



## Corporate Services Scrutiny Panel

### Quarterly Hearing

## Witness: The Minister for Treasury and Resources

Monday, 12th July 2021

**Panel:**

Senator K.L. Moore (Chair)

Deputy S.M. Ahier of St. Helier (Vice-Chair)

Senator T.A. Vallois

**Witnesses:**

Deputy S.J. Pinel of St. Clement, The Minister for Treasury and Resources

Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources

Mr. R. Bell, Treasurer of the States

Ms. F. Fraser, Deputy Director, Revenue Jersey

Mr. S. Hayward, Director of Treasury and Investment Management

[10:30]

**Senator K.L. Moore (Chair):**

We welcome Deputy Pinel and the Treasury team. This is a normal hearing, not hybrid, so we are all here in person today, which is good to see. We will start with the usual introductions. I am Senator Kristina Moore and I am the chair of this panel.

**Deputy S.M. Ahier of St. Helier (Vice-Chair):**

Deputy Steve Ahier, vice-chair.

**Senator T.A. Vallois:**

Senator Tracey Vallois, member of the panel.

**The Minister for Treasury and Resources:**

Susie Pinel, the Minister for Treasury and Resources.

**Treasurer of the States:**

Richard Bell, Treasurer.

**Assistant Minister for Treasury and Resources:**

Lindsay Ash, Assistant Minister for Treasury and Resources.

**Deputy Director, Revenue Jersey:**

Fiona Fraser, Deputy Director of Revenue Jersey.

**Director of Treasury and Investment Management:**

Simon Hayward, Director of Treasury and Investment Management.

**Senator K.L. Moore:**

Thank you all. We have a lot to get through today so I will ask that you could keep answers as concise and to the point as possible and we will try to do the same with our questioning. We are going to start just looking at capital projects and general activities. There are a number of ongoing capital projects at this time and we have seen with the publication of R.105 last month that some of those have indeed been deferred. Minister, could you just talk us through firstly whether you are confident that these projects will be delivered?

**The Minister for Treasury and Resources:**

We have been through quite a lot of this in intense detail, as you can imagine. We have had meetings with all the Ministers from all departments to say what they can deliver on time and within what budget. The ones that we have realised have to go ahead are going ahead and ones that might not be able to be delivered on time are being curtailed. It will be in the Government Plan as to what we are doing.

**Senator K.L. Moore:**

What was the reason that provoked those conversations with your fellow Ministers about which projects could be deferred or not? Why were you having those conversations?

**The Minister for Treasury and Resources:**

We did last year as well. It is an annual thing that we get the Ministers together to find out what they can proceed with within the Government Plan timeframe, or really the next year of the Government, and what could be deferred in order to rebalance the books, which needs doing because of the pandemic situation.

**Senator K.L. Moore:**

Also the cost of the Our Hospital project. That was the purpose of R.105, which was transfer of expenditure to pay for the ongoing cost of that.

**The Minister for Treasury and Resources:**

Yes, that was about £17.7 million that we had to do because of the delay in the hospital project and the costs that incurred.

**Senator K.L. Moore:**

They are things that had to be done to meet the cost of the hospital project as it has been laid out by your Government. When the decision was taken to rescind Gloucester Street as a site, the point was made several times in that debate that doing so would be a cheaper alternative to the Island in terms of delivering a hospital. How do you, as the Minister for Treasury and Resources, feel now that you are looking at an affordability envelope of £804 million as opposed to £466 million for the previous proposal?

**The Minister for Treasury and Resources:**

The delay of course has incurred a huge cost, the delay from the rescindment of Gloucester Street, as you said. We still have to put the new programme to the Assembly. It is going to be lodged on 3rd August ...

**Senator K.L. Moore:**

Sorry, if I may, with respect, the difference in cost of £466 million to £804 million is not due to delay. It is due to the different hospital that is being built by your Government. Those are political decisions that your Government has taken that have led to a completely different proposal being brought to the public, which is not a cheaper alternative. That is how it was dressed up to Members when they took that vote back in February 2019.

**The Minister for Treasury and Resources:**

With respect, it is a lot due to the delay because costs have gone up in the time since the Gloucester Street rescindment was made. There are considerably more expensive contractual costs incurred

now because of a time delay. It is due to that, not entirely, but certainly as part of the increased cost is a delay in timewise of building.

**Senator K.L. Moore:**

But essentially the project that has been chosen by your Government is a completely different project. I could show you the transcript from hearings with the Future Hospital Panel and the hospital team who say: "You cannot compare the 2 because it is apples and pears." Essentially that is the political decision that your Government has taken, which is leading the Island to this expenditure.

**The Minister for Treasury and Resources:**

It was, in my recollection, an Assembly decision to do this and ...

**Senator K.L. Moore:**

But based on the premise that they were told it would offer a cheaper alternative and, as the person holding the purse strings for the public, how do you now feel about that knowing what you do now?

**The Minister for Treasury and Resources:**

I understand, having been through it, perhaps the Assistant Minister can comment because he is on the Hospital Political Oversight Group, but from what I understand is that it is a much more expensive - as you quite rightly say - project but a lot of that is because of the time lapse in the previous project on Gloucester Street, which was refused by Planning, and the current one, which has taken a long time to develop, the contractual fees, the input from the surveyors, the architects, and it is just a whole new development, which of course costs money.

**Senator K.L. Moore:**

Rather than going to the Assistant Minister, could I ask you a further question please? On 4th June, the Future Hospital Panel wrote to the Deputy Chief Minister, who is the political lead on that project, asking for some further financial detail. It is now 12th July and a response has not been received. Perhaps I could ask you as the Minister for Treasury and Resources, on behalf of the Future Hospital Panel, whether you could commit to providing your Scrutiny Panels with that information that we have requested. That is simply a breakdown in the spending on the project so far and details of additional and previously unauthorised funds, which were required prior to the financial debate of the project and financial decision-making timelines. You can see it and we can share it with you if you have not seen it already. But it would be helpful if you could commit to providing us with some responses.

**The Minister for Treasury and Resources:**

I can commit to asking the Deputy Chief Minister to provide them to you. I do not have the figures because I am not part of that group. That is why I was referring to the Assistant Minister who is. But I can certainly ...

**Senator K.L. Moore:**

But ultimately you are responsible.

**The Minister for Treasury and Resources:**

But if you have asked the Deputy Chief Minister then I will ask him to ...

**Senator T.A. Vallois:**

Can I go one step further than that and suggest or ask that it is published, a breakdown of expenditure so far? So that there can be assurance given to the public and members of our society who are paying for the hospital project to identify where that money is going.

**Senator K.L. Moore:**

Thank you. One of the reasons for that letter was as a follow-up to a comment made in another hearing with that panel, which suggested that the project team had specifically identified their work was slipping and that funding could be reprovioned. Could you clarify the documentation trail, which exists to confirm this action, and why the projects have slipped and is that a cause for concern?

**The Minister for Treasury and Resources:**

We can supply you with that information. But, as I say, I am not part of that group, so noted that we will ask the Deputy Chief Minister to respond to your request.

**Senator K.L. Moore:**

Thank you. It was also highlighted in that public hearing that money would be refunded to the projects that we have referred to earlier in 2022; those that have been deferred and identified in the budget transfer. Are you assured now that you have begun those conversations with Ministers that those projects will go ahead?

**The Minister for Treasury and Resources:**

Are you still referring to the hospital?

**Senator K.L. Moore:**

No, the projects that we ...

**The Minister for Treasury and Resources:**

That we started off with, yes.

**Senator K.L. Moore:**

The Deputy Chief Minister has also acknowledged that the full £804 million affordability envelope is where we are looking in terms of the cost of delivering that project. Just to be very clear, you maintain your support for the project given that information?

**The Minister for Treasury and Resources:**

With that caveat that it does not exceed £804 million.

**Senator K.L. Moore:**

What happens if it does start to look as if it will?

**The Minister for Treasury and Resources:**

It has been made very clear to me - and as I keep saying I am not part of the Hospital Political Oversight Group - that it will not exceed £804 million.

