



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Thursday, 13th June 2019

Panel:

Senator K.L. Moore (Chairman)

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

Connétable K. Shenton-Stone of St. Martin

Deputy J.H. Perchard of St. Saviour

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

Mr. P. Eastwood, Deputy Comptroller of Taxes

Mr. R. Summersgill, Comptroller of Taxes

Index:

- **Introduction** p2
- **Revenue Administration Law** p3
- **Public Finances Law** p6
- **Government Plan** p10
- **Climate Emergency** p17
- **Parental Leave** p20
- **Arts Funding** p22
- **Annual Reports & Accounts** p28
- **States-Owned Companies** p24

- **Public Sector Pay** p30
- **Finance Transformation Project** p33
- **Questions from Members of the Public** p39

[10:00]

Senator K.L. Moore (Chairman):

We would like to make a start. We have got quite a lot to get through in an hour and a half today. I would remind you all, if you could be as concise as possible in your answers. We shall try to do the same and be focused with our questions. Thank you all for your attendance at this quarterly hearing. Time marches on. We are going to start with the revenue administration section. The Constable of St. Martin will kick off. Sorry, introductions, thank you. We will do that first. I am the chairman of the panel, Kristina Moore.

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

Vice-chair, Deputy Steve Ahier.

Connétable K. Shenton-Stone of St. Martin

Member of the panel, Karen Shenton-Stone.

Deputy J.H. Perchard of St. Saviour

Member of the Corporate Services Panel, Deputy Jess Perchard.

Comptroller of Taxes:

Comptroller of Taxes, Richard Summersgill.

Assistant Minister for Treasury and Resources:

Lindsay Ash, Assistant Minister for Treasury and Resources.

The Minister for Treasury and Resources:

Susie Pinel, Minister for Treasury and Resources.

Treasurer of the States:

Richard Bell, Treasurer.

Scrutiny Officer:

Simon Spottiswoode, Scrutiny Officer

Assistant Scrutiny Officer:

Theo Stone, Assistant Scrutiny Officer.

Senator K.L. Moore:

Thank you. Now the Constable of St. Martin will start.

The Connétable of St. Martin:

The second tranche of the Revenue Administration Law is due to be lodged next month alongside the Government Plan. Is this on track to happen?

The Minister for Treasury and Resources:

May I pass you over to the Comptroller of Taxes because he has the answers and it would be only fair for him to answer?

Comptroller of Taxes:

It is still our ambition to produce some draft Articles for consultation alongside the Government Plan. We have obviously spent quite a bit more time on the first tranche than we had expected so it has slowed us down a little. But a consultation document was circulated among key stakeholders a couple of months ago, which I think we sent to the panel. We have already had feedback, in particular from the larger tax agents, and in fact we are meeting them tomorrow to discuss that in detail. We are still hopeful we can get draft Articles produced and start to consult on those alongside the Government Plan.

The Connétable of St. Martin:

On page 9 of the addendum that you published it notes that you will be consulting with tax agents on prioritising statutory inquiry windows in quarter 2 of this year. That is part of your consultation?

Comptroller of Taxes:

Yes, it is one of the key aspects of the discussions we are having at the moment with the agents so we will certainly be asking the Minister to consider proposals to put forward on that.

Senator K.L. Moore:

Will you be making those consultation responses public?

Comptroller of Taxes:

As long as those people who have made written responses are content for us to do so we are always happy to do so, yes. What we did on the first large consultation on the new revenue laws was to publish a summary because quite a number of tax agents, in particular, from the larger firms were

not comfortable with putting the responses into the public domain. Yes, wherever agents are comfortable with us publishing their responses, or indeed any other form of respondents, we are happy to do so.

Senator K.L. Moore:

If that occurs again perhaps the responses could be shared with us as the panel. Obviously we have a duty to abide by the confidentiality agreement that we have.

Comptroller of Taxes:

Yes, sure. We will make it clear to people that we are going to share it and as long as they are comfortable with that, that is great.

The Connétable of St. Martin:

Do you understand that some tax agents feel reluctant to speak out due to their need to maintain good relations?

Comptroller of Taxes:

I think some of the major firms are always wary of putting their views into the public domain. That goes for anyone who responds to a consultation. So typically we do ask people whether they are comfortable with us publishing their reply or not. We are obviously led by their decision on that. I mean clearly yes. The tax administration is essentially a policing department. So people are wary about how they respond to certain aspects of consultation. We obviously take that into account.

The Connétable of St. Martin:

I was just going back to the addendum, it also notes that you will be consulting with tax agents on an appeal provision in respect of the information production notices during quarter 2 for 2019; is this currently underway?

Comptroller of Taxes:

Yes, this was one of the interesting areas of debate in the first part of the Revenue Administration Law. What we are broadly aiming to do is make most of the powers that are used by the tax administration civil rather than criminal. Obviously there is a lot of law and common law around the routes of appeal to apply to a criminal procedure as opposed to a civil procedure. In a civil procedure typically the route of appeal is against the penalty for default, which is what we have built into the law. Certainly some stakeholders are arguing for a different form of appeal, and that is one of the things we are discussing with them.

The Connétable of St. Martin:

Will the outcome of the consultations be made public?

Comptroller of Taxes:

It will lead to the production of the Minister's draft Articles so in that sense, yes, for sure. Then, as we said, if stakeholders are content for us to publish their responses we will certainly publish them. Indeed, they can publish them themselves.

Senator K.L. Moore:

Given that you are now slightly behind with tranche 2, has the target date been shifted?

Comptroller of Taxes:

We are still very hopeful that we can get draft Articles, which the Minister will be prepared to propose alongside the Government Plan, so the idea really is that following the further discussions with stakeholders we make recommendations to the Minister. We then produce draft Articles, which we will then consult on further in detail over the summer with a view then to bringing the Articles in the autumn.

Senator K.L. Moore:

They would not be subject to the earlier lodging date that the Government Plan has?

Comptroller of Taxes:

No, I think it has always been the case we were going to do this alongside the Government Plan rather than in the Government Plan.

The Connétable of St. Martin:

Just carrying on with the Revenue Administration Law. You said in the Revenue Administration Law addendum, page 7, published in May that the recommendations of reform of the personal tax regime will be included in the Government Plan and draft legislation will arrive in 2020; is this still on track?

Comptroller of Taxes:

Yes.

The Connétable of St. Martin:

That is good. Will this resolve the unacceptable situation with married women's taxation?

The Minister for Treasury and Resources:

That is a very different law, of course. We have had the consultation on the married women's taxation. I think it is called something else. As Deputy Perchard will know, I am very determined to get this through so it is not part of the Revenue Administration Law.

The Connétable of St. Martin:

No, I appreciate that.

The Minister for Treasury and Resources:

The consultation has been done. We are now analysing the consultation and it is a big difference in personal tax as to whether you assimilate it as household tax or whether it is independent taxation. So that has to be sorted out, but certainly the - I keep saying "archaic" - women's tax situation will be dealt with.

The Connétable of St. Martin:

Will further updates of the personal income tax regime be required during this Assembly's tenure following this legislation?

The Minister for Treasury and Resources:

For?

The Connétable of St. Martin:

I should have asked you, whether we are going for independent taxation or household taxation.

The Minister for Treasury and Resources:

That is part of the consultation, yes.

Senator K.L. Moore:

Shall we move on to the Public Finances Law? It has now been agreed by the Assembly. When will the Public Finances Law come into force?

The Minister for Treasury and Resources:

That has gone off to Privy Council and they are dealing with it in July.

Treasurer of the States:

Hopefully, yes.

The Minister for Treasury and Resources:

In July. So as soon as we have got Privy Council assent; obviously it is dependent on that. As soon as we have that it will come into force. At the moment they are taking about 3 months, is it?

Treasurer of the States:

We are hoping to have it on the agenda for July for the Privy Council. Then we would expect the Minister to make the order late July or early August.

Senator K.L. Moore:

Thank you. How will the Government Plan process align with the law and its coming into force because the Government Plan is due to be lodged prior to that date?

The Minister for Treasury and Resources:

The Government Plan is due to be lodged in July as well, which is why it was imperative that we got the Public Finance Law through because the 2 work hand in hand. If there is a delay in the Government Plan it does not affect the implementation of the Public Finance Law. The Public Finance Law backs the Government Plan. Both are supposed to be July, hence the requisite of getting it through into Privy Council. It really depends on the Government Plan being lodged, which could be July but, as of yesterday's discussion, it might be today.

