



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Thursday, 12th December 2019

Panel:

Senator K.L. Moore (Chair)
Deputy S.M. Ahier of St. Helier (Vice-Chair)
Connétable R. Vibert of St. Peter
Connétable K. Shenton-Stone of St. Martin

Witnesses:

Deputy S.J. Pinel of St. Clement, The Minister for Treasury and Resources
Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources
Mr. R. Bell, Treasurer of the States
Ms. A. Rogers, Group Director, Strategic Finance
Mr. R. Summersgill, Comptroller of Taxes

[12:01]

Senator K.L. Moore (Chair):

Good morning. Thank you for finding the time to re-timetable this meeting due to the Government Plan being a rather protracted debate. We will start off with the introductions, if I may. I am Senator Kristina Moore, and I am the chair of the Corporate Services Panel.

Connétable K. Shenton-Stone of St. Martin:

I am Karen Shenton-Stone, and I am a member of the Corporate Services Scrutiny Panel.

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

Deputy Steve Ahier, vice-chair.

Connétable R. Vibert of St. Peter:

Richard Vibert, Constable, member of the Corporate Services Scrutiny Panel.

Assistant Scrutiny Officer:

Theodore Stone, Assistant Scrutiny Officer.

Scrutiny Officer:

Simon Spottiswoode, Scrutiny Officer.

Treasurer of the States:

Richard Bell, Treasurer.

The Minister for Treasury and Resources:

Deputy Susie Pinel, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources:

Deputy Lindsay Ash, Assistant Minister for Treasury and Resources.

Comptroller of Taxes:

Richard Summersgill, Comptroller of Taxes.

Group Director, Strategic Finance:

Alison Rogers, Group Director, Strategic Finance.

Senator K.L. Moore:

Thank you all very much. I think you are all familiar with our rules of engagement. If you could keep your answers concise, we would be grateful, because we have got a reasonably full question agenda. Obviously you all know that our hearings are broadcast live. We have got a member of the public here, so they know their role too. We are going to kick off by talking about the revised income forecast. Obviously prior to the Government Plan the income forecasts were downgraded twice. One of those occasions was rather close to the debate of the Government Plan so our question is, Minister: should that not have been foreseen and some decisions taken at an earlier stage prior to the debate of the Government Plan?

The Minister for Treasury and Resources:

It is a very good question and I think that we have quite a bit to learn from how the Government Plan is obviously new and how it is produced and mainly the timing effect. So if you have to lodge a plan

which was requested 18 weeks in advance of the debate there are going to be changes to income forecasts inevitably. There was, in this case, with a change to the R.P.I. (retail price index) from 3.1 per cent, which was the June one, to 2.7 per cent, which was the September one; so that changed obviously the parameters of the debate. There were also inevitably going to be some amendments - 23 I think from record - which would possibly, if they were accepted, which some were, would alter the precise numbering, as precise as one can possibly get in a forecast, which is 6 months in advance of the debate. So it is timing that is the problem.

Senator K.L. Moore:

But some of those reports are timetabled, you knew when they were coming. So will you be making any changes to the Government Plan process in relation to timing so that you can be better prepared in future?

The Minister for Treasury and Resources:

The whole issue of the Government Plan, as you would be well aware, Chair, is very different from the M.T.F.P. (Medium Term Financial Plan) where the expenditure was fixed. The whole idea of the Government Plan is that there is an expenditure review every year, still sticking with the outline plans but the expenditure will be reviewed every year. Whether it would be lodged in July or September, I think is still on debate. I do not know if the Treasurer wants to ...

Senator K.L. Moore:

I was thinking more of changing the dates of those reports.

Treasurer of the States:

As you will recall, we have met to discuss this and briefed the panel on the forecast. I think we need to clarify a claim to downgrades to the forecast. There are only 2 forecasts in a year. One was that which went into the plan, the other was that which we briefed you on just before the debate of the plan.

Senator K.L. Moore:

And they are both downgraded.

Treasurer of the States:

So we have to clarify the other downgrade or what is believed to be the other downgrade. We will commit to try and change the process. However we set up to deliver 2 forecasts and I think your own Scrutiny adviser advised that we should be revising the forecasts, and we did revise the forecast. We felt it was better to revise the forecast rather than not revise the forecast. Unfortunately and fortunately, the first forecast that has to be provided is sufficiently advanced for the Council of

Ministers to be able to form their view on the plan. If we deliver that too late in the day then you have a lot of scrabbling around at the last minute to change the plan. So we have one set up around March, which is as late as we can really leave that forecast, and the other one arises from the F.P.P. (Fiscal Policy Panel) economic assumptions, and also data. If we do that too early, (1) the F.P.P. will not have sufficient economic data to change theirs, and (2) we will not have sufficient in-year data to look at our assessment. So what we are trying to do, if I can finish, is to move that forward a couple of weeks to balance between giving yourselves and other members and also Ministers more timely information, but also to balance that against ... if you go too early you will not get that much of an improvement on the forecast position.

Senator K.L. Moore:

But, as you say, Treasurer, the second was based on the advice of the F.P.P. If, when reading the F.P.P.'s advice, which did come in a timely fashion, at the time that you expected it, there was a clear indication there that they were saying prepare for a downturn. Their advice did also conflict slightly with their advice for preparing for a downturn and taking some action in relation to that potential but also saying: "Well, your economy is at the top so take money out of it now" and I would like to know really what challenge the Minister gave the F.P.P. around the conflict in their advice because she seemed to have followed both of their courses of action, which one kind of cancelled out the impact of the other.

Treasurer of the States:

Could you clarify that question? I am not quite following the question. I am not sure that the 2 of them are ...

Senator K.L. Moore:

Well, if you properly read the F.P.P.'s advice ...

Treasurer of the States:

I have.

Senator K.L. Moore:

I am sure you have. It was quite clear that they were saying prepare for a downturn in the economy. So the subsequent decision of the I.F.G. (Income Forecasting Group) was based on the F.P.P. advice so one could have reasonably concluded that they were going to be advising ...

Treasurer of the States:

So clearly labels in the Government Plan that we took that advice and therefore provided for flexibility within the plan. That flexibility was not to share minimal balances on the Consolidated Fund primarily

but also to do some scenario planning, which was also appended to the back of the latest forecast, which addresses, in particular, a hard day ... I can never get this round the right way. Day one no deal, hard Brexit. So we were preparing for that but you cannot actually do the income forecast until you receive the revised F.P.P. assumption. So while we provided for the flexibility we cannot provide you with an income forecast until we do that. We are happy to work informally with the panel on what we are thinking but we cannot finalise the forecast until we have that data and until we have the other. I do not think there is anything at odds within the F.P.P. advice that talks about actually the economy is in a strong position.

Senator K.L. Moore:

It is slightly different. Let us move away from the timing because you have acknowledged then some timing needs to be brought forward but I think the point that I am making is that you knew the direction of travel because you had read the advice of the F.P.P. so it was easy to conclude what direction you needed to prepare for in terms of a team working on this piece of work. The way it was presented to us at Scrutiny was rather last minute and unfortunate. So that gives a message in itself. But then if we move on to the conflict between that advice, what I am trying to express is that on the one hand they said: "Well, your economy is buoyant so take money out of it now" so the Government did that in raising impôts and also proposing a 1 per cent increase in long-term care, et cetera, which is taking money out, as they have duly been advised by the F.P.P. But on the other hand, the F.P.P. were also saying prepare for a downturn, which the Minister also did by proposing to set money aside into the Stabilisation Fund. But of course, saying your economy is at the top and prepare for a downturn actually does conflict because what the Government has done is taken money out of the forthcoming year when the Government is aware that it is going to be a difficult year, a troubled year. For businesses and people who are planning, it is going to potentially risk taking money out of their pockets at a difficult time.

