



STATES OF JERSEY

Corporate Services (MFTP) Sub-Panel Medium Term Financial Plan Review

MONDAY, 17th SEPTEMBER 2012

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen
Deputy S.G. Luce of St. Martin
Deputy J.H. Young of St. Brelade
Deputy J.M. Maçon of St. Saviour

Witnesses:

Senator P.F.C. Ozouf (Minister for Treasury and Resources)
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)
Treasurer of the States
Economic Adviser
Finance Director - Tax

Also present:

Mr. M. Oliver (Adviser)
Mr. S. Fair (Adviser)
Mr. W. Millow (Scrutiny Officer)
Ms. J. Hales (Scrutiny Officer)

[10:33]

Senator S.C. Ferguson (Chairman):

Good morning, ladies and gentlemen. Welcome to this hearing of the Corporate Services Medium Term Financial Plan Review Sub-Panel. For the benefit of the people doing the transcription, I wonder if we could go round the table and say who we are, please.

[Introductions]

Senator S.C. Ferguson:

I believe you have probably all read the health warning, which does not seem to be on the table.

The Minister for Treasury and Resources:

We almost have memorised it.

Senator S.C. Ferguson:

Let us kick off then. Minister, what is your current thinking in relation to the Island's economic circumstances and how they will develop during the course of the Medium Term Financial Plan?

The Minister for Treasury and Resources:

What I am going to try and do, because I know that sometimes I answer questions in a too lengthy way, is keep my answers quite clipped and I am not going to tell you what you already know, because we will take it as read of all the information that we have got. There is obviously a massive amount of information that has been sent. The baseline position is set out in 181 of the economic assumptions of the M.T.F.P. (Medium Term Financial Plan). These are the independently crafted forecasts for economic growth but also you have now got for the first time the most granular data which underpins the forward projections. As I said in the States last week, we think ... I say "we", it is actually the Independent Economic Forecasting Group. I am advised that it is a reasonable assumption that we can consider that G.V.A. (gross value added) in 2014 and 2015 is likely to be in the region of 2.5, we hope. Obviously there are lots of uncertainties. We certainly expect that there is going to be a downgrade in G.V.A. for 2013. The extent to which that leads to less tax is a matter also of some debate. There are some lags, there are some complications on that. The economic situation is probably at the moment, and expected to be through 2013, less buoyant than we originally thought and we wait to hear what the F.P.P.'s (Fiscal Policy Panel) updated advice is and also their advice as to what to do about that slightly downgraded economic performance. At the end of the day I think that our figures are still reasonably prudent. They are a central scenario. I will just repeat one thing that I have said before. If the Jersey economy cannot be at least half a per cent better than that of the U.K. (United Kingdom) with their backblock of debt and other structural problems then I would be surprised.

Senator S.C. Ferguson:

We have got this possibility of a downgrade. What impact is that going to have on the M.T.F.P. as it stands?

The Minister for Treasury and Resources:

Nothing in the short term. The M.T.F.P. is a medium to long term plan and I certainly do not think that we should be changing what are well constructed plans based upon reasonable assumptions just because of quarter by quarter changes in views. I think we have seen markets and expectations and forecasts moving all over the place in the last couple of years. I think it is important, and we are in the strong position that we can set out a plan. We can certainly fund our proposals. I think the only thing the F.P.P. may well be saying, if they are more slightly downbeat on the international economic

situation, is that they may be suggesting some more short-term action, and we wait for their observations on 1st October. I have been very clear, if the F.P.P. recommend a course of action then certainly Deputy Noel and myself and the Treasurer will be taking very careful note of that. I could not imagine a situation, unless there was a particular political reason not to do so, that we would not be taking on their advice.

The Deputy of St. Ouen:

But surely the Fiscal Policy Panel relies heavily on the data that you provide them so that if the data that they are using is not as accurate as it should be then we could end up with a misleading view being expressed by the panel.

The Minister for Treasury and Resources:

I would pick you up on 2 words, if I may say. First of all, your data and inaccurate and misleading I think are the words you used.

The Deputy of St. Ouen:

Could be.

The Minister for Treasury and Resources:

Could be. The data is the data and the up-to-date information on the Eurozone and the U.K. economy, we are just reporters and our advisers are simply consolidators of that information. Yes, the economic situation is very volatile at the moment. My team have to do their best in order to forecast exactly what is likely to happen, the impacts on the Jersey economy. As far as 2014 and 2015 growth is concerned, we have also been very clear that growth does not happen by accident. The Government has its own responsibility and role in creating the conditions for growth. I am really quite buoyant. I am optimistic about Jersey's ability to be able to identify new markets, new areas of business. There are some areas of the world that are growing. We have met one of the largest Asian institutions which is now considering setting up an office in Jersey. Our work in the Gulf region is working very well. That is at the heart of our deposit taking business. We are having a major conference on Thursday on the digital economy, on digital Jersey, and doing those new areas of activity which we have not done in the past. We have certainly got to work hard at getting inward investment and growth into Jersey and if ever there is a time when you are considering perhaps a more difficult economic situation you need to redouble your efforts on inward investment, and that is exactly what we are doing.

The Deputy of St. Ouen:

We are grateful for provision of the half yearly corporate report that has been provided to all States Members, and I believe it is publicly available.

The Minister for Treasury and Resources:

Indeed, and I would like to recognise the Assistant Minister and Treasurer for that work.

The Deputy of St. Ouen:

I would like to ask, you talk about economic forecasts but the reality is in this report G.S.T. (goods and services tax) is forecast to £3.3 million lower than budget, Impôts is forecast to be £2.95 million lower than budget, stamp duty is forecast to be £1.6 million lower than budget. One would suggest that could indicate real time economic activity or lack of it within our Island. How will that information be reflected in your ongoing economic forecasts and how do you reconcile the fact that it is still in your view quite buoyant?

The Minister for Treasury and Resources:

I think there is a whole range of factors which Alisdair MacLeod and the Treasurer, and indeed the Economic Adviser, are expert in relation to trying to understand and interpret the data. Let us be glass half full as much as empty. Income tax receipts and some court receipts have been higher and there has been some slightly less figures in relation to G.S.T., which itself is very difficult to compare because there are construction contracts that are booked with G.S.T., there is some timing of some reporting. Certainly the construction industry and house purchases have been slower. I do not know, Treasurer, whether you want to add anything on that in terms of granular detail, or Alisdair?

Treasurer of the States:

Certainly. Even after allowing for shortfalls on those areas, Deputy Reed, we are still up by £7 million overall on our forecast. I think it is important to recognise that, so when you take the whole picture we are still £7 million up, notwithstanding those numbers. Just on G.S.T., I would say that our level of G.S.T. is consistent with last year. We are short against an inflated G.S.T. in 2012 so the level of economic activity, if G.S.T. is an indicator of that, is consistent with last year. As you know, within the Medium Term Financial Plan, in any event we have factored those in, so in 2012 we are expecting £80 million G.S.T. for example. In 2013 we have budgeted for £77 million, based on the most current information we have. So we have taken into account those areas of shortfall that you identify when we have done our projections for 2013 and beyond.

Senator S.C. Ferguson:

Yes, but this is the last year, 2012, when we can expect the 20 Means 20 benefits from the tax take so you do wonder about the sustainability of the growth in income tax receipts for next year.

Treasurer of the States:

We have done the income tax forecast based on much better and more detailed analysis than we have been able to do hitherto because of the work that Alisdair has been able to do within income tax to take better account of, in particular, the impact of changes on exemptions and allowances on our forecasts. We have done tests to make sure that the revisions that we have made to the model would give us a better outcome if we had applied that same methodology in previous years. They did give us a better outcome but they still gave us an outcome that was below actual, so even our new methodology is on the prudent side rather than on the optimistic side. We have used the best data that we have available to us at the time of doing the forecasts, we have improved the forecasting methodology and, while it will never be right because it is in the end a forecast, it is the best that we have got.

The Minister for Treasury and Resources:

Can I just add 2 points on that. From page 186 to 209 you have got some of the most detailed analysis that has ever been published so that you can see exactly what it is made up of. It is not just an overall income tax number. Every single element of the income tax receivable, married exemption, single exemption, senior citizens over 63, child allowance, every bit of this is calculated.

[10:45]

On page 186 you have not only got the forward projections but you can check that against the 2011 and 2012. You are right, there was additional income from 20 Means 20 and some other aspects because of the number of people in Jersey in employment has maintained at probably higher levels than we thought, notwithstanding high unemployment. Providing we can keep it that way then that money is certainly going to be a recurring amount. It is not going to grow much further but it is going to be basically in the budget. That is the second question we are going to come on to about the assumptions that we made in the M.T.F.P. about additional income. I think we are pretty optimistic that the forward projections for next year certainly are going to be in line with what we were hoping was going to be coming in in order to fund some of the areas of growth. Alisdair, do you want to say anything at this stage about this? You have spent many man weeks of work on this.

Finance Director - Tax:

You are correct in saying that the 20 Means 20 effect has been specifically included in the forecasts. So in terms of how we vary our allowances and reliefs going forward, one of the elements has been 20 Means 20.

Senator S.C. Ferguson:

Yes, but that finishes this year.

Finance Director - Tax:

Yes, absolutely and that has been incorporated into the model, i.e. there is no further changes to allowances and reliefs in relation to 20 Means 20. Although, as you are correctly saying, the yield has increased in the past, it is forecast to be pretty much static going forward so we are not forecasting significant increases in the yield.

The Minister for Treasury and Resources:

So it is not one-off income, it is likely to be recurring income, and that is quite important. There has been some one-off income in relation to some particular tax issues within the Taxes Office. I do not know the detail of it. Some of that is one-off but some of it is recurring and there is a lot of analysis that has been done on that.

Senator S.C. Ferguson:

Given all this, what is the possibility that the draft Medium Term Financial Plan will be revised ahead of the debate to accommodate revised economic forecasts?