Senator K.L. Moore:

There were some aspects of debate obviously during the Public Finances Law debate and one of those being statutory reporting lines for internal audit. I wonder whether that should be directed to the chief executive in the Audit Committee. Is that something that you are considering in terms of amending it?

The Minister for Treasury and Resources:

Can I defer to the Treasurer?

Treasurer of the States:

The Minister and others have taken a line that notwithstanding the views and in some other organisations having a line to the chief executive, of course most other organisations do not have that line in legislation. That is a matter of policy. The Public Finances Manual will set out those routes of escalation and, where appropriate, reporting lines into the chief executive office and to the Risk and Audit Committee. The law obviously gives the chief internal auditor protection in terms of their right to audit matters relating to the Treasury without having the Treasurer or the Minister for Treasury and Resources' permission. So that protects that element. The position, as you will know from the comments that have been from the Minister and the Council of Ministers, with some of these questions about this, including in the ministerial subgroup that looked at this, was that the

Treasurer's role extends beyond the Government of Jersey into the rest of the States of Jersey and that the chief executive's remit does not. So were you to have put in legislation a reporting line to the chief executive, we have had to then have some other form of arrangement for internal auditors that related to the non-ministerial departments, for example. That has given the unique nature of where we are in Jersey and our structures why that was put in place. We will deal with ensuring adequate protection in terms of reporting lines through the manual that we think accommodates the aims of what the C. and A.G. (Comptroller and Auditor General) will say.

Senator K.L. Moore:

I guess the C. and A.G. will look at that closely when the manual is presented.

Treasurer of the States:

I am sure she will.

Senator K.L. Moore:

We took evidence during our review which related to States-owned companies and raised concerns about potential conflict with the Companies Law. What has been done to resolve these concerns?

The Minister for Treasury and Resources:

With the States-owned entities? We have set up the memorandum of understanding, which was quite out of date with practically all of them. So we have set up a new review into that. We are doing each company one by one. Can I defer to Deputy Ash because he has the responsibility?

Assistant Minister for Treasury and Resources:

In the C. and A.G.'s recommendation that we had, so as a matter of urgency ... it was somewhat a work in progress anyway. Some work has to be cross-worked, for want of a better word. For instance, Andium would come under the Minister for Children and Housing as well so that we have to fit their needs in along with our own Treasury needs. As of yesterday, a couple of the companies we thought would be finished by end of quarter 3 and the rest will all be finished by the end of the year.

[10:15]

That is a complete review of all the memorandums of understanding. There is also likely to be a head of partnerships established who will have an overall view of this, a helicopter view. But at the moment I am very pleased the way it is progressing. It is quite a bit of work obviously but it is progressing well.

Senator K.L. Moore:

The head of partnerships is a new role?

Assistant Minister for Treasury and Resources:

It will be a new role. I cannot tell you anymore at the moment because it has just been mooted.

Senator K.L. Moore:

There was also in the Public Finances Law some protection given to the non-ministerial bodies and that protects them from savings being imposed upon their departments. What was the reason for that?

The Minister for Treasury and Resources:

The non-ministerials, just for instance, the law officers and the Bailiff's Chambers and whatever, purely because they have the public responsibility, if you like, if you are talking about the Bailiff's Chambers, and the law officers are needing more resources. The Law Officers' Department, I think they need an extra 3 law officers in order to cope with the amount of work that they have got. That was sort of protected.

Senator K.L. Moore:

But that is a short-term position and the Public Finances Law is a long-term document setting in statute and so does that protection for the department last for the duration of the law despite your trying to fill a short-term position?

Treasurer of the States:

In terms of the Public Finances Law, forgive me, I thought we had covered this through the scrutiny of the Public Finances Law. The rationale arose from meetings when we were discussing the Draft Public Finances Law with a couple of those non-ministerial departments. The existing law already protects 2 of those non-ministerial departments. The challenge was, in particular, with the focus on the Government of Jersey as compared to the remainder of the States of Jersey, for want of a better phrase of what the umbrella organisation is. It does not particularly relate to any issues that we have identified, particularly in Jersey, but there have been instances elsewhere where if a Government does not like what the judiciary is doing or what the legislature is doing, one way that it can control them is then to interfere with the budgets. So from a principle perspective, it was felt that we should extend the protection given to those non-ministerial departments to all ministerial departments. Because it was the obvious question: why are we protecting 2 in particular in that regard or giving them a right in that regard but not the other non-ministerial departments.? That was the rationale and that is just some feedback on thinking through.

Senator K.L. Moore:

You are right, Treasurer, we did look at this in the review of the law but it still remains, I think, there are some questions and reassurances required. Also the converse can happen whereby departments were putting in unreasonable bids and the Government could not turn them down. Are there any safeguards?

Treasurer of the States:

The provision is there in the law that the bids have to go through unamended into the plan but there is nothing to prevent the Council of Ministers ... firstly, they would make the comment; I think that might be a provision in the law. Secondly, they are then free to lodge their own amendment. So the Council of Ministers - it feels a bit off - could, in those instances, lodge an amendment to say we have followed the law but we are lodging an amendment that we will be proposing to the States on the Government Plan to give our position and therefore the Assembly can take its own view.

Senator K.L. Moore:

That could become quite a circuitous process, could it not?

Treasurer of the States:

The intention was to remove them, I suppose, so they can treat all non-ministerials equally to remove the existing protections for the 2 seeing as they were the only 2 compared to the others.

Senator K.L. Moore:

Thank you, we move on.

Deputy S.M. Ahier:

On to the Government Plan. Could you provide us with an update on how drafting the Government Plan is progressing and is it still to be lodged next month?

The Minister for Treasury and Resources:

I think we touched on this briefly a little earlier. The idea is to have it lodged next month because it has a 12-week lodging period as opposed to normal ones which are 6. So there is a long time but, as the chairman pointed out yesterday, which we are aware, that there is the summer recess in the middle of that. What we wanted to do was bring it for debate in September. This may not be possible, depending on what the rest of the Government think about what we are lodging. So there is lots of consultation going on with that. If it is left until lodging in September then it would not be debated until November and that is cutting it very fine because it has to be implemented in January 2020.

Deputy S.M. Ahier:

When you say “we”, will you be proposing the Government Plan or will it be the Chief Minister? I noticed yesterday the Chief Minister gave the briefing and not yourself.

The Minister for Treasury and Resources:

No, the Chief Minister will be proposing it.

Deputy S.M. Ahier:

Not the Council of Ministers in its entirety?

The Minister for Treasury and Resources:

It will be a Council of Ministers proposition but the rapporteur will be the Chief Minister.

Deputy S.M. Ahier:

You have gone on record saying that taxes may need to rise. Are you considering any tax rises to be incorporated within the Government Plan?

The Minister for Treasury and Resources:

Not for this year. It will be the standard budgetary increases in impôt duties, looking to my left at my Assistant Minister.

Assistant Minister for Treasury and Resources:

Some.

The Minister for Treasury and Resources:

Some impôt duties. But we are going to consider, bearing in mind the timeframe of this is quite tight now. With the Government Plan there is a change from the M.T.F.P. (Medium Term Financial Plan), as you will know, so that we have a one-year rolling financial programme although the 4-year vision - I cannot bear that word - but it is a 4-year Common Strategic Policy but the financing of that is an annual rolling programme. So what we will need to do in order to support, for instance, the climate change proposition that was brought about, that is going to cost money. It needs to be financed. So does the proposition about the arts, £2.3 million needs to be financed. So we are going to have to find a way to finance all this capital expenditure and that will probably be, given that these propositions have only recently been approved, in the next Budget. There is a possibility of car taxes, all sorts of things that we have to look at, but for this first year, bearing in mind the Budget is now combined with the Government Plan as opposed to being a standalone, we do not have the time to introduce too many taxes, if any, this year.

Senator K.L. Moore:

Treasurer, are you prepared to add to that?

Treasurer of the States:

The Minister is talking there about what you might traditionally expect within a Budget and, as mentioned, obviously will go through the usual cycle, and it refers there to new taxation. But because the Government Plan is going to look broader across the States than has been traditionally in a Budget, of course, there is, for example ... well-rehearsed is the consideration of necessary increases in the long-term care charge. In a wider sense of taxation while it is social security specific charge that is likely to come forward within the timeframe. But that is still to be decided upon by the Council of Ministers obviously. But the F.P.P. (Fiscal Policy Panel) give the recommendation, the actuarial review said that there is a need to give consideration to that. So there are items that you would not traditionally expect to see in the Budget but because of the overarching nature of the Government Plan you will expect to see in a ...