Treasurer of the States:

I do not disagree with lots of what you say there, however, the central forecast is not based upon a recession. Their central forecast still remains that the economy is in a buoyant position. It is not necessarily going to grow that much more over the coming period but has steady growth in the forecast. But what they are saying is that there is a great deal of uncertainty and that that uncertainty could lead them to change their view going forward but at the moment they are not forecasting this critical position. At the moment they are not forecasting. If they had built into their forecast a recession we would have put that into our income forecast. They have not done so. They said given the level of uncertainty you need to be able to plan for the scenarios which we are doing and continue to do.

Senator K.L. Moore:

I do not want to labour this too much. It really is a matter of political decision making though and I would like to hear from the Minister as to what her thinking was to do both things.

The Minister for Treasury and Resources:

Obviously we take huge note of what F.P.P. tell us because otherwise why would they be there. Their initial advice to us was to have a surplus and put that into a side of £16 million, if I am correct, and then their revised forecast was to halve that and put aside £8 million on the basis that there is so much, as the Treasurer said, uncertainty around. So we have taken their advice and what was going to be £16 million over the next 4 years has been reduced.

Senator K.L. Moore:

In taking that advice, what consideration or what listening did you do with business, industry, members of the public, and think about the impact it was going to have, what your decisions were going to have on them?

The Minister for Treasury and Resources:

We do consult with the public a lot.

Senator K.L. Moore:

Could you just tell us how?

The Minister for Treasury and Resources:

Through the Taxes Office, through briefings, through ... what else? All sorts of areas. Just taking, which I am sure we are going to come on to, the personal tax. We have done quite a few briefings on that, I mean to yourselves and ...

Senator K.L. Moore:

Yes, but that is not actually ...

The Minister for Treasury and Resources:

No, but as an example. The Chamber of Commerce, I.o.D. (Institute of Directors) ...

Senator K.L. Moore:

What consultation did you do about your decision making in relation to the Government Plan, the impact it was going to have on the economy?

The Minister for Treasury and Resources:

In what sort of capacity?

Senator K.L. Moore:

What soundings did you take from industry about their views? For example the Hospitality Association, they made efforts to discuss their views with States Members, did you listen to their views at an earlier stage when you were formulating the Government Plan? You went to speak to the Chamber of Commerce but what conversations did you have with the Chamber of Commerce about their views of the economy and how did that frame your decision making?

[12:15]

The Minister for Treasury and Resources:

As is normally the case, 80 per cent of businesses in Jersey are small or medium enterprises, S.M.E.s, and I remember this with Social Security that the big effects any change has are on those small and medium enterprises.

Senator K.L. Moore:

Yes, and they are very angry about it.

The Minister for Treasury and Resources:

Yes, but on the other hand we have to run a country, an island, whatever.

Senator K.L. Moore:

And they have to run a business.

The Minister for Treasury and Resources:

They have to run businesses so of course we have to take into account their views on it but equally ...

Senator K.L. Moore:

So how did you hear their views before you made your decisions? That is what we are trying to understand.

The Minister for Treasury and Resources:

As I have just explained, in all sorts of ways in sort of briefings, in presentations. I speak quite often with Chamber and I.o.D. - speak with them as opposed to speaking to them - and pick up their views. Also of course with the Council of Ministers and the representatives. Senator Farnham for instance, of hospitality and retail was obviously quite vocal in defence of small businesses, so there is quite a lot of representation.

Comptroller of Taxes:

It is probably worth adding, Minister, obviously there is a lot of consultation on the Government Plan itself in Town Hall meetings and so on, but on the tax side and budget measures, routinely every year now we write out to all of the trade associations and representative bodies on our lists early in the year reminding them that they have always got the opportunity to make budget representations to the Minister, that the Minister is open to seeing anyone who wishes to see her. I am always surprised by how few representative bodies take up that offer. I think this year my recollection is, for example, that the Minister and I visited the Consumer Association to discuss the G.S.T. (goods and services tax) *de minimis* proposal. I think there was certainly engagement with the alcohol industry at one point. I cannot just remember the details. But we do set out for everybody on the Island what measures are under consideration. We do invite written representations. We get precious few. I think people really do leave it up to the eleventh hour often to raise these issues.

Senator K.L. Moore:

Because they are busy running their businesses.

Comptroller of Taxes:

Yes. So even though they know routinely that excise duties, impôts will be updated every year to maintain their value at the very least we do not get that much representation.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

Just one more comment about the income estimates; the C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy) report said: "However at this point in time we are of the view that there may be significant risks in running the income tax yield estimates embedded within the Government Plan. Do you now concur with this assessment?"

Treasurer of the States:

My position would be that is exactly what the ... sorry, the I.F.G. (Income Forecasting Group) highlighted both the risk and the uncertainty to it. So the C.I.P.F.A. adviser's report was undertaken before the reforecasts. We did inform him we were doing the reforecasts. We have provided that to you and to Ministers as soon as we can. We have undertaken that we will try and move that forward a couple of weeks to fit into the cycle but the risk and the uncertainty, although I think we have been certain for 3 or 4 years there is risk and uncertainty and every time we have done a reforecast and seen the outturn it has gone up. Now it will reach a point to which the law of average says it is going to go the other way round and we would say that the uncertainty, in particular ... we have a key event today, that could

determine whether the risk and uncertainty settles down with our most immediate partners. So the uncertainty has been there for a long time. In more recent times it has turned out that the forecasts have been on the prudent side, which is not the only time that we have downgraded the forecast over the previous M.T.F.P. period to then find that we had upgraded the forecast. I am not in any way implying that that will be the case this time. We all recognise the risk, I do not think there is anyone in the room that would disagree there. We are working on the scenarios and had a scenario built up for day one no deal so that we would understand the extent to which that could impact.

Deputy S.M. Ahier:

I will just move on to the Andium and the C. and A.G. (Comptroller and Auditor General) report. So, Assistant Minister, do you believe that your oversight of boards such as Andium is adequate and are there any areas of governance that you believe you can or should improve upon in light of the recent resignations of directors of Andium?

Assistant Minister for Treasury and Resources:

I think it is fairly well-documented that we did have some problems surrounding the governance side there. We have reviewed not just with Andium, with all the stakeholder companies, the M.O.U.s (memorandums of understanding), which have now been completely redone. A little bit of fine-tuning now needs to be done on the back of what the C. and A.G. said. On the governance side there was a problem obviously with the pay sides of things. That has now very much been put in the M.O.U. that it has to come to us, which it should have done in the first place but it has been very much stressed now. So I think we took on board what was said in that report. There were certain parts of it that were fair and correct and, as I said, we did in the new M.O.U.s put that right.

Deputy S.M. Ahier:

Is there a remuneration committee to oversee the pay structure?

Assistant Minister for Treasury and Resources:

There will always be remuneration within the boards. They have a designated director who will chair that panel. Obviously we also work with the States Employment Board as well, when we have new people appointed, as we have in the case of the 2 directors to Andium.

Deputy S.M. Ahier:

Do you believe that you will be setting up a remuneration committee?

Assistant Minister for Treasury and Resources:

Outside of that, not at the moment I have no plans to do that.

