

STATES OF JERSEY

Corporate Services Scrutiny Panel Medium Term Financial Plan

FRIDAY, 2nd SEPTEMBER 2016

Panel:

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman)

Connétable C.H. Taylor of St. John

Deputy K.C. Lewis of St. Saviour

Mr. M. Oliver - Adviser

Witnesses:

The Minister for Treasury and Resources

Treasurer of the States

Head of Financial Planning

Economist

[11:03]

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman):

Thank you, everybody here, to coming here today. It is the hearing with the Minister for Treasury and Resources in relation to the Medium Term Financial Plan. Welcome, Minister, Assistant Minister and the team. I draw your attention to the notice in front of you, which I am sure you are fully aware of, and also members of the public and the people sitting in the public seating. There are notices around the room, which obviously we do expect members of the public and the media to remain quiet at all times while the hearing carries on. Minister, as we have said previously, as we proceed through the questions we may stop you if we feel you have answered the question sufficiently because we do need you to try to be as concise as possible. I am sure you are aware of that. For the avoidance of doubt, if you see my hand raised then that should be taken to be that we want to move on and I am trying to avoid ... that we do not over-talk each other as we have had slightly in

the past. For the benefit of the tapes, if I start going round, Deputy John Le Fondré, chairman of the panel.

Connétable C.H. Taylor of St. John:

Constable Chris Taylor, panel member.

Deputy K.C. Lewis of St. Saviour:

Deputy Kevin Lewis, panel member

Assistant Minister:

Constable John Refault, Assistant Minister, Treasury and Resources.

The Minister for Treasury and Resources:

Senator Alan Maclean, Minister for Treasury and Resources.

Treasurer of the States of Jersey:

Richard Bell, Treasurer.

Head of Financial Planning:

Chris Haws, Head of Financial Planning.

Economist:

Greg Boyd, States Economist

Deputy J.A.N. Le Fondré:

Okay. As you have noticed, we are doing a slight experiment today and feedback is welcome to see if it works or not, both from the political side, any members in the public gallery not in the hearing. The purpose of the T.V. (television) screen in the corner is that occasionally we shall be referring to the odd slide, for example, a table from the F.P.P. (Fiscal Policy Panel) economic assumptions and we thought it might be a bit easier for people to see what we are talking about on the screen rather than just bouncing around with numbers. Anyway, and we will also see if the technology works. I should also note for the purpose of the transcript Michael Oliver, one of our advisers, is present at the hearing. In fact, Michael, if you want to just ...

Mr. M. Oliver:

Michael Oliver, adviser to the panel.

Deputy J.A.N. Le Fondré:

Thank you very much. So, Minister, the annual report for the Fiscal Policy Panel, which was published this week, has revised a number of economic assumptions downwards and obviously the new assumptions are displayed on the screen in this room. So in the light of this initially, have you reviewed the accuracy of the income forecasts in the M.T.F.P. edition?

The Minister for Treasury and Resources:

Now that the publication has come out from the Fiscal Policy Panel, the Income Forecasting Group is going to consider that and the income forecasts in light of it and will be reporting back to the Council of Ministers by the 7th.

Deputy J.A.N. Le Fondré:

So do you yet know then if the income forecasts are going to be adjusted downwards or not?

The Minister for Treasury and Resources:

The Income Forecasting Group has not finished their deliberations and, as I have said, they will be doing so and reporting to the Council of Minister by the 7th.

Deputy J.A.N. Le Fondré:

If the income forecasts are amended will States Members be provided with an up-to-date income forecast showing the changes of the revised assumptions and also the impact on any surplus or deficit?

The Minister for Treasury and Resources:

Yes, and I would imagine that they will be revised. I would be surprised if they are not. Forecasts are, as I have said on many occasions, exactly that and likely to be revised on a regular basis and particularly in light of the report from the Fiscal Policy Plan again I would not be surprised if there were not some revisions.

Deputy J.A.N. Le Fondré:

I will skip ahead to one question and come back only for the purposes of the slide. On here, on the first line: "Real G.V.A. (gross value added) is essentially flat between 2016 and 2019." Would you agree with that? I think the initial starting point is in relation to expenditure forecasts; what was the inflation assumption?

Treasurer of the States of Jersey:

The inflation assumption is the last set of assumptions that they have been provided with.

Deputy J.A.N. Le Fondré:

So the inflation assumption, it is incorporated into the M.T.F.P.? This is the August one but the actual ones that are published in the M.T.F.P.

Treasurer of the States of Jersey:

Yes. No, sorry. The ones published in the M.T.F.P. provided by the F.P.P. but they were not ... they are not those solely of the M.T.F.P. They come from the F.P.P.'s report.

Deputy J.A.N. Le Fondré:

Okay. So to be very clear, we have got the I.F.G. (Income Forecasting Group) update report on draft forecasts which was given to States Members, it is P.68/2016, it will add, anyway, (3). Page 5 of that report says: "Figure 2, final economic assumptions used."

Treasurer of the States of Jersey:

You have it front of you.

Deputy J.A.N. Le Fondré:

So it will be that document one assumes, and Chris Haws is nodding so I assume that to be correct. So on that basis on that point R.P.I. (Retail Price Index) was one point, which was the 2nd row on that table, the present figures that the M.T.F.P. is based on is 1.6, 0.6, 1.8, 2.6, 3.3, 3.3, which is reading from the table.

Treasurer of the States of Jersey:

Yes.

Deputy J.A.N. Le Fondré:

Okay. So going back to the table, G.V.A. is broadly speaking flat, but compensation of employees, which is part of the G.V.A. calculation, is predicted to increase each year. Could you explain the relationship between those assumptions?

Treasurer of the States of Jersey:

I think primarily that should be a question that is posted to the F.P.P. but ...

Deputy J.A.N. Le Fondré:

Surely, these are our assumptions, as in your assumptions, because they form the basis of your income forecasts which we are voting on. Therefore, you must be able to comment on the relationship.

Treasurer of the States of Jersey:

Yes. The States employ a Fiscal Policy Panel to provide those economic assumptions and they are performing those for that panel.

Deputy J.A.N. Le Fondré:

So you are unable ...

Treasurer of the States of Jersey:

I do not sit in a room and form these economic assumptions.

Deputy J.A.N. Le Fondré:

I did not ask that. I am asking what the relationship is or why, when G.V.A. is basically flat and falling, the only thing that is going up on there is compensation of employees.

Economist:

Yes. I mean it goes up between 2016 and 2017, is that what you are referring to?

Deputy J.A.N. Le Fondré:

Yes, 5.3 per cent, 2.6, 3.8 and 3.

Economist:

Yes. So that is driven by the average earnings between 2016 and 2017.

Deputy J.A.N. Le Fondré:

Is that inflation driven basically?

Treasurer of the States of Jersey:

It is around that the compensation of employees; that is the office putting there his numbers ...

Economist:

Yes. So it is the ...

Treasurer of the States of Jersey:

Numbers of people.

Deputy J.A.N. Le Fondré:

So it is employment is going up, earnings going up mainly because of inflation.

Treasurer of the States of Jersey:

We have had a 10-year period of flat G.V.A. and then earnings went up. That is historically; I would suggest it happened.

The Minister for Treasury and Resources:

It is the 4th consecutive year.

Deputy J.A.N. Le Fondré:

Okay.

The Minister for Treasury and Resources:

The 4th consecutive year that average earnings have increased above inflation.

Deputy J.A.N. Le Fondré:

I think what we are curious about is compared ...

Treasurer of the States of Jersey:

You are looking at real G.V.A. there, are you not?

Deputy J.A.N. Le Fondré:

Okay.

Treasurer of the States of Jersey:

So when we talk about average earnings, that is not real average earnings increases; that is nominal. So it has compared that to ... you should be looking at nominal G.V.A. which rise during that period.

Deputy J.A.N. Le Fondré:

Nominal G.V.A. up on the screen compared to what is in the M.T.F.P. has fallen. So nominal G.V.A. for 2015 is 2. ...

Treasurer of the States of Jersey:

Sorry. I thought your question was, why is average earnings up; compensation of employees going up when real G.V.A. is flat?

Deputy J.A.N. Le Fondré:

It was, and you have just said that one ...

Treasurer of the States of Jersey:

My answer is, that earnings are not on that sheet in real terms; they are in nominal terms. So you should be looking at nominal G.V.A. which rises.

Deputy J.A.N. Le Fondré:

Which is what I am just following on now. Nominal G.V.A. on here, 2015, is 2.9 in the M.T.F.P. and is 1.3 on that table. It is 3.2 in 2016. It is 2.7 on the table.

Treasurer of the States of Jersey:

Let me rephrase it. What is your question?

Deputy J.A.N. Le Fondré:

Well, the question ... no, my original question was, on the basis the economy, on the basis of the real G.V.A. simply flattening, your assumptions seem to indicate that compensation of employees is going up quite significantly, even relative to the assumptions within the M.T.F.P. The question behind that was why. You have then pointed us at nominal G.V.A. Nominal G.V.A. between the M.T.F.P. figures and these figures are down. So could you give me ... I am looking for an explanation. I am just trying to understand this relationship because essentially from our point of view we are assuming that this would indicate that income forecasts are going to go down. The big query is around income tax. That is driven presumably by compensation of employees.

Treasurer of the States of Jersey:

So you see in the revised ... I would say we will be able to compare the 2. You will see nominal G.V.A. has reduced as has compensation of employee; both have reduced over the period compared to March, except for 20 ...

Deputy J.A.N. Le Fondré:

Okay. No, that is fair comment. I suppose that the compensation of employees in 2015 does go up, 5.3 against 3.3, it then drops. It does not drop that significantly. Maybe.

Treasurer of the States of Jersey:

So compensation of employees ...

Male Speaker:

1.7.

Treasurer of the States of Jersey:

... in 2015 is almost largely unknown now.