Deputy S.M. Ahier:

It will be tied up.

Treasurer of the States:

Yes.

Senator K.L. Moore:

We did touch upon the impôts and duties and of course this will contain Budget notice, as discussed. I recall very clearly the discussions we held with yourselves last year when the Budget was brought to the Assembly, particularly in relation to alcohol duty. You will be proposing no rises in alcohol duty again, is that the case?

Assistant Minister for Treasury and Resources:

In my case, possibly. As a team, I would imagine there will be some form of rise in alcohol duty. I would hope, again from my angle, that it would certainly be below the rate of inflation because I think it is one of the many things people going out here, eating and drinking, that fuels inflationary pressures. But there are other things being done on that. We are having a committee looking into pricing generally of alcohol.

Senator K.L. Moore:

Without wanting to labour the point, some do say in the margins of States meetings that there are some unhealthy attitudes towards alcohol among current States Members. Do you consider that that is a healthy approach to pursue again for a second year running?

Assistant Minister for Treasury and Resources:

I am not saying whether it is a healthy approach. I think it is a fair approach. We have many discussions on this point but if you are looking at it purely from a health angle, we do not really tax anything else. I mean obesity is a massive problem, particularly among school children. We do not tax sweets. Well we do but only under G.S.T. (goods and services tax) but we do not say: "Right, we are going to put a massive tax on sweets." We do not put a massive tax on fatty foods. So all we are saying: "Drinking is bad we are going to tax you" or smoking. That is it. We are not looking round anywhere else.

Senator K.L. Moore:

But this would be your opportunity. You are the Assistant Minister for Treasury and Resources alongside your Minister, and we, I think, discussed the opportunity to introduce a sugar tax last year, you have had plenty of time.

Assistant Minister for Treasury and Resources:

Sugar tax is pretty much impossible but we get the spin-off from the U.K. on that anyway because if they reduce cans of ... Irn-Bru is the classic example, we do not then bring in full sugar Irn-Bru into the Island because Irn-Bru stopped producing full sugar Irn-Bru. They just produce what they produce now. That has already worked from a health angle. Interestingly, from a drinking angle, it was in the papers the other day, is that less and less young people are now drinking, which is great and it is a big thing, fantastic, brilliant. On the very next page there was an article from a police officer in the U.K. saying that more and more trouble, whether it be in licensed premises or football grounds or whatever, is caused by cocaine usage. He said part of the reason for that is that alcohol now is so expensive that people do not have a drink but they can buy cocaine in the U.K. for £5 a go. He said more and more people are now turning from alcohol to drugs. That cannot be a good thing. There are many different ways of looking at how we price things. It is not as cut and dry.

Senator K.L. Moore:

We will have to look for that article. Perhaps if you could share it with us.

Deputy S.M. Ahier:

Obviously the increase in impôts will affect inflation, will you be able to consider that because obviously pay rises are going to be linked directly to inflation so will that affect your ...

Assistant Minister for Treasury and Resources:

It will obviously. Any prices you push up, particularly something that is as commonly used as going to the pub, it reduces the amount of money people have in their pockets. So will petrol. So will cigarettes for that matter but I think there is a different argument around cigarettes. Of course it does, yes. Anything we push up, if we pushed up a tax on food. Say we taxed food another 5 per cent or whatever, it has a massive impact on wage claims, et cetera. It is another reason why I do not think we should be pushing it above inflation.

Deputy S.M. Ahier:

Sorry, Minister, to get back to the issue of tax rises. Obviously the education funding, the expected expenditure on education for university grants is £15 million for this year and rising. Are you planning on continuing the current higher education funding scheme?

The Minister for Treasury and Resources:

Very good question. We were only discussing it yesterday. We have got to work out whether we can carry on at that rate. We cannot just stop it because people who are getting the education funding for higher education for university, they have got to finish their course, whatever they are on. So we have to re-evaluate as to whether that is still affordable. Speaking to the Minister for Education, we are working out how it can progress. That is about all I can say at the moment because I was only speaking to her yesterday.

Deputy S.M. Ahier:

You are talking about reducing the limits of all the people who are earning and how much they receive or are you talking about reducing the grant ...

The Minister for Treasury and Resources:

The whole package.

Deputy S.M. Ahier:

... completely or you are taking everything into consideration?

The Minister for Treasury and Resources:

We have to take everything into consideration.

Deputy S.M. Ahier:

When will that start? Will that start from next year?

Treasurer of the States:

The Minister for Education, as I understand it, is already reviewing the student finance.

Deputy S.M. Ahier:

Doing a review.

The Minister for Treasury and Resources:

Yes.

Treasurer of the States:

A decision that was made in the States amended, I believe - I will be corrected if I get this wrong - was protected for the first 3 years and then gave that continuity for the lifetime that anyone starting in those 3 years would be in higher education. Obviously, this is a little bit like yesterday, the U.K. press scene that while the U.K. Government might put in legislation that they will become neutral by 2050 of course a Government can come along and change legislation at any point.

[10:30]

It is just worth remembering that that was the position of the States in agreeing the current scheme. But the Minister for Education is dealing in a review of that.

Deputy S.M. Ahier:

So for clarification, a family who have had a family who has joined university this year, it will be guaranteed that they will be able to continue on their course for 3 years with the same amount of funding?

The Minister for Treasury and Resources:

With a course of 3 years but of course sometimes it turns into 5 or 6, with a M.A. (Master of Arts) or 7, or a Ph.D (Doctor of Philosophy). That is talking about as to how much you guarantee how much length of time.

Deputy S.M. Ahier:

So there may be a change?

The Minister for Treasury and Resources:

There may be a change.

Senator K.L. Moore:

For those planning to start university this year or next year, there is no certainty as to whether that funding would remain in place?

The Minister for Treasury and Resources:

Not at the moment, I do not think, is there?

Treasurer of the States:

All I can refer back to, as an officer, is the fact it is a standing States decision. So if there were to be any change it would require States debate in order to change it.

Deputy J.H. Perchard:

Has there been any discussion on this point of higher education funding of somehow offsetting the financial cost of funding students' higher education by requiring some sort of contribution to the economy from the students themselves at a later date or before they go?

The Minister for Treasury and Resources:

There has been. And there has been an instance or an example with South Africa, for instance, if they are paid for education then their duty, if you like, legal duty, is to go back to South Africa for 2 years, I think it was, off the top of my head, in order to work there to give back. So there has been quite a bit of discussion as to whether that would be reasonable or not. It is quite difficult with a small community to instigate that and then implement it because there may not be the jobs for the degree that has been acquired. But certainly a sort of payback is being talked about. We really want to try to encourage graduates to come back. A lot do but they do not come back straight after university. They tend to sort of want to explore a bit more of the world and the U.K. But it would be a very good way forward if we could encourage them to come back, say within 5 years of acquiring their degree.

Deputy J.H. Perchard:

Perhaps a steer - this is probably slightly stepping into education policy - towards the kind of degrees. Is it economic in the sense that you are identifying gaps in the market or potential future gaps and then picking up the education saying we need a steer towards 10 per cent of your students doing digital, for example?

The Minister for Treasury and Resources:

Because we are lacking in the digital skills side of things, so that is a very good example.

Assistant Minister for Treasury and Resources:

There is a big drive generally from Government to establish something here where people can work towards digital qualifications. I think that is very important.

Deputy S.M. Ahier:

Following the declaration of the climate change emergency, what measures are you planning to include in the Government Plan to change behaviours and raise awareness of climate change?

The Minister for Treasury and Resources:

I think climate change emergency is a bit emotive and also, from a personal point of view, not Council of Ministers' point of view, I think 2030 is ambitious. I do think that the advent of electric cars is inevitable. I think to be carbon neutral by 2030, as I said, is ambitious. We have to work out what the cost of this is and there are reports being done by Environment, which is due to be produced at the end of this year because that is what the States Assembly asked for. It will cost and I think the proposition, as approved by the States Assembly, did not take into fact the cost of providing the electric cars, which are very expensive. What do you do with the batteries, which are incredibly expensive? Where are the charging points? How much will that cost? Where do you put them? So all this has got to be assimilated before we can give a clear answer.

Assistant Minister for Treasury and Resources:

I did say in the Assembly at the end of the debate that it is all very well it being voted through but our job, as the Treasury Department, we are not able to veto votes, for instance, when the arts, so we cannot do that. We have to go with it and we have to find the money. I did say at the time, when we go about finding the money, whether it be with car taxes, waste charges, anything like that, we will be looking for the Assembly to back it up because they are the people who have asked for this. I know that John Young, as the Minister for the Environment, is keen on environmental taxes to push people that way. So a lot of it will come down to the Assembly when it is brought to them.

