax exemption thresholds by 1.5 per cent. This is at a cost of £2.5 million to the States. For a single person the tax-free exemption amount will rise to £14,000. Secondly, and this is the really positive news I hope from this Budget, we propose to cut the marginal rate of tax from 27 per cent to 26 per cent **[Approbation]**. This will not only benefit all marginal rate taxpayers but in addition a number of standard-rate taxpayers will be brought into lower taxes. This will cut taxes for approximately 84 per cent of taxpayers, which is around 40,000 households. The cost of decreasing the marginal rate by 1 per cent is approximately £7.8 million. Thirdly, some good news for lower and middle income parents who currently have a child over 17 years of age in full-time further education, who can currently claim a higher child-allowance of £6,000. We propose that this allowance will be increased from £6,000 to £9,000 for marginal rate taxpayers **[Approbation]**. This has a benefit of up to £800 for individual students. Concerning the property market, I am pleased to report that the First-Time Buyers Deposit Loan Scheme is working well, and I thank Members for their support. The Council of Ministers believe it still needs to do everything it can to help Islanders get on the property ladder, and this Budget proposes a continuation of the extension of the maximum threshold for first-time buyer relief from £400,000 to £450,000 at an estimated cost of £300,000. This is the first Budget that moves away from short-term, one-year ahead budgeting. All the time we would have spent on next year’s spending, which has been fixed in the Medium-Term Financial Plan has been spent on longer-term planning. The changes in our Finances Law are not only working here but are being looked at by other jurisdictions as a model of better financial management and long-term planning. Published alongside this Budget are 3 reports. Firstly, the Tax Policy Unit was asked to provide a follow-up report on the effects of the introduction in 2011 of the new tax regime for High Net-Worth Incomers. The report concludes that the new regime is working well, however some further changes can be made to boost economic growth, jobs and inward investment. This Budget proposes to allow High Net-Worth Incomers who arrive before 2011 to transition to the new regime, provided they meet certain criteria. This will encourage the relocation to Jersey of further investment portfolios and attract active businesses to the Island. This will in turn generate tax revenues, fees and economic growth through spending and employment. In addition I am announcing that the minimum contribution level will be reviewed every 3 years with a view to increasing the tax contributions for High Net-Worth individuals in line with inflation. As part of the programme of work for modernising Jersey’s system of taxation, the Tax Policy Unit was asked to review how Independent Taxation could be introduced. The term: “Independent Taxation” refers to the policy of taxing people as individuals regardless of their marital status. In Jersey there is currently a ‘default’ for married couples to be taxed jointly. There are also certain allowances that only apply to married couples, such as the Wife’s Earned Income Allowance. While married people have been able to opt for separate assessments since 2003, it is now clear that the tax regime needs to adapt and evolve so that every individual is treated equally for tax purposes. We are committed to moving towards Independent Taxation. It is a big task and a phased approach to implementing change is needed. It is proposed that a first important step towards Independent Taxation is made in this year’s Budget by changing the allowances I referred to earlier. A major consultation is launched alongside today’s Budget about changes to the tax rules that apply to pension schemes and pension benefits. At the moment the tax rules cause an unnecessary constraint on people employed in Jersey, in that it is necessary for a member of an occupational pension scheme to

retire before they are able to draw a pension. This has the effect of barring people from opting for flexible retirement. We want to consult on changing the tax rules to remove such unhelpful constraints and to provide better flexibility for people in their retirement planning. Turning now to spending, Members will recall that last year we made a decision based on advice from Scrutiny, and we decided that some growth and capital allocations should be decided by the Assembly each year at Budget time. Growth allocations of £2.2 million for 2014 and £1.5 million in 2015 are set out and are consistent with those debated in last year's M.T.F.P. (Medium-Term Financial Plan). This includes money for Social Housing, Income Support, Disposal of Ash and funds for boosting the International Engagement Capacity. The job of making the States more efficient of course continues. In the last 3 years almost £60 million has been saved, and we are doing more. Across the States, work on the transformational changes are delivering both improved customer services and further efficiencies and savings in 2014 and 2015. Additional savings are being achieved, recorded and banked, and means that further substantial and re-occurring savings will be achieved before the next M.T.F.P. Let there be no doubt of my absolute determination to continue to cut costs and ensure the States is efficient. It is a never-ending task, now and into the future.