The Minister for Treasury and Resources:

Chairman, as we have seen the continued ongoing problems in the Eurozone and the U.K., I think the advice is that we expect the F.P.P. to be slightly more hawkish in the shorter term but I do not think that is going to change the 2014 and 2015 numbers. There is this really important issue that just because the G.D.P. (gross domestic product) number goes up and down that does not mean to say that that translates through to tax receipts, firstly because there is a lag and, secondly, it is driven by different things. It has to be said that some of our G.D.P. numbers are pixels on a screen which do not necessarily lead into jobs and tax revenue. We have to be very careful that we do not simply view the G.D.P. number, which I know is the number that lots of commentators will seize upon but our numbers are much more granular in terms of income receivable. Inflation rate is also something quite important. This year nominal G.D.P. ... and the Chamber of Commerce and some other commentators got that issue confused, quite understandably. R.P.I. (retail price index) is lower than expected which means that the real G.D.P. is higher because it has not been deflated by such a high

level of inflation. So there are number of factors that go in. We have asked F.P.P. to report early and that is why we have got a later debate on the M.T.F.P. We have got that on 1st October. When we see their work then we will consider whether any changes are made. But I would also separate out structural changes. This M.T.F.P. is structurally changing a number of areas of public spending, notably health. If the short-term situation were to be worse would we not do the health spending? I think we would because the spending is long-term necessary and it is designed to reduce the growth in expenditure in the longer term. I think what the F.P.P. might be saying is that they might be suggesting some short-term action in terms of further stimulus in construction, taking the opportunity of doing more housing projects, which give us good value for money, projects that are going to happen again, that must happen anyway, bringing them forward. That is all sensible economic management and that is the kind of proposals. You do not to tear up the plan. It is very much going to be some iterative changes to reflect that.

Senator S.C. Ferguson:

I was not saying tear up the plan. I said revise it. You talk about fiscal stimulus. Have you yet produced an economic review of the effectiveness of the last fiscal stimulus? We already have a large amount of money going into housing and construction with the £27 million to the Housing Department but we have not yet seen an economic review of the last fiscal stimulus. I have seen figures of we have spent this here and we spent that there. Where is the economic summary?

The Minister for Treasury and Resources:

Chairman, I think you have asked me that question on 3 or 4 occasions. I understand that you do want to see some economic advice on that. We have not done a detailed economic analysis on that and we will do at some stage but we know enough now to know that that has worked. We know that the economic stimulus that we put in with the construction, whether it be hospice, whether it be Durrell, whether it was Le Squez. I visited the Le Squez yesterday in preparation for today just to get a feeling of how that has worked. It has worked. It kept the construction industry more buoyant. We did not see large construction firms to any great extent go into liquidation, which was a risk if we had not put that demand in, and we have delivered some fantastic projects at good value which are going to have a long-term dividend for Islanders. I am, I am afraid, absolutely clear that the fiscal stimulus programmes that we did in terms of construction worked. They are low risk. My Economic Adviser ...

Senator S.C. Ferguson:

I am sorry, you cannot be certain that they have worked if you have not done the economic review, surely.

The Minister for Treasury and Resources:

Chairman, they kept people in work. We had a construction industry which did not contract and fall off a cliff. That worked. What were our policy objectives? It was keeping Islanders in working and keeping the construction industry, who also in terms of their wages and remuneration, particularly when they are locals, we know that all of the external advice is that people are likely to spend that money into the economy. When we withdrew some of that fiscal stimulus, when it came to an end, we had slightly larger volumes of retailers saying things are looking pretty bad. That £27 million, which I was grateful for States Members' support early on, that has not quite hit the market yet. That is hitting now and those projects are going to be rolled out over the next few months. That is going to have a difference. I know that you and I may disagree on this, and I respect that, but I maintain that the policy decision was right, the advice was right, and if necessary we will do more.

Deputy J.H. Young:

Can I come in there, Chairman? Can I ask the Minister how can you be sure that that level of fiscal stimulus money all was recirculated within our economy and have you put in place any measures to assess to what extent there was leakage outside of our economy, off Island?

The Minister for Treasury and Resources:

I will ask Dougie to come in in a moment on that. I do not think you were part of it and I am happy to give you some detailed notes on exactly how focused that whole fiscal stimulus project was. There will always be some leakage. That is inevitable in any operation such as that, but we had a real focus on local labour. In fact, my counterpart from Guernsey is coming over to look at how we have benefited and had local firms with local employees engaged in those activities and it has actually worked. Our work, I hope, is going to be perhaps a model for Guernsey to follow in terms of keeping that money circulating in the economy. There is a lot of debate about fiscal stimulus and what works and what does not. From our point of view, construction, because people spend the money, because we have tough rules about local labour, it is going to be circulating in the local economy, and more or less it is projects that you want to do in any event. So it is bringing them forward and you get really good value for money.

Senator S.C. Ferguson:

Unfortunately there is not the evidence there to support what you are saying.

The Minister for Treasury and Resources:

I disagree with you, Chairman. I disagree, and I think that I would ask Dougie, who is of course the Economic Adviser, to perhaps address us on that.

Economic Adviser:

I think it is important to remember what the economic advice was, not just from myself but from the Fiscal Policy Panel. It is about doing projects that met the 3 Ts, temporary, timely and targeted, and as the Minister has said, that add value in their own right and that can be brought forward. There was lots of detail done on the process. The F.P.P. commented that they were pleased and they felt the process that we went through was right, that the vast majority of the projects met the 3 Ts. If you get that right then the issue around leakage is a non-issue because you are doing things that you needed to do anyway. You get better value for money at that point in time, so you would have got greater leakage if you had done them further down the line when the economy was performing strongly. If you get the 3 Ts right, if you bring stuff forward, then you are going to get maximum impact for that money and certainly better than any other fiscal alternative that you have got.

Deputy J.H. Young:

From what you have said, you will know the number of people you have kept in work from the last fiscal stimulus plan and you will know the estimated number of people you will keep in work through this plan. Can you tell us what they are?

Treasurer of the States:

Yes, we can. We did publish a report, Chairman, which you will remember, that had all of that detail in it, so that information is available.

Senator S.C. Ferguson:

If you will excuse me, that was just a list of money that was spent. It was not the economic review such as I am seeing coming out of Harvard and places like that.

Treasurer of the States:

No, there was much more detail provided than that, Chairman. We had a report from each of the projects which expressly stated the benefits that each project had brought, including the employment implications.

Deputy J.H. Young:

So if we look that up we will see the number of people?

Treasurer of the States:

Yes, and we can provide it to you again.

The Minister for Treasury and Resources:

Yes, and we are happy to do it. Let us take each of those projects and just look at the legacy that we have created. The new visitor arrival centre at Durrell that has revolutionised Durrell in terms of their operation and kept people in work. Hospice, I went up to hospice 2 weeks ago to see the new facilities, which is now going to be end of life care for many more people in Jersey. It is a brilliant project. I went to see Le Squez yesterday, homes that Islanders otherwise would not be in. Pomme D'Or Farm refurbishment. These are great projects. We can talk about the Harvard economics of some people on the right and the left. I had an animated discussion with Chris Allsopp, one of our F.P.P. analysts, with Vince Cable, about stimulus and Chris Allsopp was saying: "Those people in Jersey have done a pretty good job, Mr. Cable, and I am pretty proud of that." I know, Sarah, that you will not agree but we are going to have to agree to differ.

Senator S.C. Ferguson:

Yes, because the side effect that none of us mentioned was the extra immigration. Anyway, if we carry on.

The Minister for Treasury and Resources:

No, Sarah, that is not right. It was local labour. There was not extra immigration. Let us not confuse the different things. Let us look at the facts. We are dealing here with evidence. Let us look at the facts. Fiscal stimulus projects did not bring in extra immigration because they were local people.

Senator S.C. Ferguson:

Well, when we get round to the evidence we will see. Moving on to taxation, the draft Medium Term Financial Plan states that £7.6 million worth of income will be generated in each area of the plan through budget measures tightening compliance on tax collection and reducing avoidance. Can you explain what that means, please?

The Minister for Treasury and Resources:

Yes. Of course the M.T.F.P. is about spending and we will be coming forward with our budget proposals and I am not today going to steal the thunder of what is going to be in the budget in terms of that but I am making my budget announcements ahead of the debate on the M.T.F.P. What we can say is 2 things at the moment. The first thing is the budget this year is going to have an overarching policy of protecting revenues and dealing with avoidance. We lost our major anti-avoidance measure in relation to deemed distribution. Treasury officials have been working throughout the last few months on dealing with some replacements for that and those are going to be announced when Deputy Noel and I announce the budget. I think the date is 16th October. The second important thing to say, which is relevant to the 6-monthly review that we published last week,

is that we are already on track to having that additional revenue. Effectively, if we were not in the position that our forecasts were slightly exceeding then we would be clearly making some potential budget measures which were specifically designed outside the area of compliance and avoidance of raising money.

Senator S.C. Ferguson:

Can we just stop a minute? Would you like to go back and in words of one syllable, or 2 possibly, say what budget measures tightening compliance on tax collection and reducing avoidance means? Deemed distribution was not a method of making avoidance. Just go back and explain it simply, please.

The Minister for Treasury and Resources:

Right. Deemed distribution was ...

Senator S.C. Ferguson:

No, I am saying budget measures tightening compliance on tax collection and reducing avoidance, can you please say it briefly and compactly?

The Minister for Treasury and Resources:

Chairman, deemed distribution was an avoidance policy. That is what it was. In removing deemed distribution, as I made clear and as the previous Chief Minister made clear, that was an anti-avoidance mechanism.

[11:00]

We are putting in place in this year's budget, and I am not in a position to announce those measures today but I am signalling that we will be announcing replacement anti-avoidance measures which are not in any way going to cause the Code Group or anything else difficulty but we will producing alternative avoidance mechanisms to deal with that. There has been a window of opportunity where clearly we have not had deemed distribution and that is what that is about, the details of which will be released on 16th October.

Senator S.C. Ferguson:

Right. So the tightening compliance on tax collection is just deemed distribution?

The Minister for Treasury and Resources:

It is the replacement for deemed distribution but by definition it is going to be a more complicated arrangement because we wanted deemed distribution. That was the simple and most effective way of dealing with tax avoidance. That option is now not available to us. We have removed it from our statute book, so we are putting in place replacements. I am confident to tell you that - and the Treasurer, the Assistant Minister and I discussed this last week - even notwithstanding those issues, our forecasts are going to be able to deal with that £7.6 million that we signalled in the M.T.F.P. So we are pretty on track, which is great.

Senator S.C. Ferguson:

It is a very high figure. You have taken that directly from the income you have had from the deemed distribution then?

The Minister for Treasury and Resources:

No.

Senator S.C. Ferguson:

Where does the figure come from?

The Minister for Treasury and Resources:

The figure is a considered figure that we would have needed. If we would not have accepted that we were going to be able to have this additional income from those variety of different sources then we would not have been able to accept ministerial colleagues' requests for additional growth. We did put in that additional, mainly of course in health, and we are now confident that we are going to be able to secure that income and the measures in order to achieve that, and the explicit measures will be announced in the budget.

Senator S.C. Ferguson:

Where is the £7.6 million coming from then?

The Minister for Treasury and Resources:

I have just explained to you, Chairman.

Senator S.C. Ferguson:

No, you have not. Well, do it simply. I am only a simple politician. Do it simply for me. Where is the £7.6 million coming from? There is deemed distribution. How much is coming from that?