Deputy S.M. Ahier:

Previous reports have recommended improvements to the Treasury shareholder function. Why are you still in a position where oversights of arm's length companies have been criticised?

Assistant Minister for Treasury and Resources:

As I say, hopefully we will not be in such a position when we get the M.O.U.s out, which we have now, we have consulted with the companies. So I think that has all been tightened up considerably so there should not be the criticism. We are always going to have certain criticism of arm's length companies anyway. It goes with the nature of it. If they make too much money people say they have made too much money. If they do not make enough, they do not make enough. I think there is always a certain element of criticism around them. We saw even with the I.F.C. (International Finance Centre) building. Why are we building that? Then we have built it and it sold and it has gone well. But anything that surrounds these arm's length companies are always going to have a higher degree of scrutiny to them than an independent public company.

Deputy S.M. Ahier:

What does your department intend to undertake to implement the recommendations made by the Comptroller and Auditor General in her report on the remuneration of board members?

Assistant Minister for Treasury and Resources:

As I say, we have done that very largely anyway. We did the M.O.U. review but we are going over them again to see if there are certain elements that she has raised that we should put into them.

Treasurer of the States:

We issued a response from officers to the Public Accounts Committee in respect of that particular report. They will consider that and eventually they will, I am sure, publish a response. Where we are developing that is to propose that we establish a group across government that will look at all the ways in which ... at a strategic level. I am not talking about interfering with the running of the companies. At a strategic level how we interact across government with those entities that are part of the wider States of Jersey and Government of Jersey organisation. For example, an economic policy and commercial activity between ourselves and them, in governance from a shareholder perspective but also from examining their strategic plans so that we could look at it more holistically across the piece to make sure that we are not acting independently from one another. That will include the development of remuneration policy that can apply to both States-owned entities but also arm's length organisations. The review is not limited to States-owned entities which therefore fall under the shareholder function that the Assistant Minister has delegated authority for but also looking at other organisations. So we will be developing that. We put timescales into the report that we provided for the Public Accounts Committee to review.

Deputy S.M. Ahier:

Assistant Minister, do you have any influence over the bonus structure of the arm's length organisations?

Assistant Minister for Treasury and Resources:

To the extent that we review them when they are given to us. With Andium we do not wish them to have a bonus structure because we feel it is dealing with social housing and there should not be that great incentive to make tremendous profit. But generally, yes, all the States companies, they will come to us with salary recommendations and bonus recommendations from their boards and we review them.

Treasurer of the States:

Just to add, that in respect of wholly -owned States-owned entities requirement in the memorandum of understanding - the existing requirement - covers any significant change in the structure and by that we will include the creation of a bonus scheme, for example. But any material increases to that structure the scheme, as opposed to the quantum within the scheme, are supposed to be agreed in advance.

Senator K.L. Moore:

Assistant Minister, given your last comment about bonus structures within Andium, what work are you doing to ensure that the money-go-round of the £30 million that is currently paid from Andium into the Treasury's coffers every year also comes to an end so that Andium can continue to return those profits to the organisation and the delivery of more affordable homes and social rented homes for the public?

Assistant Minister for Treasury and Resources:

At the moment the Minister for Children and Housing is looking into alternatives as such, that you heard the other day in the Assembly, but this was when it was set up. This was the way ... you are talking about the repayments?

Senator K.L. Moore:

Yes.

Assistant Minister for Treasury and Resources:

They were set up that way and it has worked very well. Andium have managed to refurbish, they have managed to rebuild to a very high standard as well. I mean I think we would all agree, Andium has done a great job. To change that would change the whole basis this was set up and at the moment we have no actual plans to do that. I think that is correct, would you say?

Treasurer of the States:

As you have said, there is a Housing Policy Development Board but the point to be made is that that £30 million return also reflects the fact that there are assets that were put into the company that came from Government or the States a quite considerable ... hundreds of millions of pounds worth of assets. But also reflected the fact the way that finances were arranged prior to incorporation. Unless there are significant changes elsewhere, if you merely remove the £30 million then of course Government and the States Assembly has an issue in terms of how you replace £30 million that goes into the coffers that pays

for services that previously were paid for in successive Governments from the income that came from renting those properties.

Senator K.L. Moore:

We are going to move on now. The Constable of St. Martin has a question.

The Connétable of St. Martin:

Moving on to board diversity. The lack of diversity on boards has been highlighted time and time again this year therefore what action are you taking to improve diversity on the boards of States-owned companies?

The Minister for Treasury and Resources:

The Assistant Minister has delegated responsibility but I will kick off by saying that he and I both agree that it has to be the right person for the job.

Assistant Minister for Treasury and Resources:

100 per cent. We are making every effort when we have a panel of people to be interviewed that they are as diverse as we possibly can. We put it in our adverts. We will be doing that in future ones that we are doing for Andium, for instance. We make every effort to do that. But when it does then come down it, it comes down to who is the best person for the job.

The Connétable of St. Martin:

I appreciate that. I think we all agree that we would like the best person for the job, however historically the choice always seems to have been from a very small list of people who have been used time and time again to chair different boards and be members. We all appreciate we want the best person for the job but I really think you need to spread the net more widely. Did considerations of board diversity feature in the appointment process of the 2 new Andium directors recently appointed?

Assistant Minister for Treasury and Resources:

We never really thought of anything to do with diversity. We needed 2 people very urgently and we found 2 people; 2 very, very top people.

Senator K.L. Moore:

But you knew that those roles were coming up; it was not an urgent situation.

Assistant Minister for Treasury and Resources:

Not really, no.

Senator K.L. Moore:

So we do have to counter ...

Assistant Minister for Treasury and Resources:

No, because we had several people resign at once from Andium, who may well have come in as chairman. But at the time we lost 3 board members. We needed to find a chairman, and we needed to find someone with good financial experience and we found both. We had 2 people and more importantly they were ready to start straight away. Neither of them at the moment are earmarked ... certainly in Sir Mark's case, he will not be staying on longer than a year. It may even be slightly less. Then, when we look, as I said, there will be full diversity within that recruitment process. The advert will certainly go out encouraging people from ethnic backgrounds, from gender backgrounds. It will be as fair as we can possibly make it. But at the end of the day we will select the best person.

[12:30]

The Connétable of St. Martin:

Yes, we all want the best person.

The Minister for Treasury and Resources:

It can only be from the people who put themselves forward.

The Connétable of St. Martin:

Yes, it can but I think before historically it has not always been fair.

The Minister for Treasury and Resources:

I understand where you are coming from.

Assistant Minister for Treasury and Resources:

When we appointed our new man at the airport I said did we make sure that there was diversity and in fact I do not think ... I might be wrong, there might have been one woman who applied but I think not one woman applied.

The Connétable of St. Martin:

Hopefully my next question will not apply because maybe we change from the historical way we did things but do you believe that there are structural issues that may prevent women and under-representative groups from applying to join these boards and if not, why not?

Assistant Minister for Treasury and Resources:

I do not think there are really. As I say, it is a fairly open process. No, I do not think there is anything to stop a woman or someone from an ethnic background being on these boards. As we can see, because there are women on these boards. I do not think we probably have quite enough people

from an ethnic background, although as I stressed to someone the other day, I am English which is technically ethnic because I am not a Jersey-born person.

The Connétable of St. Martin:

I was born in Canada so I am ...

Assistant Minister for Treasury and Resources:

You are ethnic as well. There is a lot of diversity around there.

The Connétable of St. Peter:

I move to the Taxes Office. Perhaps the Treasurer: when can we expect outstanding tax return notices to be issued?