[11:30]

We have a very ambitious capital programme of over £90 million for 2014. This year we are seeing La Collette High-Rise refurbishment and the second phase of Le Squez is underway. New builds at Journeaux Street, Lesquende, and Fields 516 and 517 in St. Saviour will together deliver a total of an additional 124 units [**Approbation**]. The new Stores and Works Building at the Prison is nearly complete, as is the I.C.U. (Intensive Care Unit) upgrade at the General Hospital. Work has begun on St. Martin's Primary School. The upgrade of Clinique Pinel and Victoria College School extension are all underway. Through regular meetings with the Construction Council we have been doing all we can to help the industry maintain employment levels in these difficult times as well as, of course, delivering real benefits to our community. This year's Budget has an ambitious capital programme of £90 million. £1 million is to be provided for I.T. (Information Technology) projects to help with e-government. Last year we indicated that investment would be necessary in primary education to deal with the increased demand for primary school places. The initial proposal was that a new primary school that would be built in St. Helier. After much consideration and excellent work by Jersey Property Holdings, a more cost-effective scheme has been developed that will see extensions and improvements made to a number of existing primary schools that are being announced today. This means that we can bring forward also some additional schemes into the capital programme. I am delighted to say to the Connétables that further funds will be available to bring forward a number of their parish-regeneration projects. [**Approbation**] The Education, Sport and Culture Department will also get capital to fund their Sports Strategy, over £2.5 million in sports infrastructure and endeavour will meet the Chief Minister's request that there should be a specific focus on preparing for participation and lasting benefit for the Island Games 2015. I am particularly pleased that Deputy Le Hérissier's soles are in good shape today. [**Laughter**] The States Environmental Service will benefit from more investment in the countryside, to maintain the Coastal National Park and improve our network of footpaths. While I come on to the longer-term proposals for improvement and development of the future hospital and facilities I should say that in this Budget £10.2 million is proposed for the first phase of the hospital redesign, preliminary works and the needs of transitional capacity in 2014. The funding proposed for the Main Theatre Project will help reduce hospital waiting-times and improve services for patients. The investment of £500,000 in Intermediate Care will help more integrated health and social care for adults and provide better facilities for those suffering with dementia. Finally in relation to the capital programme for 2014 the Health and Social Services Department will receive funds for the refurbishment of Sandybrook and in 2014 this will deliver real improvements in nursing care for older people. [**Approbation**] For the Transport and Technical Services Department, as well

as significant sums to maintain our infrastructure of roads and drainage, there is over £10 million to upgrade the Sewage Treatment Works and the replacement of the Clinical Waste Incinerator. Although the benefit of these investments may be less visible to the public in the short-term, I know the Connétable of St. John is well aware of them, the Island cannot function without modern and efficient infrastructure. These are the sorts of things that we take for granted and only tend to notice them when something goes wrong. The Transport and Technical Services Department's projects related to ash, recycling, scrap metal and the Energy From Waste plants are all essential to move forward in a more environmentally-sound and sustainable future. Finally for T.T.S., the 2014 capital programme provides for the additional Green Street car parking spaces which are a planning condition, of course, for the new Police H.Q. (headquarters). Members will be pleased to know that there is an allocation proposed for the Treasury and Resources Department which includes £750,000 to demolish the Fort Regent swimming pool which has become such an eyesore. **[Approbation]** More progress will be made on this site in 2014 and beyond, and details of the Fort Regent Steering Group's proposals will be forwarded to Members in the next month. I am grateful to my Assistant Minister, Deputy Noel, for all his help in this and in so many areas of this Budget. **[Approbation]** The proposed capital programme for the States Trading Operations of £2.4 million is also set out and taken together the main programme of £88 million brings the new-starts projects in 2014 to over £90 million, a substantial commitment and injection into the local economy at this time. There are no "nice to haves", and each project has been chosen for value for money in their own right. This is a thoughtful and thought-through programme which endeavours to use taxpayers' money wisely. In line with the recommendations of the Fiscal Policy Panel, the 2014 Budget also proposes funding for a significant investment in 3 major projects that are essential to meet the Island's long-term infrastructure needs for health, housing and liquid waste. Identifying the necessary funding streams for these 3 major infrastructure investments has been a challenge when at the same time the Council of Ministers wants to reduce the burden of taxation on Islanders rather than increase it. We have worked with the departments to arrive at a proposed set of funding measures which strikes the best balance between meeting the service delivery and spending needs and minimising impact on taxpayers. The Health Proposition that was approved by this Assembly on 23rd October 2012 set out the vision of an integrated care-model and a programme of change for the future. Central to the development of this vision was the need to have a new General Hospital which would be fit for purpose and capable of sustaining the acute care provision requirements for the population. After a great deal of good work with Jersey Property Holdings and the Health and Social Services Department, a lower budget of £297 million has now been set and the Minister for Health and Social Services will explain how this will work. I want to address the funding. **[Approbation]** In 2010 the States established a Common Investment Fund. Since the end of 2010 the investment strategy for the Common Investment Fund has changed. There has been a move away from assets with a low-rate of return, such as cash and sovereign bonds, to assets with a higher-rate of return, such as equities and corporate bonds. Investment returns since that time have increased substantially. In that period the Strategic Reserve Fund has increased from £550 million in July 2010 to over £720 million in July 2013. The Budget proposes that the exceptional need for funding for a new hospital should be met from the investment returns from the Strategic Reserve Fund. **[Approbation]** This means that the hospital project will be fully paid for by the time it is completed and there will be no cost to the taxpayer and no debt for future generations. **[Approbation]** Our central assumption is based upon investment returns averaging 5 per cent over the next 10 years. With an investment return averaging 5 per cent over the next 10 years the hospital funding of £297 million can be fully met and the Strategic Reserve would still rise to a value of £810 million. There will also need to be in the terms of the second area an upgrade of social housing as well as an increase in the availability of social housing. The States granted approval on 16th May 2013 to enable the Housing Department to become incorporated into a new entity. The Housing Department's financial model was developed on the basis that the new

