



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Monday, 11th March 2019

Panel:

Senator K.L. Moore (Chairman)

Deputy J.H. Perchard of St. Saviour

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

Mr. R. Summersgill, Comptroller of Taxes

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[14:31]

Senator K.L. Moore (Chairman):

Welcome to the quarterly hearing with the Corporate Services Scrutiny Panel. We have apologies from Deputy Ahier and the Constable of St. Peter, who are sorry they cannot attend today. We will start with our usual introductions, if we could. Shall we start from this end of the room and go round in a clockwise manner?

Scrutiny Officer:

Simon Spottiswoode, Scrutiny Officer.

Deputy J.H. Perchard of St. Saviour:

Deputy Jess Perchard, member of the Corporate Services Scrutiny Panel.

Senator K.L. Moore:

Senator Kristina Moore, I am the chairman of the panel.

Connétable K. Shenton-Stone of St. Martin:

Constable Karen Shenton-Stone, a member of the Corporate Services Scrutiny Panel.

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.

Senator K.L. Moore:

Thank you very much to you all. So, we will start with a general overview of our financial position, if we could, and really we are interested to receive an update on the States finances and whether the year end has been ... the figures have been put together and confirmed for last year.

The Minister for Treasury and Resources:

We have done the accounts; they have been submitted now. We should have them back for 2018 in April, which is 2 months earlier than has been previously, so big effort been made by the team to get them out earlier. Probably Richard obviously is best placed to describe what he can before they are published.

Treasurer of the States:

Okay. We will publish the results hopefully that week before full-term, in the week of 2nd or 3rd April. In the meantime we are looking at out-turn of income from the perspective of an updated forecast for 2019, 2020 and beyond and we await, likely to be next week, the latest economic assumptions of the Fiscal Policy Panel to put those into the numbers as well and give a latest position where we see income forecasts and expenditure forecasts for 2019 and take that forward into whether we see that impacting 2020 or not.

Senator K.L. Moore:

At the moment are you confident that 2018 ended in the position that you expected it to end?

Treasurer of the States:

I have changed my view several times during the year as to where 2018 would end and we will announce where we are in April.

Senator K.L. Moore:

Okay, and when looking forward at 2019 and beyond, what is the expectation for this year?

The Minister for Treasury and Resources:

In 2019 of course we are constrained by the M.T.F.P. (Medium Term Financial Plan), as everybody knows, so that has made it quite difficult. Hence, as I think you have alluded to before, the finance transformation programme, which will still see a 4-year plan but with a rolling 3-year plan of adjustments, as necessary, of the finance. I think 2019 is meant to - whether it does or not, as the Treasurer has said, will depend on what the out turn in the accounts say - but it is supposed to be balanced for 2020 when we are showing a forecast that there could be a bit of a deficit problem.

Senator K.L. Moore:

Okay. There is, however, a savings programme going on at the moment with £30 million, year on year, in the sights. That has not been factored into the budgets going forward so far. Does the Treasury team feel confident that the £30 million will be achieved for 2020 and beyond at this point in time?

The Minister for Treasury and Resources:

Well certainly 2020 and beyond. I mean the whole savings or efficiencies - whatever one wants to call it - programme is over a period of 2 or 3 years and beyond. Yes, I personally feel confident that this can be achieved but of course there is a lot to balance - I keep going back to balance - in the period of years where there is increasing demand on expenditure and we have got to make very sure that our revenue compensates for that demand; more than compensates for that demand.

Treasurer of the States:

If you are asking if I have confidence of whether £30 million efficiencies could be delivered from what I have seen to date I think that yes, the programme of efficiencies is shaping up nicely. There is more to do. The Council of Ministers, I think, will have another briefing in a couple of weeks' time by which time we will have a much clearer view. But I am largely positive that we will achieve the £30 million.

Senator K.L. Moore:

That is encouraging to hear. Thank you. Now, the F.P.P. (Fiscal Policy Panel) have said in the past that savings should be accompanied by detailed, realistic and time-bound targets. Will that be achieved?

Treasurer of the States:

At this point in time for the £30 million savings or, sorry, £30 million efficiencies, the intent is to have much closer monitoring than has been there in the past from the centre as to the delivery of those savings. But also taking out through the period obviously will affect the cash limits that were agreed in the Government Plan so that the cash limits could be adjusted for the delivery of the savings that should take place during 2019 leading to starting 2020, 1st January 2020, at a running rate of £30 million less. So yes, I am confident that we are taking account of that recommendation in putting together this programme.