Deputy J.A.N. Le Fondré:

The summary is, at this stage you are very comfortable in the assumptions you have got on there.

Treasurer of the States of Jersey:

I am comfortable that it correlates.

Deputy J.A.N. Le Fondré:

You understand that the relationship between what seems to be a flattening out from the G.V.A. economic side does still justify what appears to be, albeit slightly lower, what seems to be high levels of increase in compensation of employment going forward.

The Minister for Treasury and Resources:

It is falling, is it not, from 2016? Minus 0.7 in 2016.

Deputy J.A.N. Le Fondré:

Compensation of employees, not financial services profit.

The Minister for Treasury and Resources:

Compensation of employees is falling and flat from 2018.

Treasurer of the States of Jersey:

There is compensation ...

Deputy J.A.N. Le Fondré:

I think we need to move on from that.

Treasurer of the States of Jersey:

The rate of increase reduces in 2018.

Deputy J.A.N. Le Fondré:

Have you got any technical queries on that?

Economist:

Move on. I do not think ...

Deputy J.A.N. Le Fondré:

Okay. I think we will pick this up from Michael, perhaps, speaking to you. What we are trying to do is we would like a handle on how these changes are going to handle on income tax and it just seemed odd that with a flattening G.V.A. the compensation of employees still seemed quite healthy.

Treasurer of the States of Jersey:

But they have both gone in the same direction in the revision of the forecast. They have both been reduced. Compensation of employees has gone up in 2015 but 2015 is largely factual. That is not looking forward, okay, and that feeds into the 2016 tax take. Compensation of employees has gone down by 0.7 in 2016 and 0.3 in 2017 from the March figures.

Head of Financial Planning:

A more helpful table is the variations, not just the new forecasts.

Deputy J.A.N. Le Fondré:

Okay, which we will have here.

Treasurer of the States of Jersey:

It is a correlation of a dampening of the G.V.A. numbers and a dampening of every average earning numbers rather than looking at it and saying: "Well, you are saying this has gone down but this is still going up." Well, no, it has not gone up from the March figures; both have gone down from the March figures.

Deputy J.A.N. Le Fondré:

This is going up by less.

Treasurer of the States of Jersey:

They still go up less, but whereas historically ...

Deputy J.A.N. Le Fondré:

Whereas the G.V.A. is ...

Treasurer of the States of Jersey:

... we had 10 years of flat G.V.A. and yet we had increases in average earnings and that is partly the difference between real and nominal G.V.A. figures and the average earnings are nominal, not real, and it is not readjusted ...

Deputy J.A.N. Le Fondré:

No, it is okay.

Treasurer of the States of Jersey:

Not really inflated adjusted.

Deputy J.A.N. Le Fondré:

We will move forward from that. Okay, you are happy that the correlations you have got there do make sense?

Treasurer of the States of Jersey:

There is nothing ... when you take the March figures and you take the August figures there is very little that jumps out and says: "Hang on a minute, why has that gone in that direction and that has gone in that direction?" They correlated the movement into reduced forecasts on G.V.A. underneath there sitting are ... have largely got red minus signs across the piece. I have got very little in the way of ...

Deputy J.A.N. Le Fondré:

No, most things have gone down.

Treasurer of the States of Jersey:

Of course the only anomalous one would be the ... I think your average earnings going up 0.2 in 2017. You just need to understand that.

Deputy J.A.N. Le Fondré:

So most things ...

Treasurer of the States of Jersey:

Most of them are in the right direction.

Deputy J.A.N. Le Fondré:

Most things have gone down, do we agree?

Treasurer of the States of Jersey:

Not the right direction; the same direction.

Deputy J.A.N. Le Fondré:

Okay.

Treasurer of the States of Jersey:

That will all come well in the transcript.

Deputy J.A.N. Le Fondré:

We will move on.

[11:15]

It has helped but I think it has probably also just added to a major amount of confusion in the ...

Treasurer of the States of Jersey:

We have a sheet, August, March difference, but I think you have had it as well and, as Chris said, if you put that on there that would be more helpful.

Deputy J.A.N. Le Fondré:

Okay, fine. Well, we will move on to another point that was made which was, last year we recommended on the M.T.F.P. that a lower income forecast be adopted between the central and the lower scenarios outlined by the I.F.G. and it was rejected. I will read the recommendation. The recommendation was: "The panel recommends adopting an income forecast between the lower and central scenarios outlined by the Income Forecasting Group. The response was rejected." I will not do the whole preamble on the response from the Minister. Now, in light of the revised economic assumptions do you agree that it appears likely that this lower income scenario will prove to be more realistic?

The Minister for Treasury and Resources:

Well, it is likely to be revised downwards, as I referred at the opening comment that I made, and if you look at the response that I made on your screen up there: "The Council of Ministers also recognises the advice the F.P.P. and I that the risks are to the downside and proposes a plan that has appropriate flexibility contained within it." So it is not a great surprise. We identified and the advisers, the Fiscal Policy Panel, and the Income Forecasting Group also will take into consideration the element of risk of a downside. Of course in the intervening period we have had Brexit that has come about.

Deputy J.A.N. Le Fondré:

But you do accept that ...

The Minister for Treasury and Resources:

There were other risks that led them to give that advice and we planned accordingly.

Deputy J.A.N. Le Fondré:

Yes. I think the point is, it is not just Brexit driven, as I understand it, but, Minister, we will move on. Do you accept that a year ago we were suggesting that a more prudent approach would have been to take a mid-point between the central and the lower?

The Minister for Treasury and Resources:

Well, we feel that that we did take a prudent approach and that there was enough flexibility contained within the plan to manage variations and our approach taken is one that has been validated by the Fiscal Policy Panel Report that you have before you.

Deputy J.A.N. Le Fondré:

Okay. Now, obviously --

Treasurer of the States of Jersey:

My reading of the Fiscal Policy Panel's Report is that the majority of these downgrades in the forecasts related to Brexit and you just said it did not.

Deputy J.A.N. Le Fondré:

No, I said "it was not the only".

Treasurer of the States of Jersey:

I think it ...

Deputy J.A.N. Le Fondré:

That is all I meant; not the only one.

Treasurer of the States of Jersey:

... was pretty much predominantly the reason for the downgrade in the forecast.

Deputy J.A.N. Le Fondré:

I am not going into the reasons why and for ...

Treasurer of the States of Jersey:

Well, you just did.

Deputy J.A.N. Le Fondré:

Okay. Thank you, Treasurer.

Treasurer of the States of Jersey:

I think to throw the other things in ...

Deputy J.A.N. Le Fondré:

So I believe ...

Treasurer of the States of Jersey:

... this downgrade to the forecast is largely, predominantly, I believe it says, in result of Brexit. They have added to uncertainty and uncertainty still exists.

Deputy J.A.N. Le Fondré:

I will pause. I will make the comment I believe at the time there were various risks associated with the ...

Treasurer of the States of Jersey:

At the time there were various risks.

Deputy J.A.N. Le Fondré:

Hang on.

Treasurer of the States of Jersey:

The Brexit one has materialised.

Deputy J.A.N. Le Fondré:

Hang on. I think we also talked about risk of China economy slowing down, risk of Europe, all that type of stuff; that was feeding into the response as to why we were suggesting a prudent point. Brexit was obviously there.

Treasurer of the States of Jersey:

Yes.

Deputy J.A.N. Le Fondré:

Let us keep going. But at the end of the day, we made a recommendation, it was rejected, but we are obviously now where we are.

Treasurer of the States of Jersey:

Yes.

Deputy J.A.N. Le Fondré:

I.F.G. Report, published in the M.T.F.P. edition, shows that if economic growth falls by 1 per cent it could have an impact of between £1 million and £8 million on income tax revenue. As the prediction for G.V.A. has been reduced at 1 per cent each year between 2015 and 2017 it seems clear that income will be lower than forecasted in the M.T.F.P. edition. Hopefully, you agree with that statement.

The Minister for Treasury and Resources:

Yes. I have told you that the Income Forecasting Group are considering matters in light of this new report from the F.P.P. I have also stated that revision is more than likely and it is more than likely on the down side.

Deputy J.A.N. Le Fondré:

Okay. Are the targets for income tax collection for the first 6 months on track?

Treasurer of the States of Jersey:

I think you know how you phrased that question to give the answer that would not illuminate the position. My current understanding of the initial position is we expect broadly the 2016 income tax forecast to be broadly in line with the previous forecast. I know that your advisers have been told that the year-to-date position is down, the year-to-date position down, as your advisers have been told, is purely as a result in a bit of a backlog in the processing.

Deputy J.A.N. Le Fondré:

So it is an internal processing area or issue. It is not an income ...

Treasurer of the States of Jersey:

It is not a forecast of the income that will be ...

Deputy J.A.N. Le Fondré:

It is not going to have a detrimental impact on year income.

Treasurer of the States of Jersey:

So they are currently working on that. Partly because they are behind, then we would rather ... in the usual course of business we would be preparing this forecast for the budget which would give us another 2, 3, 4 weeks to be further forward in collection for us to have more assurance on the

figures for 2016 now. We will be considering later today figures in respect of 2016, and I have had them at a high level, and they are broadly looking as though they are going to be in line with the previous forecast.

Deputy J.A.N. Le Fondré:

Okay. That is fine.

Treasurer of the States of Jersey:

But that is I.F.G. have not looked at them so we have not picked them apart. As I say, we have less data than we would like to at this time of the year.

Deputy J.A.N. Le Fondré:

Okay. That is fine. I think we just wanted to clarify it was a, what we call, processing issue, if you see what I mean, rather than ...

Treasurer of the States of Jersey:

Yes. It is a good question because the 2 parts that relate to the forecasts are first and foremost, where are you now, and then, where are the future economic factors going to take you? So if you start higher then you are going to end up higher.