Deputy S.M. Ahier:

I know there has been an increase in the amount of electric cars, but there were only about 150 registered last year. If it does become dramatic and everybody ends up with an electric car, there will be a huge drop in funds from the fuel duties and such like. How do you expect to replace that?

The Minister for Treasury and Resources:

We have already anticipated that obviously because it is a given really and we will have to levy - we have discussed this - a car tax of some description which is too soon to put it in this year's Budget come Government Plan but probably the next year, on a scale of an electric car being a lower tax - I will not mention figures because we have not got that far - and something that emits huge carbon at a much higher scale. But then of course you have got collections of antique cars and how do you

do that and there is road usage. A lot of these cars are not used. That has to be evaluated but that is what we are looking at.

Assistant Minister for Treasury and Resources:

I agree with what you are saying is if we went totally electric. If we were to go totally electric now, as of this moment, we would be down about £24 million. There will have to be something like a car tax brought in. Initially, as the Minister for Treasury and Resources said, it would be on a graded scale to try to encourage people towards electric cars but once that happens you would have to move electric cars up because roads would still need to be paid for, street lighting needs to be paid for. So it would have to work like that. Whether there is another way, I do not know. But that, at the moment, would be one example of how it would have to be done. If we have got a £24 million, I do not know where the U.K. stand on that because theirs must be absolutely enormous if everybody went electric.

Deputy J.H. Perchard:

On the point of car tax, so just a point about the kind of car tax you propose, because even though obviously you are still developing your ideas, the problem with the tax you outlined is that it inevitably will hit those on lower incomes harder because typically speaking those in higher incomes can afford more efficient cars and so if you put a levy on efficiency of car alone, for example, you may be in danger of those kind of impacts. Have you considered a system whereby cars are taxed in relation to someone's income, for example, based on an I.T.I.S. (income tax instalment system) percentage in relation to a scale of income?

Assistant Minister for Treasury and Resources:

As I say, it is very much ... no one has even really sat down. It is pretty much talk about it stuff. But that would be something that could be looked at, but on the other hand, if someone had a massive 4 by 4 that was 30 years old and belching out carbon, would it be fair to say: "Because you are not on much money you carry on doing that"? My method of looking at it initially would not be so much on the emissions, it would be on the size of the vehicle. This is totally my own view but if you had a small vehicle you would not pay as much as if you had a big 4 by 4 or another vehicle that is not really suited to Island roads. Let us face it. You would pay more to have it.

Deputy J.H. Perchard:

Or maybe a combination.

Assistant Minister for Treasury and Resources:

Or a combination or mix and match. It would be something we would have to have proper scrutiny of.

Senator K.L. Moore:

At the end of the day, the fundamental reason for calling a climate change an emergency was to direct the decision makers in terms of making policy and giving due consideration to the climate change emergency that we now recognise, as an Assembly, when bringing forward those decisions. Do you think that some of that urgent need will be reflected in your Government Plan?

The Minister for Treasury and Resources:

I was part of the L.E.A.P. (Leadership and Entrepreneurship Accelerator Programme) Jersey College for Girls initiative last year - I was a panellist - and they have international students from the ages of 16 to 18 coming over every year, and we are doing it again this year. Their enthusiasm for the fact that we are facing a climate emergency was amazing. Their interest in it, their knowledge of it, it was called the "6th extinction", i.e. we probably will not be here for very long if we do not address the system. It is up there but we are talking about an emergency being dealt with in 10 years possibly, the U.K. I think have said 2050, we have said 2030.

Assistant Minister for Treasury and Resources:

There has to be obviously limits to what you could or should do. If we were to pass a law tomorrow saying all petrol vehicles are illegal in Jersey it is not feasible, is it, because people are not going to say: "I will write off that £30,000 I have just spent on that car." The only way you could then do that, if you really want to, is to pay everybody compensation, which again is totally not a feasible thing. So we have to work on, as I think other countries will do, where you start to stop new petrol vehicles being sold from a certain date. You start to phase them out that way in a gradual manner. That is the only feasible way.

Senator K.L. Moore:

I think the point of my question is that the whole point of an emergency is that it requires an urgent response and therefore that is my question. What urgent response is there in this Government Plan to our climate change emergency?

Treasurer of the States:

Maybe I talk to that. From a Treasury perspective, as you know, we had already identified that we expected to have probably a longer-term horizon getting rid of fuel duties which would lead to us having to consider alternatives. The decision of the Assembly has only just been made and that obviously changes the nature of that horizon that says we have to accelerate things forward. I would say that the change though is a huge gamechanger in terms of the work that is needed, which might

have been a more gradual approach to requiring, if we are to live within the Assembly's requirement, a significantly different approach than is the case at the moment. I have no doubt that we will be discussing some of the issues within the Government Plan but given the proximity of the debate and the lodging date of the Government Plan, it is highly unlikely that the Government Plan will have the full detail of what will have to be done. That is just reality to jump into the matter of what will it be, 2 or 3 months, to deal with that. Some of the nature of that decision is likely to be reflected but it is the Minister for the Environment who will be leading the proposition, who is tasked with bringing forward the proposals. This would require us to go into consultation around some of those other fiscal levers maybe.

Senator K.L. Moore:

Your Ministers have outlined or made some simple suggestions this morning so the question is really whether those are ... it just seems very relaxed. There are some ideas perhaps but this is your opportunity, you are the decision makers so where is the urgency; there is an emergency?

Assistant Minister for Treasury and Resources:

That is what I think we said. In the next year's fiscal round these things will be there but as we saw when Deputy Perchard said: "Would you consider doing this or this?" we cannot just suddenly say tomorrow: "Right, we are going to do this and this." It will be totally wrong of us to do that. While it is an emergency things have to be practical. If you are saying sort of instant decisions; shut the airport and do not let any carbon in? Things have to be practical. Within an emergency 21st century life still has to go on. We cannot declare ourselves an Amish community and just go back to horse and carts. Things have to be worked out on a rational scale however much of an emergency it is.

The Minister for Treasury and Resources:

I think there was a report from wherever it came from, about this being addressed in France. Suddenly there were 12 companies issuing electric scooters or retailing electric scooters, which is more than the whole of the United States. That has now had to come to a halt because the city is blocked up by electric scooters. So all that broad aspect has to be looked at before we can suddenly stop people having carbon emission cars.

Senator K.L. Moore:

Thank you. Moving on, the Minister will be very aware from her previous role, of the recommendations with the Employment Forum, with relation to family friendly legislation and that has of course been brought by the current Minister in P.17. Has that Minister come to the Treasury Department to inquire as to what the potential is to meet the full recommendations of the Employment Forum, which was to fund parental leave?

The Minister for Treasury and Resources:

As of the discussion yesterday I understand the possibility that the - before we get into it too deeply - that the Minister might defer that proposition.

Senator K.L. Moore:

So has she raised the matter of funding with the Treasury Department?

[10:45]

The Minister for Treasury and Resources:

Yes, the Chamber of Commerce, of course, have suggested that that length of maternity/paternity leave should be funded by Government because 80 per cent of businesses in Jersey are small medium enterprises with 5 or less employees. Therefore a year of maternity or paternity leave would be unpaid, apart from the 6 weeks of course. But then the business would have to take the responsibility and in the law it dictates that the employee has the right to have their job back when they return from maternity leave or paternity leave. The statistics, when the Employment Forum investigated this, said that it was very unlikely that anybody would take 52 weeks because people cannot afford it because it is unpaid. However, that is due to a consultation. It will come back again because we are way, way behind on maternity and paternity leave from other countries.

Senator K.L. Moore:

That is the finding also of the Scrutiny Panel who have looked at this issue. But my question was: has the Minister for Social Security come to the Treasury Department to investigate with you the potential for providing funding?

The Minister for Treasury and Resources:

Providing the funding, from what I recall, and I do not have the figures, would be about £26 million, but do not quote me on that one because that is just remembering, but I think it is about that.

Senator K.L. Moore:

Yesterday, we were told in the briefing about the Government Plan, Ministers have spent hours locked in workshops discussing their Government Plan and prioritising their vision and how the Government Plan fits into the Common Strategic Policy. Did those discussions take place around the issue of parental leave?

The Minister for Treasury and Resources:

No.

Senator K.L. Moore:

That was not included at all?