Comptroller of Taxes:

We are down to about 14,000 that are still to be processed. I think with the existing levels of resourcing I am hopeful it will be late January, early February time when it is finished. It is probably worth saying ... as you know we have tried to keep the issue of our backlogs in the media quite deliberately so that anyone who we thought might be significantly disadvantaged by our slow running would come to us and we would be able to help them. We think we have been largely successful in that so from the feedback I am getting I think most people who are yet to be processed and get their final tax assessment are the less risky cases.

The Connétable of St. Peter:

Because that is still roughly 20 per cent of taxpayers, 14,000?

Comptroller of Taxes:

We issue about 60,000 tax returns, yes.

The Connétable of St. Peter:

Has any of this delay been as a result of the new system that you have purchased, either software or the hardware?

Comptroller of Taxes:

I think in the letter I sent you at the end of September, and again in the one the Minister sent you at the end of October, we probably cited 4 things that have led to the delay. 2019, and to be fair to ourselves we did flag this well in advance, has been an extraordinary year for us. We had planned downtime because of our transition to new systems. There have been some glitches that have taken longer to fix than I would have wished. We had the office move, which was unplanned and we have

had cuts in recruiting. So there are a number of factors which have led to this slow running. The new computer systems are basically sound and most importantly they are now providing us with the capabilities that we need to run a modern tax system going forward. For example, we are still on track to deliver online filing for personal taxpayers in 2020. Over the coming 2 years, those services will be gradually improved and ultimately finalised once the Minister has determined with the Assembly how best to take forward the longer-term direction of personal taxation.

The Connétable of St. Peter:

So could we see online filing as early as 2020?

Comptroller of Taxes:

Yes.

The Connétable of St. Peter:

As January 2020?

Comptroller of Taxes:

At the moment we still have a number of checks to complete but I am expecting it to become available by the end of January.

The Connétable of St. Peter:

The new taxes system, has that been successfully installed and tested and trialled? Are you at that stage now where it is successfully running at least in some sort of test mode?

Comptroller of Taxes:

Yes, the systems themselves were introduced in May and prior to May - the 6 months before May - there was very extensive testing of the systems. They are not fully functional yet. There are certain types of tax return that cannot be processed in the system without a bit of manual intervention, as we expected. Any new system, particularly when it is being introduced after 35 years, will have a few issues. The big issue for us has been the data migration. The sad reality is that the old iTax system had a lot of poor data in it and when we have moved it into the new system the new system is spotting it and churning it out, which is adding slow running. The other issue is because the old iTax system was pretty much a glorified calculator it did not hold that much data. A lot of the data was held in our voluminous paper files. So this year one of the things that is slowing us down is that every time one of my officers is processing a tax return they are having to get the paper file and take data out of it and input it to the new system, still as a manual process. It has really been quite an extraordinary endeavour. The Minister paid tribute to the staff the other day in the Assembly. I am very grateful to them. It has been a rocky ride and I am very indebted to them for sticking with it.

The Connétable of St. Peter:

It is quite interesting that the data migration, what you are saying is it is very much a manual system and perhaps that indicates just how far behind it is. I have been involved in numerous data migrations over the years and I think the last time we did one where we had people putting data in from pieces of paper was the tail-end of the 1980s.

Comptroller of Taxes:

The computer systems probably should have been refreshed about 20 years ago or 10 years ago. I think my predecessors rather put it off and left it to me.

The Connétable of St. Peter:

To be honest, what we are saying is despite those issues of data and whatever, it is going quite well?

Comptroller of Taxes:

Yes. It has been a very slow running year. We are very grateful to people for bearing with us. I am very confident that this creates good foundations for building the tax system going forward. It enables us to do all of the things people have not been able to do in terms of tax policy. In due course it will provide online statements. We will increasingly be able to engage with people through texts and email and all the things people expect from modern financial institutions.

The Minister for Treasury and Resources:

May I add to the Comptroller that it is not going to be compulsory to be online. There will still be a paper submission if one wishes to go that way.

The Connétable of St. Peter:

Hopefully one day we will all be there. I just introduced recycling in St. Peter and it is not compulsory thankfully because I have had many phone calls. People who cannot convert to ... so I sort of do know the issue. But, no, that sounds ... given the enormity of the data migration and in fact it is a manual exercise, that sounds ... I mean I suppose I do not have to tell you that there will be a long process when it is manual of cleaning up some of that at a later date.

Comptroller of Taxes:

Yes.

The Connétable of St. Peter:

I might come down and give you a hand.

Assistant Minister for Treasury and Resources:

You are very welcome.

The Connétable of St. Martin:

Going on to personal tax reform. Could you please briefly outline the proposed changes to personal tax reform and the key dates of implementing it? I am always asking this.

The Minister for Treasury and Resources:

As I have said in the Assembly, the personal tax reform was not quite as simple as we had anticipated or as the proposers of this had anticipated. As I said in the Assembly the other day, you were kind enough to come along to a briefing on this. It is quite complicated so we are doing it in stages and the proposition will be debated on 4th February, which I think should be quite successful but after that we then start ... we have already started but moving towards an independent taxation situation. So hopefully by year of assessment 2022 we should be able to get that far. But what we do not want to do is disadvantage anybody and at the moment there are 8,300 married couples who could be disadvantaged because of the allowances involved. So we need to work out how that can be managed so that nobody is disadvantaged. So the first part on 4th February will be the several and joint liability, is that correct?

Comptroller of Taxes:

Yes.

The Minister for Treasury and Resources:

Part of it. It is not in the law this termination of chattels but that is what is being bandied around so it is that that was started off and then we move forward.

The Connétable of St. Martin:

You said that over 8,000 married couples could be disadvantaged so what are the financial impacts for both households and the Government of any changes to the personal tax system?

The Minister for Treasury and Resources:

It is due to the allowances that you get as a married person's allowance. Perhaps the Comptroller would ...

Comptroller of Taxes:

Yes, I think in the report that the Minister has published alongside the proposition there is quite a detailed analysis of what types of married couples benefit and disbenefit if we were to move to a

pure form of independent taxation. So I think the Minister has mentioned there are 8,300 lower income married couples who could potentially pay more tax if one introduced a pure form of independent taxation without any moderation of it. In some cases, at the worst end of that spectrum, they could be paying potentially more than £2,000 extra in tax. So obviously, as we said before, the Minister has asked us to mitigate that because one of the objects of the review was always that it should be revenue neutral. It is something of a gordian knot, it is quite difficult to make it absolutely revenue neutral. But what we are looking at are the different options for making sure those lower income married people are not at significant loss. We are continuing to consult on this. We have run focus groups under the previous consultations that the Minister has reference. So I think the direction of travel is still towards independent taxation but possibly with some form of mitigation introduced, which one of the things that has been mentioned is potential grandfathering to ensure that nobody is significantly financially disadvantaged from introducing it.

Senator K.L. Moore:

Therefore the impact on Government is not significant either?

Treasurer of the States:

Our estimates are that if you introduce pure independent taxation the Exchequer would benefit to the tune of £10 million but obviously in mitigating we would like. and the Minister has tasked us and the Chief Minister, as part of the Revenue Policy Development Board, to come up with a means of mitigating that. Some of the means of mitigating that in the longer term would mean that the Exchequer would be broadly neutral but that in the period up to that point there would be a cost to tax revenues through protecting groups. The Comptroller has talked about those who would see an increase in their tax but moving to a pure system compared to our existing system would also mean that there would be people who would benefit from that move, seeing their tax revenues come down. So far we have come up with solutions to mitigate the impacts at the lower end to come up with ways of mitigating that loss to them. Back to the gordian knot, it is much more difficult to come up with means by which we can prevent the benefits that goes to those who would win in the new system. So there would be an impact depending how long you would take to come to move entirely to the new system and the Chief Minister and Minister are keen that we address those as well.