Deputy J.A.N. Le Fondré:

Yes, okay. Income forecasts also include an adjustment of £7 million average per year in relation to the move to recognising tax revenues on a current year basis. Now, one thing our adviser has basically pointed out that there is a greater degree of risk associated with this in their view as the tax liability is not determined until the end of the year. So broadly speaking, I think trying to put into English, £7 million would seem to be an estimate. Therefore, how robust is that figure or alternatively are you going to turn around to me and say: "No, we are really confident that £7 million extra a year as a result of this accounting adjustment is absolutely fine."

Treasurer of the States of Jersey:

We will know more once we have got through the current year income forecast. There are other meetings that start this afternoon.

Deputy J.A.N. Le Fondré:

So at present is it reasonable to say it is an estimate and has an element of risk attached to it as any estimate will do?

Treasurer of the States of Jersey:

Well, all of them are estimates. Is it, the current year basis taxation is all the more of an estimate, regardless of whether you take it into your books as current as opposed to being unknown from a previous year? So you have always got ...

Deputy J.A.N. Le Fondré:

I think that was the point we are trying to make.

Treasurer of the States of Jersey:

... one more year of uncertainty. Having said that, the other side to which you are collecting it, if you ... as we are here, so from a collection point of view, prior year versus taxation, is more of a risk, the collection, than a current year basis because we will collect them as it is there.

Deputy J.A.N. Le Fondré:

I think we want to know the ...

Treasurer of the States of Jersey:

So the risk signal prior basis taxation is that someone is no longer here to pay that bill.

Deputy J.A.N. Le Fondré:

I think in the overall scheme of things for forecasting purposes is that £7 million, does it carry an element of greater risk than it would previously?

Treasurer of the States of Jersey:

Marginally.

Deputy J.A.N. Le Fondré:

Okay. I think I am going to hand over to Chris.

The Connétable of St. John:

Just to finish that, one query I have. In light of the fact that the I.F.G. will be reporting to the Council of Ministers on the 7th of this month and looking at timescales, when are Members and this panel going to be notified of any changes, because we have literally only got 2 days or 3 days in which to make any amendments to the Medium Term Financial Plan. It is not really going to give sufficient time to Members of the Assembly to make, if necessary, amendments if you are going to come with changed figures at such a late stage. How will you address that problem?

The Minister for Treasury and Resources:

Well, to answer the question about, when will the panel know, the panel will know once the Council of Ministers knows, because that information will be passed on to the panel. States Members will be notified thereafter. With regard to changes, I think it is fair to say, reading the report from the Fiscal Policy Panel, they are not suggesting any changes to the M.T.F.P. edition in light of their revised economic assumptions. We do believe there is going to be a revision. We do believe there will be a downward revision to a certain extent but we believe that it is likely that that will be managed within the flexibility. There was a key central part to the Medium Term Financial Plan and its edition at the very outset. Flexibility has been the key and we believe that there is enough flexibility in there to be able to accommodate any likely downward revision. I am not trying to predetermine what the Income Forecasting Group may say so we will have to wait and see but that is where our feeling is at the moment and hopefully that gives you the answer as to when you will have their conclusions. In other words, immediately after the Council of Ministers on the 7th.

The Connétable of St. John:

Certainly my concern is the timescale and if amendments need to be brought because, of course, any amendment we bring has to have a funding source as to where the funding is going to come from and if there is going to be tightening of contingencies or something else it could well have serious effects on any amendments that are in the pipeline at the present time.

The Minister for Treasury and Resources:

I think it is probably just worth emphasising that ... and it comes out very clearly within the Fiscal Policy Panel Report that there is a high degree of uncertainty as a result of Brexit and it is likely that that will continue during the course of the negotiations which, as you know, have not even commenced yet because Article 50 has not been invoked. They make it clear that in their view we should not be taking or considering any kneejerk reactions. So I would have thought that hopefully what I have said today will give reassurance to the panel that there is enough flexibility within the existing plans, supported by the Fiscal Policy Panel, that should allow us not to need to consider ourselves making an amendment because of course do not forget if there were something in terms of a change that were so significant the Council of Ministers themselves may wish to make an amendment so we will be considering that. So it is not just the panel or indeed other States Members but the Council of Ministers also need to consider the potential of the amendment. We do not believe, from what we have seen to date, that that is very likely.

Treasurer of the States of Jersey:

Can I just provide the clarification in terms of Brexit timescale? So we anticipate we will not have a final report by the 2nd so what we want to do is to highlight again to the Minister another point where we believe the forecast will arrive and we will be talking to the Minister a few days after that to issue

the final report, I am assuming that today. It is very difficult for us to have gone any quicker than we are moving on this as a result of where we are in terms coming to the Greffier and having been provided with the report. Having said that, we ran a number of scenarios prior to the summer, or in the middle of summer, so that we are well placed to have gone through in our heads the scenarios that would fall out in different circumstances. Just in terms of building on what the Minister says in terms of flexibility, we built flexibility in for these sorts of outcomes. Now the question at this point is, if that variation has sucked up that flexibility, do we need to provide more flexibility back into it? So that is one thing. The other is that if the variations were of a size that would mean that the Consolidated Fund would then go into a negative forecast ...

The Connétable of St. John:

Sorry, this is detail I am not looking for. What I am worried about is the timescale because we have to lodge our amendments and we are not going to have sufficient time to do it.

Treasurer of the States of Jersey:

Yes, but I can only do ... there is almost like a phrase I have started to coin because nothing else seems to work, is the laws of physics and the laws of gravity almost apply here. We are going as fast as we possibly can, given when we received the information and when it is advisable to do so. We could have gone in March and then said data ...

The Connétable of St. John:

I accept that but I would hate to have to stand up and ask the Minister to refer back the M.T.F.P. because we have not got the time to make the necessary amendments which ...

Treasurer of the States of Jersey:

The timing of the M.T.F.P. is a matter of legislation ...

Deputy J.A.N. Le Fondré:

Well, initially it is the timing of your choices to, (a) have the edition ...

Treasurer of the States of Jersey:

Yes, and in the past what we have done is provided an ...

Deputy J.A.N. Le Fondré:

Let us move on.

Treasurer of the States of Jersey:

... revised income forecast earlier and then been criticised by this panel for not doing another one.

The Connétable of St. John:

Let us move on to the ...

Deputy J.A.N. Le Fondré:

Hang on. Just on the part 2 bit, sorry. One was obviously the whole point is that it is ultimately States Members that have to be happy with the plan.

Treasurer of the States of Jersey:

Yes.

Deputy J.A.N. Le Fondré:

I think that is the point. I just want to pick on something the Minister said, which is that the F.P.P. are happy with the principles. The issue is that States Members have to be satisfied that what they are being asked to vote on is sufficiently robust for their particular concerns, not: "Just do I get this thing through."

The Minister for Treasury and Resources:

Of course.

Deputy J.A.N. Le Fondré:

Yes, I just want to make that point. One thing I forgot to pick up on and I want to just ask a question on while you are on assumptions in this area of the table. So on the revised economic assumptions, on the financial services side of things, as we are knowing the original figure under profits for 2015 was positive 2.1 and now it is negative 7.5. Again, I think the 2 points is, presumably do you have any indication at this stage how that is likely to impact the forecasts or are you just going to be waiting for reports coming out early next week?

Treasurer of the States of Jersey:

So ... okay, 2nd thing?

Deputy J.A.N. Le Fondré:

No, I think I have already answered the question which is basically to confirm, which Chris Haws commented on, that these figures on this table, which are the I.F.G., are the ones that are presently in the M.T.F.P.

[11:30]

Okay.

Treasurer of the States of Jersey:

So, yes, in terms of the impact for the downgrade predominantly for 2015 we had, and I think we covered this in our forecast, anticipated had dropped down from the prior year figures. Because we see figures broadly ... we have 88 of the top 100 that we had at that point were indicating broadly ... I will have to go back to see whether this number changed, but the drop was largely anticipated, the drop in the increasing prospects. They were anticipated in the forecast for 2015.

Head of Financial Planning:

There was a manual adjustment to the income forecasts, incorporation of income tax in the M.T.F.P. edition, which reflected an expected downturn from the 2015 actuals which were translated 2016 income.

The Connétable of St. John:

Was is of that magnitude, 7.5 per cent?

Head of Financial Planning:

It would not have been as exact as that.

The Connétable of St. John:

It was not?

Head of Financial Planning:

It would have been based on the returns that came back.

The Connétable of St. John:

Do you know what it was?

Treasurer of the States of Jersey:

The other thing to note is, of course, when you look at the 2014 high figure we did not get all of that height because this is financial services profits and which is not ... and of course, sorry, the difference between taxable and profits. So we did not get the full impact of the 19.4 so it would be wrong to think that we get the fall down of the 7.5. The 2 are not the same sets of numbers. We will now take these numbers and ... you must appreciate that at 2015 we are working on largely known data as opposed to survey data of where profits are and so we are dealing with live tax returns; that is income into 2016, which will have been submitted; some being provisional but some being the case, so that we are dealing with actual numbers rather than just what the economic indicators are. What

we try to do in the Income Forecasting Group, is if we have got an assumption where we have got actual data we will run the actual data for a year rather than the assumption.

Deputy J.A.N. Le Fondré:

Okay. You have touched on it, I think we just need to clarify one point. Chris also mentioned a point about a manual adjustment and we have had this discussion. It is agreed we need to just bottom it out. In the I.F.G. there is reference to the change in the financial services profits and that the I.F.G. considered that their assumption of the corporate profits as a whole fell and that you have made reference to that as a manual adjustment. I suppose what I am trying to get to, however that table says: "This is what the assumptions were".

Head of Financial Planning:

Which is what the base forecast started from and then any adjustment is made on the basis of actual information which would only be for the current year.

Deputy J.A.N. Le Fondré:

So if somebody is trying to assess these they need to know what the other assumptions were?

Head of Financial Planning:

Which is presented in the forecast, yes.

Deputy J.A.N. Le Fondré:

Okay. We might have to come back to that and have a greater understanding of that for the future I will just say.