The Minister for Treasury and Resources:

Senator Ferguson, that is not the question that is related to this. I am saying to you that we signalled in the M.T.F.P. that we would be putting a pencilled number in in order to deal with our spending requirements as to whether or not we would be raising the money. The good news is I could answer the question by saying it is already. The success of the Tax Department in terms of collecting revenue indicates that we have that amount of money in already and that is even before we have dealt with the avoidance mechanisms that we are bringing forward, so we are in a better position. We are already saying to you today as a result of that 6-monthly report that we have that balance in hand and we previously spoke about the recurring nature of that and we are going to be doing more so it is likely that our numbers are going to be slightly better, we hope, going forward.

Senator S.C. Ferguson:

So where is it coming from?

The Minister for Treasury and Resources:

Senator, I have just explained that I am not announcing budget proposals today.

Senator S.C. Ferguson:

Oh, so this is a budget figure? I was just saying that you have £7.6 million of income coming. Where is it coming from?

Treasurer of the States:

Budget measures.

The Minister for Treasury and Resources:

Budget measures and I do not announce the budget ahead of when I announce it.

Senator S.C. Ferguson:

Thank you.

The Minister for Treasury and Resources:

I did say that, Chairman.

The Deputy of St. Ouen:

Just picking up a separate point. You did say, I think, budget announcements will be made ahead of the Medium Term Financial Plan debate.

The Minister for Treasury and Resources:

Indeed.

Treasurer of the States:

Will not be made ahead of the debate. The budget measures will be announced on 16th October.

The Deputy of St. Ouen:

Ahead of the Medium Term Financial Plan debate?

Treasurer of the States:

Yes.

The Deputy of St. Ouen:

I was just trying to understand how can you make any budget announcements before we have determined the shape of our Medium Term Financial Plan?

The Minister for Treasury and Resources:

Deputy, of course I cannot reinvent completely every way that we do the choreography of sorting out our spending and tax. Our system in Jersey is that we set spending and then we tax it.

The Deputy of St. Ouen:

Yes, and we agree the budget.

The Minister for Treasury and Resources:

So this time we are doing a 3-year spending limit and then we do the budget. In order to inform people to a much greater extent than we have ever done before we have lodged the most detailed plan with income forecasts and projections and all the granular detail for it. We are then receiving the F.P.P. report well in advance of when the debate is. We are announcing the budget, which we also have not done before, well in advance of the decision on the M.T.F.P. and the Chief Minister and I have opportunities to put amendments. They are not likely to be massive. They are likely to be issues at the margin. We have opportunities of making further amendments of the budget later on. So we are trying to be as open as possible of giving people all of the information so that they know and what I hope that this process does is that it has in the back of the States Members' minds they are forward projections on income, they know what they are doing, they are well founded and we are going to be able to make the spending decisions with some considerable degree of confidence. That also is upon the backdrop of no increases in tax rates in terms of G.S.T., in terms of income tax, and we are working upon that guiding principle.

The Deputy of St. Ouen:

I understand, but that is based on a proposal, a proposition that is still to be debated and agreed by the States. All I am asking is that if there was a significant variation in the Medium Term Financial Plan due to amendments being accepted or agreed by the States then what impact would that have on your budget announcements?

The Minister for Treasury and Resources:

They will not make any difference on the budget announcements because you will then know by the time the debate comes, and you will have that 2 weeks before, these are the spending plans. Set alongside that you will have the taxation plans that are being applied to that. If Members - and this is our democratic system that we operate in - want to increase health spending by another £10 million a year then we will take that decision and we will put amendments to the budget in order to apply that or make some other budget operation or balance sheet operation to withdraw savings. I do not want to do that, but we would do something like that. So Members are going to be absolutely fully informed. If they want to put an extra £10 million in that then we also, I hope, in advance of the M.T.F.P. debate would likely give an indication of the tax that we would raise as a result of it. So we are all fully informed.

Deputy J.H. Young:

If I can just come in on a point of detail. This is £7.6 million additional income necessary for the plan is to be generated each year. Does that mean the tax measures you are describing will be introduced from 2013 as well?

The Minister for Treasury and Resources:

No, we are already on track. The slight difference, as I am sure you know, Deputy, is that our income for the majority of people is from their earnings last year. So the Tax Department has already got a pretty good idea of where their income is going to be because most of the work has already been done. Some people are on a current year basis but most people are on a prior year basis, so we pretty well know what the numbers are going to be in 2013.

Deputy J.H. Young:

But the root of my question is that you are saying in order to meet the M.T.F.P. we need to introduce measures that the States have not yet agreed at relatively short notice affecting taxpayers from 1st January 2013.

The Minister for Treasury and Resources:

The really quite good news is that the 6-monthly report indicates that we have already got that money coming in and, as we rehearsed earlier, that is likely to be recurring revenue.

Deputy J.H. Young:

So we will not need it for 2013?

The Minister for Treasury and Resources:

Yes. Is that okay, Alisdair?

Finance Director - Tax:

Current indications are that we will certainly be up on forecasts.

The Deputy of St. Ouen:

I would like to move on to budgets and growth allocations and explore how base departmental budgets have been calculated. In particular, the financial report and accounts for 2011 show that there had been an underspend in total in net revenue expenditure of £41 million, bearing in mind £13 million was contingency fund underspend. What impact, if any, did that have on calculating departmental base budgets?

Treasurer of the States:

None.

The Deputy of St. Ouen:

None? I will just pick up on that point. You say none but the information that I recollect reading showed that some of that underspend was spent and allocated to ongoing revenue expenditure so indeed it must have had an impact on department budgets because it was funding extra staff and additional services that currently were not being provided.

Treasurer of the States:

No, Chairman, departments would not be able to fund ongoing staffing costs for the long term out of their carry forward monies. They may do it in the short term for a period but they would not be able to do it in the long term. The base budgets are set as the base budgets and the carry forwards are dealt with separately from that. The implication, I think, of what Deputy Reed is saying is that somehow we are adding the carry forwards to the base budgets and then rolling them forward. We are certainly not doing that.

The Deputy of St. Ouen:

Why was not the £13 million contingency funding just set aside and put in the private sector segregation fund if it was not used? Why was it spent?

Treasurer of the States:

The money is there to be used during the year but it is there to be used on the contingencies, if you are referring to the contingency funding.

The Deputy of St. Ouen:

The contingency fund is for unforeseen expenditure.

Treasurer of the States:

Your question was about how does it affect the base budgets and it does not affect the base budgets.

The Deputy of St. Ouen:

At all? If I review the information that you provided to us about the allocation of the £41 million I will not find any ongoing revenue expenditure commitments that were funded through that underspend?

Treasurer of the States:

No.

The Minister for Treasury and Resources:

I think the point that I would make there, Deputy, is that the Chief Minister's number one priority has been to get people back into work as well as our high priority issues of health and housing. It is fair to say that we have been able to allocate quite significant resources in the get back to work programmes from those underspends and if we would not have had that then we would have had to take an additional spending request, which I would not want to do, especially now we have got contingencies. We have been really quite successful in identifying underspends and putting those resources into the job creation and back to work and the additional people in Highlands, et cetera. I think that has been something that we have been pretty fortunate to be able to achieve because of these underspends. I am very pleased with the way departments are operating. Both currently and now in the future we have a different culture of just because you have a budget you do not need to spend it. You can spend it wisely and in our decision making over the next 3 years we are going to liberate some of our managers and our officials to focus on how to spend the money as opposed to these annual discussions about what the budget is. Financial control, as the Treasurer is often saying, is not just about setting the budget, it is how you spend it, and we are changing the culture in the States. Those

underspends we should be congratulating departments for them, but we should not necessarily be taking them away either because then they have no incentive.

The Deputy of St. Ouen:

I am pleased you mentioned that, Treasury Minister, because in P.97/2011, which amended the Public Finances (Jersey) Law to allow for the creation of the Medium Term Financial Plan, it is stated that: "The growth allocation provides an annual opportunity for a States Member to influence the allocation of funding to emerging pressures or priorities within the overall States spending limits." Obviously that annual opportunity would come at the time of the annual budget. However, the proposal that we have in front of us with the Medium Term Financial Plan is that all the growth funding envisaged for the Medium Term Financial Plan has already been allocated. So I suppose the question remains how will the Assembly be able to influence and decide upon and react to new priorities in policy matters if, as the Medium Term Financial Plan shows us, all growth allocations have already been set?

The Minister for Treasury and Resources:

I think that is a very fair point and it is certainly something that we have struggled with. We, of course, have got pencilled in amounts of money for the short-term priorities of getting people back to work, and in fact we have put some of the back to work initiatives on a longer-term footing, which I do not think we imagined was going to be necessary at an earlier juncture. We have still got the contingencies that are in place which can be allocated for short-term projects under the criteria that we have done but over the next 2 years I think we have done so well. I am not saying everything is perfect but we have done such a lot of work in planning. I think we have now got the confidence to allocate money for the high level priorities such as health, such as housing, the Economic Growth Plan. The Deputy of St. Martin is here. The Economic Growth Plan has got some really quite lumpy expenditure in which is allocated to some of their new initiatives.

[11:15]

If some of them do not work or some of them are seen to be more effective than E.D. (Economic Development) certainly has got some latitude to be focusing resources in other areas and other priorities. What we have got to try and do, I suppose, Deputy Reed, is we have got to try and get States Members to be aware of the Ministers' ability to reallocate some of those priorities. Of course, it is up to Members to make an amendment to the M.T.F.P. if they do not like it. We think that we have done some good work, some good analysis, and we have got a good 3-year plan. If politicians want to have some additional leeway to allocate money then they are going to have to ... we welcome amendments on the plan, we welcome a debate about this. If they want to reserve some of that

growth money for allocation in the 2 subsequent years then that is a good political debate and it is a fair point to have.

The Deputy of St. Martin:

Chairman, if I might just come in here. I know it is a little bit off-piste but I would like to ask a question which I was finding difficulty getting in. The Minister has alluded to long-term planning and long-term issues. Can you just tell us at this stage of the discussion why the Medium Term Financial Plan is 3 years and not 5 and why it is fixed and not rolling? There is a combination of issues there, but could you just give us ...