The Minister for Treasury and Resources:

It is quite a complicated issue, inasmuch as it has not been tackled since 1961, the income tax, last time it was ...

Comptroller of Taxes:

This system of taxation came into Jersey in 1928.

Senator K.L. Moore:

Okay, we have heard about that, thank you. If we could just look at the impact that could have on those people though. You are talking about potentially, if you work out what the average of £10 million is across 830 married couples, £1,000 additional tax they would have to pay every single month.

[12:45]

Comptroller of Taxes:

As I say, if you look at the analysis in the report that is attached to the proposition it will give you a very detailed analysis. The basic issue is that if you were to introduce a pure form of independent taxation then lower income married people tend to come off worse and higher income married people tend to come off best. That is because once people have individual personal allowances they can distribute income between themselves to optimise the use of both allowances. Whereas at the lower end of the spectrum, say if you have just got one earner in the family, perhaps a disabled partner or you are caring for children, then the married persons allowance is significantly better than one single person's allowance. So that is the conundrum that needs to be solved.

Senator K.L. Moore:

When will the conundrum be solved by the Policy Development Board? I believe the Minister is leading it. Do you have a timetable, Minister?

The Minister for Treasury and Resources:

It is going to be next year.

Senator K.L. Moore:

There are 12 months in a year.

The Minister for Treasury and Resources:

Yes, we are working on it now. It would be for the assessment year of 2022.

Comptroller of Taxes:

Yes, we are doing them in parallel. We are obviously working on changing the legislation to introduce joint and several liability for married people from the 2021 year of assessment but we are also working on developing proposals for the 2022 year of assessment which will be the journey towards independent observation.

Senator K.L. Moore:

So does this Policy Development Board publish its minutes and agendas so that the public can see how far progressed they are in their thinking?

The Minister for Treasury and Resources:

Well I think it is more, is it not, to the agreement with the Taxes Department as well that this will ... yes.

Senator K.L. Moore:

It is just for transparency really.

Comptroller of Taxes:

The Revenue Policy Board does publish its agendas and minutes. We are a little behind some of the other policy boards in doing that. We are still setting up the formal secretariat and meetings but all policy boards are publishing information on the government website.

Senator K.L. Moore:

Somewhere; okay, thank you. We will move on to the Revenue Administration Law.

The Connétable of St. Martin:

We in Corporate Services have notified you of our intention to review the second tranche of the Revenue Administration Law. When do you plan to lodge this for debate?

The Minister for Treasury and Resources:

Hopefully in January. There are 2 amendments to be lodged with 5, I think, substantive Articles included in that which, as I said in the proposal proposition for the Finance Law, have been held back because of the panel wanting to scrutinise them, so hopefully they will be lodged at the end of January; January sometime.

Comptroller of Taxes:

It is probably worth saying you do have them already in the sense that they were in the Finance Law. So, it is possible we may tweak one of them; we are still consulting with the tax agent community. It is possible we may take the opportunity to add some new things in but we are still doing work on that.

The Connétable of St. Martin:

You mentioned the tax industry; what consultation have you had with the tax industry on this tranche of the Revenue Administration Law and has it been positive?

Comptroller of Taxes:

Yes, I think it has overall. We have largely consulted ... it has not been a full public consultation, this tranche, because it is rather esoteric stuff, so we are engaging with the stakeholders we know are very interested in it. Often it tends to boil down to the big 6 tax agents in the Island, the C.I.O.T. (Chartered Institute of Taxation) and the J.S.C.C.A. (Jersey Society of Chartered and Certified Accountants). Given the majority of what is in the next tranche is taxpayer safeguards which they asked for, I think they are broadly happy with them. They still get wobbly about information powers but that is not unusual. Information powers are there really to deal with taxpayers who do not co-operate voluntarily, so they are quite an important part of the tax system but obviously the job of tax agents is to look after the interests of their client.

The Connétable of St. Martin:

Okay, thank you.

Senator K.L. Moore:

Sorry, could I just step in one minute and go back to the Policy Development Board issue? Just out of interest, I took a quick opportunity to check on the gov.je website, the last minutes of any minute held by the Revenue Policy Development Board were on 30th April of this year. So, I think the question does have to be asked whether there have been any meetings since then; that is a very long time.

Comptroller of Taxes:

Yes, there have been several meetings since then, very largely focused on this issue. Yes, I have to put my hands up to the fact that we have not yet properly organised the secretariat and have not published the minutes. What I would say is that the fruits of those deliberations are what you see in the Minister's proposition and report that she lodged on 22nd November.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

Would you be able to advise the panel which Article of the R.A.L. (Revenue Administration Law) you intend to tweak?

Comptroller of Taxes:

We are still looking at the Article that relates to the window of enquiry, as it is generally called. I am just trying to find the number.

The Minister for Treasury and Resources:

I think it is 30.

Comptroller of Taxes:

It was Article 12 in the Draft Finance Law which obliges the Comptroller to issue tax assessments within 2 years of the due date or date of filing of return. It is adequate and we agreed with the big 6 tax agents when we were discussing with them that it is adequate but we think we might be able to do something a little better, so we are still discussing that with stakeholders. If we can do something better and tweak it quickly then we probably would do, otherwise we will probably let it stand.

Deputy S.M. Ahier:

Thank you very much. If we could move on to the Government Plan now, Minister. What have you learnt from this first Government Plan cycle and how do you think the process can be improved for next year?

The Minister for Treasury and Resources:

Well I think we touched on this briefly earlier and clearly the plan stays for the 4 years. It is the finance side of it that will be readdressed, the expenditure side, every year. The difficulty is, as we mentioned earlier, the timing of the whole thing as to quite when do you readdress a budget scenario. Is it June, July, September? Whichever you do, you are going to have different figures involved, so I think that, from a Treasury point of view, is probably the difficulty that we have to face.

Treasurer of the States:

We are going through an exercise at the moment, the team down in what they call S.P.3, Strategic, Policy, Planning and Performance and I, have been leading with T. and E. (Treasury and Exchequer) a review internally. We would like to come and talk to Scrutiny Panel members to ... I think you have made some points already, it is fair to say, as to how we could improve what we have done before. So we are undergoing an exercise; that exercise was ongoing far before we completed the debate of the Government Plan. As the Minister points out, there is this conundrum of how long do you leave it, or how long a lodging period do you have, given that, as we started the meeting, your frustration at the fact that the income forecast will change over an 18-week period of a lodging, given the period at the front of that, but also in terms of what is going to be in the Government Plan. So, certain aspects of this Government Plan obviously will not be repeated to the same depth that they have been. The first Government Plan of a Council of Ministers proposing to an Assembly will obviously have much more in it than subsequent plans. The subsequent plans, in some senses, will be a refresh; obviously there is a further year to add into the forecast. We would like to explore, and I think your panel members have talked about us exploring, how we can liaise with Scrutiny through the pre-lodging period in terms of explaining plans. A great deal of that has happened but we would

like to see that happen. Obviously we are committed to the efficiencies programme being fully in there. As I said earlier, we will look to whether we can bring forward the income forecast so that Members can have that for longer. But, as I said, it is an ongoing exercise; we would be happy to, once that is concluded - which will be in the coming weeks, if not days - to come and have a discussion with you as to how we might see that improvement coming through further down the line.