Treasurer of the States of Jersey:

The adjustments that we make are in the document. The adjustments that we make are clearly labelled and, as Chris said, that is because we have got to have something that we have got actual data. In the case of companies, we might know something about a particular company which would not necessarily be there for the F.P.P. because it would be obviously confidential information.

Deputy J.A.N. Le Fondré:

That is fair comment.

Treasurer of the States of Jersey:

So we might build that into the forecast as well.

Deputy J.A.N. Le Fondré:

We will come back to that I think as a separate issue probably around the budget time I suspect because I think we do need to understand obviously from somebody looking at the report they will probably pick up on the table, they may not necessarily, even though it is written in there, pick up on the somewhat more nuanced text further down in the report, especially when it is effectively an addendum to a 300-page document already ... well, 197-page or whatever we are on. Stop there. Move on to Chris.

The Connétable of St. John:

The F.P.P. Report, a few questions on that. The F.P.P. commented on the importance of delivering planned capital projects on time. Many capital projects are still in balance notices, so how will you ensure that projects are delivered particularly in the light of experiences with the hospital budget?

The Minister for Treasury and Resources:

I think I would separate out first of all the hospital project from a number of other capital projects because that is somewhat of an extraordinary project and I think what the F.P.P. are particularly referring to is the normal capital expenditure; that which accounts for, through the Medium Term Financial Plan, a spend of £168 million. They have made the point by the way, as you will have noted in the Fiscal Policy Plan Report, about the significant stimulus contained within that particular plan. Obvious capital expenditure of £168 million is a key part of that. The point that has been made in the past is because of the rules that exist under the Public Finances Law projects cannot commence, of a capital nature, until the funds are voted and are available in total so that has, in the past, resulted in delays. There are considerations being put forward by Treasury in order to allow that to be done and managed more on a cash flow basis. In fact I think it is a matter that has been raised with your panel in the past and I know there is some reluctance by your panel to go down that particular route but nevertheless that would be a way in which one could ensure that projects can start in a more timely fashion and in particular to ensure that the spend benefits the economy when it is under capacity and at its weakest, which is what the intention is and the recommendation of the F.P.P.

The Connétable of St. John:

Yes. So what evidence have you that convinces you that Jersey has experienced a cyclical disturbance as opposed to a structural change in the economy?

The Minister for Treasury and Resources:

I do not think I have said I am convinced either way and that again is a point made in this report that it is too early to tell whether the impacts are structural or cyclical and that is something that is going to have to be evaluated on an ongoing basis.

The Connétable of St. John:

I know I am new to the Assembly but for the last 2 years we have been told very definitely it is a cyclical not a structural position.

The Minister for Treasury and Resources:

I am commenting on the conclusions of the Fiscal Policy Panel, particularly strong in this report, that it is too early to assess whether it is structural or cyclical although there is likely to be a structural element. What that would look like by 2019 is something that they are going to keep under review.

The Connétable of St. John:

Right. So they are tending towards thinking of it as structural as opposed to 2 years ago, when I joined the Assembly, it was very definitely cyclical.

The Minister for Treasury and Resources:

Well, I think a lot has happened in the intervening period, notwithstanding the fact that we have had the Brexit vote, which creates an even greater level of uncertainty which is commented on; uncertainty that is not just a matter for Jersey but is a matter for the U.K. (United Kingdom) and I might say the global economies as a whole.

The Connétable of St. John:

Yes. In other words one of a number of risks has come true but as it is only one of a number it should not have that big an impact.

The Minister for Treasury and Resources:

Well, I would have thought Brexit is fairly significant and that is certainly a point made by the Fiscal Policy Panel that the impact of Brexit is going to be difficult to fully assess until negotiations are complete and they have not even started yet. They are going to run for 2 years. So making a conclusion as to whether the Jersey economy is going to have a structural element of the finances by 2019 at this particular point is something that they say we cannot do but will keep under review and I think that is advice coming from some internationally renowned economists, which we have to take heed of.

The Connétable of St. John:

Thank you. The F.P.P. Report makes reference of a £10 million adjustment being required in the next M.T.F.P. period. What is your reaction to this?

The Minister for Treasury and Resources:

They also, in the same report, say that it could be more or less than that and that would depend on how the economy performs in the intervening period. It is clear in their report that they are saying at the moment we should continue, as this Medium Term Financial Plan does, to provide stimulus for the economy during this projected weaker period and that stimulus should be slowly withdrawn as the economy moves towards capacity. That is the advice. As we stand at the moment, there could be £10 million that needs to be rectified in the next Medium Term Financial Plan and that indeed is what the F.P.P. are saying that that is when we should be looking to deal with any imbalances that occur in the next M.T.F.P., not this one, because it is likely this one is going to need to continue to stimulate the economy.

The Connétable of St. John:

So you will be mindful of that when the next M.T.F.P. is given?

The Minister for Treasury and Resources:

Absolutely. It is very sound advice.

The Connétable of St. John:

In our previous hearing with you, we discussed the contingency allegation and that all the amounts are not strictly contingencies. The F.P.P. is now recommending that clearer rules around the amount of contingencies are needed in the future. Are you able to say yet how you will act upon this recommendation?

The Minister for Treasury and Resources:

No. That is a matter for ... I mean this report has only just been published, as you will be aware, and it is yet to be considered by the Council of Ministers as well. We will take away the recommendations and report back formally in due course, so that will need further consideration.

The Connétable of St. John:

Okay. The ...

The Minister for Treasury and Resources:

Other than, if I may, just say that I welcome all the recommendations and I think that one together with the others are recommendations that we need to find ways to act upon.

The Connétable of St. John:

Leading on from that, the Statistics Unit has announced they will not be publishing the Business Tendency Survey any longer. As this is quoted extensively in the section on the economic

background and outlook, it is in the M.T.F.P. and the F.P.P. in their report, how now will that impact on your economic forecasting in the future?

The Minister for Treasury and Resources:

Well, I think first and foremost, and I stand to be corrected on this, but it is my understanding that the frequency of the publication of the Business Tendency Survey is the matter that is under consideration at the moment. So there was not a Business Tendency Survey published in June and there will not be one in September but I do not think, as my understanding is, that it is not being to be cancelled altogether. I do not know if, Greg, you are ... it is not directly in your area I accept but I do not know if you have any further knowledge on that. I think if you have not ...

States Economist:

I think that is probably what the latest is I understand as well, yes.

The Minister for Treasury and Resources:

Yes. So it is the frequency rather than being cancelled altogether because it provides valuable advice ...

The Connétable of St. John:

It is very valuable advice, yes.

The Minister for Treasury and Resources:

Yes, indeed. So it is the frequency that is under consideration and not the fact it is not going to be considered.

The Connétable of St. John:

Because unless you have this advice you cannot make sound decisions because it is part of the decision making process, as I have pointed out; both in the M.T.F.P. and the F.P.P. uses it. The Chamber of Commerce have come out and particularly mentioned that area so I am pleased to hear it is going to continue albeit in a reduced manner but I think we need to make a point, information is important.

The Minister for Treasury and Resources:

Information is very important and it is why we have a suite of indicators. This was one that I was keen to push for at its inception which, if I remember correctly, was 2009 and it does provide a very valuable survey, forward looking, of businesses and therefore that information is useful in policy formation.

Deputy K.C. Lewis:

Okay. Efficiencies and savings. In the F.P.P. Report the F.P.P. say they do not recommend any additional fiscal tightening at this stage. They do state that the process for efficiencies and savings in expenditure is now critical. An extract from the report is on screen in the room and for the benefit of the transcript I will read it out. F.P.P. Report, page 32: "The F.P.P. have previously pointed out that making savings and efficiencies in the public sector was highly desirable, irrespective of the economic conditions the Island faced. Given the weaker long term outlook for the economy this process is now critical." Do you agree, Minister, that there now needs to be a greater focus on delivering efficiencies in the public sector?

The Minister for Treasury and Resources:

Yes, and that is why we have been working hard and this plan contains efficiencies. In fact, the vast majority of what is described as "savings" is efficiencies, £46 million, as opposed to £2 million which are classified as savings. That programme, and it is a point made by the Fiscal Policy Panel, is not a start and finish programme for this Medium Term Financial Plan but one that needs to continue onwards and that is the intention. Efficiencies in every organisation are exactly what should be being focused on and the public sector is no different. It has to be as efficient as possible and make sure that every pound of taxpayer's money is effectively targeted and spent.

Deputy J.A.N. Le Fondré:

Good. I am glad you said that, Minister. Bearing in mind we challenged you on this last year, and at the time you basically said that the figures for the proposed savings and efficiencies were, broadly speaking, robust and achievable which is around the time I think there were £90 million, and obviously they have now been reduced to, I believe, £73 million.

[11:45]

How would you like to respond on that? How do you still justify the reduction in those savings to get the reduction, the savings target, in the light of the revised forecast data?

The Minister for Treasury and Resources:

Well, I would say, Chairman, that it is yourself and your panel that has been a contributory factor to the target being reduced because, of course, you were great supporters of the introduction of a distributional impact analysis and the Council of Ministers always said that it was going to take that into consideration and indeed before the formal distributional impact analysis was undertaken, departments had been considering the impact of stopping services or cutting services on the public. The distributional impact assessment was completed, as you know, and that final piece of work was considered by the Council of Ministers and as a result of that the £17 million or so from the original

target was taken out of the plan due to the level of impact on public services and the public of the Island that we felt was not appropriate and that is why the figure reduced down to £77 million. In fact £73 million plus the ...

Deputy J.A.N. Le Fondré:

So simplistically at that point the figures that were presented to States Members were not realistically achievable?

The Minister for Treasury and Resources:

We felt that in the timescale it was appropriate to take those off the table but to not take away the fact that we have to continue to deliver efficiency savings and that is what the plan will be and indeed it is a recommendation of the Fiscal Policy Panel that we need to continue to look for efficiency savings as we go forward. Indeed we also have an improvement in the income forecast which gave us some additional flexibility to allow that to happen as well.