The Minister for Treasury and Resources:

At the moment, the workshops are fairly broad. Come 24th June, which is the week after next, then it is every single day. We are narrowing down the Government Plan, the way we are putting it forward to tie in with the Common Strategic Policy; at the moment it is quite broad getting all Ministers wish lists as to financing.

Senator K.L. Moore:

The Ministers have been discussing the Government Plan for months, why is it still at a broad stage? One would expect ...

The Minister for Treasury and Resources:

Broad, as opposed to being detailed into what each bid - wish list - is going to cost, and then where you prioritise it.

Deputy J.H. Perchard:

Minister, sorry I know that figure was from memory so it might not be completely accurate, but was that figure representative of what it would cost if the proposals went through for family friendly or was it for funding an additional 6 weeks, as recommended by the Forum?

The Minister for Treasury and Resources:

A good question, I am not quite sure.

Deputy J.H. Perchard:

Would you mind ...?

The Minister for Treasury and Resources:

I will find out for you.

Deputy J.H. Perchard:

Thank you.

The Connétable of St. Martin:

We touched briefly on the arts earlier in this hearing but what impact has Deputy Tadier's successful proposition by increasing the funding for arts and culture had on drafting the Government Plan?

The Minister for Treasury and Resources:

As my Assistant Minister will know, it was one of the most difficult decisions pressing the contre vote because having had 35 years involved in the arts I had to vote against the proposition because I knew there was not the financing for it, much as I would love there to be.

The Connétable of St. Martin:

I realise you were probably conflicted.

The Minister for Treasury and Resources:

Very conflicted. However, because the States Assembly have agreed it we are going to have to find it. Quite how. There is only so much we can fund and, as I said in my Chamber of Commerce speech, I think if we have to continue or the public continue to expect the standards that they currently receive of services, of art, of culture, because that is what you are asking, of transport, of infrastructure, sport, there are so many demands on the purse. Therefore we have to look at ways of funding that. Deputy Ahier said earlier: "How are you going to do it? Are you going to raise taxes?" Not that that is not in the current scheme but it will have to happen because how else do we do it? It is revenue and expenditure practically on a match this year. There is due to be, as the public will know, a deficit next year and we have to find a way round this. The only way to do it is to find extra income.

The Connétable of St. Martin:

Would you say that the contingency allocations for the Art Centre and Opera House approved on 31st May were a result of this proposition?

The Minister for Treasury and Resources:

No. That is an annual £500,000 a year, I think, to both the Opera House and the Arts Centre, which is probably not sufficient but that is an ongoing grant that they have.

The Connétable of St. Martin:

What work is being done to implement Deputy Maçon's successful proposition to require additional oversight of all contingency allocations?

Treasurer of the States:

We have asked the panel to come and brief. We are waiting for dates to come back so that we can talk to you about them.

The Connétable of St. Martin:

Yes, I just wanted to have it in the hearing, so thank you.

Senator K.L. Moore:

I think we are moving on now.

The Minister for Treasury and Resources:

I think that is the Investment Appraisal Board.

The Connétable of St. Martin:

Moving on completely. The annual accounts were published in April and showed losses of our investment portfolio of £95 million due to a drop in the overall market. Which parts of our investment portfolio do these losses impact on? I know we heard briefly from you on this.

Treasurer of the States:

I have not got in front of me a table that will give you the precise numbers of which of the investment pools, i.e. equities, global equities, fixed interest or absolute return bonds and such like, but we can provide that to show you where the losses were. But we can also show you the revaluation losses. We can also show you the up-to-date information that shows where that has reversed. As you say, it followed the market generally and the market was generally impacted through equities. We hold a broader base of investments that protected us from some of that downside. So we can provide a table that will show you which of the pools performs and which were not.

The Connétable of St. Martin:

So what steps are taken to diversify the States investments in order to minimise the risk to them?

Treasurer of the States:

Traditionally, we would have been very high in equities in particular across lots of those investments, given the nature of the strategies that underpinned us or the objectives rather of the funds of the main participants. The main participant in the Common Investment Fund being the Social Security Reserve Fund, the Strategic Reserve and the Schoolteachers' Pension Fund. But there are other participants as well in those pools. They each have their own objectives and therefore they each have their own investment strategy, which the Minister is required and does publish to the States, those investments strategies are there. The Treasury Advisory Panel advises myself and the Minister on investment strategies and on our selection of managers. It meets ever increasingly regularly to monitor those managers. The Common Investment Fund was put in place as a way of diversifying risk and having participants who otherwise would not be able to have a more diverse mix of investments or investment manager, so they can take units in that. That is one of the key areas by which we have been able to diversify and therefore mitigate the risks to some of those

smaller pools. Equities will always remain a key part of those pools that are for the very long term because they are the area in which you will get the long-term returns but you will get this fluctuation. You will not see me looking too excited when we have £200 million upside because I know we will have a year like we had last time and that we would look through. We monitor generally on 3 to 5-year basis but some of those funds are for the very long term. In terms of education, I talked about looking at other asset classes. We have been looking at other asset classes, not just the traditional ones. They are just looked at in terms of equity in funds and continue to do that. The Treasury Advisory Panel meets more than quarterly but it meets quarterly in particular to be looking at our strategy and then has meetings through the year to look at each asset class and agree the strategies for that. But also looks at the strategies for each of the pools as well. In particular, we came out of ... once we got the decision as it came out of Brexit ... once we had the decision of Brexit more than a couple of years ago now we entered into hedges or currency which protected the funds in particular in smoothness between sterling and dollar.

The Minister for Treasury and Resources:

The Treasury Advisory Panel are quarterly?

Treasurer of the States:

They meet a number of times, about 12 times a year.

The Minister for Treasury and Resources:

They will advise on all of this and we select the fund managers who then advise Aon Hewitt.

Senator K.L. Moore:

Sorry, I think we have been through that.

Assistant Minister for Treasury and Resources:

This is slightly a different thing, it will only be one line but one of the things I have asked the investment chaps to look at is whether we can perhaps invest in one of the green funds, coming back to your carbon neutral. So we are looking at that as well.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

The income forecast in the 2019 Budget predicted a deficit in 2018 of £34 million. This turned out to be a much lower deficit of £6.5 million. Why was this?

Treasurer of the States:

Can you just clarify firstly the income forecast does not affect expenditure?

Deputy S.M. Ahier:

No, of course not.

Treasurer of the States:

There is the note in the accounts that explains the variations.

Deputy S.M. Ahier:

Would you say that the Treasury estimates are generally wrong?

Treasurer of the States:

I will say that the Treasury estimates, and I think Mr. Eastwood down the far end is presenting to States members, and I will continually say that the number that is in the income forecast is always going to be the number I least expect it will turn out to be but is the best estimate at that point in time with the forecast. We continually look at our income forecast to see how we could improve it, benefited considerably over many decades from the wisdom and experience of Mr. Powell. But we also in the recent future have had Oxera in the last 2 years, I think it was, review the model, and it is a model, in terms of employment income and pension income to look at regression testing to improve that. The new chief economist has agreed that he will look at some of the forecasting model for G.S.T. because we do not at this point have all the data we might like to have to get a more robust model, although interestingly enough we always seem to slightly undershoot where we think G.S.T. will be, so taking that into account we forecast twice a year based upon the latest data we have and based upon economic assumptions. So when you ask the question about will the figures be wrong, if I put 10 economists in a room I dare say I will find 10 different views as to where the economy will end up in 3 to 4 years' time precisely to the level of detail we have on economic assumptions. But our numbers are driven by outturns for any particular year understanding which is supplemented by the independent members or the external members, if you like, that sit on the Income Forecasting Group giving their understanding of what is happening in the economy but also therefore driven within the model by the economic assumptions.

Deputy S.M. Ahier:

And your concern about the returns of G.S.T., are you considering proposing a rise in G.S.T.?

Treasurer of the States:

No, the Income Forecasting Group does not look at rises in G.S.T. or changes in any taxation. They take the decisions that have been made by the Assembly and in some cases they will take long-term policy, for example - I hope the Assistant Minister will look at me right now - but over the long term the policy has been for at least increases of inflation on alcohol impôt so therefore the group uses that as the long-term assumption that we will use. But we are not modelling as an Income Forecasting Group the changes in taxation. We are just purely giving our understanding of what the estimates will turn out to be.

Assistant Minister for Treasury and Resources:

It is why obviously you have something like the waste charge. If you are modelling it your factoring that in. When the Assembly gets rid of it, that is ...

The Minister for Treasury and Resources:

That is £11 million gone.