**Senator K.L. Moore:**

How has that reassurance been provided to you? Do you have that in writing?

**The Minister for Treasury and Resources:**

Inasmuch as the transfer of funds that we have already done, which is to the tune of about £30 million, is already catered for within that £804 million.

**Senator K.L. Moore:**

So you do not have any specific written evidence or confirmation that the cost will not exceed £804 million?

**The Minister for Treasury and Resources:**

We have a breakdown of what the costs are expected to be obviously. Whether there is written confirmation ...?

**Treasurer of the States:**

I can possibly supplement the answer by saying that there is a very clear political direction to the team not to exceed £804 million. That is not done by artificially holding down contingencies, so our

view of optimism bias and contingency are informed by a professional assessment of what they need to be at this stage in the project. As things currently stand, the project, including those contingencies and optimism bias provisions, is at £804 million. The project is still planning to spend no more than £804 million and very clear political direction from the political oversight group to make sure it stays there.

**Senator K.L. Moore:**

Other than having your Assistant Minister who attends the political oversight group, could you describe to us how you provide oversight as the person who is responsible for the public's money? How that works under your watch. Do you, for example, see the risk register in relation to that project? It is of course the most significant project financially that the Island has undertaken.

**The Minister for Treasury and Resources:**

It always was going to be the most significant project, whether the previous one that you have alluded to or this one, it has always been the most significant project. But it is getting to the point where we do need to move on. It has been delayed twice so far. We need to get on with it because the Gloucester Street Hospital, the General Hospital, is becoming not fit for purpose unless we spend multi-million pounds on operating theatres, for instance, which we have had to do. We need to move it forward and hopefully we will do by getting that - ghastly phrase - spade in the ground by next year, is the plan.

**Senator K.L. Moore:**

But in the eyes of the public, by the time we have reached September this year, £91 million of public money will have been spent without being anywhere near a spade in the ground, not even a planning application ready for submission. Do you think that is an appropriate use of public money?

**The Minister for Treasury and Resources:**

As I mentioned in my first answer, the delay has caused quite a significant cost because of the situation with the access route, various other delays, and of course to keep the contractors on board it costs money. Not to mention all the other involvements of various groups and panels and professionals. So that delay has cost quite a bit. But that is within the £804 million to date.

**Senator K.L. Moore:**

We have asked you previously about your approach to restraint in terms of spending and how you can hold your fellow Ministers to account and impose restraint on their spending projects. Have you made any attempt to restrain this project or perhaps call for adaptation to it in order to restrain the spending that is going to be required?

**The Minister for Treasury and Resources:**

Inasmuch as every time the money is allocated, of course I do, because I have to sign the M.D.s (Ministerial Decisions), so I want to know exactly why money is being moved from one account to another to do this. But the risk assessment is taken into account. With that, do you lose the contractors because you do not pay them to keep them on board until such time as it has been agreed by the Assembly that we go ahead with this site? It is a balance of risk.

**Senator K.L. Moore:**

Any project can see restraint brought to bear if there is a will or a drive to do it, to seek alternative methods of achieving a similar goal, but perhaps in slightly reduced circumstances. Could you describe how you might have made suggestions or investigated opportunities in order to do that?

[10:45]

**The Minister for Treasury and Resources:**

I just answered that. When you are presented with a situation where you have to maintain the contractors that you have, so we have got this far down the route of developing this new hospital, then you take the chance that if you do not maintain their contracts to keep them on board, you would have to find new contractors and new bids, which could be much higher than the ones that we have already. So that is what you are constantly balancing when you are asked to assess what the risk factors are.

**Senator K.L. Moore:**

I would suggest that is perhaps not my idea of restraint. Perhaps restraint might be reducing part of the project or seeking a cheaper alternative to it. There are many members of the public now, and there was a public rally last week, where people were expressing distinct concern about the future of this project, about its deliverability, and calling for a complete rethink.

**The Minister for Treasury and Resources:**

This is why, Chair, it has taken 12 years to get this far, is because you will never ever please all the public all the time. There will always be, as there was with the suggestion of the People's Park, people lying down in front of bulldozers. There is always going to be an objection to whatever site you have. This has been determined and agreed by the Assembly to be the preferred site. Not ideal, but I do not think there is an ideal site in Jersey at all. But this was agreed by the Assembly and this is why we are progressing it.

**Senator K.L. Moore:**

What it comes down to ultimately is that the £804 million will have to be found from somewhere and it is suggested that will be entirely from borrowing it appears. That borrowing will be repaid over a very prolonged period of time that will see - if we are happily able to have grandchildren or even greatgrandchildren - they will be paying for it also. If we perhaps take 3.5 per cent as a figure on £800 million then that is £28 million a year that future Governments will not have to pay nurses or provide education or other items that every Government will wish to do. Therefore they will look back to the decisions taken by your Government and be very much aware that this is the path that you are setting them on.

**The Minister for Treasury and Resources:**

The previous Government with the Gloucester Street alternative, as you mentioned, Chair, in the opening remarks, £446 million, that was still going to be a loan over a considerable amount of time. This has increased, as I keep saying, because of the delay and the contractual obligations and increasing costs of the contractors and surveyors and architects. It will be a loan, we have not worked it out yet, but over 30 or 40 years, yes. But it is our children and grandchildren that will benefit from this. There will also be a considerable saving in healthcare costs because of the new design of the hospital and the efficiency with which it works. So that will help balance it out.

**Senator K.L. Moore:**

Could you confirm please that no spending related to R.105, which was the transfer of expenditure, took place prior to 6th July this year in accordance with Article 18(4) of the Public Finances Law?

**Treasurer of the States:**

No spending? It is my understanding this budget is for the following period. I am certainly not aware of any spending that related to that in the year prior to that date.

**Senator K.L. Moore:**

Thank you. If you would perhaps like to check and confirm that to us after the hearing I would be grateful. We will move on now to Senator Vallois.

**Senator T.A. Vallois:**

Just around capital projects again, Minister. Could you confirm whether there is any process in place with regard to capital spend where it gives you the assurance that it is on target? If so, what does that process look like?

**Treasurer of the States:**

Those fall into a couple of camps. The first is the fairly recently constituted C.P.M.O. (Corporate Portfolio Management Office) that looks across Government, which tracks projects in accordance with good practice on project management and reports that back up to E.L.T. (executive leadership team), who subsequently report it up to Ministers. So we have a much better central view of where projects are in terms of delivery against milestones, in terms of resources and in particular on assessment against spend to date, which is also recorded within the monthly reports that go to E.L.T. and quarterly reports that go to the Council of Ministers.

**Senator T.A. Vallois:**

Is that dependent on the limit of the capital project?

**Treasurer of the States:**

In terms of financing?

**Senator T.A. Vallois:**

Yes.

**Treasurer of the States:**

Yes, which is only one aspect of C.P.M.O., then yes, it is dependent upon the financing of projects.

**Senator T.A. Vallois:**

So if I were to take the integrated technology systems just as one large budget, what assurance is given? How does the process work to give the Minister and therefore the States Assembly that assurance that the budget will not be larger than what is expected? What process is there for the Minister to bring a halt if need be, considering the risks of the project?

**Treasurer of the States:**

The ultimate sanction that the Minister would have would be that, if a project is forecast to overspend, and I would emphasise "overspend" as opposed to making rightful adjustments before a project properly starts and contracts are entered into, in that the Minister, other than the Assembly, is the only entity or person who can agree additional budget. A.O.s (accountable officers) are responsible for living within those budgets. We have regular reporting that would identify overspends, or forecast overspends, and therefore whether there is a decision for the Minister to make should that programme be unable to live within the budget.

**Senator T.A. Vallois:**

It is just understanding the quality assurance that goes on politically in terms of, for example, having processes like heads of transfer. Because we have seen a significant number of them this year, which, if I recall correctly, Public Finances Law and the Public Finances Manual, well the manual specifically says it should not be done on a whim or as often as possibly what we are seeing. I want to not just reassure myself and fellow Members but the wider public that there is that quality assurance in place. Because the heads of transfer is becoming a bit of a thing at the moment. So just from a political point of view, it is that evidence, it is that assurance, because we have given the power, as an Assembly, to the Minister to assure the rest of the public that the money is being spent appropriately.