Deputy K.C. Lewis:

Minister, you have lightly touched on this but the Chief Minister told us in a previous hearing that the full savings will be achieved over a longer period as some of the proposed savings were not deemed acceptable by the Council of Ministers. Can you give some examples of the savings that were not considered acceptable and what analysis was carried out to determine this?

The Minister for Treasury and Resources:

The individual departments, as I alluded to, were looking at the savings proposals that were drawn up, the initial savings proposals. They did their own assessment from a departmental perspective before that went through to a political oversight group to consider further. Then of course layered on top of that was the separate work of the distributional analysis. So those were the 3 processes that led to the 17 million, which is the total amount of savings being withdrawn. If you want a breakdown of what was taken out, I think that information has been published previously or provided to you previously, but, if it has not, we can supply some additional information.

Deputy K.C. Lewis:

There is a lack of detail on the savings and efficiencies that are in appendix 2 of the Medium Term Financial Plan. Will you be providing States Members with a full breakdown of the savings that you are proposing?

The Minister for Treasury and Resources:

I was not aware that there was a lack of detail. I think it is clear enough for the purposes.

Deputy J.A.N. Le Fondré:

I will pick that up in a minute, Minister, I think. Okay, but let us put it this way, will you be providing States Members with any further detail on the savings and efficiencies given compared to what is in the M.T.F.P. (Medium Term Financial Plan) at present.

The Minister for Treasury and Resources:

I think what has been published is the detail that will be available to Members.

Head of Financial Planning:

Together with the information that is in the annex under the individual departments that shows where that impact will fall.

The Minister for Treasury and Resources:

There is quite a lot of detail provided.

Deputy J.A.N. Le Fondré:

Relatively it is still at a high level.

Head of Financial Planning:

Some of that is 3 years hence, so quite reasonably that will take some more detail to be worked through.

Deputy K.C. Lewis:

Will you be acting on the F.P.P. recommendation to establish a permanent programme for securing efficiencies in the public sector?

The Minister for Treasury and Resources:

Effectively we have the mechanisms in place anyway with the group that is available and has been overseeing and managing the public sector reform programme. That is a programme, as I have said a moment ago, is not a start and finish for this Medium Term Financial Plan, the intention is that it would continue and efficiencies will continue to be driven by departments after and into the next M.T.F.P.

Deputy K.C. Lewis:

Then why are the F.P.P. recommending it now?

The Minister for Treasury and Resources:

I think they wanted certainty that that would happen beyond this M.T.F.P. period and, to answer your question in short, the answer is yes, it is utterly essential that this organisation continues to drive efficiencies.

Deputy K.C. Lewis:

Why has this not been done previously?

The Minister for Treasury and Resources:

Well it has been. There have been a number of programmes over quite a few years, going back as far as the Fundamental Spending Review. There was a previous, for the first Medium Term Financial Plan; there was a savings programme that targeted £60 million of savings. This one has gone even further. There is a difference between savings, which tends to refer to cuts, reducing services, and efficiencies. As I have already pointed out, the vast majority of the £77 million that is in this particular plan now, the reduced sum from £90 million to £77 million, are efficiencies, £46 million are efficiencies.

Deputy K.C. Lewis:

We will come back to the efficiencies later. How difficult has it been for departments to achieve the level of savings and efficiencies?

The Minister for Treasury and Resources:

Any form of change is difficult for departments, for an organisation, and for the recipients of those services, because change fundamentally is something that I do not think many people find difficult to manage. Nevertheless, change is essential if you are going to progress, particularly bearing in mind the opportunities that exist with the utilisation of modern technologies, e-government is critically important, utilising technology to drive efficiency and improve productivity all rolls in to the same theme.

Deputy J.A.N. Le Fondré:

I will pick up on the current area. This is really the view from planning, had the advisers do a little bit of legwork on the data, on the efficiencies, and some they kind of tell that the numbers are quite rounded, which might indicate the savings are aspirational or not yet been fully worked through. What would your response be, Minister?

The Minister for Treasury and Resources:

There will be an element of savings. I think the point was made a moment ago by Chris, we are going out several years, so greater detail on the delivery of some elements of the savings, or the efficiencies more to the point, will be worked up as the matter progresses.

Deputy J.A.N. Le Fondré:

Just to be clear, at this stage, in terms of what the States are debating in 3 weeks' time, or whatever it is, have all savings been properly worked through, identified, evaluated, rated as achievable? By savings, I am talking savings and efficiencies by the way.

Treasurer:

We can illustrate to a degree, so if I take some of the savings that are estimated, and they are estimated in certain places, as a result of the transformation of the department infrastructure, those figures could only be estimates until you get to the stage of having gone out for consultation with the unions in respect of some of those changes, you would then go out to tender, you will receive the tenders, so at that point you are only estimating. So, the further we go through those processes, the more you will know whether those savings are crystallising. But in the case of we have asked the questions in terms of: "When you said there is a saving to be made in cleaning, how is that estimate that you are providing robust?" and they said: "Well that is the quotes we have had on the following jobs or the following jobs that we have awarded so we have something to go back to, to say that is a reasonably robust estimate." It is based on fact, but nevertheless you still have to put those services out to tender, if you choose to do so, and so you can only estimate, based on what you have now, what that saving will be.

Deputy J.A.N. Le Fondré:

I think what we are trying to is to go back, use the 90 versus the 77, but that kind of issue.

The Minister for Treasury and Resources:

Seventy-seven or 73. 73 is without the user pay element.

Deputy J.A.N. Le Fondré:

Yes, I am tending to use 73 then I think. What we do not want to be is in a position further down the line, you are asking the States Ministers to vote on a particular plan. That plan justifies putting up taxes. I will use the word taxes; it might be the word is charges, waste charge, health charge, user pays, all that type of stuff. It is on the basis ...

Treasurer:

So you are saying that you think the estimates are low?

Deputy J.A.N. Le Fondré:

Well, hang on, it is on the basis of we are going to make this amount of savings and that justifies, I am being high level and slightly political, but that justifies it on the basis that this will bring charges up to the public, businesses and all that type of stuff, and we are going through our own pain to sort out these savings. What we need to know at this stage is that the figures you have in there, at a high-ish level, but are sufficiently robust and sufficiently achievable that, in some shape or form, they will happen.

Treasurer:

Yes, so on the one hand I am wondering which way you are arguing, because you have just said that your advisers are pointing to them to be aspirational, and then you are saying to me that they must be on the lower side in order to ask us to go through the pain of taxation. So, is it you are saying that they are aspirational or on the lower side?

Deputy J.A.N. Le Fondré:

No, no, I said on the lower side. I said you are saying that we are putting taxes up, a part of that is that you are justifying that we are going through our own pain and we are making the relevant savings. What I am asking is that figure that you are using for savings, do you have sufficient confidence in that figure that it is achievable in the timeframe of the M.T.F.P.?

The Minister for Treasury and Resources:

Can I put this into context, because do not forget ...

Deputy J.A.N. Le Fondré:

It is a very straightforward question.

The Minister for Treasury and Resources:

Yes, I am going to answer it for you.

Deputy J.A.N. Le Fondré:

Are you happy that figure is achievable?

The Minister for Treasury and Resources:

I am going to answer it for you and I am going to demonstrate at the same time. We are a year in, do not forget, we are a year in to the M.T.F.P., we are now about to make the addition. Now, let us call it £73 million for the purposes of this demonstration. We have, by the end of 2016, delivered £33 million of the £73 million worth of savings. Because we are not starting today or we are not

starting at the time of the debate, we started a year ago. In fact we started before that because that was the debate for the M.T.F.P., the stage 1 2016. So to give you some confidence, £33 million will have been delivered by the end of 2016. We are about to enter the final stages of 2016, so that gives you some indication as to the level of progress that has been made.

Deputy J.A.N. Le Fondré:

So to take it then back, so you are confident they are going to be achieved, yes?

The Minister for Treasury and Resources:

With the progress that has been made to date, there is no reason to believe that it will not be achieved. We have made very good progress, as I have briefly demonstrated.

Deputy J.A.N. Le Fondré:

You are confident they can be achieved then, all right. So, therefore, do you have a level of detail behind what those figures are?

The Minister for Treasury and Resources:

As to what those savings, the £33 million that have come ...

Deputy J.A.N. Le Fondré:

No, the savings that you have in the plan that we are being asked to vote on and what those savings are going to consist of.

The Minister for Treasury and Resources:

Yes, there are details provided in the appendix and the annex, yes.

Deputy J.A.N. Le Fondré:

I will pick up on a couple because I want to be reasonably clear here, but if we go to page 152 of the M.T.F.P.: "Maintenance of support for the Jersey Destination Plan. Agreed efficiency savings in events." Savings identified: "£145 million, £255 million, £375 million." Now, can I be clear that does not include, or does it include, a reduction in the Visit Jersey grant, which seems to have a very similar profile?

The Minister for Treasury and Resources:

Do we have that level of detail here?

Treasurer:

I do not have that level of detail in here, I am afraid.

Deputy J.A.N. Le Fondré:

Is there any recommendations as to the future impact of Haulier that may or may not have been considered in these plans?

Treasurer:

Impact of what, sorry?

Deputy J.A.N. Le Fondré:

Hautlieu School. Can you tell me that, or has that been rejected by the Council of Ministers? Was that ever rejected or considered by the Council of Ministers? The other proposals in there when it talks about efficiencies for the Jersey Music Service, that is going to go to full cost recovery?

Treasurer:

Sorry, could you speak a bit slower?

Deputy J.A.N. Le Fondré:

Are there any implications for the Jersey Music Service as to moving to full cost recovery?

Treasurer:

I would presume moving to full cost recovery there are.