Senator K.L. Moore:

I think the reason for the vice-chair's question, if I may, is simply that by looking at the income forecast, which is the model that you have to consider your policy direction going forwards, therefore it is a relevant question to ask about G.S.T. and the intentions given what your income forecast is telling you.

Treasurer of the States:

There is a variation in the income outturn compared to actual less a variation that we have seen in recent times. But there is also a variation in expenditure. That is based upon what departments are telling us at any one point in time they will spend. That inevitably will change. Part of the finance transformation is to improve that forecasting so we will ask - no doubt the former Minister of the department will remember - that we ask continually your department as to where you are likely to end up at the end of the year. As obviously we get closer to the end of the year we get a more robust figure. Obviously at the start of the year we get perhaps a more optimistic figure in terms of how much we will be spending.

The Minister for Treasury and Resources:

Perhaps Paul could ... would you like to?

[11:00]

Deputy Comptroller of Taxes:

So I think that the key points ... shall I introduce myself for the tape as well as we have swapped. I am Paul Eastwood, Deputy Comptroller of Taxes. I think in terms of the income forecast, just to reiterate the point the Treasurer made, the forecasting group works on what the tax system is. It is not trying to guess decisions that may be made or may not be made by the States except in a couple of small areas around decisions around impôts and also income tax exemption thresholds where there is broadly an established policy. You are right that we saw a slightly stronger outturn in 2018 in terms of tax revenues, particularly in corporate income tax and in G.S.T. In terms of personal tax, we landed within less than 1 per cent of our forecast so in terms of personal tax we were pretty close. I think the important thing is that the forecasting group really analyses that outturn data very carefully to identify whether that is income that is likely to recur in later years or whether it is one-offs. There were some indications that some of the income that we received in 2018 may not reoccur in future years and the forecasting group is completing its work. Those one-off elements are stripped out and we then anticipate those reoccurring. Is that helpful?

Senator K.L. Moore:

Thank you. I think we do need to move on, with an eye on the clock. The Comptroller and Auditor General published a report in March on States-owned companies and found that a number of her recommendations from 2014 had not yet been implemented. What will the ministerial team be doing or are you doing to ensure that those recommendations are implemented?

Assistant Minister for Treasury and Resources:

As I said earlier, we have put that as a matter of urgency. All the recommendations, bar one or 2 which take a little bit more time, nearly everything will be done by the end of the year. Certainly all the M.O.U.s (memorandum of understanding) will be done by the end of the year and all the major recommendations should be done by the end of the year and that is the target we have set ourselves. It is one of those things where obviously no one had really touched a lot of it since they were incorporated and time moves on and the companies have moved on. So it was something that needed doing and is being done.

Senator K.L. Moore:

And they are considerable public assets, so will the M.O.U. process lead to ownership objectives for those companies?

Assistant Minister for Treasury and Resources:

It is often mentioned, is it not? I think the last time it was mentioned was a couple of years ago in the States by Senator Ferguson and it was roundly dismissed. When you look at ownership of these companies, and obviously Margaret Thatcher did it in the U.K. and sold a lot of them off, it is what you aim to gain from doing it. If we were to do such a thing and put them into ... float them, if you like, and gain revenue you would really have to know for what purpose you were doing that. At the moment we get quite a good deal from these companies and decent dividends.

Senator K.L. Moore:

Sorry, I do not think that was entirely my question but that is very interesting all the same.

Assistant Minister for Treasury and Resources:

You mentioned ownership so I presumed you meant ...

Senator K.L. Moore:

Ownership objectives, so what does the public ...

Assistant Minister for Treasury and Resources:

Our ownership, I thought you meant as to an overall ownership.

Senator K.L. Moore:

... get for its ownership of said company?

Assistant Minister for Treasury and Resources:

That is a good question. I think it is a decision that the States more than the Government at times need to look at. I had this conversation with Doug Bannister when he left Ports, and he said that where it is frustrating is that the States generally, as an Assembly, do not seem to know quite what ... if you make too much profit everybody is moaning you are making too much profit. If you do not make any profit they are saying: "Why are you not making a profit?" There is a decision to be taken of how we want these companies to focus. Is it purely profit making or, as we do now, and as I think is probably the right way, you make a profit but it also has to be within the sphere of the Island and the interests of the Island, which we certainly do with our electricity? You look at our electricity prices to the Isle of Man, Guernsey, wherever, they are substantially cheaper. Our telecom prices are very good. Our water prices are kept reasonably. If you did not want that you could turn round and say: "We want to make more money." So put our electricity prices up to the same as the Isle of Man, but I do not think that is for the good of the people of the Island and I would not really want to see it. It is a balancing act, as it stands, and I think it is a balancing act they do very well. Andium have done exceptionally well with their refurbishment programme. We obviously have a housing committee going on now under Sam Mézec's chairmanship and that again will have to come from

the States because if every time we look to develop housing - or Andium do - there is a big debate on which site is going to be used, whether it is going to be used for this and whether it is going to be ... it is going to take ages. If we are going to push ahead with that housing project and allow Andium to do it we have to be sharper and we have to be quicker as an Assembly. I think sometimes these companies feel very put upon at times. They are doing a good job and they get a lot of, in my opinion, unwarranted criticism.

Senator K.L. Moore:

So as Assistant Minister with responsibility for the States-owned companies, do you feel that the public receives currently adequate benefit for its ownership?

Assistant Minister for Treasury and Resources:

I do, yes, within what we are asking them to do.

Senator K.L. Moore:

We will move on. Public sector pay I think is our next subject.

Deputy J.H. Perchard:

How have the new pay offers affected the Government Plan for 2020?

The Minister for Treasury and Resources:

New pay offers to ...?

Deputy J.H. Perchard:

The unions, the ones that are obviously no longer in dispute, has it had an impact on the budgeting?

The Minister for Treasury and Resources:

No, because we said from the word "go" that we could not do any more with 2018 and 2019 because we were constrained by the Medium Term Financial Plan on expenditure, so 2 per cent for each year across the board was agreed. I think the unions now realise that there is no point in arguing that because we simply have not got the money because we are constrained by the M.T.F.P. With 2020, an extra 1.3 per cent on top of R.P.I. (retail price index) has been offered and so across the whole length of the time it comes out at, off the top of my head, about 9.4 per cent, which is what is being discussed at the moment. But of course it is not just pay, it is allowances, it is pensions, in the case of the F.R.S.A. (Jersey Fire and Rescue Service Association), so there are different areas of what the complaints have been. It is not just down to pay. Of course with the Allied Health professionals it was then a difference in the levels that they were being graded and paid consequently that caused the problem there, which was a mistake made quite some time ago, which

is now being readdressed. That settles the dispute between them and the nurses. It has been a very big broad dispute over the whole thing but it is not just pay.

Deputy J.H. Perchard:

How do you anticipate that efficiencies will be generated in order to fund new pay offers that are perhaps higher than were originally anticipated?

The Minister for Treasury and Resources:

Another good question. I think the only example I can give is with the ... it is down to the staff obviously to find these efficiencies now in order to then do the gainshare, which is a new word in my vocabulary, but anyway. But the way to describe it was the example I was given that with the Bellozanne sewage plant where a lot of the sewage is treated with ultraviolet lighting, then a staff member found another source of this lighting other than the one that was already being provided that was about £100,000 less than the contract they already had so brought that in. That probably is not a good example for nursing or teachers, but that is one example as to how a staff member can find a saving and the gainshare settlement or agreement or whatever is that half would be with the staff and half would then go to the Government, so it would be a joint efficiency saving.

Deputy J.H. Perchard:

Has that gainshare been accepted by the N.E.U. (National Education Union)?

The Minister for Treasury and Resources:

It has now.

Deputy J.H. Perchard:

It has now. But not N.A.S. (National Association of Schoolmasters)?

The Minister for Treasury and Resources:

Not N.A.S. They are going away to discuss something else and then want us to go back to the negotiating table.

Deputy J.H. Perchard:

Are these efficiencies or gainshare model being designed just for the short term or will they be factored into any restructuring or budgeting in the future as a long-term efficiency saving?

The Minister for Treasury and Resources:

It is a very new option that has come out of the negotiations with the unions. I do not quite know how the longevity works out.

Deputy J.H. Perchard:

Obviously we are in this position a little bit because of a lack of budgeting for pay increases in the past, probably before your time, so I guess it is important for the public to know that we will not be in this position again in the future because pay rises will be seen as something that is budgeted for.