**The Minister for Treasury and Resources:**

Absolutely, I understand what you are saying. The transfer of heads of expenditure, as you are referring to, has happened quite often. But then we have had to react very quickly to a very difficult situation in order to cope with COVID. So there has been movement around various reserves and funds that we have and, yes, there have been quick movements in order to accommodate the demands. But we have not - I know you will know but the public not - touched the reserves we are very fortunate to have, which puts us in a very fortunate position. So we are managing it. The revolving credit facility we arranged, rather than borrowed, to the tune of £500 million, we have £50 million of that ringfenced for the Fiscal Stimulus Fund. We have only used £30 million of that, which means we have not borrowed the other £20 million at all. It is sitting there. But the rest of it we are using to help with the COVID situation has been to the tune of £25 million so far.

**Senator T.A. Vallois:**

But in terms of the heads of transfer, I understand the COVID argument and I understand we are in a very different world. But a lot of the heads of transfers are to do with moving between departments for target operating model reasons it might be, or changing responsibilities or the R.105 moving a large sum of money to the hospital project. It is those types of things that there needs to be - well I do not know - do you think there needs to be that evidence and that assurance to the Assembly and the public so therefore the lessons learned from that process are being included in the work of the Government Plan for 2022?

**The Minister for Treasury and Resources:**

Yes, for instance there has been a transfer from the Health Insurance Fund to Health to deal partly with the COVID situation, partly to do with the Jersey Care Model, which is being set up. There have been transfers from C.Y.P.E.S. (Children, Young People, Education and Skills) to the chief operating officer. There have been quite a few movements around the departments accepting

different responsibilities, as you are saying, for the target operating model. But they are all very carefully overseen.

**Senator T.A. Vallois:**

I know, for example, the movement of C.Y.P.E.S., the I.T.(information technology), that was recognised in the Government Plan as a narrative. So why would it take a head of transfer to do that and why was it not just included in the Government Plan process? Is it because of timing? I do not know. I am trying to understand lessons learned from this process to include in the Government Plan.

**Treasurer of the States:**

Undoubtedly there is an element that relates to COVID, so let us just leave that to one side for the time being. There is also an element that relates to changes relating to the new Public Finances Law and you will recall that in the past what has tended to happen is we accumulated quite large cash balances, as projects are agreed, and money just sits there waiting to be spent, often over a number of years while projects are delayed. What we moved to is a different way of budgeting for projects, which says in the case of a major project the Assembly will approve the total amount of money. That is the total budget over the number of years. But in each particular year we agree or we propose to the Assembly the budgets that are needed on a cashflow basis for those projects for that year. What that is part of and what you see here with the transfers is that bit that says when a Government Plan is put together, so finalising the Government Plan, they will not start until January next year, there will be inevitably changes on the cashflow profile for all sorts of reasons on those projects. What we have tried to move to is a situation that empowers the Ministers to move monies around to projects that are maybe going quicker than they would otherwise be going and temporarily removing those resources from projects that are moving slowly so that we do not keep ending up in the situation where we have exceedingly high values or exceedingly high amounts sitting on project budgets and just sit there for years, as they did in the past, which is not good use of taxpayer money I would suggest.

**Senator T.A. Vallois:**

I can understand that. What I am trying to get at is, if the Government are asking the Assembly to agree that overall package of money on behalf of the taxpayer, there is an expectation that those projects or those business-as-usual requirements are actioned and met and dealt with. It is that assurance piece I am trying to understand from a political level. How can I be assured without having to go back to a number of heads of transfers, like we are seeing this year, not just in relation to COVID, that money is being targeted for what it was sold to the Assembly on?

**Treasurer of the States:**

I would say the decisions are transparent. They are publicly available. So we are having a debate here about R.105. It is a public decision of the Ministers to transfer these amounts across. There were 2 Council of Ministers discussions on that particular item and therefore the Minister has consulted with fellow Ministers on those changes. So there is greater transparency in terms of those being there. Those are powers of the Minister under the Public Finance Law. They were powers of the Minister under the previous Public Finance Law.

**Senator T.A. Vallois:**

No, that is fine. I am not saying it is wrong. Minister, would you consider getting agreement with the Council of Ministers that, following that discussion, all those decisions around heads of transfers, the minutes of those meetings of Council of Ministers are published to give assurance to the public that appropriate actions are being taken with regard to that expenditure being moved and there is reassurance that some of these projects are not just falling to the wayside, which is what the States Assembly have agreed to. So understanding how the C.O.M. (Council of Ministers) came to that decision-making.

**The Minister for Treasury and Resources:**

It is not my decision to publish the C.O.M. meetings but I will certainly take it to ...

**Senator T.A. Vallois:**

Would you take it to C.O.M. and request that once, for example, a head of transfer is made public that the minutes of that agreement by C.O.M. are published?

**The Minister for Treasury and Resources:**

I will certainly take it to them.

**Senator T.A. Vallois:**

Just finally on the investment appraisal framework, has any progress been made in improving the quality assurance for business cases to avoid largely different costs as a project progresses compared to when it is first agreed?

[11:00]

**Treasurer of the States:**

Unfortunately, the improvement in the investment appraisal framework and the requirements, which will be achieved over a period of time to have both an outline business case before the Assembly

approves projects, which is my ultimate goal when we get there. Then the requirement on projects to have a formal final business case reveals whether there are any issues around budgets before contracts to deliver the project, as opposed to prepare for the project. So that framework is, over a period of time, making it more likely that we are clear on the amount of resources that are required for the project before we commence with those projects. Sometimes that will give issues in terms of timing as it relates to a Government Plan, which is what you will have seen on the I.T.I.S. (Income Tax Instalment Scheme) project in particular, and that is why some of that falls back to the Minister. From time to time we might have had reporting that indicates that there may be increases. But that is not finalised until after a Government Plan is agreed. So I would argue and proffer that the investment appraisal process, which will always have to learn from what has gone before, is improving, is more adequately resourced, and will reveal or will give Ministers the assurance that you are talking about to be able to be more assured that projects will deliver within the budgets that are set.

**Senator T.A. Vallois:**

Thank you. I will pass to Deputy Ahier.

**Deputy S.M. Ahier:**

Thank you, yes, economic recovery and fiscal stimulus. What influence has the report and subsequent recommendations published by the Economic Council had on the Government of Jersey's economic recovery strategy?

**The Minister for Treasury and Resources:**

With fiscal stimulus?

**Deputy S.M. Ahier:**

We are talking about the Economic Council report and we wonder what influence it has had on the Government of Jersey's economic recovery strategy.

**The Minister for Treasury and Resources:**

Quite a lot of influence. Do you want to ...?

**Treasurer of the States:**

In terms of that, you will recall that there are sums set aside in the Government Plan for economic recovery. It is fair to say that the pattern of the COVID pandemic has necessitated having some of the co-funded payroll scheme in particular extended beyond that which was originally planned when we had the Government Plan last year. But I know that colleagues in the Economy team have been

using the Economic Council work in developing forward for other proposals they should take into the Government Plan or beyond the Government Plan for economic recovery purposes. Politically, there is the Economic Recovery Political Oversight Group, which does include non-political members. It sits sometimes with just political members, sometimes with non-political members to consider how to develop that future recovery programme.

**Deputy S.M. Ahier:**

Minister, have you sought further consultation with the Economic Council to outline how their recommendations have influenced government policy and to allow them to offer further recommendations to improve policy?

**The Minister for Treasury and Resources:**

We are constantly in discussions as to how to improve policy.

**Deputy S.M. Ahier:**

With the Economic Council though.

**The Minister for Treasury and Resources:**

Yes, but they have input from all directions as well, the Economic Council. So they then have to discuss that and then give us recommendations, so it is 2-way situation.

**Deputy S.M. Ahier:**

What other bodies created, either independently or by Government, and have made relevant recommendations, have influenced the design and delivery of the economic recovery strategy?