Deputy J.A.N. Le Fondré:

I am putting examples through that hopefully, 3 weeks before, we are on top of these kind of efficiencies and the type of questions that States Members might wish to know.

Treasurer:

I would presume that the Education Scrutiny Panel has asked that question of the Minister for Education.

Deputy J.A.N. Le Fondré:

I am not interested in education. I am interested in that fact and I presume, the Minister for Treasury and Resources, you are going to be rapporteur on the day, it is a collective responsibility document, therefore you will have all signed up to these questions.

The Minister for Treasury and Resources:

Yes, and there are no indications, as I have already said, that savings, and efficiencies because that is where the majority of them are, are not going to be delivered, and we have already, or will have delivered £33 million of £73 million by the end of this year, so you can ...

Deputy J.A.N. Le Fondré:

The particular 3 examples I have used, are they in the consideration of the Council of Ministers or not?

The Minister for Treasury and Resources:

The level of detail you are going into, I do not have the information in front of me at the moment.

Deputy J.A.N. Le Fondré:

Could you provide it to us please, and would you be prepared to provide it to States Members if they require it?

The Minister for Treasury and Resources:

States Members will have a number of briefings leading up to the debate, they can ask whatever questions they wish to ask and I am sure both myself and my colleagues, not forgetting it is the Ministers of individual departments and those departments that have the intimate knowledge of the delivery of the savings, we just have the oversight from a Treasury perspective.

Deputy J.A.N. Le Fondré:

All right, we will move forward and I will pass on to Chris.

The Connétable of St. John:

One of the reasons we look for that detail is that something disappears, questions are asked, and then the Assembly are told: "But you agreed it in the M.T.F.P.", and that has happened in recent times.

[12:00]

So we need to know before we vote on the M.T.F.P. what we are voting for because we then get told afterwards: "But you agreed it in the M.T.F.P." "Where is it?" "It is in the savings." But we have not been given that detail. So, if it is going to be in the M.T.F.P., that detail must be there so that we know, prior to pressing our buttons, what that detail is.

Deputy J.A.N. Le Fondré:

And that brings into is it the acceptability of those changes to the Assembly.

Treasurer:

The case that you speak as an accountant it is irrelevant, but in the case of efficiency savings I sign up for that level of efficiency, but part of the deal is that over a 3-year period, I mean part of the argument you seem to be making is you want to return to annual business plans, because the issue with medium term financial planning is that you are planning 3 to 4 years out. I cannot guarantee where the Treasury, for example, will be in 3 to 4 years out, because a member of the Public Accounts Committee sitting to your left, you might suggest they do not have it, or his Chairman at least, the resources in the Treasury, but we committed to savings. Now, over that period though, my view of where those efficiencies may be delivered may change. Do I therefore have to be tied to a list that is issued now or can I do a slightly different variation of those efficiency savings? So, for example, going back to your point about estimating this far out, we are doing a transformation of the tax codes, but we are doing that based on estimates at this point, we have to do all the business process reach and everything, that will take a considerable time to achieve. The Comptroller is comfortable with that level of savings, but once we have done it the number might be 50,000 one way or another. Does that mean I then have to take ...

Deputy J.A.N. Le Fondré:

No. It does indicate, because the transformation of the Income Tax Department I am sure would be well supported by the States Members, but they would surely wish to know that.

Treasurer:

Yes, that is in the detail, I have provided that in the detail, so what more do you want to know?

Deputy J.A.N. Le Fondré:

Yes, but I am asking about other levels of detail within that thing. We need to move forward.

Treasurer:

But, just to illustrate, is the level that the Treasury, for example, has provided sufficient?

The Connétable of St. John:

Can I come in here? There is a definition between savings and efficiencies. Efficiency is what the Income Tax Department is going through, and you are quite correct. A saving is the stopping of a service, so, in other words, the taxpayer currently pays and receives a service. The saving is that next year he still pays his tax but he does not get that service.

Treasurer:

That is more helpful.

The Connétable of St. John:

Now, those services that are being stopped or earmarked to be stopped, we need to know about them. Because, otherwise, we are voting on something and then we get told retrospectively: "You agreed it in the M.T.F.P." but we did not necessarily because we do not know what the saving is.

Treasurer:

That is more helpful, because what you are then asking us to do is to provide more detail on £1.8 million of the £73 million as opposed to wanting to know each and every purse that we are planning may be removed as a result of an efficiency saving or what consultancy change is made, all of those things are efficiency savings and they will be fluid. Some of the larger elements of it, yes, will be delivered, but they might be delivered at a different value, that might mean that you are changing your plan on efficiencies, technology will change over the period, so you ...

Deputy J.A.N. Le Fondré:

Okay, no, I think we have that, yes.

Treasurer:

If however what you are asking for is more detail on the savings then that is much more ...

Deputy J.A.N. Le Fondré:

I think part of that, the trouble is I will not say yes categorically to that, because of there is an efficiency, what has been defined as an efficiency, which is kind of in a general trend, this is an efficiency and therefore is not a saving, then the efficiency has a major impact on how the public receives something or changes the nature of something, there is a ...

Treasurer:

Yes, so we are reliant heavily upon, and it is back to my comment about the individual departments, we are reliant heavily upon the departments to indicate the degree to which that is an efficiency or saving because they are the ones who understand their services.

Deputy J.A.N. Le Fondré:

But you must also be, as Treasurer and the Minister for Treasury and Resources, and going to the Council of Ministers, making a judgement call surely as to whether that department, in terms of balancing your books, is producing something that is achievable.

Treasurer:

That department is telling us that they will deliver an efficiency saving. They are best placed. The Chief Officer of Police is best placed to point to efficiencies in his service than I am.

Deputy J.A.N. Le Fondré:

I think we need to move forward on this one. I think we have the gist of where you are coming from. All right, Chris, we are on to vacancies.

The Connétable of St. John:

Vacancy management, is the high level of vacancies across the States an indication that departments are budgeting for staff that they do not need?

Treasurer:

There are 2 aspects here and I just maybe want to point to a piece of work that we have been talking about between myself, the Chief Executive and H.R. (Human Resources). This will get quite confusing. There are 2 versions are budgeted. In my world and in your world budgeted means is there a financial budget in place to fund that vacancy? There are 2 ways in which departments are constrained. They are constrained through financial budget, but they are also constrained by their headcount budget. We have asked for a piece of work to be done because we have looked at the numbers and seen there is 12 per cent difference between here and here, is that the difference between actual and financial budgeted provision or is there an additional element here that relates to where you have the headcount budget in people terms but you do not necessarily have the funding for it.

Deputy J.A.N. Le Fondré:

That is our crucial question.

Treasurer:

So we are looking now to say, can we go through these and satisfy ourselves that there is not some of that 2nd element in there that could be pulled back so that we have greater control over that.

The Connétable of St. John:

So these vacant posts could still be included in the departmental budgets?

Treasurer:

They could be included in the financial budget, but some of them might not have a financial budget associated to them, but when you are talking about budgeted headcount, because we are not unique

but the way we operate is, if I am completely up to my headcount budget, I cannot employ another person even if I have the budget financially, unless I have ...

Deputy J.A.N. Le Fondré:

I think what we want to know is, roll it all the way back, in the expenditure plans, and I think I am going to say summary table B, there is the department expenditure limits, within those figures do they include vacant posts? End of story.

Head of Financial Planning:

Yes.

Deputy J.A.N. Le Fondré:

They do?

Head of Financial Planning:

Yes.

Deputy J.A.N. Le Fondré:

So, from our point of view, the States will be asked to vote on a level of expenditure, which includes what would seem to be a high level of vacancies.

Treasurer:

At any one point in time there will always be vacancies.

Deputy J.A.N. Le Fondré:

No, no, that is all right, we accept that. What we are talking about is that this seems to be a high level, it is 12.9 per cent. So, just to clarify ...

Treasurer:

But the key is, are they all funded?

Deputy J.A.N. Le Fondré:

Well that is what we are just asking you.

Treasurer:

Yes, but we are now doing the exercise and saying that looks higher given ...

Deputy J.A.N. Le Fondré:

Hang on, we have 2 people talking here. So, Chris, can we get you?

Head of Financial Planning:

We are going to say exactly the same thing. The detail that is able to be reported on a monthly basis is the information from H.R., which works on the headcount. What the Treasurer is saying is that there are budgeted numbers of headcount, which is the control in H.R., and that needs to be absolutely the same as the budgeted numbers that are in the funded position on summary table B. It is that reconciliation that is done at snapshots, so at the start of each financial year, but during a year can vary. Now the task that the Treasurer is referring to is to make sure that those are kept in tandem all the way through the planning period so that the reports that are being produced are reporting the vacancies that are funded.

The Connétable of St. John:

The position is simple. If the budget is there and available and the post is not filled, then there is money that is being essentially given to the department and it is not being used, which then ends up at the end of the year as a saving, so what happens with that money, this is what we are trying to get to.

Head of Financial Planning:

So that money is often used to fill that role in a temporary way until a permanent appointment can be made.

Deputy J.A.N. Le Fondré:

But what we are saying is that ...

The Connétable of St. John:

The concern we have is that currently the vacancy level is about 12.9 per cent, which seems very high, some £46 million we estimate is voted in the budget to fill these posts, which at the moment the States seem to be operating reasonably efficiently and reasonably well, jobs are getting done. Is that £47 million really needed and would it not be better to remove it from the budget?

Deputy J.A.N. Le Fondré:

Or, at the very least, an element of it.