The Minister for Treasury and Resources:

Very good questions. The Treasury would love to have a 5-year plan but we certainly have a 3-year political cycle and some people would suggest that it would be inappropriate if we were to be casting a plan now out to 2017. When we have an election in 2014 the new Assembly is going to say: "Those guys before have already set our plan so we have got no ability to change." That is the first reason. If the Electoral Commission and we as Members do go to a 4 or 5-year term, which may be something that would be in Jersey's interests, the Treasury will respond and we will have a period of M.T.F.P. which reflects the political term, set the priorities at the start and then let us all focus, us on policy issues and our officials at implementation. On the point that you made on rolling, the Treasurer has already initiated a process whereby we will be drafting a rolling plan but it will not be approved until the new Assembly sits. The Treasurer has done some really quite fantastic work about a 25-year long-term plan. We have got a 3-phased approach for health. We have now looked forward, we are now shining the light in what our public finances, our service pressures need to be right through the rest of this decade. In our own minds we are planning a rolling plan and we do not mind publishing some of that but the approval has got to be, I think, respectful of the fact that there is a political term. Do you want to mention anything on that?

Treasurer of the States:

Yes.

The Deputy of St. Martin:

So the answer to all the questions is really the length of the political term dictates everything else?

The Minister for Treasury and Resources:

Yes, really, but that does not mean to say we are not going to be doing the work.

Treasurer of the States:

Just to add, Chairman, we are starting some work now on a 10-year revenue plan which will be 3 terms plus a year. Health are already doing some work. They have a 10-year transition plan as part of their work on the Health White Paper, so that is a key piece of work for us to include in that. We are doing that as part of the overall drive across the States to improve longer-term planning. As you know, within the 7 strategic priorities one of those is to improve longer-term planning for the States. The Minister has mentioned the long-term capital plan, which we have already made quite significant progress on but we have more to do. We are now beginning work on a 10-year revenue plan and what we are trying to do there is to take account. Across the States you will find all sorts of good work that is being done within departments on their planning but those plans do not necessarily all have clear financial implications and they are not necessarily all dovetailed in with other plans across the States. So we are beginning work on that as well. Myself, Andy Scate and John Rogers have been given the task of leading that work on longer-term planning for the States.

Senator S.C. Ferguson:

Have you been doing anything on cost of capital for the States and looking at the value of projects? I suppose it is one way of prioritising, get an angle on prioritising.

Treasurer of the States:

Yes, we have. On the 25-year long-term capital plan we have looked at between 2012 and 2032 at the moment. Part of the reason for doing that is for us to be able to evaluate what our funding options are. It would be wrong to be making, for instance, a decision about do we have a new hospital or do we have a replacement hospital, which will be in the hundreds of millions, which will obviously have very long-term consequences for the Island, if we were doing that in isolation of considering other pressures: what are we doing about infrastructure, roads, sewers, liquid waste strategy and so on. So that is why we are doing that work so that we can take the longer term investment decisions in the wider context for the States as a whole and not just be driven by individual departmental priorities.

The Minister for Treasury and Resources:

I will just add one thing on that, if I may. We have been talking for some time that we are looking much more carefully at the balance sheet and we are managing the balance sheet much more. I mentioned that in the States last week. I have seen an interesting blog posting by somebody that says that because the States Treasury is going out to get some corporate finance advice that Jersey is going broke. I find this an extraordinary thing to say. In fact, what we are doing is we are seeking some advice. Because our public finances are so strong we think there may be a case for using that strength and getting long-term money with very long-term interest rates which we may decide that we will keep some older investments in place, take advantage of the long-term interest rates and invest in

something like public housing, the new housing authority, the hospital. There are all sorts of things that we want to do. We want to maximise. We have always said we accept that we have done some very difficult things about restructuring our economy in the last few years. That is going to have a long-term benefit. We have now probably got one of lowest borrowing costs, if we were to borrow, of any nation because of the strength that we have got and it might well mean in this low interest environment that we could take some long-term funding in order to achieve long-term objectives, very much like the fiscal stimulus thing. If you have got to do a project anyway, bring it forward, get the economic benefit for it and you get very good value as well. So we are looking at that. There is no promises. Any decisions are going to come to the States on that but we are certainly looking now about how we can leverage our position and we can use that very strong position and looking at the cost of capital, as you said.

The Deputy of St. Ouen:

Treasury Minister, you did identify and mention a number of specific areas that have been allocated growth within the Medium Term Financial Plan. I would like to ask you how can the States be certain that that money allocated to growth bids contained in the plan will be spent by departments on those items?

The Minister for Treasury and Resources:

I think that is a very good question and if the Treasurer, the Assistant Minister and I were sitting before you 5 years ago I think that we would be answering that in a very different way. We have got a really strong reform agenda in the way that people think about spending money. Spending money is not just about setting a budget. It is by creating a climate, not a climate of interfering but a climate that means that we are going to help people to make good decisions. We are a very small public sector in Jersey. We have got to allow good managers to manage properly and manage for the longer term. We have got to have a high level of trust. We need a strong, independent watchdog arrangement with the C. and A.G. (Comptroller and Auditor General) and the P.A.C. (Public Accounts Committee). The Treasurer has her own internal audit department. There is a whole range of other controls that exist. But also that we are there to help. That is not me, but the Treasurer is there to help departments achieve their objectives, improving procurement, getting better value for money, making longer-term decisions. It is ultimately for us ...

Senator S.C. Ferguson:

Those are lovely, but how are you going to be certain that money allocated to growth bids will be spent on those growth items?

The Minister for Treasury and Resources:

Well, because departments know that if there is a £2 million allocation for a sewage extension or a sewage works that there are rules about the way that the Treasury has to be reported in terms of moving heads of expenditure and there is probably the most transparent system of spending that you have got anywhere in the world. We put more information out than most people ever do. We are a small community. If somebody is going to start popping up and digging up a road in one area of the Island when there is a capital project that has been approved on the other, somebody is going to notice and ask some questions. I will not be familiar with all of the rules but they are always proposed to me by our officials in the Treasury. We have to change and agree variances in heads of expenditure. We are changing the culture. We trust people in the public sector. People will make mistakes sometimes. We need to learn from those mistakes and we need to encourage people to be coming to the Treasury, seeking the best advice on how they are going to spend their project. It is a whole change in dynamics. It is not just about setting the budget. It is about how you spend and we have got to help people. People do not come into work on a Monday morning in the States and think: "I am going to waste money" or "I want to do a bad job." We have got hundreds of people in our public sector who are diligent, who are hardworking, who want to get best value for money. We want them to manage and we want to give them the confidence that they can manage.

The Deputy of St. Martin:

Minister, are you 100 per cent confident that the growth bids for next year have accurate business plans attached to each one of them?

The Minister for Treasury and Resources:

They are certainly growth bids for 3 years, so some will be more advanced than others, but they have already got the first cut of being accepted as policy proposals. We have spent a lot of time on this in the Council of Ministers and we have given each other a hard time. There is a lot of constructive discussion, a constructive tension that happens on that. Again, this is scrutiny in action. If you have got a growth item that you do not agree with then come and tell us. Come and tell us, we will do some more work to it and we will provide you a report. So you have got the Treasury looking at these things, which sometimes is a little bit uncomfortable for some Ministers, you have got you doing what you are doing, quite apart from the public themselves, and the media and other people are not shy in ringing up. All the detail is there. If people do not want the growth project done then there is the ability to amend it and to remove it and the Ministers are going to have to make their case.

Treasurer of the States:

I would say that some of the growth bids have a huge amount of detail that sit behind them. If you were to, and I am sure you probably have, review the outline business cases, for instance, that Health

have done that sit behind each of their growth bids they are very detailed and there is yet more work that sits behind that.

The Deputy of St. Martin:

You are happy with that?

Treasurer of the States:

I am very happy with that because we have been involved in the Ministerial Oversight Group for Health since its inception. A huge amount of work has gone in by colleagues in Health to develop those outline business cases and to place them in a reasonable way, so I am very happy with that. In some of the other areas then it is necessarily an estimate, it is necessarily difficult. For instance, if you were to look at growth items that are related to dealing with unemployment and job creation then circumstances will change. We have had less of an impact, for instance, from the L.V.C.R. (low value consignment relief) than we anticipated. Some of those things are harder to anticipate because they are affected by economic circumstances.

The Deputy of St. Martin:

Could you indicate why you think you have had less of an impact from L.V.C.R.?

Treasurer of the States:

We just know that we have from the numbers of unemployed people that have gone to Social Security.

The Minister for Treasury and Resources:

It is a very interesting question because certainly the falloff has been less. I think some of it is because there has been a lag because large businesses have decided to see what they continue to do and they have got long-term structural decisions about where they base those activities. Some others have reinvented themselves. They are now serving different markets over the V.A.T. (value added tax) level so they have been more successful. They are reinventing themselves. I do not think we have seen the end of the decline. It is certainly less painful, and that is obviously good for jobs, but we continue to keep this under review. The conference that we are having with the I.o.D. (Institute of Directors) on Thursday is immensely important in giving a real push in terms of how we are going to think about how I.C.T. (information and communication technology) businesses can now work in a hugely optimistic world of growth but they also have got some skilled I.T. (information technology) programmers, retailers.

[11:30]

They have developed some real expertise. The fact that their market has gone does not mean to say that they shut the shop. They moved on to do something else.

The Deputy of St. Martin:

Getting back to these growth bids, I just want to be quite clear. You are 100 per cent sure that all these growth bids for next year, for example, have got well put together business cases and in each case you have looked at it in detail?

The Minister for Treasury and Resources:

We do not do the job of the Minister. Let us be clear, we are there to help. We are a control but I am not the Minister for everything else. If you take the ones that you, Deputy, would be dealing with with E.D., all the stuff to do with back to work, the additional support for Jersey Finance in the Saudi office and the G.C.C. (Gulf Cooperation Council) we are absolutely certain of that. If anything I would like to do it more quickly.

The Deputy of St. Martin:

I accept you are certain that it is a good thing to do. Are you certain that the business case for that level of money has been made?

The Minister for Treasury and Resources:

Absolutely.

The Deputy of St. Martin:

Do the numbers stack up? They say it is X for the rent and X for the employees and X for the whatever else? The business plans are well scrutinised?

Treasurer of the States:

Yes. We have had a business plan for that from J.F.L. (Jersey Finance Limited). The Minister and I met with the Chief Minister and the Assistant Chief Minister, together with Geoff Cook from J.F.L., to review that business plan. So that is another area that is strongly supported by a business case. If you were to ask me where would I be less certain I would say a London representative office. Do we have a really copper-bottomed business case in the same way that you describe in terms of numbers of people, rental costs, et cetera? No. That is still being worked on in relation to that one, but the majority of the items in the growth bids do have detailed business cases that sit under them and, yes, we have read them.

The Minister for Treasury and Resources:

But do we know that we have got to do the London office? Absolutely. The need has been more clarified in recent weeks than ever before. Discussions with the Swedish Ambassador on Friday gave me a very clear indication that this is absolutely required and welcomed and going to help us in terms of communicating what we are doing. But there is a lot of work to be done there. There is a lot of investment here and we need this growth. Your role in scrutinising some of this stuff is also very welcome.