**The Minister for Treasury and Resources:**

We have the Revenue Policy Development Board, which deals with a lot of that, and that meets very often these days - once a week - to discuss that. That is at one level. That elevates then up to the Council of Ministers. There are so many boards and recommendations dealing with the current economic situation and economic recovery, which is obviously a huge part of the way forward, the future, at the moment. As well as having to deal with the current pandemic situation. So it is again going back to this balance of requirements.

**Senator K.L. Moore:**

Could you give us an example of some recent outputs or outcomes of those many meetings of the policy development boards?

**The Minister for Treasury and Resources:**

For instance, there is the extension, as the Treasurer mentioned, to the payroll scheme in different areas. So for hospitality, for events, for taxis for instance. All those areas come under the various boards that sit and recommend upwards to Council of Ministers as to what should be sent forward and what should not. They are all evaluated at very senior level before they are agreed.

**Senator K.L. Moore:**

If we could just push you on the events. You mentioned there events. Speaking to members of the events industry, they certainly feel that they have been lumped together with hospitality and not treated as a separate and individual case and are still very much struggling.

**Senator K.L. Moore:**

They have a completely separate fund attributed to them, visitor attraction and events scheme, so it is not lumped with hospitality at all.

**Deputy S.M. Ahier:**

How has the economic recovery strategy changed over the course of 2021, particularly in regard to fiscal stimulus?

**The Minister for Treasury and Resources:**

Fiscal stimulus is being delivered in several ways, as you will be aware. We had the Spend Local cards to deliberately spend in the local economy, which was incredibly successful. We have had the fund out of which we have had 2 tranches of affording money to bids that fitted the criteria. Not as many fitted the criteria as were expected, therefore there was not the full demand on the £50 million, but that was only ring-fenced for that, it was not drawn down from the bank. That is a big public misunderstanding that there is £20 million sitting there doing nothing that we are paying interest on. That is not the case. We simply have not drawn it down. It was just ring-fenced in case it was required. A lot of - not businesses necessarily - but attractions, Durrell, all sorts of people have benefited from a drawdown on that fund. So we have done fairly well on the fiscal stimulus and picking up the economy for people who had not been able to operate for the last year or 18 months.

**Deputy S.M. Ahier:**

You mentioned the £20 million that has not been drawn down. In the letter to the panel you said: "I am taking a further period to consider the final allocations from Fiscal Stimulus Fund and will inform you once I have had some time to consider all of the available information." Are you considering

using the remaining allocated money to create a new innovation fund or will you be just not drawing it down?

**The Minister for Treasury and Resources:**

That is a very good question. It is not going to be used for an innovation fund because that does not fit the criteria of the Fiscal Stimulus Fund. So we would have to create a whole new set of legislation in order to create a new Jersey Innovation Fund. You cannot transfer. It does not fit the legislation that we have for the Fiscal Stimulus Fund.

**Deputy S.M. Ahier:**

What particular consideration for final allocations have you made?

**The Minister for Treasury and Resources:**

The final allocations have been made.

**Deputy S.M. Ahier:**

So there will be no further allocations?

**The Minister for Treasury and Resources:**

Not under the current legislation, no, because we would have to change the criteria in order to deviate from what we have set as a Fiscal Stimulus Fund.

**Senator T.A. Vallois:**

Just to slightly challenge on that, Minister. In terms of innovation funds, this has been a topic of discussion for many years and I understand if you are going to use that funding it has to be used with a different criteria, different legislation. Will there be consideration to bring forward an amendment to legislation to allow for equity in innovative products or companies should we move forward with the plan of innovation? Because that has been a stumbling block for many years and a question about whether we do or do not. So I just wonder what your view would be on that.

**The Minister for Treasury and Resources:**

I do not see a problem with going down that route at all and it has been discussed. The Jersey Innovation Fund got a very bad reputation purely because one company went into administration and then owed the Government a considerable amount of money. But the other 4 businesses that had been supported through it paid back their loans from the innovation fund. So there is no reason we should not consider that again at all. But, as I was saying to Deputy Ahier, we would have to reconsider the criteria.

**Senator T.A. Vallois:**

Will that be considered, the criteria for the funding?

**The Minister for Treasury and Resources:**

It is being talked about.

**Deputy S.M. Ahier:**

Thank you. Do you intend to provide additional support to officers with the Planning Department to support successful bids within the Fiscal Stimulus Fund that would require permission to be granted by their department for the construction or modification of buildings?

**The Minister for Treasury and Resources:**

The construction issue in the Fiscal Stimulus Fund has been quite controversial, as certainly you will know. Construction is a big umbrella word. A lot of the fiscal stimulus funding, the Opera House is a good example and the Art Centre, are places that need refurbishment and maintenance that has not been done for 18 months in order to be able to open up to the public again. So it is not necessarily construction as people construe it, i.e. big construction projects. It has not been allocated for that at all. The ones that have been allocated fit the criteria of the fund.

**Deputy S.M. Ahier:**

Have you sought consultation with the Planning Department and relevant officers during the selection process of bids to understand their concern and views on bids?

**The Minister for Treasury and Resources:**

The Fiscal Stimulus Oversight Group, the Treasurer sits on it, so he is probably better able to answer that. But there is a group of 5 members who look through all the applications and then send recommendations to me having looked through the criteria of what they have done. When it involves Planning it is a matter of some of these projects, for instance Hautlieu, who had planning agreed for their sports centre and it was just a matter of allocating the money to process that and finish it rather than having to wait for planning. Planning have been involved in the discussions but, because the criteria dictates that these projects are supposed to be completed by the end of 2021, then if a project had to go before Planning it would be a matter of how it could be completed by the end of 2021.

**Deputy S.M. Ahier:**

There is a lot of pressure on the Planning Department at the moment.

**The Minister for Treasury and Resources:**

Yes, there is.

**Deputy S.M. Ahier:**

There is huge pressure on the planning officers with an unprecedented 500 live applications. Will that be causing problems with the Fiscal Stimulus Fund allocation?

**The Minister for Treasury and Resources:**

No, because, as I said, they have to be agreed in order to be completed. So the applications to Planning, only very few connected, but the Treasurer can probably enlarge on that because he is on the panel.

**Treasurer of the States:**

In answer to your previous question, yes, there has been quite a lot of discussion between Treasury officers and Planning Department officers with regards the specifics of any projects. Relating to the issues as they existed in total, it might be a matter for the Government Plan next year. In the meantime, we actively - obviously across the piece - can discuss with departments if they have funding pressures in the current year.

**Deputy S.M. Ahier:**

What, in your opinion, is the area of the economy that has most suffered during the pandemic and do you expect further financial impacts to both Government finances and the economy from COVID-19?

**The Minister for Treasury and Resources:**

It is very difficult to forecast these issues as everybody is aware, as to quite where this pandemic goes. Yes, we totally appreciate that certainly at the current time, since Easter, hospitality has taken the large brunt of the difficulties with it. But that extends into travel, so flights and boats, airports and ports, and of course the cost of test and tracing, the vaccination programme, which has been enormously successful. We now have 66 per cent of adults with double vaccinations. How long do you continue, what is the demand, the take-up, going to be with the 18 to 29 year-olds, which we are going to be processing at the moment? The hope is that everybody over 18 will be doubly vaccinated by the end of August. So by dint of that, then hopefully the borders can open up much more. The isolation times will be far more limited.

[11:15]

We will see a bigger entertainment of the hospitality industry, so they may not be quite as badly effected as they thought they might have been. On the other hand, if there is another wave or whatever, we just do not know. It is impossible to forecast. We can only do as much as we can to support them, which we are doing with the payroll scheme, to react to what the situation is at the time.

**Deputy S.M. Ahier:**

Some of the projects for the Fiscal Stimulus Fund will not meet their deadlines. Will the Minister be removing this funding to keep within the timely criteria that was established by the Assembly?

**The Minister for Treasury and Resources:**

No, inasmuch as the first wave of applications to the Fiscal Stimulus Fund - this was a while ago now - were about 93 applications for about £102 million for the first tranche of £25 million. That was unexpected. So it took the oversight group longer than they had anticipated to go through each application. So the agreements on the recommendations were about a month or 6 weeks later than we had anticipated. So on that count we have agreed that we would extend the criteria from the end of this year into possibly 2 months of next year, to be fair to people who did apply, were accepted, but there was a flurry of applications that we were not anticipating.