company would borrow to meet its spending needs and repay the debt using the rental income associated with the new or refurbished properties. A schedule of the housing schemes that could be carried out with funding of £207 million over 10 years is set out in their report. In addition, a further £43 million is proposed to fund the acquisition and development of new sites including some that may become available as a result of the possible rezoning sites identified in the Island Plan. It is proposed that Jersey's excellent credit-rating is utilised in order to borrow up to £250 million for housing purposes through the issuance of a public-rated bond and thereby locking in low interest-rates for the benefit of the Island and the Budget seeks approval for this. **[Approbation]** New investment is also needed in our liquid waste infrastructure to replace the Sewage Treatment Works at Bellozanne. The safe disposal of Jersey's waste-water is vital to keep the Island safe to live in and to protect our surrounding waters. The Minister for Transport and Technical Services has made it clear that there are 3 main drivers for change. Firstly legal. The current Sewage Treatment Works are breaching consent conditions. Secondly, operational. The infrastructure is failing, leading to high maintenance costs. Thirdly, environmental. There is a need for compliance with the Water Framework Directive. The total funding for the replacement sewage works is estimated to be in the region of £75 million. The overall strategy for liquid waste will be the subject of a further debate to be led by the Minister for Transport and Technical Services. The proposals for funding the investment needed in the Sewage Treatment Works are that they will be funded from 3 sources, a targeting of the existing rolling-capital vote, an allocation within the traditional main capital programme and an investment from the Currency Fund allocation for infrastructure. The new infrastructure will be more energy-efficient and cheaper to run, and this will enable the Transport and Technical Services Department to repay the internal investment from the Currency Fund and reduce both the internal borrowing costs and risk. This Budget brings forward cost-effective ways of funding 3 major projects that minimise the effect on taxpayers, maximise the use of existing resources and improve our Island's infrastructure for the long-term. I would like to thank the Minister for Health and Social Services, the Minister for Housing, and the Minister for Transport and Technical Services for their hard work in supporting and developing these plans that underpin these strategies. **[Approbation]** This is a Budget that balances the need for short-term fiscal support, to boost employment with the need to underpin economic growth and job creation policies in the medium-term. This Budget provides fiscal stability and certainty to businesses. The Minister for Social Security has already announced the new Long-Term Care Scheme which is now funded earlier and without a contribution in 2014. This is designed to help our senior citizen community. Today young people and young parents benefit from the extension of the tax allowances for university students. This is a Budget which helps a very significant number of Islanders, but most importantly it is a Budget that provides direct financial relief to the majority of hardworking, taxpaying Islanders and leaves more money in Islanders' pockets. This is a Budget that invests in St. Helier, is prudent, targeted, confidence boosting and looks to our future. So I commend this Statement on the Budget 2014 to the Assembly. **[Approbation]**

The Bailiff:

There is now 10 minutes in which to ask the Minister questions on that statement. Connétable of St. John.

5.1.1 The Connétable of St. John:

The last couple of words the Minister said says it all: investment in St. Helier. **[Laughter]** Can the Minister for Treasury and Resources explain why only £6.65 million is being proposed for the infrastructure of roads, et cetera, given that some 20 years ago £15 million a year was being spent on our roads and over the recent years the number has been falling, and we see yet again that number is very low? Likewise I note only £10 million is in our Liquid Waste Strategy.