Senator S.C. Ferguson:

Yes. Can we move on a bit, please?

Deputy J.H. Young:

I would like to take us to a different subject of the plan, the policy on the proposals for the future treatment of central contingencies within the plan. I think this section starts on page 122 and goes through to page 124. The starting point for this is that in the 2012 business plan this forecast that there would be £13 million available for central contingencies for each year of the plan. What we have now is that that contingency provision has been used substantially to fund some of the growth items that the Council of Ministers have now planned for and also to “balance the budget”, which is on page 123 there. So that begs the question - obviously this is a change of contingency planning - could you tell us what your view is then of the future arrangements or the future purpose of a contingency budget, if you like, or contingency provision within the States budget, bearing in mind contingencies are usually defined as things that have not happened yet or might happen? Would you like to explain that in simple words for us so we get the philosophy?

The Minister for Treasury and Resources:

Contingencies are not something that just trips off the tongue easily but I will do my best. Clearly because of the success that we have had in managing expenditure early on we have not had to make some allocations to contingencies that we thought, partly because we believe that there is going to be the brought forward allocations of contingencies. We are dealing with contingencies here. We have got contingencies which are for the one-off, which includes A.M.E. (annually managed expenditure) which is the separate area for social security variation. We have got smoothing reserves in relation to court and case costs which have now been solved as a result of that, which caused us lots of problems in the past. Separately from that, we have got the provision and allocation of restructuring costs which is the money that we hold back and we allocate in order to achieve our modernisation and reform. So there is a number of different factors of it. I do appreciate that it is quite complicated, but to cut to the chase the new money that we are allocating for contingencies is less than we previously envisaged. You have seen our thinking about it. One of the reasons why this document is

so thick is that we have given you the iterations. We have not just given you the end product, as you had in the past. You have seen how it is unpacked. How it unpacked at the end of the day was that we would allocate £2 million of A.M.E. reserves, that is £2 million of new money, in 2014 and 2015, we would put £1 million in terms of one-offs, and we would put the contingency which is the unexpected allocation, there is already new £4 million in 2012 and a further £4 million in 2014 and 2015. We will do you a simpler version, because I think we realise it is quite complicated. The back of the 6-monthly report that you have got gives us the up-to-date number of where we think to do with contingencies. I think when you see that, when you understand it, because we will explain it simply, and when you look at that table there you will see why we think that we have put enough contingencies aside to be prudent. Contingencies are there, not A.M.E. and not restructuring. They are there for the unexpected and the balances that we have got in hand for contingencies in terms of we had a balance remaining at the end of ...

Treasurer of the States:

We plan to carry forward £6 million from 2012 into 2013.

The Minister for Treasury and Resources:

You are much better at explaining this than me. Do you want to give a very high summary of what we have got?

Treasurer of the States:

I think you have done it.

Deputy J.H. Young:

If I could just make sure I understood it properly. I think what I heard you say, it is obviously complex and I certainly found it complex, is that basically we do not need as much of a contingency provision that we used to have ...

The Minister for Treasury and Resources:

No. We have put contingencies now in for the first time in the last couple of years since you were a chief officer. We did away with the general reserve and we had nothing. We reinstated some contingencies this year. We pencilled in some amounts, and as usual we are very prudent so we put some very large amounts in of contingency in our first iterative plans. We realised then they certainly have not been used as some people feared as a self-service buffet that is just there for spending. We have now got contingencies which are reasonable assumptions of what we will need for the unexpected. So we have liberated it. We have released some of them and that is absolutely right, they have gone in to fund the growth.

Deputy J.H. Young:

So in that journey, in that new situation you have described, some of the money that we did have for contingencies has now gone in to fund growth?

The Minister for Treasury and Resources:

It was always pencilled in, of course. There were always draft plans. They were never there until we agreed them. We have now hard inked in some amounts but because they are less that meant that certainly, you are quite right, we then allocated that to some of the growth stuff.

Deputy J.H. Young:

Is some of that growth allocation continuing, ongoing expenditure or is it one-offs?

The Minister for Treasury and Resources:

Certainly the health stuff is continuing but we think that now we have got about the right level of annual contingency forming within this M.T.F.P., but it will of course be for the next M.T.F.P. to cast some allocations for contingencies in the light of experience.

Deputy J.H. Young:

Looking at page 124, Minister, you have got there emerging items, which obviously clearly shout as contingencies, freedom of information, the inquiry and legal aid and so on. At the moment you have got a provision for I think £4 million in 2014 and £4 million in 2015. Nothing for 2013.

The Minister for Treasury and Resources:

No, because the carry forward is going to be so we have already allocated ... is it 7 or is it 9?

Treasurer of the States:

There will be £6 million carried forward. Our plan is £6 million to be carried forward from 2012 into 2013.

Deputy J.H. Young:

What I am trying to get at, I suppose, is with this new treatment of commitment are you satisfied that we have still got provision to be able to deal with truly unforeseen matters?

The Minister for Treasury and Resources:

Yes.

Deputy J.H. Young:

It is not sailing close to the wind, Minister?

The Minister for Treasury and Resources:

No. You do not know whether or not you are going to be faced with some devastating thing, and let us hope not. Some of that stuff is going to be covered from insurance, et cetera. The way we are running contingencies is I think people realise it is not a self-service buffet. It is there for the unexpected. The first call on a department's own budget is their carry forward. Sometimes we may allocate some money for contingencies and if there is a carry forward we will claw it back.

Deputy J.H. Young:

Maybe it is not a self-service buffet but is it a menu item now?

The Minister for Treasury and Resources:

No, it is not because I have to report. The rules are really strict. Firstly, it is completely transparent. Secondly, I do not make the allocation, I have to take it to the Council of Ministers, and it is reported. Ministers know that they are going to be given a hard time from their colleagues. This is precious resources put aside for the unexpected and it is hard to get at.

Deputy J.H. Young:

Unless I have misunderstood you, I think we are dependent on a carry forward being available at the end of this year, 2012, in order to give us a contingency provision in 2013.

The Minister for Treasury and Resources:

Yes.

Deputy J.H. Young:

That sounds, frankly, risky.

Treasurer of the States:

It is September already. We know where we are.

The Deputy of St. Ouen:

You say we know where we are but let us come back to the point. Contingency funds were there for and planned to be used for the unforeseen. We know in the past on an annual basis, you as the Minister for Treasury and Ministers for Treasury before you have come to the States with 11(8)

requests for all sorts of different things that were not planned for or provided for in a one year annual business plan.

The Minister for Treasury and Resources:

Let us think about what those were.

The Deputy of St. Ouen:

Sorry, Treasury Minister, let me just finish. Now we see already that this contingency fund has been used to fund ongoing revenue expenditure from ...

The Minister for Treasury and Resources:

No.

The Deputy of St. Ouen:

I am sorry, Minister. In the Medium Term Financial Plan the contingency funds have been used and allocated to departments to be used for ongoing expenditure to cover until growth funding is available, whether it is in 2014 or 2015. I question how on earth do you believe that, given past experiences, the Council of Ministers can gamble on the fact that the significant pressures that we have seen and unforeseen pressures that have developed in the past will not happen in 2013, 2014, or 2015?

The Minister for Treasury and Resources:

I think our budgets and our budgeting and our short, medium and long term planning is better than it has ever been. If you would be saying to me that Health, for example, that you did not have a lot of confidence 5 years ago in Health being able to meet their budgets because they were completely moving from hand to mouth in terms of their arrangements, no long-term plan, many more elderly people coming into the hospital, I think that you would be right. I think that you want to plan out your unforeseen. There are going to be the things that happen that just simply are outside of your control. Bird flu, heaven forbid, foot and mouth, volcano ash cloud, some sort of national emergency; you cannot plan for that. You can put a reasonable amount of money aside, and I think what we have done is that now having the confidence that we have in housing and health we have allocated that in their base budget. Yes, it is in their base budget. It is not putting more money, growing in contingencies. I think what I would also want to make sure is that we do not have contingencies which are now getting so large, as they would have done, because of the good experience that we have had, that this money is there sitting on the table looking as though it is there for people to go and grab. That is the other side of it.

Deputy J.H. Young:

But what if it goes wrong? So, let us say, for example, say, we have a run or very much increased demand in our social security income support system which exceeds these figures, what are the alternatives that you have available to look for sources of future funding, if you do not have that?

The Minister for Treasury and Resources:

Great question. Social Security also now has much better forecasting and one of the reasons why Social Security have an underspend this year, some of it, is because of the fact that they have been cautious, as they always are in terms of their income support, and that is why we have A.M.E. built part of the ...

Deputy J.H. Young:

So, you have dealt with that one.

The Minister for Treasury and Resources:

So that is a ring-fenced one.

Deputy J.H. Young:

So, could there be any others? What about demands for health service?

The Minister for Treasury and Resources:

Well, health service ... John, that is absolutely correct. If we were to be in the position 5 years ago where we simply did not have metrics of the amount of operations, the amount of elderly people going in to hospital, needing to cancel operations if there is a particularly big flu problem we would be blind, but we are not now; we have the Bailiwick model giving us the best information about healthcare demand, whether it is cataracts, heart attacks. I am afraid these things are unexpected to the individual and sad but on a general point of view you can estimate in 100,000 people how many there is going to be.

[11:45]

Deputy J.H. Young:

One more go, Minister, a major sea wall breach, need to rebuild ...

Treasurer of the States:

We will still be settling the capital programme each year, so if we had a major breach of the sea wall then we could reconfigure the capital programme. If it were such a significant issue we could use the strategic reserves. So, we have options.

Deputy J.H. Young:

So, the strategic reserve would come into play.

Treasurer of the States:

If it were such a significant issue like a major breach of the sea wall and damage to the town ...

Deputy J.H. Young:

Can you do that? Or does that require a States decision?

The Minister for Treasury and Resources:

It requires the Minister to bring forward a proposal to the States but, John, if I may say, since you and I were working together on environment and public services we have put a very significant amount of money into our sea defences so we think the likelihood of a breach, touch wood, is rather less than it was when you and I were President and Chief Officer. We have done a lot of work on that since, so give me another one that you think is going to be a problem.

Deputy J.H. Young:

I am conscious of the fact that in this same plan the T.T.S. (Transport and Technical Services) section does identify £471 million of future expenditure which, I think, nearly £200 million is sea wall works.

Treasurer of the States:

That is all part of our long-term capital plan.

Deputy J.H. Young:

But is that funded?

The Minister for Treasury and Resources:

We do not need to spend £200 million on our sea walls in the next 5 minutes, or the next 3 years.

Deputy J.H. Young:

I was using it as a point to illustrate where we would find the statistics.