**Deputy S.M. Ahier:**

With that extension, will there be an increase in the cost of administration, which was only estimated up to the end of the year?

**The Minister for Treasury and Resources:**

No, because the administration side of it has now been agreed. What we now have to put in is oversight of the projects, which we said we would, which is being done on a monthly basis to make sure that they are progressing as they said they would.

**Senator K.L. Moore:**

Minister, just a quick couple of questions. Could you let us know how work is progressing to ensure the sustainability of the Social Security Fund as part of the Social Security review, which was due to be published in 2019?

**The Minister for Treasury and Resources:**

Yes, it is shortly due to be published, the review. It is quite complicated, again going back to the word "balanced" as to what you can do. We have about 8 years' worth of pension fund availability

in the fund at the moment. But we did keep back £65.3 million, which is known as the supplementation grant, in order to help us with the COVID situation. That needs to be repaid in 2024, which is in the current Government Plan, so we need to be able to work out how to do that. Whether social security payments will have to be increased, which again, as you mentioned, 2019, has been talked about for a very long time as to whether it increases and how it increases. We also reduced the employee contribution from 6 per cent to 4 per cent to help during the COVID situation. That has to be repaid over a number of years as well. So there is quite a lot going on with the Social Security Fund. But the review is fairly imminent, I do not know the date, but ...

**Senator K.L. Moore:**

What would be your preference to recoup the supplementation grant? Will it be restraining the growth projects of your Government or will it be an increase in contributions or taxes to the public?

**The Minister for Treasury and Resources:**

Increasing contributions has been talked about before I was Minister for Social Security, so that has been on the cards for a long time. That will be part of the review. Quite how it is done and in what proportions, that will come out ...

**Senator K.L. Moore:**

As you have just identified, there is a further £65 million to find in addition to what was already anticipated.

**The Minister for Treasury and Resources:**

By 2024.

**Senator K.L. Moore:**

Yes, so will you be leaving that over for the next Government to deal with or will you be implementing some restraint in your current growth of expenditure with this Government?

**The Minister for Treasury and Resources:**

It is in the Government Plan and we have worked out how we can pay it back. Of course a huge amount comes from tax compliance, which Fiona can talk about later, which is increasing quite a lot of the revenue. We should be able to meet that by 2024. That is the plan.

**Senator K.L. Moore:**

But you will be continuing on the current growth strategy?

**The Minister for Treasury and Resources:**

As it stands.

**Treasurer of the States:**

Just to ...

**Senator K.L. Moore:**

Can we just move on, sorry?

**Treasurer of the States:**

Okay, fine.

**Senator K.L. Moore:**

Without wanting to cut you off. So the Government Plan indicated approval for the creation of an infrastructure fund that would be sought during 2021. Has any progress been made with regard to the infrastructure fund?

**Treasurer of the States:**

For fear I am going to get controlled again, perhaps not this time.

**Senator K.L. Moore:**

I did not mean to be rude, Treasurer.

**Treasurer of the States:**

The infrastructure fund project, it would be fair to say, has been probably the key action among Treasury business plan commitments that has to be deferred as a result largely of the amount of work Treasury has had to do through the pandemic. The C. and A.G. (Comptroller and Auditor General) reflects the amount of work in her report that fell upon Treasury during the pandemic. In the last Government Plan we did not anticipate to be continuing with the schemes that we have been doing and have had a significant role to play on during the period of the first half of the year.

**Senator K.L. Moore:**

Of course, yes, but it will be fair to say that it has not been developed as yet.

**Treasurer of the States:**

We have had discussions around it, we know the direction that we would like to take with it, but we have not brought through plans sufficient to be brought into a Government Plan for an Assembly decision as yet.

**Senator T.A. Vallois:**

Can I just follow up on that? I was under the impression when we had the interim chief executive officer in and the Chief Minister in that would not be progressing, the infrastructure fund may not be in the form that it was envisaged. Have those discussions taken place?

**Treasurer of the States:**

It may well not be in the form that was envisaged. It is a Treasury project. There are a lot of discussions around whether you would take this on a programme basis or whether you would deploy it as a project-by-project concept that would eventually build itself into a fund. There is an example, perhaps I can talk to one or 2 projects that in the past have been funded from within reserves as if they were on an investment basis. They pre-dated 2018 or 2017 and they were sewerage treatment works, for example, through the currency fund where investments had been made. But also at the Parishes on various housing projects and a long way back in time of course, which proved to be quite a good thing to do in terms of the pandemic, the broadband project was partly funded as well through the currency fund. So some of these things have been established over a period of time. The infrastructure fund took a different approach to a whole-of-fund approach. Personally, I have often favoured a project-by-project approach, which may give rise to an overall infrastructure fund. But it is fair to say that my preference and the Minister's would be to deploy perhaps some local infrastructure pools within the investment portfolio.

**Senator K.L. Moore:**

Minister, are there any proposals under consideration to use the Health Insurance Fund further in the Government Plan that you are currently preparing? You have already referred to the Health Insurance Fund being used to assist with COVID and the Care Model.

**The Minister for Treasury and Resources:**

There have been discussions, and I am sure this will come out in the aforementioned Social Security review. But to transfer the remainder of the Health Insurance Fund to a consolidated fund within Treasury or Health, probably Health, so it can be used but monitored. But that has not been set in stone.

**Senator K.L. Moore:**

Do you anticipate that if there is the decision of the Government of the direction they wish to go in that will come to the Assembly for a vote?

**The Minister for Treasury and Resources:**

That will be part of the Government Plan.

**Senator K.L. Moore:**

Considerable departure, all right, thank you. We will now move to the section on the annual report and accounts.

**Senator T.A. Vallois:**

Just briefly, Minister, the 2020 report and accounts, it identified a rise in impôts duty despite lack of tourism. In terms of the forecasting model that your department has, do you have an estimate roughly in what you are expecting in 2021 and where we are finding ourselves mid-year in terms of impôts duties?

**The Minister for Treasury and Resources:**

That is a difficult one because of course it fluctuates by the situation that we are in. What was estimated last year has not necessarily been what has occurred this year.

**Treasurer of the States:**

The Income Forecasting Group is finalising forecasts to be ready for the plan. You will probably understand that has been quite a challenge this year in that 2020 was a very unusual year for, in particular, those indirect taxes, such as impôts duties and G.S.T. (goods and services tax). You are right to point out that impôts duties, while intuitively you would think with the lack of tourism visitors or business visitors, would suffer. But also when you then consider that the Island population largely stayed on-Island on average by longer than it would normally, then that spend was coming through. Added to which of course - and in particular as it related to spirits and tobacco - the lack of opportunity to purchase duty-free and bring those products into the Island for consumption on that basis restricted during the travel period and therefore on-Island impôts duties were boosted as well. So that related to those. We have the figures and they will coming out in the income forecast shortly that suggest that we have had similar patterns as we would, as you would expect for the first half of this year with limited passenger numbers. We are working on the forecast for the rest of the year. Part of the uncertainty around the forecast is for how long our border controls stay in place and in particular, when the Deputy asked the question in terms of sectors that are mostly impacted, they are airlines and other transport links, they are hospitality and events, although we have different

characteristics between bars and restaurants as opposed to hotels because hotels are more critically effected by the number of people who can come to the Island.

**Senator T.A. Vallois:**

In terms of lessons that come out of the pandemic, what we saw in 2020 anyway - we do not know how this year is going to pan out yet - but is there any consideration for a change to the way that we do the impôts duties or something different that you are considering with regard to the Government Plan, considering what we have seen over the last year and that particular rise in impôts as an example? Is there any consideration about how we do things differently?