The Bailiff:

I think one question please, Connétable.

The Connétable for St. John:

Sir, you are cutting me off at the knees again.

Senator P.F.C. Ozouf:

This Budget delivers the biggest investment in infrastructure that we have seen in recent times and sets out how it is going to be funded. **[Approbation]** I mentioned St. Helier because it is important. There are lots of St. Helier projects in there but other parishes benefit too. We should have a debate about roads certainly over the next few weeks but T.T.S. is getting value for money from the existing Budget, laying more tarmac, doing more roads, quite apart from the Fiscal Stimulus money that already went in.

5.1.2 The Connétable of St. John:

The Minister for Treasury and Resources mentions better value for money. I would disagree with the Minister given that we have seen the mess that happened on Victoria Avenue and at the airport when roads had to be resurfaced. Are we really getting better money? The work has to be done twice.

Senator P.F.C. Ozouf:

I believe we are.

5.1.3 Senator L.J. Farnham:

The statement points out that our G.V.A. level is heavily influenced by the interest rate. Is this then to be our only policy out of the decline in G.V.A. to wait for a rise in interest-rates because even if you strip out that effect there is a decline in the size of the economy and I wonder if the Minister for Treasury and Resources could address how he intends to deal with that in the medium-term.

Senator P.F.C. Ozouf:

The G.V.A. number does need to be properly put into context.

[11:45]

It is driven to a great extent by the low interest-rates and the margin that banks can get in terms of the profitability by upstreaming to the U.K. and we should not simply only look at G.V.A. It is always difficult in a Budget to repeat effectively the measures that we have already taken and many people will say: "Well, what is new in this Budget for business?" The reality is just as in previous Budgets, though we have dealt with significant investment and income support, we already have huge changes in terms of the support for businesses already agreed, the Innovation Fund, the step-change in investment in terms of economic development, the changes that have been made in financial services. All of these measures are absolutely vital to secure our economic future and anything more that the Minister for Economic Development wants to help businesses then he will receive a willing and co-operative ear from myself and Council of Ministers' Members.

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

The Minister for Treasury and Resources stated that fuel duty had increased in only one of the last 5 years but he did not state whether there is going to be a duty increase this year. Could he confirm there is going to be one and does he think that proves that economic activity is falling or has fallen?

Senator P.F.C. Ozouf:

I think that is a really important question. The fuel duty increase is proposed to be 1p and I think that the last increase over the last 5 years was 2p. Effectively fuel duty has gone up 2p in 5 years and I would draw Members' attention to the U.K. price comparator's report which shows the real questions that need to be asked about duty products in Jersey. I understand Members' concern

about duty increases but their benevolence in not increasing duties does not translate into margins, into actual consumer prices either being stable or falling for consumers. The opposite is the case and we need to have a Jersey-wide debate and we need to shine the torch into these areas and explain why a pint of beer is 86p higher in Jersey compared to the U.K. when stripping-out duty and tax. **[Approbation]** A litre of fuel is 23p and that is quite apart from a packet of cigarettes which is about 47p. That is where the issue is and we need a proper debate about how we are going to ensure the consumer prices are constrained.

5.1.5 Deputy J.A. Hilton of St. Helier:

I was going to ask the Minister for Treasury and Resources a question about how he was going to respond to some of the public statements made by, for instance, the Chair of a local brewery with regard to not increasing duty but he has just mentioned that. What I would like to do is ask him a question about his point 123 about the investment fund returning 5 per cent over the next 10 years. Could he just explain to Members what the plan is if the fund does not return that sum of money when it comes to funding the capital projects?

Senator P.F.C. Ozouf:

The Deputy is absolutely right and it is good to debate this issue of the Strategic Reserve. The first thing to respond is to say what has changed from the policy of not touching the Strategic Reserve previously. First of all the Strategic Reserve has not been touched as a result of Members' wise decisions to deal with the deficit a number of years ago. Secondly, because we have not touched it, it has improved and we have been beating the investment benchmarks in terms of ... I think it was a result of 9.8 per cent in the last year. We have already banked an increase and a significant uplift which pays the majority of the Health and Social Services Department's budget. Looking forward I think the Treasurer of the States and the Assistant Minister would say that a 5 per cent return on the future of the Strategic Reserve, which will not of course all be drawn down immediately, would in fact be a bad result looking at their investment performance and the importance of investments. I am going to publish a number of different scenarios for the Strategic Reserve which answers the Deputy's questions in detail about what would happen but the Strategic Reserve even at 2 per cent return will not fall below half a billion.