Treasurer of the States:

Yes, it is funded. The only elements within our long-term capital plan, and I have shown you this previously at this meeting where we still have to identify funding, are for the hospital and the sewage, the liquid waste strategy.

Deputy J.H. Young:

I will come back to that, if I may.

The Minister for Treasury and Resources:

They are really good questions and they are questions about long-term infrastructure, this view that somehow our infrastructure is in an appalling state and falling apart. Let us just consider just how much we have been putting in our infrastructure in the last 5 to 6 years. We have an incinerator that is paid for in cash. We have been putting investments in terms of things like Philips Street Shaft. A lot of the fiscal stimulus money that did not go into housing went into infrastructure works. We are in a pretty good position compared to a lot of other places and we have no debt on it. Do we need to look at the structure of the liquid waste system? Yes. That is another of our projects that we are going to be working with the panels going forward on and we need to do it but we are in a good position. We need to carry on this long-term planning.

Deputy J.H. Young:

Thank you. We will be coming back to that again at another time.

The Deputy of St. Martin:

Minister, I would like to talk about carry forwards and I would like to start by quoting one Chief Officer who said to us at a public hearing: "The rules on carry over is there has to be a firm commitment to go into next year for us to be able to carry over any monies. Generally we have not been able to carry over monies just for the sake of it, or because we may wish to spend it in the following year. So it has to be quite firm for us to be able to get that money." Can you confirm to me, or otherwise, that that policy applies over all departments under your control.

The Minister for Treasury and Resources:

It does.

The Deputy of St. Martin:

Is that the police of Economic Development where they would identify specific projects and carry the money over, or is it slightly different?

The Minister for Treasury and Resources:

I am sure that you have examined all of the decisions that we have made with carry forwards with E.D. E.D. are in a slightly different position, in fact they are in a slightly better position than some departments because they experience some windfall income as a result of some good negotiation with Ofcom and also some allocation of some spectrum state revenue that they received, and they also received some extra money, as I recall, from the digital switchover amount that was a premium that was taken from the licence fee and we allowed them to keep that money.

The Deputy of St. Martin:

Would you not have preferred to have had that money back to the Treasury?

The Minister for Treasury and Resources:

Deputy Noel and I always like taking money back to the Treasury but we have to be reasonable for departments. If departments think that every time they make a saving, or they get some windfall money, and the Treasury comes along and whips it then there is no incentive for them. Now, E.D. has done a good job because we gave them the indication that they could keep that revenue and they trimmed some of their growth requests as a result of it. But it is all transparent.

The Deputy of St. Martin:

Do other chief officers feel that way, or do you take that view with other chief officers?

Treasurer of the States:

We are very consistent with the treatment of carry forwards. We have produced a report and published it on the carry forwards from 2011 and we do require departments to support their proposals for how they are going to use the carry forward money. I accept in the case of E.D. for the reasons the Minister just describes, that there are times when departments want to carry forward money and they want to use it for supporting in E.D.'s case something like tourism development, for instance. So, we know that they are going to use it for tourism development, we do not know that they are going to use it for A, B and C schemes associated with tourism development. But on the whole we have detailed proposals from departments as to how they plan to apply their carry forward balances and they do use them in the way they describe.

The Minister for Treasury and Resources:

Just very briefly, Deputy Maçon's panels have had some challenging, as all departments have had, C.S.R. (Comprehensive Spending Review) objectives to deliver on and they have been very sensible in managing the implications of their budget cuts on C.S.R. over a longer period of time, but they have said to us: "We will deliver the C.S.R. savings but we certainly expect our carry forwards to be able to

be carried forward in order for us to manage that process” and we welcome that. The Treasurer meets with all the finance directors and the chief officers quarterly, there are reports done, we talk regularly about exactly what is in those numbers, Ministers are engaged in some of that, this is good ongoing active management and part of the philosophy that we are trying to do is moving away; financial control is not just about setting the budget. It is about giving people the latitude and getting them to take responsibility and managing better and they are.

The Deputy of St. Martin:

So, any chief officer who can save a few pounds, or can come up with a good, imaginative scheme which will be good for his department in the following year, you will look seriously at allowing him to keep that money?

Treasurer of the States:

That is the whole point. So that departments, instead of feeling this pressure that if they do not spend it they are going to lose it, which is really going to drive anything but value for money when people make decisions in that sort of way. The whole point of what we are trying to do with carry forward is to enable departments to manage their budgets better and to get themselves in a position where they can make and bring about changes and deliver savings for the long-term. If we were to say: “Right, you have achieved that saving, Chief Officer, we are having it back at the centre now” that would be such a disincentive to bring about change ...

The Deputy of St. Martin:

The reason I asked my question is I have interviewed 3 chief officers on this issue, carry overs, carry forwards, and they all seem to have a slightly different view on how it is supposed to work so there is some work there to try and get that message across.

Deputy J.M. Maçon:

I wonder if I can quickly interject there and just ask from the oversight, do you feel that the skills in developing these types of business cases and the expertise in order to put them forward towards the Treasury are equally equipped in each department, or is there varying levels in each of the different departments?

Treasurer of the States:

I think there are varying levels in each of the departments but also I think there are different leads in each department, so the level of work that has gone in on health, as I mentioned earlier, has been really detailed but it has been supported by a huge programme of work by KPMG which has all been funded. So, you cannot expect the same quality of underpinning information to be there for a

department that is producing their business cases just within their own resources. That would be unreasonable. So, there are different levels but they are still adequate.

Deputy J.M. Maçon:

Just from that, the point is that your department are saying that if they have a good business case and they can prove it then they might be able to get their funding. Obviously if there is a huge skill gap between different departments then they will never be on an equal footing and I wonder ...

Treasurer of the States:

We would help them.

Deputy J.M. Maçon:

Yes, thank you.

Treasurer of the States:

We would help them. So, if a department was struggling to develop a business case in a particular area we would happily provide some resource from Treasury to support them in doing it.

The Deputy of St. Martin:

Minister, could you just clarify central carry forwards for us which were referred to in an email that you sent to us quite recently and it is not something referenced in the document?

The Minister for Treasury and Resources:

Treasury hold the contingencies and restructuring provisions so they are within our own cash limit. They are not within our own departmental spending but they are the things that are held. I think that is what that refers to.

The Deputy of St. Martin:

Moving on then to Comprehensive Spending Review, notwithstanding the schools issue which has been covered separately, how happy are you that the savings in C.S.R. are going to be achieved?

The Minister for Treasury and Resources:

Well, I am as disappointed as anybody that we will not have reached the £65 million additional target that we agreed to lift, partly as a result of the good work that Corporate Services did. We of course originally lifted the target from £50 million to £65 million. The progress has been good and we know the arguments for education, those are political decisions and I accept them but the progress that has been made on C.S.R. is excellent. Not everything will have worked. Some departments have come

forward with alternative ways of delivering but we received ... I think I have my latest ministerial meeting with the Chief Minister on Friday which will get our up-to-date numbers of what is going well, if there are any problems. We have this early warning system which we have which says if there are any difficulties. I think this is a hugely beneficial project. It has been tough. It has been difficult but we are a government; by 2013 we will have delivered £55 million worth of savings, efficiencies, service reductions where necessary, and I think that is better than a lot of other governments. They talk about austerity, well, some governments have done austerity, they have promised it but they have not delivered it. This is efficiency and economy and we have changed the culture of the States. But C.S.R. does not end but it is going to be a different focus of the C.S.R. in the future as we focus on people spending money wisely, rather than just having the arguments of taking out of the budget.

The Deputy of St. Martin:

Do you think it is a genuine saving though, Minister, when in Year 1, for example, the money comes off for the C.S.R. and Year 2 it is given back in a growth allocation? So, in actual fact after 2 years they are still spending the same amount than they were at the beginning?

Treasurer of the States:

We did a review, Chairman, on that to make sure that that was not going to happen and there was an instance in E.D.D. (Economic Development Department) where they put forward a growth bid which we felt was rather close to a previous saving and we asked for them to withdraw it.

Senator S.C. Ferguson:

You also have the one in the Chief Minister's Department where you are closing down one London office and opening another one.

The Minister for Treasury and Resources:

But that is something very different, Chairman. That is very, very, very different. First of all, the London office, as far as Jersey Finance is concerned, was E.D.'s budget. There was the issue of the Director of Financial Services for a period of time in London; that was all part of that Financial Services and I think when you are doing something and you realise that you can do something in a slightly different way or a better way we should not be shy of saying: "We have a better way forward." That London office is not going to be a Financial Services office it is going to be a States of Jersey office which is going to be dealing with the issues of the Ministry of Justice cut-backs and the issue of raising awareness and communicating as part of the London environment, part of the Westminster bubble, to raise our awareness and we are not doing anything different from the Falklands Islands, Bermuda, Cayman, et cetera, and I have no doubt that is going to be enormously helpful in avoiding

things like the ending of the reciprocal health agreement. There is a whole panoply of stuff that Government needs to deal with ... our 2 governments.

The Deputy of St. Martin:

I am sorry it has taken me so long to find it but have so many pages there. The case in point came from the Chief Minister's Department where there is a net C.S.R. saving of 2 in Human Resources and the following year the M.T.F.P. gives them growth posts back exactly the same. I mean, within 2013. This is going to be next year.

The Minister for Treasury and Resources:

Deputy Noel sits on S.E.B. (States Employment Board) for me so we would be slightly nearer ...

The Deputy of St. Martin:

Next year it is identified to save 2 jobs as part of the C.S.R. and next year it has identified to add 2 jobs as part of the M.T.F.P.

Assistant Minister for Treasury and Resources:

Yes. If you look at it in that respect you are completely right, Deputy. Unfortunately they are completely different jobs..

The Deputy of St. Martin:

Okay. But would you not say that if Human Resources say they are going to save 2 jobs as part of the C.S.R. and then they add 2 jobs as part of growth in another part of their section then really is not a saving at all.

Assistant Minister for Treasury and Resources:

If you look at the headcount figures at the end of that period you are correct, you will have the same headcount but they are completely different jobs. The new jobs are being brought in to ensure that we can get some modernisation in the public sector and to drive that initiative.

[12:00]

The Minister for Treasury and Resources:

You are not wrong. Health have had £1.8 million worth of savings to be taken out in 2013 but we are then giving them many more millions in other areas but none of that list of savings that we are doing in terms of health are doing the different things for the growth requests. The cuts are in energy

savings, or one of the other largest ones is the procure to pay project but the actual growth is going into community nursing and mental health services.

The Deputy of St. Martin:

I might venture to suggest, Minister, that the word “savings” is unfortunate where the interpretation of savings is that you get to the end of the following year and you have spent less.