Senator K.L. Moore:

It is interesting to note, though, Treasurer, that you mentioned that the next Government Plan will lock another additional year into the future. Of course that will be yet another year after the next election, so at what point - there will be of course an element of flexibility - but it could be said that you will be tying the hands of a new Government in the future.

Treasurer of the States:

Well that is one of the things that would be ... sorry.

Senator K.L. Moore:

Or the Ministers will be tying the hands of a new Government.

The Minister for Treasury and Resources:

The Medium Term Financial Plan did the same. If you are going to do a 4-year plan in the middle, it takes a Government to establish that. It has taken 18 months to produce this Government Plan so it ties over, as you quite correctly say, to the next election so as it gives a new Government then time to sort of come forward with new ideas while there is still something in place to govern. It has got to be that way. I do not think a new Government can come in and immediately produce something that overturns everything that has been established for the last 4, 8 years.

Senator K.L. Moore:

But will that then happen in the following Government Plan or will there be a sort of greater level of flexibility left for that new Government?

The Minister for Treasury and Resources:

I think the level of flexibility is what is the predominant factor of this Government Plan as opposed to the Medium Term Financial Plan which did not allow flexibility because the revenue and expenditure were fixed. This one is different because, although there is a 4-year plan, the expenditure levels are reviewed every year, so a new Government would have that flexibility to review those expenditure plans.

Senator K.L. Moore:

As well as all of the business cases that underpin the plan?

The Minister for Treasury and Resources:

Yes.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

How will you demonstrate delivery of the outcomes and projects that are outlined in the Government Plan? Will you set clear key performance indicators?

The Minister for Treasury and Resources:

Gosh, a complicated question. Yes, we will be held to task to do that, absolutely. We have set the efficiencies, the expenditure, the revenue, the - I do not like the word "vision" - but whatever one would determine the plan is doing, so as a Government we will be held to account to make sure that we do deliver them.

Senator K.L. Moore:

When will those key performance indicators be published? In each section of the Government Plan there was a section called "measures" but it had non-specified measures. There was no direction given, no tangible measurement of what would be considered to be a good position in the following year.

The Minister for Treasury and Resources:

No, I understand that and, for the same reason, it is very difficult to give an on-the-spot income forecast, for instance. It is very difficult to give an assumption of when measures ... well, performance measures ...

Senator K.L. Moore:

Well surely if a Government had a vision and desires to go in a particular direction, they know generally all of those measures have current data underpinning them, so why was the current position not included in the Government Plan and what the Government anticipates it is going to achieve in the next year? You have that data and it seemed rather strange that it was not pinned down in a more precise manner.

Treasurer of the States:

If I may?

The Minister for Treasury and Resources:

Please.

Treasurer of the States:

We are developing the Jersey performance framework. I believe, if memory serves me right, this came up in your meeting with the Chief Minister. It ties all the way from Future Jersey in terms of long-term future outcomes through to the C.S.P. (Common Strategic Policy), through to the Government Plan and then downwards through the organisation. We are expecting to publish in January the first set of those outcomes and indicators in terms of measuring the success. In the departmental operational plans there are also measures for departments that are laid out. We are now going through the process, having had the agreement of the Assembly to the Government Plan, to firming up those plans. They will come forward in January, alongside a record of the Government Plan as agreed.

[13:00]

That will coincide early in the year in terms of measures and indicators that link through to those longer-term outcomes established in Future Jersey. Regularly that will then be reported, not just to Members, but to the public, and that is a new framework. So previously one of the weaknesses of the M.T.F.P., one of the praises of the Government Plan that we have had, including from your adviser, is the linking through of financial expenditure, if you like, through to the activity that we expect to be driven but in particular the outcomes that we are aiming to achieve. Those outcomes, at their very highest level within the Government Plan, are the 5 plus Modernising Government, starting with Putting Children First. Those measures and indicators and outcomes will be shortly with you.

Deputy S.M. Ahier:

Thank you. Minister, how will you structure next year's Government Plan to ensure that we can assess progress on delivering the £80 million of additional revenue?

The Minister for Treasury and Resources:

Sorry, in the next ...

Deputy S.M. Ahier:

Next year's Government Plan. How will you assess progress in delivering the extra revenue?

The Minister for Treasury and Resources:

The next year's Government Plan is still this year's Government Plan; it is only the finance side of it that changes, as such. There will be an assessment of the efficiencies that we have made, the £40 million projected for 2020, assessment of that and then the revenue indications, and quite a bit of that is down to what the Comptroller has already alluded to, from a tax compliance situation. The assessment will have to be done by the time we produce the next - I am not allowed to call it Budget anymore - but next Finance Plan which, again, is to be determined as to whether it is June, July or September.

Deputy S.M. Ahier:

Will you bring each business case back to us so that we can approve or amend the 2021 proposed spending?

The Minister for Treasury and Resources:

I think one of the first things we should do is bring any estimates, assessments, outcomes to Scrutiny before we take it to the Assembly.

Deputy S.M. Ahier:

Wonderful. Has the States Assembly debate on the Government Plan assisted how you intend to prioritise and deal with certain policies going forward, for example, on further increases to impôts duties on fuel and alcohol?

The Minister for Treasury and Resources:

That was very well considered this time around. We have to work out what the situation with the tobacco impôts duty which this year, our assessment is, has cost about £2 million in lack of impôts duty, but that could be just a glitch in the figures for this year. So we have to wait and see whether that is the case and how we move forward in order to counteract, for instance, fuel duty because of the increase in electric cars. So it all has to be assessed; there is no clear direction at the moment as to what we would do with impôts duties next year.

Deputy S.M. Ahier:

With the decline in tobacco duties, and obviously the increase in vaping, do you intend to put taxes on vaping to compensate for the loss?

The Minister for Treasury and Resources:

No. We have looked at that but there is still a question over the health situation with vaping, so we are waiting for results on that.

Deputy S.M. Ahier:

During the debate, Ministers and Assistant Ministers stated that they agreed with many amendments in principle but not as they were brought forward. Do you intend to use any amendments made this year to the government policy as foundations for policy development?

The Minister for Treasury and Resources:

The amendment that springs to mind that was successful was the reduction in the long-term care charge from 1 per cent, which the Government wanted, to 0.5 per cent. That, of course, will have quite an effect on what we do in the next 2 or 3 years because the 1 per cent increase was due to see the Long-Term Care Fund established reliably for the next 20 or so years. So, if it is only a 0.5 per cent increase then we will have to review that in the next 2 or 3 years, as opposed to leaving it for longer.

Deputy S.M. Ahier:

But for some of those that were not passed, for example, the stamp duty that we proposed, will you be reviewing that?

The Minister for Treasury and Resources:

Yes, that will be reviewed. The stamp duty is quite an issue because with the uncertainty of Brexit - dare one say it? - it has meant that this year it has been quite difficult with transactions in property because people are not transacting properties because of the uncertainty. So that, again, will be hopefully clearer next year if we have a way forward with Brexit. The other reservation about increasing the stamp duty was because it only increased last year as well, so to put it up 2 years on the trot seemed to be a bit of a difficulty. So, yes, that one will be reviewed.

Assistant Minister for Treasury and Resources:

Also, the subject of stamp duty is being addressed within the Housing Policy Board, which I think Senator Mézec said the results would come out around April. So, that is certainly one of the topics that has been discussed.