The Minister for Treasury and Resources:

The whole essence of the argument and the 2 propositions that were brought to the Assembly is that the pay increase is not a one-off. It is a recurring factor and we have to be able to continue to pay that. So there is no point in agreeing to something that we do not have the wherewithal to follow it through with.

Deputy J.H. Perchard:

Do you want to take up? I am happy.

Senator K.L. Moore:

Did you believe that the S.E.B. (States Employment Board) could have acted more quickly being obviously quite closely involved with the negotiations over this dispute?

The Minister for Treasury and Resources:

No, I do not think so because we could not, as I answered to Deputy Perchard's question, legally we could not move outside of the Medium Term Financial Plan and what many of the unions were asking for was a pay rise for 2018, 2019 and we simply did not have the ability legally to do that.

Senator K.L. Moore:

Given the sizeable amounts of money that was set aside following the end of last year's Budget and the fact that you are in your final year of the M.T.F.P. this year and have the potential to set new limits for the Government Plan going forward, surely that was an opportunity for the Minister for Treasury and Resources to look at this afresh?

The Minister for Treasury and Resources:

What we are doing by the mere fact that we have offered now a 1.3 per cent increase above R.P.I. for 2020.

Senator K.L. Moore:

But you said at the beginning that you were constrained by the M.T.F.P. envelope and now you have just said you are looking at it afresh, so which one is it?

The Minister for Treasury and Resources:

Because it is a new Government Plan, so we can. As I mentioned earlier, with this one year rolling financial programme we can look at it afresh and we are doing but we could not do beforehand.

Treasurer of the States:

The Minister making the point there, this was initially the 2018 and 2019 pay negotiation. 2020 was added into for the very reason you are describing, that gives them ability to go beyond the Medium Term Financial Plan and not being as constrained. Obviously the affordability is still an issue but again that is going to be ...

Deputy S.M. Ahier:

This new approach whereby we are going to be paying 1.3 per cent above retail price of inflation, is that sustainable in itself? Will this become the norm with unions demanding pay increases above inflation?

The Minister for Treasury and Resources:

This is the difficulty of course.

Deputy S.M. Ahier:

And is it affordable?

The Minister for Treasury and Resources:

We do not know what the R.P.I. is going to be and it is going to be initiated on 1st January 2020 and it will be based on the R.P.I. level as of September this year, 2019. So whatever that might be, one can estimate; the estimates have been 3.1 per cent for instance plus the 1.3 but we had a major blip in February when it suddenly went up to 4.5. One has to take a ...

Assistant Minister for Treasury and Resources:

Are things sustainable if you keep up in your public, no basically because ...

Deputy S.M. Ahier:

Is it a dangerous precedent to set, that is my question?

Assistant Minister for Treasury and Resources:

It is, exactly. You saw it in the 1970s in the U.K. when public sector ... there were strikes all the time. They were always met. All the wage demands were met and in the end we ended up with the I.M.F. (International Monetary Fund). We do need to adopt a sensible approach to these things and a prudent approach.

Senator K.L. Moore:

If we move on then to the finance transformation project and the target operating models, when will there be a sum the finance transformation project will release in order to understand how much can be driven through efficiencies going forward?

The Minister for Treasury and Resources:

The finance transformation, as you will know, Chair, has been managed by EY, and their initial obligation to transformation was about 3 years but maybe the Treasurer can ...

Treasurer of the States:

The finance transformation has been consistently what we have said in the past; there will be a number of phases to deliver.

[11:15]

Firstly, I would say the focus of the finance transformation is around creating a fit-for-purpose properly resourced finance function. The first step of which is the move from an organisation where we have 6 finance departments into having one finance department. That is a major purpose of the target operating model. If you have a fit-for-purpose finance function that is properly resourced it can assist the rest of the organisation and the bigger prize is therefore in advising people as to savings that can be made outside of the organisation rather than ... outside of the organisation I mean outside of T. and E. (Treasury and Exchequer), rather than necessarily the cost of finance. As you know, we are also benchmarking ourselves against the costs of elsewhere. The gamechanger in terms of creating a more efficient Treasury and Exchequer function are around the transformation. For example, we are not forgetting the fact that we are - both Revenue Jersey and the remainder of the finance function - the changes that are being made currently within Revenue Jersey, the new I.T. (information technology) system that is decades old, creates a good example of the opportunities for us to deliver savings in the collection of that income but also give us the ability to identify where we should be collecting more. You move across to finance, we are largely dependent upon a whole host of different systems that are also probably described as out of date, that require a lot of manual intervention and a lot of transactional activity from the teams that I lead. To move to say the 10 to 20 or 15, somewhere in between that, that is all brought back reduction in the finance function where we lead them into the next stage, which will talk about the need to replace

our existing systems. That will then take a good probably couple of years to implement those new systems, as it has taken a similar sort of timeframe to implement the new systems in Revenue Jersey.

Senator K.L. Moore:

So the partner EY is likely to carry on working on this project beyond the end of this year, which is I think what we asked?

Treasurer of the States:

No, I think when we move into the phase that is relating to implementation of the new I.T. system, should the States agree to that, then obviously we will be going out to tender freshly for that. They have been responsible in partnering with us rather than managing; in partnering with us on delivering the finance transformation. But as we move to the next phase around information technology implementation then we will go out to tender, just as we went out for tender, you will remember if we go back 2 years ago with KPMG, who were advising to us. We went to the next phase, put that out for tender and EY were successful in that process.

Senator K.L. Moore:

So my initial question was perhaps not quite clear enough. But if we move on to the savings part, we have been promised now by the current chief executive that a certain amount of savings will be achieved through transformation of the organisation as a whole. When will we know what those figures are and how they are being derived?

Treasurer of the States:

Sorry, because you talk about the finance transformation I went into the finance transformation.

Senator K.L. Moore:

I apologise. We are interested in that too though.

Treasurer of the States:

The figures, as they impact or as they are included within the 2020 envelope that will be agreed in this Government Plan will be clear in the Government Plan.

Senator K.L. Moore:

Right, so we will find out next month.

Treasurer of the States:

Yes.

The Minister for Treasury and Resources:

Just to add to what the Treasurer has said, the idea is that, and I understand because I do speak a lot to the public, that the concern is how much is being spent upfront on consultancy and interims and when are we going to see the result of that expenditure. I completely understand that question. The answer that I have been given is that the consultancy side of things, so what is the upfront expense - I think invest to save is the buzzword - they are here because we do not have the capacity in Jersey to do this massive transformation. While they are initiating the transformation, it is on a temporary basis, so when they go obviously that is expenditure, will no longer be applicable. They are training up the people within the public sector to do the jobs that they are here at the moment to see through. So that is when the savings will come through, when the consultants have done their job and go and our own people will be trained to continue.

Deputy S.M. Ahier:

Will there be a reduction in the overall number of staff during this transformation process?

The Minister for Treasury and Resources:

There will and I do not know how many because it is an ongoing process.

Deputy S.M. Ahier:

They are very good at estimating, the Treasury, do you have an estimate of figures?

The Minister for Treasury and Resources:

No, because it is in tiers; there is tier 1, 2, 3, 4 and 5 and tier 3 has been addressed, I believe. We are now moving on to tier 4 so we will not know the end result until that is completed. But if there is an estimate ...

Treasurer of the States:

That would be broadly the position. Obviously there were estimates made I think for tier 2 and they broadly came out as they were. I cannot remember the numbers from the top of my head. It depends whether we are talking about purely target operating model or efficiencies further down the track. I am clarifying the numbers in respect of the 2019-2020 saving, the current efficiency programme; I would fully envisage that we will lead into a further efficiency programme over the longer term, which will be the focus of this Government Plan further to Fiscal Policy Panel's recommendations.

Deputy S.M. Ahier:

Would it be possible to supply the information?

Treasurer of the States:

As I said, when we are talking about the Government Plan we will lay out where those efficiencies are.

Senator K.L. Moore:

Who is calculating the total cost of driving forward all of these changes?

Treasurer of the States:

You have to be specific around what we mean by ... you get asked a question that is a broad question so I would say that lots of the people who already work for the States are all of course involved in driving those efficiencies as opposed to the partners that you may bring in to help you identify them. So I presume you are talking about the latter and not the former because this is not just people coming from outside or partners leading you to these conclusions. Indeed, when we were talking earlier, when we talked about the gainshare arrangement, of course that will be driven as well by unions assisting.

Senator K.L. Moore:

But we all know that we do not account for the time of civil servants, although perhaps we ought, because their time is valuable and achieves a lot for the public. What additional costs over and above those that are already factored in from existing staff, so somebody must be managing the budget in terms of the additional contract and I think various States Members have asked and nobody has received an answer yet.