**The Minister for Treasury and Resources:**

Yes, we had that discussion regarding the budgets obviously, which is going to be in the Government Plan. The discussion has revolved around whether there should be another freezing of the impôts duty on alcohol or whether we have to redeem what we lost last year because it was frozen last year. How much you increase the impôts on tobacco, being cigarettes, and then separately rolling tobacco and cigars, whether you increase and by how much. Fuel, which was always R.P.I. (retail price index) plus 2p, and the 2p on that went into the Climate Emergency Fund. But do you increase that more and still put 2p into the Climate Fund? So, yes, it is all being under discussion as to quite how we do it in the situation where we are in - hopefully - an economic recovery and how much the Island can afford to not increase.

**Senator T.A. Vallois:**

That comes quite neatly on to my next question. In terms of the impact that the co-funded payroll scheme has had on revenue collected in 2020, as an example, and how this will compare to 2021. So when you are talking about income forecasting, modelling, and those types of things, rough estimates and what that looks like and the impact therefore in terms of decision-making around impôts duties or - dare I say it - increase in income tax full stop. But just those discussions taking place, that learning model and what has happened with that impact?

**The Minister for Treasury and Resources:**

Well again it is very difficult to forecast because all the co-funded payroll schemes were supposed to end in June because we had anticipated that the borders would open sooner, prior to the Delta wave of the pandemic, and that all businesses would not necessarily require an extension.

[11:30]

But they now do and they are getting it, so it is difficult to anticipate how many businesses will come forward to claim the payroll scheme, impossible to forecast until they come forward now that the extension to the scheme has been announced.

**Senator T.A. Vallois:**

So I suppose the question really is, considering those points that you have made, how do you consider the risk variance around your estimations that you will be putting into the Government Plan and what assurance can we have of those estimates that we are getting it as close as we can? We are never going to be 100 per cent, I get that, but that assurance model.

**The Minister for Treasury and Resources:**

The original forecast for the co-funded payroll scheme there was not the take-up that we had anticipated, so it is very difficult to know where you stand with this. It may well be that a lot of the businesses that have reopened with the relaxation of the rules are now being self-sufficient and can manage. But then of course there is the question of lack of staff as well as a lot of the Eastern European staff went home and are not coming back. So it is a very difficult assessment to make, so we are having to operate on a ... I will not say day-to-day but certainly month-by-month basis as to what the claims are and how much we pay out, and we have extended a lot now to September. But it depends how many businesses claim between now and September.

**Senator T.A. Vallois:**

Yes, I understand that. I will pass over to Deputy Ahier now.

**Deputy S.M. Ahier:**

Consultant costs we will move on to now. There is an increase of 31 consultancy staff across the Government of Jersey between R.13/2021 and R.149/2020 with a decrease in costs of approximately £1.5 million. Could you please outline which contracts contributed to such a significant reduction in costs?

**Treasurer of the States:**

Reductions in cost between R ...?

**Deputy S.M. Ahier:**

R.13/2021 and R.149/2020. This was widely reported at the time.

**Senator T.A. Vallois:**

It is the use of consultancy reports.

**Treasurer of the States:**

Yes, sorry, I am reading the wrong thing. I have got R.118 in front of me and the use of consultants reporting which was issued in the press today. The pressures in particular upon the use of consultants over the period obviously - and I say "obviously" and it is not necessarily obvious until you stop and think about it - are challenges that the organisation has had in respect of taking on permanent roles, particularly from outside the Island, over the period which has left us more reliant upon shorter-term contracts. But also in terms of what you see in R.118 for the P.59 report are some of those larger scale projects where we are dependent upon consultancy spends coming through during the year.

**Deputy S.M. Ahier:**

Are you not referring to an increase in consultancy costs for this year? I am talking about the decrease of £1.5 million.

**Treasurer of the States:**

For which line in particular?

**Deputy S.M. Ahier:**

For between R.13/2021 and R.149 from the year before, 2020, there was a decrease of £1.5 million.

**Treasurer of the States:**

I would have to come back to you. If that is on a total basis across all use of consultants or only one particular area.

**Deputy S.M. Ahier:**

Well if you could come back to us ...

**Treasurer of the States:**

I mean, it is quite a small number to fluctuate between over that period of time.

**Deputy S.M. Ahier:**

We were concerned about how there could be such a decrease in costs and we wondered if you could clarify that decrease, so if you could possibly come back to us.

**Treasurer of the States:**

I will have to provide you with that another time.

**Deputy S.M. Ahier:**

That is fine, thank you. When contracts are transferred from one department to another what financial tracking takes place to ensure that additional payments are not made?

**Treasurer of the States:**

When a consultant transfers from one to another we have the usual process in place. If you are talking about an interim who moves from one department to another there would be all of those controls in place to ensure where the budget then picks up the payments in respect of that individual, if you are talking about an individual or you are talking about a company.

**Deputy S.M. Ahier:**

No, individuals I believe.

**Treasurer of the States:**

You may have a firm that has multiple different contracts within different departments and there will be control ...

**Deputy S.M. Ahier:**

So you are basically saying it is very difficult to track?

**Treasurer of the States:**

It is not that difficult to track, no.

**Senator T.A. Vallois:**

Before I move on to pay awards, just finally on the consultants, do you believe we are getting value for money for consultants, Minister?

**The Minister for Treasury and Resources:**

That is a difficult question because how do you estimate value for money?

**Senator T.A. Vallois:**

Well you are the Minister for Treasury and Resources, I am hoping you can tell me.

**The Minister for Treasury and Resources:**

Yes, I think we are making a big move or we started even before COVID - I keep coming back to COVID but that has disrupted everything considerably - to start training our own which we have been

very lax in doing in previous years. Then of course there was this interruption and we needed consultants across the field to come in to help us out with the situation. In a lot of cases, because they have come over on an interim basis, they wanted to go back to wherever their families are, which is quite understandable, so it is then a situation of having very short notice of having to get a replacement again as an interim while you are putting out an advert for permanent consultants. So it is difficult to estimate value for money. They do their jobs, absolutely, but it is a constantly changing situation, which is quite difficult to handle.

**Senator T.A. Vallois:**

I suppose the reason why I ask the question is because there are requirements in that report around structural needs assessments and end of use of the consultant in terms of what has come out of that. I suppose my question to you would be, as a member of the States Employment Board as well as the Minister for Treasury and Resources, what challenge and what I suppose gauntlets you would lay down to accounting officers and director generals around assuring you that we are getting value for money for consultants.

**The Minister for Treasury and Resources:**

I do ask those questions and it is a matter of what a daily rate is, in a lot of cases, what the expenses are, what the travel is, so it is quite a challenge because if it is an interim contract people are not moving over here, living over here, then that is the challenge. If they do move over on a more permanent basis, say 2, 3, whatever years their contract is, then that is a different challenge because they have got to find accommodation. So from a job point of view, an employment point of view, yes, there is value for money. From the point of view of how they are paid is a difficult ...

**Senator T.A. Vallois:**

Yes, so I think it is appropriate then that I move on to the question about pay awards because of course the cost of some of our consultants probably sticks in the throat of some of our employees. With regards to the pay awards the figure of £5.7 million to fund the 2020 and 2021 pay awards for specific pay groups and increases in 2021, how was that figure arrived at?

**The Minister for Treasury and Resources:**

Pay awards were I think across the board about 1 per cent.

**Treasurer of the States:**

Approximately. It differs slightly across some of the pay awards that were made in the year with respect to, as you said, 2020 and 2021. I am not directly involved in the negotiations relating to pay awards; they are controlled through the States Employment Board. In terms of the provisions we

make in the Government Plan we generally take the F.P.P.'s (Fiscal Policy Panel) forecast at that point in time around what inflation is likely to be over the period in terms of making sure that the provisions are in place from that perspective. Just quickly moving back to the last question, the States Employment Board does undertake quite a high degree of scrutiny on the high level pay as it relates to posts that are on a permanent basis and are to be filled on a temporary basis through consultant or, more accurately speaking, interim appointments. There are 2 elements; whether we have got the capacity, whether we can find the resources, or whether on-Island there exists a sufficient depth in the market in terms of capability. So on some of our projects there is not necessarily the capacity or capabilities or the specialisms that those projects demand, and that is why you need consultants and that is why you are looking to make sure that there is a tender process framework.