Deputy S.M. Ahier:

Will there be a consideration for a reduction in the number of bands during that?

Assistant Minister for Treasury and Resources:

I think they are looking at the whole thing across the piece.

Deputy S.M. Ahier:

The whole piece?

Assistant Minister for Treasury and Resources:

Yes.

Deputy S.M. Ahier:

There were concerns raised, particularly during the debate on amendment 10, which was Deputy Ward's, the luxury cars, that existing taxes such as G.S.T. were not an appropriate solution for the problems raised. Can we expect new taxes to be introduced in the 2021 Government Plan designed to address, for example, certain environmental concerns?

The Minister for Treasury and Resources:

Yes, and we are working together with Environment as to how we address the whole climate change emergency which the Assembly agreed that we would do. The 6 pence on fuel duty, 4 pence of which, as you will be aware, is going into this Climate Change Fund. We will be looking as to how that is distributed, what we do to advance the climate change decisions and propositions that are made for that, for the use of that fund. Obviously, the change perhaps in the direction of electric cars will also need to be addressed because you have got to have charging points for them and everything that goes along those lines, so all of that will come under consideration.

Deputy S.M. Ahier:

But the concept in amendment 10 of having what would be 3 bands of G.S.T., 0 per cent, 5 per cent and the higher rate for luxury goods of any sort, are you considering that in the next Government Plan?

The Minister for Treasury and Resources:

Personally, I would not want a differentiation in the bands of G.S.T. I think we have tried to do that before in the exemption for food and what is food? You get into a massive amount of problems with trying to create different bands, so I personally would not be in favour of that.

Deputy S.M. Ahier:

Thank you.

Senator K.L. Moore:

If we could move on to the efficiencies which are, of course, a core component of the Government Plan. Already we have heard during the Government Plan debate in itself that there is one Minister who is not happy with the allocation of efficiencies in their department and another Minister had an amendment to the Government Plan which was carried and so leaves a deficit in his department. So, how will you ensure, Minister, that your efficiency targets are met and how will this impasse with some Ministers be overcome?

The Minister for Treasury and Resources:

Yes. Of course there is £700,000 with the car parking amendment and £1.78 million with Education and we are addressing them. We did not expect everything to sail through to the tune of £40 million precisely, so of course we have got contingency plans to cover those expectations.

Senator K.L. Moore:

What would your contingency plan be?

The Minister for Treasury and Resources:

They are still being discussed.

Senator K.L. Moore:

All right, so when we heard from the Chief Minister in question time, he was in a hearing immediately after the Government Plan initially, he remained firm that it would be a matter for the departments themselves to deal with and there would not be any crossover or any support from other departments. Do you see that in a different light then?

The Minister for Treasury and Resources:

No, not really. It is just that we all sort of help each other and I think the ...

Senator K.L. Moore:

Well that is not what the Chief Minister was saying. He said that the Education Department had solved their budget issue themselves. We heard again in the Assembly in question time this week that the Minister for Education is still trying to find routes that do not impact on education for children.

The Minister for Treasury and Resources:

Well I think there was some confusion in the debate as to whether the front line school activities was involved and it is not. I think that confused ...

Senator K.L. Moore:

That was not at all clear in question time.

The Minister for Treasury and Resources:

No, it was not clear. No, I agree, but are not included in the efficiencies that the Minister for Education is questioning.

Senator K.L. Moore:

When I think, like most departments, 90 per cent of that budget is staff, how does the Minister for Education, or how do you expect her to find that saving without impacting on the budgets of schools?

The Minister for Treasury and Resources:

This is where we have to go back to the drawing board and find a way around it which is why it is an ongoing discussion. I do not know if you want to add anything.

Senator K.L. Moore:

So, let us say, for example, I think External Relations - sorry, Treasurer - and there is another department who were not impacted by efficiencies at all. I think it is Economic Development, of course, is it not? Will they be coming to the aid of Education then, recognising the importance of skills particularly on economic development?

The Minister for Treasury and Resources:

Economic Development have managed to find the increase in contribution to the skateboarding park. Is that the right terminology?

Treasurer of the States:

In terms of addressing the question, just to clarify, I think the Chief Minister has talked about if the efficiencies that are targeted towards a particular department are not delivered, then ultimately the consequence would be that the department should be finding either alternative efficiencies or there may well be an impact upon the amount of growth that is sustainable for that department. That is a different thing to saying that that department is working on its own to deliver them. Obviously in the case of Treasury, we provide resources and assistance to others. My staff support the Education Department in doing so and so are other officers, so, in that sense, that is what the Minister is talking about in terms of us working with.

Senator K.L. Moore:

I see. So, you are offering expertise to help the Education Department identify savings within their own budget, is that right?

Treasurer of the States:

So we are helping them. As far as I understand it, the Minister for Education has said, other than the front line in terms of schools, she agrees with efficiencies and with the principle of efficiencies, and wants to satisfy herself with regards to that £1.78 million. Work is ongoing to see if we can collectively help get to that point with the Minister. Notwithstanding that, we will discuss among ourselves whether there are alternative means of delivering efficiencies and then whether there will be impacts in terms of the other departments. The other departments may not have had allocated

directly against them efficiencies but do have a part to play in those efficiencies that are held centrally in terms of vacancy management, for example, in terms of the consequences, in terms of setting off against the inflation provision for non-staff spend, so all departments are in that mix. But also in terms, I think, in particular, from External Relations, a lot of the growth that they will have had was growth that was reflected through the previous Medium Term Financial Plan or the previous Council of Ministers reacting to external events and, in particular, the Brexit event. So lots of what they put together in those growth bids have already been subjected to considerable scrutiny in making sure that they are the right number rather than the base expenditure of many departments - the base and long-standing amounts that are within other departments - to which the efficiencies are directed. So there is a different focus there in terms of, in particular, External Relations and longer-standing departments.

Senator K.L. Moore:

Okay, so what you are saying is that One Gov, and the removal of silos, happens and can occur when it means sharing officer expertise and influence to go and help sort out a problem but when it comes to budgets, One Gov does not exist and still we have a silo mentality that the budget for this department is their budget and there is no ...

Treasurer of the States:

Firstly, no, I disagree. But, secondly, I would say that that head of expenditure is a wider head of expenditure than a single, to use your phrase, silo. A head of expenditure is Children's Department in pupil education ...

Senator K.L. Moore:

As well as skills.

Treasurer of the States:

C.Y.P.E.S., (Children, Young People, Education and Skills) yes. So it goes beyond just one Minister's remit as well, so there is that aspect in particular, so some of those savings relating to that.

Senator K.L. Moore:

That is why I was trying to use the comparison with Economic Development. Skills obviously has a supporting role in Economic Development.

Treasurer of the States:

Yes, it does. All I am saying is, I do not see that that is the case.

[13:15]

But the position agreed with the Council of Ministers and described by the Chief Minister is one of, ultimately, if efficiencies are not delivered there may be an impact on growth. But there are ongoing discussions among Ministers and there are ongoing discussions among officers.

Senator K.L. Moore:

When are we going to see clarity?

Treasurer of the States:

As soon as we can, whether that is early next year or towards the end of this year.

Senator K.L. Moore:

Okay, thank you. How, when looking to planning the Government Plan for next year, will the efficiencies programme be changed and developed in order to provide greater clarity to Members?