Treasurer of the States:

I think on most cases where a question has been asked we have provided the answer to the question that had been asked. That is my point. I think there have been freedom of information questions that have been asked and answered as well. Of course there is legal obligation for us to answer those questions. There are a number of answers that have been given to ... perhaps if we can provide those answers to you again then you may ask what the next iteration of that is. Those budgets, while they are there, have been allocated from contingency, will obviously have been approved by the Minister or the previous Minister. They will then go into the separate departmental cash limit and be managed by the accountable officer for that particular part of the organisation. Obviously when we get to the key difference between this efficiency programme from previous efficiencies there will be far more corporate control on the monitoring to verify whether those efficiencies have been delivered.

Senator K.L. Moore:

In the previous reform programme there was a public sector reform budget and there was a budget holder. So do we have a similar budget holder and somebody tracking the budget for this programme?

Treasurer of the States:

We, as the Treasury, will be across the organisation doing so. I do not think you could describe it as any one reform. Perhaps some of the stuff that is happening in Health will be a health reform rather than necessarily being seen as part of that. We are ourselves in Treasury monitoring spend obviously on the Treasury role. Now, as a single Treasury, as opposed to 6 separate Treasuries, keeping a handle on the spend against the projects that are in other departments as well so it can be pulled together.

Senator K.L. Moore:

The theory is it would be simpler to keep track of that spending.

The Minister for Treasury and Resources:

That is the theory.

Treasurer of the States:

Which is why we are going through the expenditure of putting a new Treasury in place.

The Connétable of St. Martin:

Moving to a specific budget: how much is being spent on I.T. projects?

Treasurer of the States:

I struggle to give you that number off the top of my head in terms of the number for this year but we can come back with that.

The Connétable of St. Martin:

Leading on from that: when will the new taxes system be fully implemented because I know it was dependent on ...?

Comptroller of Taxes:

If by the new taxes system you mean the new computer systems in respect of the revenue management system, we have now rolled that out in our back office. So all our staff are using it. For the rest of this year we are effectively testing it in the office. We are using it to process 2018 tax returns. We are finding a number of glitches, as you would expect in a new system, so we are going

to be working very intensively until Christmas to keep refining the system. We still expect to be able to offer online filing next year. But we have yet to design those systems. I am hoping that we will be able to get it online by the spring of next year. A change that was made in the last Budget in the Finance Law, creates an online filing deadline of 31st July. So next year people will have the option either to file a paper return, which they will receive at Christmas by the end of May, as usual or, all being well, we will be able to offer online filing from the spring and people will have until the end of July to make their online return. It is probably saying the system is being developed over a number of years so we are expecting, for example, to have to make a fairly significant change to it once the Minister and the Assembly have approved a new approach to personal taxation going to either a household or independent taxation effectively. We are planning to onboard social security contributions into the system and, in the longer run, some of the customs work. Some of the more advanced capabilities of the system will come onstream over the next 3 or 4 years. We are in a process of the system is in but it will continue to develop over a number of years.

Senator K.L. Moore:

Thank you. We do have, before you go, some questions from members of the public that have been submitted. So it is very important for us to ask you these before I release you for today. So I apologise.

Treasurer of the States:

I have to go in 2 minutes, there are a couple of things I would like to clarify to the questions I gave that may be helpful.

Senator K.L. Moore:

Would you like to do that first?

Treasurer of the States:

Firstly, no doubt the Deputy Comptroller will kick me afterwards for not saying it of course, when we do an income forecast you may recall that when we talk to States Members we say the number in the middle is part of a range and that everyone will forget about, as I just did. We forecast within a range as opposed to a specific number. Everyone attracts instantly to that specific number and then holds us accountable for that. But the income forecast is in a range. In terms of supplementing the answer as to monitoring of transformation, there are 2 bodies in place now, which is at a director general level, which is the ongoing board, which is looking at transformation across the piece. In the case of above that, the One Gov Political Oversight group. They are specifically looking at transformation under the One Gov initiative.

Senator K.L. Moore:

That is very helpful.

Treasurer of the States:

Hopefully that helps.

Senator K.L. Moore:

Yes, thank you. We have received a question from a Thomas Coles, who asks whether Ministers can justify the need to increase income for those on a marginal rate while the wealthy still benefit from a lower rate of tax.

The Minister for Treasury and Resources:

About 80 per cent of taxpayers are marginal rate taxpayers. I refer to the Comptroller here because I think the tax threshold is about £15,900 and earnings under that are not taxed.

Comptroller of Taxes:

Yes, 15 ...

The Minister for Treasury and Resources:

£15,400.

[11:30]

Comptroller of Taxes:

It is probably worth saying 86 per cent of people benefit from marginal relief and probably the average rate of tax paid by those 80 per cent of taxpayers is within the range, 12 to 15 per cent, depending on their household circumstances.

Treasurer of the States:

86 per cent of taxpayers benefit from marginal relief, 30 per cent of the population is our estimate of people who do not pay.

Comptroller of Taxes:

No tax at all.

Treasurer of the States:

Or beneath the threshold as opposed to before getting taxation, I will clarify that.

Comptroller of Taxes:

So only about 14 per cent of people who do pay tax, pay tax at the 20 per cent rate. The Island is very highly dependent on that fairly small number of higher taxpayers. They contribute a very significant amount of the personal tax received.

Senator K.L. Moore:

Thank you. In the interests of time, at present, according to the same questioner, a person can work in Jersey for 137 days per year before being liable to income tax or social security. The questioner asks whether it is time to follow Guernsey and reduce this to 7 days per month.

Comptroller of Taxes:

I think the rules on tax residency are extremely complicated. I would probably have to swap chairs again with the Deputy Comptroller but residency is something we do have in our sight for a technical tax review. The rules around people who come to the Island on a short-term secondment are the sort of thing we need to look at. But generally speaking, if somebody comes to the Island with the intention of working in Jersey and staying in Jersey they immediately do become taxable. Strictly speaking, you only have to spend one night in Jersey to become liable to pay Jersey income tax.

The Connétable of St. Martin:

We have another question. This is from John Baker and because we are running out of time this is a simplified version of his question so I hope he does not mind. How is the S.o.J.D.C. (States of Jersey Development Company) reacting to the investigation into pollution at the Horizon development? Is this likely to result in any additional costs for the development and therefore impact on the overall profitability?

Assistant Minister for Treasury and Resources:

In fairness to the S.o.J.D.C., they moved very quickly with the developers and the developers have plugged the leak, if you like. It was quite technical. In fact I think Deputy Perchard was there when it was being explained to us of how it all happened. It is something to do with the reclamation and when you come against it you come against hard granite which then had to be dug out, which then would prevent the leak. They put a membrane in and that had come loose. But they have now completely remedied that. As far as any environmental damage that has taken place, that will be a question for the Minister for the Environment. I know that they were investigating it. To the best of my knowledge there is no enormous problem but he would have to give you the definitive answer when they put that out there. But it has certainly all been put correct now so there should not be any problem going forward.

Deputy S.M. Ahier:

Final one from a member of the public concerning the car park. A critical part of the States of Jersey Development Company International Finance Centre plan was to replace the open-air Esplanade car park with a 520-place underground car park. It was to be financed out of the profits made by the I.F.C (International Finance Centre) buildings being sold. How is that progressing and were there enough funds to complete the project?

Assistant Minister for Treasury and Resources:

It is going on with the next building and it is still planned to be there, most definitely. It is 100 per cent going ahead. It is quite a complicated bit of engineering, as I seem to remember the last time it was explained to me because they are going to have to build underneath but there will be funding for it and it will be going ahead.

Deputy J.H. Perchard:

Do you not think that maybe, since we have been talking about car taxes and reducing emissions, that maybe we should not be building underground car parks?

Assistant Minister for Treasury and Resources:

I guess so and if it was taken by the States to tell them not to do so then I do not think we are going to be in a position where we will not need car parking. I think we will have electric vehicles when we go down that way or perhaps, as someone suggested to me the other day, you will have driverless pods but they will still have to be put up somewhere. So you will still need somewhere to store them. As far as the S.o.J.D.C. are concerned, you cannot blame them, they were committed to that and they will go ahead. If there was a decision taken by the States for them to stop I am sure that they would abide by that.

Senator K.L. Moore:

Marvellous. Thank you for staying, it was an excellent use of time. It is 4 minutes over our limit so I thank you all for staying and thank you for your candid answers today and close the hearing.

[11:35]