Treasurer:

That initial first glance, what you might think, which is why I am saying I want this to be bottomed out, but there are a number of factors at play here. So, one, the vast majority of that will just be

turnover. It will just be turnover, you will always have vacancies. Now, saying that, and this is just a guess, but that is 8 per cent at any one point in time. If you add to that we have put a new vacancy management process in place, and I know this in terms of being an accountant, is that once I get a resignation I am not necessarily jumping straight away to appoint to that. Now that will mean that that role remains vacant for longer so therefore overall your vacancies will be higher; that is a function of vacancy management. The other thing is that you will award growth at the start of the year and that will be in its entirety and at that point you turn on the whole of the manpower budget as well. But, obviously, and that is at the beginning of the year, but it might be that the finances were not put in place, the bid not put in place until the start of September, all of that is given to the department at the start of the year, so there is a difference between, we look at people here, we do not start dropping these budgets in different weeks and different months. But the other one is, to be perfectly frank, is that departments, they are in a world of a fear of overspend, that always means that departments will make sure that they are going to underspend. Now, that could be deferral of things that they would otherwise have started earlier. That is not to say that money is not available, it is just to say, because I know what happens to people in this Island if they go a penny over spend, all right, you get very averse to making decisions that say I am now predicting that I am going to spend every single penny, because that will make for a quite hectic December to make sure that you therefore live within it. So departments will, where they have discretionary spend, tend to make sure that they are comfortable with where they are by the 2nd quarter and the third quarter, and maybe move things forward in the 4th quarter. So it might be attractive to jump to the conclusion, but what I am saying is do not jump to the conclusion but we have already challenged that number, as you are now.

The Connétable of St. John:

It is a piece of work you are doing and we look forward to its result. But one issue I would have is it is nice to know at the end of the year, if there is the underspend, that is put back in the bank.

Treasurer:

The carry forward report is there every year so you know what that says, the underspend/carry forward report.

Deputy J.A.N. Le Fondré:

Yes, but when will that piece of work be done by?

Treasurer:

It is ongoing now. We are going through a holiday period. We had asked ballpark when we were looking at the annual accounts and then everyone seemed satisfied at that point. But, having looked

at the number again, I just asked for it again. Various people who need to do this are not currently in, so I am not going to put a deadline against that.

Deputy J.A.N. Le Fondré:

I think the point is that, on the face of it, it is a high number, at the top end it looks to be £46 million odd, give or take, it is a large number.

Treasurer:

I guarantee, if you take the £46 million out, you will hit services.

Deputy J.A.N. Le Fondré:

Absolutely, but the point is that it does seem to be a very high vacancy rate and the concern is that, if the departments are operating with what seems to be that high level of vacancy rate, could that disguise the savings or efficiencies, because they just say: "We are making these efficiencies but we just have not filled the point." That means it is a bit relaxed and there is not that kind of burning platform that the officers are working to.

Treasurer:

Yes. In fact some of it, and I know this from talking to in particular a certain Chief Officer who, having announced where their savings are going, because they are leaving the organisation earlier than they had anticipated on their savings, so at this point they are looking to be in a better position. That means that their savings come in earlier so therefore against the budget they are looking better.

Deputy J.A.N. Le Fondré:

That is likely the vacancy management side I would have thought.

The Minister for Treasury and Resources:

Can I just add one point if I may into that and that is that you will be aware that on an annual basis there is between £20 million and £25 million on average of underspends, partly accounted for by the points you have just been referring to, but in percentage terms of the overall spend of the States of Jersey it is a very small percentage.

[12:15]

Deputy J.A.N. Le Fondré:

Yes, I understand that, Minister, so moving forward.

The Minister for Treasury and Resources:

Vacancy management with private organisations does get to the levels that you are looking at at times here, so it is not that unusual. But further work does need to be done.

Deputy J.A.N. Le Fondré:

I will just say, Minister, we have been advised that it seems to be a high rate.

The Minister for Treasury and Resources:

It is on the high side and some work is being done.

Deputy J.A.N. Le Fondré:

That is based on legitimate comparable, all comparisons. All right, Kevin, let us move forward to hospital funding.

Deputy K.C. Lewis:

Minister, hospital funding charge, can you provide an update on the hospital funding mechanism and are you still considering a hospital charge?

The Minister for Treasury and Resources:

Yes to the final point. That is a possibility. We are looking at a blended solution, which I have mentioned on a number of occasions, as to how the hospital will be ultimately funded and that is a split between the use of reserves and indeed resorting to the debt market with regard to a bond.

Deputy K.C. Lewis:

Revenue costs of running the new hospital, do you stand by the statement of your Assistant Minister in our last hearing that the new hospital will be cheaper to run?

The Minister for Treasury and Resources:

Yes and he might like to confirm that, I see no change, no information to suggest that position is changing.

Assistant Minister:

No, I agree with that.

Deputy K.C. Lewis:

Excellent, thank you. Health charge, the Medium Term Financial Plan Addition includes proposals for a health charge, which will be collected by the Taxes Office. Will the money collected through this charge be ring-fenced?

The Minister for Treasury and Resources:

That is the intention and I think the undertaking has also been given by the Chief Minister that legislation would seek to ring-fence that money for that particular purpose, utilising, as has also been stated, the Long Term Care mechanism.

Deputy K.C. Lewis:

How will be able to demonstrate that the money collected is being spent on Health?

The Minister for Treasury and Resources:

That will be contained within the legislation that is being or will be prepared.

Deputy K.C. Lewis:

The distributional analysis refers to the 2 main options considered by the Council of Ministers to be a 1 per cent health charge or a 1 per cent increase in G.S.T. (Goods and Services Tax). It also refers to the other options including an increase in the marginal rate of tax and increase the social security contributions, but there is very little commentary on these options. Why were these not taken forward for detailed consideration by the Council of Ministers?

The Minister for Treasury and Resources:

They were assessed in a fashion that I would describe as detailed enough to form an opinion and it was viewed for varying reasons that those options were not the ones that we wanted to progress with and indeed utilising an existing mechanism, i.e. the one that has been put in place for Long Term Care, seemed to be the most appropriate and efficient way of raising the necessary funds.

Deputy J.A.N. Le Fondré:

Can I just ask, Minister, you said efficient way of collecting funds. Why is introducing a new system more efficient than using existing measures such as changes in the marginal rate of tax or social security contributions, because those are existing systems that do not require any additional administrative support?

The Minister for Treasury and Resources:

My opinion would be that utilising the L.T.C. (Long Term Care) route is an efficient way to go. Yes, you could argue quite reasonably, as you have just said, that we could have changed the marginal rate, indeed that was changed by my predecessor, I think you will recall.

Deputy K.C. Lewis:

Moving on, Minister, waste charge, when the M.T.F.P. Addition was launched, the Minister for Infrastructure said that consultation will be taking place with industry in relation to the waste charge. Can you update us on how this is going?

The Minister for Treasury and Resources:

I believe it has been going very well and has been received in a very positive way. There have been various workshops and I know the department have been liaising directly with industry groups and businesses and the feedback, as I understand it, has been very constructive.

Deputy J.A.N. Le Fondré:

Sorry, Minister, I heard positive in there, did you say the industry is ...

The Minister for Treasury and Resources:

Constructive.

Deputy J.A.N. Le Fondré:

All right, so are you saying that the industries affected are supportive of the scheme?

Deputy K.C. Lewis:

There was positive response, that was the implication.

The Minister for Treasury and Resources:

Yes, it has been a constructive response, I would not have thought that one could describe it as positive because I think it unlikely that anybody being told that they are going to be facing a charge is going to find that positive news. The feedback has been constructive, as I understand it, in terms of discussions that have been held by the department and business.

Deputy K.C. Lewis:

The distributional analysis comments in a couple of places that there is not enough detail to accurately calculate the impact of the waste charge, but it does say that the charge is likely to result in higher costs for consumers. Why is the charge being included in the M.T.F.P. if you have not been able to undertake a reliable distributional analysis?

The Minister for Treasury and Resources:

Well it is not possible for a distributional analysis to be absolutely accurate in every impact or every eventuality. However, we have looked at, or I believe the departments, more to the point, have looked at waste charges in other jurisdictions. In fact Jersey is about the only jurisdiction that does

not have a charge of this nature. Giving broader considerations to the objectives that were set in the M.T.F.P., it was believed that a low level of introduction of a charge of this nature was an appropriate way forward.

Deputy K.C. Lewis:

The distributional analysis looks at the effect of a 1 per cent rise in prices. Is this not a G.S.T. rise by another name?

The Minister for Treasury and Resources:

It is far more targeted and specific, I would say, than you would see with G.S.T., which would apply across a far broader spectrum of services and goods.

Deputy K.C. Lewis:

If the waste charge cannot be implemented, do you have an alternative plan for finding the £11 million per year that it is due to raise?

The Minister for Treasury and Resources:

It would more than likely, because of the scale of it, involve additional use of reserves in the short term, I would suggest.

Deputy J.A.N. Le Fondré:

I will just pick up then, sorry, Minister, you have said there has been constructive feedback, which is an interesting turn of phrase, does that mean there is going to be any impact likely on the amount raised?

The Minister for Treasury and Resources:

That is not my belief. No, there has been no indication that there is going to be an impact on the level of funding targeted or likely to be raised. The department has been focusing on ensuring that the proposed charges are going to be first of all introduced in a phased way at a lower level and then increasing over time to allow businesses to adjust.

Deputy J.A.N. Le Fondré:

So the waste charge is going to go up from where we are?

The Minister for Treasury and Resources:

Yes, it raises a lower amount initially and then more as it moves forward.

Deputy J.A.N. Le Fondré:

I cannot remember the figures off the top of my head.

The Minister for Treasury and Resources:

£3.5 million I think it is and then in 2018 ...

Deputy J.A.N. Le Fondré:

Yes, and then going up to £11 million. So, after the £11 million, is the waste charge going to go higher?

The Minister for Treasury and Resources:

It is an interesting point because, bearing in mind the advice of the Fiscal Policy Panel, the response to a slowdown in the economy may well be to defer, or could be to defer something like a health charge or a waste charge if one wanted to increase the level of stimulus into the economy. So that could be delayed. Equally, if the economy is recovering faster, the opposite could happen.