The Minister for Treasury and Resources:

At the risk of repetition, the efficiencies plan, i.e., the savings, if you want to put it that way, will become very apparent when we have moved into - which we will be starting January - doing the next Financial Plan; I cannot say Budget. So when we move forward into that in January, then obviously what we have managed to achieve in efficiencies, savings, will become very apparent as they will throughout next year. Because the whole transformation, the cultural transformation and the finance transformation, the differences to the Government as a whole in the civil service will become very apparent next year. There has been quite a lot of controversy with consultants but they are quite interim, a lot of them, and of course they will not be possibly needed next year because they will have done their job and trained the people that they were here to train. So all that will become apparent next year.

Senator K.L. Moore:

So do you anticipate that in the next 6 months the figure for consultants will be lower than its current position of £11 million?

The Minister for Treasury and Resources:

Yes.

Senator K.L. Moore:

Have you any indication of where that might be on the scale?

The Minister for Treasury and Resources:

On the scale?

Senator K.L. Moore:

Do you have a figure in mind?

The Minister for Treasury and Resources:

No. No, but considerably less than it has been, with the projects that they have been brought in to do are now in place and so we will see the realisation of that next year.

Senator K.L. Moore:

Obviously Scrutiny have been tasked with providing a 6-monthly review of the efficiencies programme, so at what point will Deputy Southern and his merry team be receiving any information from yourselves?

Treasurer of the States:

I think we are required to report on a 6-monthly basis - I am trying to remember what the proposition says - so we will stick to that timeline. Thereafter, the panel will be in that situation. I am sure we can work informally ahead of the formal deadline but that is the reality, as I believe it stands, of the proposition that Government is required to produce that on a 6-monthly basis.

Senator K.L. Moore:

But at that rate if you leave it for 6 months, you will be practically lodging the next Government Plan by the time they are even beginning to review the 6 months.

The Minister for Treasury and Resources:

The annual report will be hopefully by end of March?

Treasurer of the States:

Yes, the annual report will be in place. We are following the proposition, we will be monitoring them internally. Obviously panels are quite entitled, as I understand it, to be seeing the reports that go to the Council of Ministers as we report upon the progress during the year on a quarterly basis at the very least.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

Moving on to charitable status, Minister. Do you intend to conduct a review of charitable tax reliefs following the implementation of the charity register? We have received representation from a charity regarding the additional burden on charities because they are not exempt from G.S.T. at the point of sale.

The Minister for Treasury and Resources:

Well, now that we have a Charity Commissioner in place, I suspect that it would be on his advice.

Comptroller of Taxes:

I think that is right, Minister. Since the Charity Commissioner was put in place, he has taken responsibility for saying whether an entity is a charity. Before that it was done by the Taxes Office. We now follow the lead of the Charity Commissioner. Once he says a charity is a charity, it is entitled to all the tax reliefs that the law allows. I think the law does allow pretty extensive G.S.T. relief to charities, including on their trading activities, so I am not quite sure what the question might be.

Deputy S.M. Ahier:

Well, there was a representation and we thought there was an undue burden on the charity to have G.S.T. at point of sale.

Comptroller of Taxes:

If you would like to send me the details, I will happily look at it, but my understanding was that charities are exempt from paying G.S.T. both on inputs and outputs.

Deputy S.M. Ahier:

Thank you. What work have you done to ensure the registry of all charities operating in Jersey and filing quarterly returns? Have you done any work to ensure that all the charities are registered?

The Minister for Treasury and Resources:

They are being registered. Obviously it takes quite a long time for a charity and unless they have chief executives or administrators prepared or capable of doing that work to register with the commissioner it is an ongoing process. There are about 800 charities in Jersey so it is not going to happen overnight and I think the commissioner has been in post for 2 years? Is it 18 months or 2 years?

Comptroller of Taxes:

I think he formally was empowered just over a year ago. It may just be worth saying, and you will be aware of this from the Finance Law that was passed a week last Monday, a number of entities can no longer be charities. In some cases the Minister has changed that law to allow them to still

benefit from some of the tax reliefs that were available to them as charities. So, for example, in the Finance Law, I think 5 housing trusts, which were no longer deemed to be charities, have been treated as if they were charities.

Deputy S.M. Ahier:

Thank you.

The Connétable of St. Peter:

What contingency allocations have you approved in the last 3 months and have these been on the recommendation of the I.A.B. (Investment Appraisal Board)?

The Minister for Treasury and Resources:

May I refer this to Mrs. Rogers because she is a member of the I.A.B. panel?

The Connétable of St. Peter:

Yes, sure.

Group Director, Strategic Finance:

So, as you will remember, the Minister agreed to provide information to you on the bids that have been received on the Investment Appraisal Board, which we have done. I think the last information sent through to you was October and that is because we have not received any more since then; therefore, there has not been anything sent through.

The Connétable of St. Peter:

Excellent, so can we expect any changes to how you approach the use of contingency allocations under the new Government Plan system?

Group Director, Strategic Finance:

So, you will remember there is a policy established on the use of contingencies in the Government Plan.

The Connétable of St. Peter:

Yes.

Group Director, Strategic Finance:

Now there are reserves, as opposed to contingencies. There will be a refresh of that policy and the Minister would like to share that with you prior to it being published.

The Connétable of St. Peter:

Thank you.

Senator K.L. Moore:

Given the Government Plan process, it became quite clear in some aspects of the debate there are some new business cases and areas of growth around the organisation where it may take, say, 2 to 3 months to recruit the staff to carry out the piece of work that money has been allocated for. So, in those instances, will there be a carry forward at the end of the year so that the department, if they have had a lag in terms of delivering that service, that they continue it for a full financial year?

Group Director, Strategic Finance:

Yes, I think it is important if the decision had been made that this is a project that should be supported; the Minister has agreed that she wants this to be something that happens. If there is slippage, then the money returns back to contingency at the end of this year and then that money can be released again in a future year.

Treasurer of the States:

I think to draw the distinction between those projects that we are profiling ongoing revenue expenditure as distinct from those that are, if you like, finite. So the ones that are finite, if they were due to start in April and end up starting in September, well, apart from a discussion as to why that might be the case, and a discussion as to whether the full funding was needed, I am sure we will be looking at whether that money could be carried forward, to use an old phrase. I think we have got a new phrase for that, from reserves, up to the following year. That is different to, if you like, let us say, that one of the growth bids or one of the investments has 3 members of staff, then the following year it is predicted for 3 members of staff, and the following year after that it is 3 members of staff. Obviously the money will still be in place and you will not need, therefore, to carry forward that funding otherwise you will have more funding than you need for the number of staff in that team.

Senator K.L. Moore:

So has any calculation been done as to the number of projects that might be in that situation? You could resolve the budgeting issues around efficiencies in one fell swoop, could you not, if there was a 2-month lag on 10 projects?

Treasurer of the States:

Yes, there is a chance that that will happen. There was a challenge laid down with departments making the bids in the first place to be realistic over the timeframes to get from the start of January, or from now, or from when the Government Plan was agreed, to the point of full recruitment and that should be reflected in bids. Now inevitably some may find that there is some slippage and we will

monitor that as we go through the year. But at this point in time, departments are gearing up, and have been gearing up. Obviously we are not presuming that the Government Plan would be agreed but obviously we have been trying to work towards understanding that the funds will be in place so that departments can move as quickly as they can in implementing the initiatives in the plan.

Senator K.L. Moore:

Thank you very much. I think we have covered all our items for the day. Thank you, all, for your answers and I close the hearing.

The Connétable of St. Peter:

Thank you very much.

Senator K.L. Moore:

Happy Christmas.

The Connétable of St. Peter:

Yes, Happy Christmas.

[13:26]