The Minister for Treasury and Resources:

That is because people confuse the “S” in the C.S.R. process. It was a critical spending review, not a critical savings review but you make a point that is important. It started out from the C.S.R. saying that we were spending £650 million and we were going to be ... if we carry on doing the same services in that environment, and while there has been some service cuts, we would deliver those services for £50 million - £65 million less and that is what we have done. Now, that is separate from the fact that we are putting more money in some areas back to work, economic growth stuff, to do with housing. Now, we have repeated and repeated and repeated that message right the way through but I am sure that I am going to have to repeat it a few more times so that people understand. I think you understand it but your question is right, if it would be the same H.R. (Human Resources) people we would be saying: “No, that is wrong” and we are the arbiters of this as well sometimes. We have to make sure that departments are delivering their C.S.R. objectives but broadly speaking this has been a huge success. The next wave of efficiencies in the public sector is going to be driven by technology, it is going to be driven by the other modernisation projects. So there is a lot to do. The corporate departments of the States of Jersey, H.R. and I.T.; there is still a lot to do.

The Deputy of St. Martin:

If I could just take you to another one of those headings, Minister. One of the 2 or 3 important parts of government where we could genuinely save money, and that was procurement. Can you tell us where we are with that and who exactly is responsible for delivery of procurement savings?

Treasurer of the States:

Currently we have taken £3 million out by the end of 2012, so we have a further £3.5 million to find. We have covered that in the medium term financial plan by setting that against a C.S.R. restructuring pot so we will not allocate from that C.S.R. restructuring pot if we do not achieve our procurement savings. Where we are at the moment, I would say that I would be worried about maybe £1 million of the 6.5 original target.

Senator S.C. Ferguson:

Who is responsible?

The Deputy of St. Martin:

Who is responsible for driving those savings?

Treasurer of the States:

I am.

Senator S.C. Ferguson:

Super. Jeremy.

Treasurer of the States:

I do not intend to do it all on my own though, Chairman, so other people will have to do their bit.

Senator S.C. Ferguson:

Yes, but you are carrying the can for it. I mean ...

Treasurer of the States:

I carry the can for a lot of things.

Senator S.C. Ferguson:

Originally it was John Richardson.

Treasurer of the States:

Procurement transferred into Treasury last July.

Senator S.C. Ferguson:

Right.

The Minister for Treasury and Resources:

The Treasurer has a difficult job. She has to get the budgets out of those other departments and they are only going to accept that the budgets are coming out when they have been proven, but I think the procurement area is being extraordinarily well done and ...

Senator S.C. Ferguson:

Well, we will get around to that when we do our review on that.

The Minister for Treasury and Resources:

Let us give credit where credit is deserved.

Senator S.C. Ferguson:

Can we crack on please because ...

Deputy J.M. Maçon:

We are conscious of time and we have touched on this. It is simply for the record. How will the M.T.F.P. being monitored and reported?

The Minister for Treasury and Resources:

Brilliant questions. Really important. I think I have repeated a number of times this morning on the importance of not just setting budgets but the actual reporting and the focus on how we are spending and how we are reporting. You are going to get a 6-monthly report every year. Obviously, from a Treasury point of view, all those growth bids will have to be ultimately reviewed to make sure that they are being spent on the areas that ... we do not want to set up a whole bureaucracy; people are trusted. There are legal responsibilities of accounting officers to do things. So, when we vote something in the States we expected it to happen and if there are going to be changes there are some aspects that we have to sign off from a ministerial point of view and the Treasurer also under delegated powers has substantial powers in relation to agreeing. I think it is fair to say the Treasurer is fair but she is tough to convince on some areas. So, there is a whole mass of monitoring. The Treasurer has put in place a whole new reporting system in the States of Jersey. There is monthly reporting, there is quarterly reporting to the Council of Ministers. We are publishing some of those reports, it is not appropriate to publish a quarter report of everything that is in the States, there would be lots of confidential information in there but there is a new world of reporting. There is good management information, there is dashboards of information that people can understand, performance management data is also improving. Do you want to ...

Deputy J.M. Maçon:

Just talk about the mechanism; how it will work.

Treasurer of the States:

How it will work. We already have the arrangements that the Minister describes so we already have quarterly monitoring reports on revenue and capital that go to Corporate Management Board and to the Council of Ministers on a regular basis. We plan to carry on using that same process. As you know, we have just published for the first time the 6-monthly report, just a summary report, to all States Members and we have done it at a summary level in the hope that people might read it. There

is a lot more detail that sits behind that that we have routinely, within Treasury and within departments, so we plan to use that same process. It is established it works and it has all the right people involved in it. That information can be available to Scrutiny whenever you want it, our quarterly monitoring reports, and you have seen some of those on previous occasions. So, we plan to use that same mechanism. Of course within that we will continue with our normal process of closing the accounts and when we close the accounts that will inform our out turn position and we will then review ... we are not going to wait for 3 years before we do any more financial planning and although we are not committed to it we do plan internally to do a rolling year. So, we have to look ahead.

Deputy J.M. Maçon:

Just on that, that cannot be just by the Treasury; all departments presumably have to buy into that process and will contribute to it.

Treasurer of the States:

They do and that is well-established and understood.

Deputy J.M. Maçon:

In that process, when something in the M.T.F.P. is not achieved or is deferred for whatever reason, how will that be monitored by the Treasury?

Treasurer of the States:

Just through that process. We will report on it so ... if a department is underspending in a particular area then that will feature in the monitoring report and it will be clearly explained that they are underspending and why they are underspending. The same process will apply. It is not a big deal. In the quarterly monitor we also report on the income side as well, on the income forecasts and just how we are doing against those.

The Minister for Treasury and Resources:

I do not think we would have any problem under confidentiality because some of it is clearly commercially confidential information. I do not think we would have any problems with scrutiny panel seeing it.

Treasurer of the States:

They can have them every quarter.

The Minister for Treasury and Resources:

You can have them every quarter. There is no problem. The scrutiny panels of their departments, more than happy to see the quarterly reports. I am sure the Treasurer would be happy to come and brief you. The thing that has really changed that happened in the past is we have a job family for finance across the whole States now, and that is something that has never happened. There are no silos in finance. The Treasurer's staff, while they work within departments, they are part of the Treasurer's finance team, and that has been a huge move forward in the way that we have had things in the past. Treasury, there is the F.A.B. (Finance Advisory Board) consisting of finance directors ...

Treasurer of the States:

Which has existed for a long time. That is not a new thing.

The Minister for Treasury and Resources:

But the working together is now, in my experience, much more close.

The Deputy of St. Ouen:

Article 9 of the Public Finances Law provides scenarios under which the medium term financial plan once approved can be amended and the health and social services scrutiny panel have been advised that there would be a technical amendment to the medium term financial plan following adoption of the housing transformation programme. They have also apparently been advised that the draft medium term financial plan does not yet make allowance for the full impact of the modernisation programme just mentioned. Can you confirm how the medium term financial plan, once approved, could be amended?

The Minister for Treasury and Resources:

Well, there are a number of abilities that the Council of Ministers themselves have to reallocated budgets themselves. I mean, we were talking about a disaster earlier and the first call is obviously to reallocate existing budgets, identification of underspend. So, there is always going to be some flexibility. Ministers themselves have flexibility; they are given a budget, they have to obviously spend it in the way that they have said but they can move money around heads of expenditure in different ways, just as any way that happened before. So, there are some inbuilt flexibility. As the Treasurer said earlier, we have to do the annual decision itself on capital and that is an important annual decision that we have to make. We make allocations in relation to contingencies, restructuring. So, it is not just fixed in stone absolutely; the limits are but then obviously there is always a margin of changes that will happen over a 3-year plan. As far as big plans are concerned it is Article 9, is it not?

The Deputy of St. Ouen:

Correct.

The Minister for Treasury and Resources:

Article 9, yes. I mean, the law sets that out of exactly what can be done and it is pretty difficult to ... there is an equivalent of a 118 in there which is Article 9.2 and there are issues ... I have used exceptional powers to allocate money for health for the flu pandemic without even reporting that to the Council of Ministers or the States. I have to do so pretty quickly and those issues are there. The new Council of Ministers in extremis could take forward a variation to the plan as set out in Article 9.3.

The Deputy of St. Ouen:

Can States Members amend?

The Minister for Treasury and Resources:

Well, no. It is like everything that we do in our system. The States is the legislature. It is not the executive but of course the legislature can request the executive to do something.

The Deputy of St. Ouen:

Because you just spoke earlier about how we can have confidence that the growth allocated for certain specific items will be used. You just told us that is not really the case because the ...

The Minister for Treasury and Resources:

No, I did not say that.

The Deputy of St. Ouen:

... the Council of Ministers can reprioritise funding and deal with pressure, which is right, we understand that, and move funds for specific purposes. I suppose what we are trying to understand is you speak about fixed limits but then you go: "Well, the limit is not fixed because the Council of Ministers [or yourself even] could choose to introduce additional monies if necessary." Is that correct?

The Minister for Treasury and Resources:

This is sensible flexibility. Departments are given certainty in terms of what their budget is. I am explaining the extremist position; if something was to radically change. If we were faced with a £40 million bill because some tragedy was to have happened, what would we do? The first thing is we would decide whether or not that £40 million was a higher priority than some other things and we would take it to the Council of Ministers and say: "What do we want to do?" Do you want to stop that particular project? Are we going to put on hold those important health projects for 2 years? Would

we not do a piece of capital spending? Or would we be taking additional appropriation to the States? You have to have certainty. That is what makes for good decisions over a 3-year period but you always have to have some inbuilt flexibility, but that flexibility has process around it, it has a certain amount of reporting to the Council of Ministers, reporting to the States. If you change the limits you would have to take it to the States but the law is pretty clear that it is pretty tough to do that, as it should be.

The Deputy of St. Ouen:

So, what is a technical amendment? What would you class as a technical amendment?

[12:15]

The Minister for Treasury and Resources:

I would like to answer your question accurately but I just do not ... is that from the law?

The Deputy of St. Ouen:

That is what we have been told could be used to deal with once ...

Ministry for Treasury and Resources:

Which bit of the law?

The Deputy of St. Ouen:

... or if the States adopted a housing transformation programme which is obviously subsequent to the agreement in the medium term financial plan. So, it is just to understand, what is a technical amendment?

Treasurer of the States:

Just in relation to housing, we have included a separate appendix in the M.T.F.P. that sets out the possible impact of housing incorporation on the plan. We did not need to do that in the same way for harbours and airports because harbours and airports already operates as a trading account and therefore has a nil budget within the States generally, whereas housing does not. Housing has just over 40 staff, for example, and we have set the budgets for housing within the medium term financial plan as if they were continuing within the States. So, if housing becomes incorporated in 2014, which is our plan, then that will alter the medium term financial plan. There are also other consequential effects of housing becoming incorporated, not least that they would be able to repay the £27 million plus the £8 million for Le Squez. They would be able to repay those monies to the States once they become incorporated and our plan assumes that they become incorporated and they will repay those

monies to us. So, there are described within the medium term financial plan those express circumstances where we already know, we anticipate there to be changes as a result of decisions which are intended to take place in 2014.