**Senator T.A. Vallois:**

I completely understand the point of using consultants; I am not saying not to use them, what I am asking is the value for money. So making sure that what we are spending on consultants we are getting the bang for our buck I suppose is the best way of putting it. Therefore, are we achieving the outcomes expected at the beginning when we bring on those consultants in the way that we expect the outcomes to be achieved.

**Treasurer of the States:**

So I would proffer the view that, yes, if you make sure you use good governance and process to ensure that you are getting the best value, that you are using all the requirements within the procurement toolkits and such like to make sure that you are getting tenders. I would say, in the largest case, if you do not use those resources where they are not necessarily available on-Island for the specialisms you would look for then those projects would not go ahead and, therefore, the outcomes would not be delivered.

**Senator T.A. Vallois:**

Okay. I will pass on to the chair for the next area.

**Senator K.L. Moore:**

So we are now just going to look at loans and borrowing briefly. I think, Minister, you may have answered this but if you could just confirm for me regarding the revolving credit facility, how much has been drawn down at this date please?

**The Minister for Treasury and Resources:**

The £50 million as was mentioned before was ring-fenced, so that is purely for fiscal stimulus, and £30 million of that has been drawn down and allocated. The other £20 million has not been drawn down. There is a new cap of - I am looking at Simon - £85 million, so that is there to be drawn down, a bit in the same way as the fiscal stimulus was, and £25 million of that has been allocated.

**Senator K.L. Moore:**

For what purpose, could you remind me?

**Director, Treasury and Investment Management:**

The £25 million is just for operational expenditure.

**Senator K.L. Moore:**

Why is that please?

**Director, Treasury and Investment Management:**

So this is a shortfall of revenue over expenditure, so where Government has had to pay out monies before revenue has come in, so simple liquidity management.

**Senator K.L. Moore:**

Similar to the transfers that we have seen to maintain the spending on the Our Hospital project?

**Director, Treasury and Investment Management:**

More for day-to-day operation and expenditure of Government than specific projects.

**Treasurer of the States:**

Can I just clarify there? The need to borrow arises from the impacts of COVID on our finances, but we obviously from a cashflow perspective do not say if we have got money in the bank over here for operational purposes you would not go out and borrow for those particular needs specifically on a ring-fenced basis, you look at the whole cashflow across the organisation. So what Simon is referring to is within that borrowing limit arising and approved by the Assembly as a result of COVID we find ourselves only now more recently needing to draw down those monies. So it is not the same as transfers, it is not one or the other. What Simon is referring to is the need ... as all that expenditure now comes through, now we are having to access the revolving credit facility.

**Senator K.L. Moore:**

So essentially we are living off an overdraft in household terms?

**Treasurer of the States:**

We are living off the approval that was put in the Government Plan and agreed by the Assembly to borrow for the impacts of COVID.

**Senator K.L. Moore:**

So that would be items such as contact tracing, testing, et cetera?

**Treasurer of the States:**

Yes.

**Senator K.L. Moore:**

Have the political team, therefore, considered introducing payment for some of the testing to help mitigate the costs that you are experiencing?

**The Minister for Treasury and Resources:**

Yes, that has also been discussed at length. At the moment, as you will be aware, there is no cost for testing unless you need to have a test in advance to go abroad. On arrival here you have a test and then your subsequent testing on day 5 and day 10 are not charged. The vaccines are not charged. I think from memory 0.7 per cent of all U.K. (United Kingdom) are being given to Jersey at the moment, so we do not pay for the vaccines but we obviously do have to fund the administration of them, which is quite a considerable task. The question you asked about the possible charging of them is being discussed because at some stage we will have to do that, but you have to again balance that with the potential cost to families coming over which we do not want to put off obviously, and if you introduce a charge of say £30 then for a family of 4 that becomes quite a considerable burden to them. All that is being discussed as to whether you charge for the test or whether you charge something along the lines of a landing fee, and whether you apply it to vocational people or frequent fliers. So all that is under discussion but there has not been a decision yet.

**Senator K.L. Moore:**

When do you anticipate a decision being made?

[11:45]

**The Minister for Treasury and Resources:**

I think there is a change being announced tomorrow about border and isolation rates, I think we have to wait and see what the result of that is before we can make a decision. Also the cost of waiting to see until the end of August when everybody over, as I mentioned before, the age of 18

will have been double-vaccinated, as to what difference that makes in people travelling from here and people travelling to here.

**Senator K.L. Moore:**

How will underspends that were incurred in 2021 be used? Will they be used to fund borrowing or to minimise borrowing requirements as set out in your other Assistant Minister's proposition?

**The Minister for Treasury and Resources:**

The underspends from 2020 have helped us considerably with dealing with 2021. Treasurer, 2021 underspends?

**Treasurer of the States:**

In particular if there is underspent COVID funding I think that will be dictated largely by whatever we are experiencing at the end of the year in respect of the latest forecasts around COVID, and I do not mean financially, I mean in terms of what border controls are and what the testing and tracing regime for example may look like, around that may be the extent to which certain parts of the economy are still seeing the impacts of the pandemic. But out with all of those I would expect the Minister will probably consider that amendment in the Government Plan to reduce the scale and need for borrowing at that time. In terms of other underspends I will just lump those between revenue and expect those to more likely either be carried forward as reserves or retained to the consolidated fund to reduce the scale of borrowing. In the case of capital to take those by a case-by-case basis to understand whether those projects are still due to proceed to the timescales or slightly delayed by the departments concerned.

**Senator K.L. Moore:**

Thank you. We have a question from a member of the public who asks: "At a time when the States are borrowing for various projects why is a Government bond not offered to local investors bearing a suitable interest rate, rather than borrowing from banks. This would ensure that the interest paid remained on-Island rather than going to the banks, a positive for the economy, likely to offer a more competitive rate of interest and reduce the demand for buy-to-let properties, so hopefully reduce upward pressure on house pricing, positive for the economy again."

**Treasurer of the States:**

That is a long question.

**Senator K.L. Moore:**

It is, but essentially why not introduce a Government bond?

**The Minister for Treasury and Resources:**

It was considered over the bond option for the last borrowing for the hospital.

**Senator K.L. Moore:**

Yes, but that was a long time ago and are you considering it now?

**Treasurer of the States:**

We have been considering that alongside current proposals to come shortly regarding the hospital. My own position would be that given the scale of the borrowing required it is unlikely we would be able to raise anything like the necessary funds available just from the local residents market or businesses. We are of course currently borrowing from locally resident banks within the R.C.F. (revolving credit facility).

**Director, Treasury and Investment Management:**

Yes, so I think to the point the Treasurer has made, the value you could possibly raise from a community style bond would probably not be sufficient for some of the large capital projects that we are considering. The very competitive commercial rate of interest that we do pay on our borrowing is paid to locally registered banks who retain their profits in the Island and pay tax on those profits. I think the last point, I am not quite sure what wording was used, but a reasonable rate of interest of course is always difficult to determine for a member of the public and I suspect the public would demand a higher rate of interest than that at which we can borrow.

**Senator K.L. Moore:**

I think the final point they were making was that it might reduce demand for buy-to-let properties as it would offer an alternative for investors.

**Director, Treasury and Investment Management:**

Yes, so I guess it comes down to that competitive rate of return and how you would fund that rate of return for a retail bond purchaser.

**Senator K.L. Moore:**

Then we move to the medium debt management strategy which is expected, and we would like to understand what progress is being made.

**Director, Treasury and Investment Management:**

So the debt strategy is very well-advanced now, we are in the final drafting sessions and the intention is to publish that alongside the proposition for Our Hospital and, as mentioned in last year's Government Plan, it will set out the strategy of Ministers as to how they will manage government debt over the medium to long term.

**Senator K.L. Moore:**

So we do not get any previews now?

**Director, Treasury and Investment Management:**

What I would say is that debt strategies are quite common around the world, so many countries have debt strategies and they are written around very well thought out guidelines that are produced by the International Monetary Fund and the World Bank. We have followed that model, and it is about making sure that is sustainable over the long term and can be repaid without - as I think you alluded to earlier - burdening future generations. I think it is probably best to look at it in the round with the borrowing that might be proposed with the Our Hospital project.