Deputy J.A.N. Le Fondré:

I think, Minister, I was picking up the point, you said the charge is being introduced at a low rate, which I assume covers the M.T.F.P. period that we are talking about, and by 2019 they are £11 million. You then said they will go up, so in the scheme of things, and bearing in mind this is after 2019, are you saying that the waste charge is likely to go up?

The Minister for Treasury and Resources:

The point that I was trying to make was that in 2018 the charges raises £3.5 million then in 2019 it is £11 million, so you see the profile, I was making no predictions as to what may or may not happen beyond 2019.

Deputy J.A.N. Le Fondré:

Just for a point of a reference, we are always looking at the end point of the charges over the period of the plan, we are not too worried about the fact that it is introduced on a lower level, people know where it is going to end up at. But, beyond 2019, are you saying it is likely to go up?

The Minister for Treasury and Resources:

That is not what I was saying. What I was talking about was the profile of the funds raised in 2018 and 2019, which increase from £3.5 million in 2018 to £11 million in 2019.

Deputy J.A.N. Le Fondré:

Now the other point you made, Minister, is that it was targeted and specific. I am going to refer to this as a tax I am afraid. Is the general principle not that taxation, and we can use that as a charge or not, is meant to be low, broad and fair, whereas here it is targeting quite specific industries?

The Minister for Treasury and Resources:

I would suggest that our tax system, when compared to just about anywhere else in the world, is very broad and simple.

Treasurer:

Waste charges already exist elsewhere.

Deputy J.A.N. Le Fondré:

So does inheritance tax and capital gains tax, to name a few, so does that mean we are going to be introducing those systems because other countries have?

Treasurer:

But you were comparing to others.

Deputy J.A.N. Le Fondré:

You have just said that other jurisdictions have a waste charge and that is the justification for bringing this here. Does that mean therefore you are also supporting other taxes, which other jurisdictions have?

The Minister for Treasury and Resources:

Of course not, and you know that.

Deputy J.A.N. Le Fondré:

Well in which case, exactly, so therefore the argument surely that other jurisdictions have is not relevant to Jersey because we have a different profile.

Treasurer:

I do not think we raised the comparison.

The Connétable of St. John:

Just taking a completely different angle on this, significant argument has been put forward on the environmental impact of putting houses on to mains drains, the reduction in nitrates on the Island, which is a significant problem. How is this, and what studies have been done, that introducing a

waste charge is going to result in people reverting back to their old soakways, particularly in the Parish of St. Johns, which my predecessor was very keen to get on to mains drains, if they now block their mains drains and go back on to soakways, how is this going to impact nitrates on the Island?

The Minister for Treasury and Resources:

That is a purely hypothetical question and I cannot provide ...

The Connétable of St. John:

It is a very realistic question because that was one of the arguments put forward behind having drains in the first place.

Assistant Minister:

I think it is going to water consumption, the easiest way to measure the amount of water going through a system is by the water drawn. How they dispose of that will be a matter for the individual but they will pay on the amount of water drawn.

Deputy J.A.N. Le Fondré:

So even somebody not using the service, they are going to be charged for it?

Assistant Minister:

Essentially, yes. If we look at it very simplistically, yes, it could well be.

The Connétable of St. John:

So people are going to be charged for something they are not going to get, simply for the sake of simplicity?

Assistant Minister:

I cannot give a straight answer to that, but one could draw that conclusion, yes.

Deputy J.A.N. Le Fondré:

All right, I think we will move forward on that one, thank you. I have got one final area and then Chris has a final area and we are slightly behind schedule but we will see where we go. Minister you signed a decision on the move of information services to Jubilee Wharf, the information services team to Jubilee Wharf, at a cost of about £350,000 was provided to cover the cost of that move, hopefully you recall it. Why did this qualify to be paid out of the restructuring provision?

The Minister for Treasury and Resources:

Because that is exactly what it is, it was bringing together a function that was spread out in various locations around the States into one central location and it is aimed at driving efficiencies, by 2019 £300,000 is identified as a saving and in fact there is a further £140,000 I think on top of that. We have made it absolutely clear that this is a one-off for the purpose as stated.

Deputy J.A.N. Le Fondré:

I think you have touched on the answer of the next question, but slightly going to Jubilee Wharf, which is identified in the sale, so why, if we are operating as efficiently as we can, are we moving them into a building and spending £350,000 on that move, which the States are then going to sell, according to the M.T.F.P., presumably in the timeframe of the M.T.F.P., and for which presumably they will therefore have to be moved again at a further cost of, I guess, £350,000?

The Minister for Treasury and Resources:

Well the business case as a whole, by bringing together this function into one and making changes to the way in which the service is delivered, it also includes, by the way, outsourcing certain functions of information services, the business clearly provides a net benefit financially, notwithstanding the fact that at some point in the future they may have to move. But there is no certainty that that move will occur within the timeframe.

Deputy J.A.N. Le Fondré:

I will just pick up, Minister, I cannot remember the exact location, but I am pretty certain page 131 of the M.T.F.P.: "The following properties have been identified for disposal as a result of the ..." and this is about the office consolidation. The office consolidation project, as I understand it, is meant to take place during the period of this M.T.F.P., 2nd line down: "Jubilee Wharf." So, on that basis, would it not have been more efficient to identify a site that was not going to be sold in the time period of the M.T.F.P. and to spend the money putting them into there?

The Minister for Treasury and Resources:

Well there was a site available that was vacant, Housing had moved out, and it seemed sensible to utilise that and, as I have said, the overall business case for this proposal was positive in terms of savings. Now, you can draw other conclusions. Yes, the timeframes for disposal, as you will know from your previous role, it is not the easiest thing in the world to get agreement for and delivery of sales of assets of that nature and it could well run on beyond that period of time, so it was a vacant building that was providing or had been providing a rental return to Jersey Property Holdings and consequently there was deemed to be a good utilisation of that available space for the purpose identified in the business case for information services.

[12:30]

Deputy J.A.N. Le Fondré:

Final point on this, it is obviously not in the context of the M.T.F.P., it is a principle we are just trying to establish, it is obviously not going to change the world, was the question asked as to was there an additional site, an alternative site available, given that the M.T.F.P. does say we are going to sell Jubilee Wharf?

Treasurer:

The proposal comes from the same organisation that is proposing to sell it, that is J.P.H. (Jersey Property Holdings) who came forward and ...

Deputy J.A.N. Le Fondré:

No, I am just asking from a Treasury point of view, did you ask the question?

Treasurer:

My understanding, in principle of how it fits together is that they would go in there and then, as the new office was built, they would move from there to their new offices. That was the plan at the point in time that that move was made. They move them there and then, if you build a new office, you take them from this, so their new office does not exist ...

Deputy J.A.N. Le Fondré:

Hang on, very simply, you asked the question and it was answered?

Treasurer:

There were protracted conversations as to where they could go, there are not that many sites in our ownership that are the size you would need or the shape you need as well that are modern enough.

Deputy J.A.N. Le Fondré:

Did you ask the question: "Jubilee Wharf is going to be sold, that is in the plan?" Was it raised?

The Minister for Treasury and Resources:

That was assessed as the best site for the purpose.

Treasurer:

My challenge before that was that: "The Housing Department is leaving, are we selling?" "No." There are 2 separate issues here, in respect of the office organisation ...

Deputy J.A.N. Le Fondré:

It is a very simple question I am asking, did you ask the question: "Are you going to be selling? You are selling the building, why are you moving into it?"

Treasurer:

In that respect, yes, no.

Deputy J.A.N. Le Fondré:

Which is it?

Treasurer:

I asked the question: "Why are we not selling it now?"

Deputy J.A.N. Le Fondré:

All right, and the answer was?

Treasurer:

The answer was that we will eventually sell it but at this point in time there is a need for us to deliver the reorganisation and transformation of I.S. (information services) and, as we already had that property and there is an internal flow of money here from that rent into the J.P.H. budget ...

Deputy J.A.N. Le Fondré:

All right, you have asked the question, we will accept that point, thank you. Chris?

The Connétable of St. John:

The economic productivity and growth drawdown provision, known as the E.P.G.D. fund, the panel has previously been provided with a copy of the terms and references of the fund, and are you confident that the terms and references are being followed?

The Minister for Treasury and Resources:

Yes, there is a governance structure that is in place for this particular pot of money and in fact in the Fiscal Policy Panel report they comment on the fact that they are pleased to see this governance structure and they support it, they say it is right, and I think that is very encouraging. So it appears to be appropriate and it goes through a process of an officer group that assess the applications that come through from the different departments and that goes through then to a political oversight group that ultimately make the recommendation. So there are various points before approval and the approval ultimately has to fall to the Minister for Treasury and Resources.

The Connétable of St. John:

The M.T.F.P. Addition refers to 2 proposals in relation to digital skills courses and data protection. Have they been reviewed by the oversight group and at what stage are they, have they been signed off yet?

The Minister for Treasury and Resources:

Everything has to be reviewed by the officer group that I have referred to, but also the political oversight group, before coming forward as a recommendation, so everything goes through that process before signing off. There are only 2 that have been signed off to date, which you have details of them I believe.

Treasurer:

They are the digital one and the data protection one.

The Minister for Treasury and Resources:

Digital and data protection, I think you have that detail there.

Scrutiny Officer:

They have not been signed off yet.

The Connétable of St. John:

They are pending as far as we know.

The Minister for Treasury and Resources:

The ministerial decision has been signed off.

Scrutiny Officer:

All right.

The Connétable of St. John:

I think that was it.

Deputy J.A.N. Le Fondré:

You will be delighted to know, despite the somewhat protracted exchange at the very beginning, that we have near enough finished on time. Thank you very much, Minister, I am sure there will be all sorts of questions we think we should have asked you or that alternatively we should have picked up on the answers you did not give us, but thank you for your time today and that concludes the hearing.

The Minister for Treasury and Resources:

You are of course very welcome to contact us at any time for any clarification or any matters that are still puzzling you.

Deputy J.A.N. Le Fondré:

Thank you.

[12:35]