The Deputy of St. Ouen:

The final question is, with these technical amendments, and I am still not clear exactly what a technical amendment is, but would it require States approval or is it something that ...

Treasurer of the States:

I do not know where you have obtained the phrase "technical amendment" from.

The Deputy of St. Ouen:

Well, any amendment. You say that it would be amended. You just explained that.

Treasurer of the States:

About the amendments for housing.

Senator S.C. Ferguson:

Well, it was put to the Health and Social Services Panel that it would be a technical amendment.

The Minister for Treasury and Resources:

By whom?

The Deputy of St. Ouen:

All I am asking is, if the medium term financial plan requires to be amended because of a subsequent States decision on the housing transformation programme, who makes that amendment, or that change?

Treasurer of the States:

That is already written in. So, within the medium term financial plan it is already made clear within the medium term financial plan that the expectation is that housing will become incorporated from January 2014.

The Deputy of St. Ouen:

So, you have assumed a decision that has yet to be made and applied it within the plan?

Treasurer of the States:

No, no. What we have done is we have built ...

Senator S.C. Ferguson:

Can I explain? It was the public hearing and the Minister for Housing gave the term “technical amendment”.

The Minister for Treasury and Resources:

Shall we do a note on this separately?

The Deputy of St. Ouen:

Yes.

Treasurer of the States:

What we have done within the plan, we know that the plan is that housing will be incorporated. We cannot ignore that, so we have built the base budget up for housing in the way in which we normally would. We have then put an appendix into the medium term financial plan that describes what happens if housing becomes incorporated. So, when the medium term financial plan is approved it provides for both situations. It provides both for housing continuing, because the money is there in the base at the start, and it also provides for what if housing becomes incorporated. Now, both of those circumstances are set out in the plan at the outset. So, when you agree the plan you are agreeing that as well.

The Minister for Treasury and Resources:

Can I just ...

Senator S.C. Ferguson:

We are running out of time and John has a question.

Deputy J.H. Young:

If we can talk generally about this issue of amendments because I think it is important. If I can just reflect with a summation of what I think you said about the arrangements for changes, and then a question. I think I heard you say that if the overall limits of the medium term financial plan needs change during the lifetime that will require a States decision, but if there are changes within, monies can be moved around by the Council of Ministers, across ministries if Ministers themselves can make changes within their ministerial budgets i.e. if they have sums of money they can move from one project to another, presumably by ministerial decision. Have I summed up the arrangements? Could

I then ask, what are the arrangements going to be for transparency and accountability of those transfers? Are we going to see regular reports to all States Members that tell us what changes have been made and what monies have been moved around?

Treasurer of the States:

We have set those out in a procedure note already.

Deputy J.H. Young:

So there is going to be those publication of those ...

The Minister for Treasury and Resources:

It is already done.

Deputy J.H. Young:

Will States Members be able to respond to those decisions in some way in States procedure, for example?

The Minister for Treasury and Resources:

Well, first of all I report them as an "R" every 6 months but a lot of these things are subject to ministerial decisions which scrutiny panels look at all ministerial decisions from departments so you see them and it is subject to the normal political debate. If somebody sees something they do not like they can question it. If they do not like it they can bring forward a proposition to the States to request that the Minister does it. I do not think the Ministers cock a snook to the States on those things generally and it is all pretty transparent, John. But we are happy to send you the procedure on that if that helps you. But you pretty well nailed it. That is exactly how it works and it is transparent. The publication is made almost immediately the M.D. (Ministerial Decision) ink is dry.

Senator S.C. Ferguson:

As a final other matter the draft M.T.F.P. reports that J.T. (Jersey Telecom) wants to restructure its balance sheet and repay a 9 per cent preference share to the States with a par value of £20 million. This repayment could then be used to fund £15 million capital investment and £5 million for the innovation fund. It could be said that this is the States using up its savings to fund spending. So, why is this a good deal for the taxpayer?

The Minister for Treasury and Resources:

Well, first of all we own J.T. 100 per cent and ...

Senator S.C. Ferguson:

Yes, but why is it a good deal for the taxpayer?

The Minister for Treasury and Resources:

Well, it is the appropriate deal for the taxpayer because it is basically getting some resources held within J.T. on to the States balance sheet in order for us to fund our innovation fund and it is also meaning that we have some additional cash resources in order to underpin and pay for our capital programme. I set the objective because the Council of Ministers wanted to pursue capital and we are putting a big focus on capital. Let us be clear about that. We are putting a lot of focus on capital. We are making capital spending work as hard as we possibly can because of the economic situation, getting good value for money for projects and making them happen earlier than otherwise would have been the case. This seemed like a sensible way forward. J.T. are very happy with it ...

Senator S.C. Ferguson:

Yes, but we are changing from something where we are getting 9 per cent on £20 million, which is not to be sneezed at, and we are funding £15 million of effectively housing and stuff like that where we are not getting a return, and we are funding £5 million for the innovation fund which we have promised £10 million to. Why is it a good deal for the taxpayer? We are reducing our income and putting it into capital?

Treasurer of the States:

We are not reducing our income because the States is 100 per cent owner of J.T. and therefore we will still get the income; we will just get it in a different way by an increase in dividend, Chairman. Also, it is a good deal for the taxpayer because we are targeting resources towards priority areas without having to resort to the taxpayer for extra contributions, so we are redirecting £20 million from J.T. into the priority areas.

The Minister for Treasury and Resources:

If you have a better idea on the balance sheet of identifying how we can get £20 million then we are all ears but it seems to us a pretty good situation. Also, the board of J.T. are happy for that. That is part of their overall strategic discussions that we have been having with them about their plans and we own them. So, we are either going to get it on the interest return or we are going to get it on the dividend. It means that we can get that money immediately and put that money in our capital programme and particularly the innovation fund, which itself is going to be coming to the States for separate approval of course.

The Deputy of St. Martin:

I would think the question must be, Minister, are you satisfied that the situation with J.T. will put them in a beneficial position to allow you to recoup that £20 million in a different way?

The Minister for Treasury and Resources:

Notwithstanding some odd media comments, not the fault of the media but because of some vested interests, I am very pleased with what J.T. are doing and I think that what we are doing in terms of building Gigabit and doing that and positioning Jersey for an I.C.T. business and sector for the longer term it is good for the public sector and e-Government. It is good for existing businesses here and it is good for building the first export bit of the economy which we have been trying to do in terms of diversification. I am 100 per cent ... I am more enthusiastic than I have ever been before and I welcome as many of you to the debate on Thursday to listen just how exciting and how important technology is going to be for our economy in the longer term.

The Deputy of St. Ouen:

It does seem though, rather odd, Minister for Treasury, that on the one hand a decision is made to provide £20 million to Jersey Telecom to help fund Gigabit Jersey and the rollout of fibre optics and in the next breath we are saying: "And by the way we want it back."

The Minister for Treasury and Resources:

No, because they are just funding some of their balance sheet requirements in a different way. It just means that their overall reporting looks rather better. I mean, it is rather odd. In J.T.'s interests they do not want to pay 9 per cent. Well, that is fine but we will get it back anyway because of the dividend. It just seems to me that that money is better at work in the public sector than it is worth lending to J.T. at 9 per cent. It is about cash planning, cash flow.

The Deputy of St. Ouen:

But surely you must have known that this £20 million was required for capital investment and this innovation fund and yet a decision was made: "Well, we are not going to use it for that we are going to give it to Jersey Telecom to develop Gigabit Jersey." Then 6 months later: "Oh, no, we are going to have it back now. I do not care how it comes back." In this case it has been attributed to the preference shares but we are getting it back again.

The Minister for Treasury and Resources:

No, no. We have always been in discussions with J.T. about this. This is just the rolling out of our long-term plan with J.T. The fact that it is announced when we do the M.T.F.P. because that is when the decision needs to be taken because we need to get States approval for the repayment of any

debt, which is fine, we are not criticising that. That is fine. It is all part of our plan with J.T. and it is working very well.

Senator S.C. Ferguson:

But the £15 million capital investment is mainly going into housing.

The Minister for Treasury and Resources:

Excellent.

Senator S.C. Ferguson:

And £12 million to Dandara.

The Minister for Treasury and Resources:

Oh, Chairman, I know you have views about Dandara, but I am not going to rise to that question. It is a completely, frankly, outrageous thing to do. It is not going to Dandara. It is going to the workers and it is going to the people who are going to benefit from these houses. It is not necessarily Dandara because we are in discussion with a number of different house purchasers. I know you have strong views about gated communities and senior citizens homes but please do not use your position at the Corporate Services Panel to cast aspersions on and make pejorative comments about Dandara. I just think it is wrong and unfair.

Senator S.C. Ferguson:

Well, you were talking about buying 50 homes at the back of St. Saviours parish hall.

The Minister for Treasury and Resources:

Absolutely. At very good value and if you think we are going to buy them for anything other than spectacular value then you do not know Deputy Noel and the property services team very well. We are not only going to be doing that but working with St. Saviours parish who have no senior citizens homes to deliver the other planning obligation of 35 units. So, if we buy, we will buy 50 at our long-term value arrangements on the debt redemption model and that particular developer is also providing 35 units of accommodation at zero cost in relation to St. Saviours. It seems to me that in this particular time of the economy, getting 85 people in social housing in excellent quality housing, is good for the construction industry, good for parishioners and good for our senior citizens and I think I will leave it there.

Senator S.C. Ferguson:

All right. Anything else?

The Deputy of St. Ouen:

One last matter. Just on the issue of carry forward I know that you tried to explain how they would be managed but it would be useful if you could provide us with the information of the detailed procedures that would be required to be followed in the way those carry forwards will be handled.

The Minister for Treasury and Resources:

Yes. I am sorry but I am going to have to leave you. I am sure the team can stay if you want another couple. I have certainly enjoyed these questions. We stand ready to answer any of your additional questions on detailed issues or otherwise and I hope we are going to have a good M.T.F.P. debate on good data and good information and we welcome amendments and we welcome your comments. So, thank you very much for all of your work and I know your advisers are doing a lot of work as well.

Senator S.C. Ferguson:

Well, I was just about to close, Minister, before you jumped the gun there and to thank you for your attendance this morning and for your team. No doubt there will be questions arising and we shall be in contact.

The Minister for Treasury and Resources:

Look forward to that.

[12:30]