5.1.6 Deputy J.M. Maçon:

May I congratulate the Minister for Treasury and Resources on his pre-election Budget? On point 55 though may I ask that while I welcome this change of thinking, can the Minister for Treasury and Resources please explain the change in rationale for introducing this policy when he was so vehemently opposed to it when Deputy Southern proposed it last year? Point 55, which is the linking of high net-worth tax liabilities in line with inflation.

Senator P.F.C. Ozouf:

I am disappointed at the cheap shot by the Chairman of P.P.C. about pre-election Budgets. **[Laughter]** I do not believe that any Member of this Assembly has made decisions on financial management with an eye to the ballot box. We have made tough decisions on tax and spending in recent years and this Budget does not stop that. It continues a spending arrangement, continues to put pressure on States spending and I would ask him respectfully to perhaps reconsider that cheap shot. In relation to high net-worth individuals, Deputy Southern previously has challenged us in relation to lifting the minimum tax contribution and the important change that is being set out now is that rather than changing it on an annual basis it will be done over 3 years. We have looked at the overall assessment of this. I do not think Deputy Southern is a fan of the former 1(1)(k) regime. We have looked at a fairly-judged arrangement. We will lift that minimum contribution and we will do so every 3 years and we have also widened the 1(1)(k) ability to bring inward investment and jobs and portfolios that are currently managed in other places to Jersey and I hope he would welcome that.

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

On first reading I congratulate the Minister for Treasury and Resources on what he has presented to us this morning. I agree with his comment that it is very important for us to look at the performance of the Jersey economy as a whole and clearly the ambitious £90 million capital programme goes a long way to supporting the local economy. However, will the Minister guarantee to us that local architects, local builders and local service providers will be used on this ambitious £90 million capital programme?

Senator P.F.C. Ozouf:

Absolutely, and I hope that it will not only be the public sector, the States, but I hope it will be the parish schemes that are going to benefit from additional funding that will also use local individuals. The issue of the architects on S.o.J.D.C. (States of Jersey Development Company) has frankly been blown out of all proportion. There appears to be a number of Members that have not yet understood the benefit - and the Connétable is not in that camp I am sure - of getting a better land return from taxpayers' land on the Waterfront which is what we are trying to do. A story emerged as a result of a question at the Corporate Services Scrutiny Panel of why there was a U.K. architect for S.o.J.D.C. The fact is that there were 2 architectural practices as I understand it that are capable of dealing with big buildings and both of them were running the alternative competitor schemes. Was it right that S.o.J.D.C. should be going to the architect dealing with a competitor scheme? Of course not. The default position for all States-owned enterprises, all States-owned entities is that local companies employing local people should be preferred and £700,000 is designed, yes it is off-Island spend, to get 10s of billions pounds of spend and benefit the taxpayers, and on occasion that will be required. But the default position is local people and local jobs at local activity.

5.1.8 Deputy J.H. Young:

I share the Connétable of St. Lawrence's congratulations. I think there is much good in this Budget particularly as we know that in 2015 the bad news is coming about the extra taxation from the Long-Term Social Care costs. I would like to ask in particular about the changes in direct taxation for middle Jersey which are clearly very welcome. Could he first of all confirm that this reduction will cost around £11 million and could he inform the Assembly whether or not that is matched by spending reductions in the Budget? Is it that that proportion of cost is going to be passed on to the other 16 per cent of the taxpayers in their direct taxation? Could he tell us that?

Senator P.F.C. Ozouf:

The tax-cut for marginal taxpayers is fully funded. It is taking account of the latest estimates and in the period of time between now and the Budget some further analysis of the overall impact of States spending and individual department spending will be set out as is normal in a very detailed annexe. The Deputy will be able to see the forward projections of States income which shows that there absolutely no deficit envisaged. We are dealing with a balanced budget position and he makes an important point about savings. It is almost assumed, because the C.S.R. (Comprehensive Spending Review) came at an end in 2013, that savings endeavours and savings targets would be finished. That is not the case. We have set budgets for 3 years and that delivered this Comprehensive Spending Review amount. Further savings as I attempted to explain are now being achieved week-in week-out by departments, the Social Security Department, the Transport and Technical Services Department., the Education, Sport and Culture Department, the Health and Social Services Department, all departments as a result of the reviews, including lean reviews, are delivering savings. These are being banked. These are being recorded and they will result in underspends in budgets by the time we reach 2015, and a recurring level of savings which will be much greater than £60 million will therefore be included in the next M.T.F.P.