**Senator K.L. Moore:**

The question then is for the Minister, this may be common in other countries but certainly it is a departure for Jersey to enter into a debt strategy such as this. It is inevitably going to be over £1 billion worth of borrowing which will be your legacy, Minister.

**The Minister for Treasury and Resources:**

A departure for Jersey is not comparable. We are building a brand new hospital, which has not been done before, and we have had a pandemic, so departure for Jersey is a difficult analogy. You refer to legacy; I do not have a problem with that because we are building a new hospital and we have had to deal with a pandemic, which we have done very well, and that just cost money. The fact that we have not interrupted any of our reserves means that we still have quite a considerable level of collateral, and also puts us very high placed on the credit ratings, so it means that banks are more willing to lend to us at a lower interest rate than they would otherwise be if we already had a considerable debt or not that collateral of the reserves.

**Senator K.L. Moore:**

Can we just ask about Ministerial Decision 72 of this year? We would just like you to outline please for us the reasons for the transition of interest for the revolving credit facility from L.I.B.O.R. (London Interbank Offered Rate) to a risk-free rate?

**Director, Treasury and Investment Management:**

That is probably one for me. So that is a regulatory requirement, so the Financial Conduct Authority in the U.K. have basically stipulated that L.I.B.O.R. will no longer be a reference rate for revolving credit facilities. At the time we took the facility out there were 2 options, either to enter into an agreement with wording that looked forward already to allow a change to risk-free rates, or simply the opposite, not to do that. In the interests of time we went with the traditional agreement, which only referenced L.I.B.O.R. rates, and as a result of that we have had to make that transition to the new risk-free rate. The deadline is the end of 2021 but we felt it was prudent to be proactive and to do that sooner to avoid the rush that might happen at the end of the year when lots of other borrowers are also trying to transition. So it is a simple regulatory change.

**Senator K.L. Moore:**

Thank you, and can you confirm there will be no cost implication?

**Director, Treasury and Investment Management:**

There were some legal costs involved and some advice that the Minister required on an independent basis, but in terms of the facility itself the margin remains the same and there is potentially a marginal economic benefit to using the new risk-free rates over the course of time. But it will be marginal.

**Senator K.L. Moore:**

Staying with strategies, has an overall long-term investment strategy for reserves in funds been identified?

**Director, Treasury and Investment Management:**

The Minister publishes investment strategies for all the funds annually, and as part of the debt strategy and the Our Hospital funding proposition we will specifically focus on the long-term reserves and whether there might need to be any changes to the current strategies, which are generally long-term investment strategies, and have seen the investment reserves perform very well over recent years.

**The Minister for Treasury and Resources:**

I think we were very fortunate inasmuch as with the advent of COVID the reserves investments took a 30 per cent plummet but because we did not have to draw on them they are now well in excess of what they were before.

**Senator K.L. Moore:**

I am going to go to another question from a member of the public before we go to Deputy Ahier, if I could, because the deputy director of Revenue has sat patiently throughout this hearing without

having to answer a question yet. So a member of the public has asked us: "Why is the Tax Office not answering taxpayers' correspondence related to income tax?" This has been a common theme, I am afraid, throughout this Government.

**Deputy Director, Revenue Jersey:**

If it would help, I have got some metrics. Phone and correspondence wait times are published weekly now on gov.je, which I understand was a previous commitment. That now happens. I have got some data here for the week ending 2nd July, and it is improving. Shall I just cover calls and emails?

**Senator K.L. Moore:**

Yes.

**Deputy Director, Revenue Jersey:**

So for that week we had 1,311 calls and the year-to-date total number of calls to the office was 42,417. The average time to answer a call for that week was 6 minutes and 23 seconds. Then another statistic, in case it is helpful, 68.3 per cent of those calls were answered the first time, and then the average time to deal with the call was 6 minutes and 31 seconds. So that is calls. We do try and benchmark against H.M.R.C. (Her Majesty's Revenue and Customs) taxpayer charter standards as well and their standards are 5 minutes average speed of answering a customer's call and they expect or look for less than 15 per cent of customers waiting more than 10 minutes to speak to an adviser. So again as I understand it, we are improving there for telephones. Emails on average - and these are averages - it is 668 emails a week, at peak times that can go up to about 1,300 average per week. So again same date, week ending 2nd of July, and then we have had over the course of the year 18,049 emails and the department has actioned 23,000, so that will inevitably be some from the previous year as well. We are currently working to improve our current 20-day turnaround target time to 10 days, but we are not there yet. That is for email. Of course also at the moment we are also heading towards a deadline for filing of returns, so that inevitably has increased customer contact. But again I have figures for online forms, that is another means by which customers can contact us.

**Senator K.L. Moore:**

I think perhaps the question comes from the frustration that many members of the public have had with the service over the past 2 years, and while it is good to hear that some improvements are being made there are still members of the public who have waited for over a year to receive adequate responses to their queries. Many of those people who contacted the call centre are then told to put it in writing and so they feel like they are on a merry-go-round, and sometimes they do not receive

answers until there is some political intervention when they, in their frustration, reach out to States Members. So the question to the Minister is, is she (1) content with the level of customer service being provided by Revenue Jersey, and (2) what is being done to further improve it?

**The Minister for Treasury and Resources:**

Revenue Jersey have been under enormous pressure, not just with obviously the pandemic situation but also with the introduction of C.Y.B. (current year basis) and P.Y.B. (prior year basis) and the future introduction of independent taxation, plus of course a physical move from Cyril Le Marquand House to La Motte Street, a change of I.T. equipment. There has been a lot in one go. They were under resourced which has now been corrected in answer to your question; I think there are still 2 vacancies we are trying to fill but 12 more people have been taken on board.

[12:00]

Some people who have not continued in the finance centre because of the COVID situation have moved to tax, so not necessarily fortunate for them but very fortunate for us that we have been able to take on some very competent people without having to have the phenomenal amount of training that normally is required if you take on new employees because it is a very complicated system. So, yes, we are moving forward, as Fiona said, with a lot of the statistics improving as well.

**Senator K.L. Moore:**

As Minister you are responsible for the effective and efficient operation of your department. Do you take responsibility for the pressure that has been applied upon this very important department?

**The Minister for Treasury and Resources:**

Of course I do, which is why they have more resources to go forward and improve the response to correspondence.

**Senator T.A. Vallois:**

Just briefly, the extension of the Convention - and I am going to forget it - it is the discrimination against women ...

**Senator K.L. Moore:**

C.E.D.A.W. (Convention on the Elimination of all forms of Discrimination Against Women).

**Senator T.A. Vallois:**

Yes, C.E.D.A.W., that has been extended to Jersey earlier this year. So I suppose the question that has come from the member of the public - and I imagine you are predicting what I am about to ask, Minister - why are married women still treated like second-class citizens in Jersey despite all your promises?

**The Minister for Treasury and Resources:**

This is a major change of law, 1928 law, where women - in my wordings and in the law - are treated as chattels, so I would not say second-class citizens, it is worse, which is why I am pressing forward to get independent taxation brought in this year to take effect next year. I am very, very keen and determined, as are we all, to get this through the Assembly. So we have had lots of meetings; I think the panel are being briefed on Thursday this week on how far we have got. I have got draft legislation already so you will see that on Thursday. Very keen to progress it, but again it is quite onerous on Revenue Jersey. I understand that, but I did say when I started this job that I wanted to see this through.

**Senator T.A. Vallois:**

Would it be possible to see a copy of that draft legislation before the briefing on Thursday just so that we can have an idea of what it says?

**Deputy Director, Revenue Jersey:**

Absolutely. What we are waiting for is the editorial process within law drafting. They have done that so I am waiting for what will be a sort of almost final version and I will send that to you.

**The Minister for Treasury and Resources:**

Mine was an initial one which I got about a week ago, so this will be much more finalised.

**Senator T.A. Vallois:**

Okay, thank you.

**Senator K.L. Moore:**

Given the time I think we ought to draw a close to proceedings for the day. I thank you all for your attendance and your answers.

[12:02]