Senator K.L. Moore:

Is any work being done to understand why the savings from the current M.T.F.P. were not all delivered as per the F.P.P.'s recommendation?

Treasurer of the States:

I am just trying to think across different departments. Some of the reasons why the savings were delivered were obviously unique to the circumstances. Some of those were not delivered as a result of States decisions and, in particular, what was the Education Department, and in terms of decisions that were taken at a States Assembly level or a ministerial level relating to the savings that were put

up. The same goes for Social Security; there were savings agreed that were then reversed. In the case of an efficiency saving in our own department; it is due to the Taxes Transformation Project coming live in 2020 as opposed to 2019, a great deal of work having been done by the incoming interim finance director and team at Health and Community Services to put in place a new set of savings programmes that will mitigate the savings that have not been delivered to date there.

The Minister for Treasury and Resources:

Also, like the Treasurer said to the Assembly who voted against the introduction of a waste charge which was £11 million that did not materialise, there was also the lack of the health charge. So that stopped the transfer of £5 million to be there for 3 years from the Health Insurance Fund. So, as the Treasurer said, lots of circumstances made it not quite what we had anticipated.

Senator K.L. Moore:

Yes, but they were more revenue-raising targets rather than savings and efficiencies. The current or the new round that the £30 million is supposed to be driven through is, we are told, due to efficiencies and doing business in a more cost-effective manner. It remains to be seen, I guess, whether those can be implemented.

The Minister for Treasury and Resources:

I think it is, as we have said, positive feedback at the moment, inasmuch as there is a contract with EY for the finance transformation programme and it is an 18-month contract due to expire, I think, at the end of this year. But what they are doing is not only for an external point of view, which I do understand you have to have because you have got to see the bigger picture, so making those efficiencies but also spending a vast amount of time and effort in training the people that we have to take on afterwards, so we will not need an external company of consultants for ever. Then they have done their job, i.e. ended their contract or it gets extended for another few months but not to be ongoing for 3 or 4 years.

Senator K.L. Moore:

No, absolutely. However, we are told by the chief operating officer, for example, that changes to the computer systems are perhaps a good example of that and that, for a modernised system, will save a great deal of money across the whole organisation.

The Minister for Treasury and Resources:

Well, modernised. This system, is it 1961, Comptroller, the tax system?

Comptroller of Taxes:

The tax system, yes.

The Minister for Treasury and Resources:

Anything would be modernised in comparison and I think half the computers barely have a legible screen and do not have mouses? Mice? It is really very outdated and a massive operation to get that changed and to get people trained in the new system. But of course once that is in operation and we have online filing, like the beginning of next year, that should vastly change the efficiencies of how it operates and for the public.

Deputy J.H. Perchard:

Will those efficiencies be measured, tracked, monitored, reflected upon and improved, and how will that be done?

Comptroller of Taxes:

Well, there are a lot of project disciplines around benefits management. Say, if we are talking about the taxes transformation programme then we have a benefits realisation plan. I think that Treasury has also mentioned ...

Deputy J.H. Perchard:

Sorry, did you say a benefits realisation plan?

Comptroller of Taxes:

Yes.

Deputy J.H. Perchard:

Could you just describe to me what that means; I am not sure?

Comptroller of Taxes:

Well, basically it is identifying the areas where you expect to make either efficiency savings or revenue gains from new capabilities and then you have someone who very actively manages to ensure that is delivered. So that is part of normal project management. I think, as the Treasurer said, in terms of the revenue management programme, we are expecting to deliver over £600,000 worth of savings a year in terms of people because there is so much clerical support for the system at the moment. Our maintenance costs for the system will reduce. At the moment those are quite significant. With the new system they will reduce probably by half or by two-thirds. So there are quite significant long-run benefits if you make the upfront capital investment.

Deputy J.H. Perchard:

That £600,000, is that the result of automation?

Comptroller of Taxes:

Yes. I mean if you look at the way the tax system operates at the moment we are receiving 50,000, 60,000 paper tax returns a year. There is a lot of manual intervention and actual manual key-in. So if you can get online filing in place and if you can get take-up it significantly changes the landscape of the working environment. At the moment a lot of my staff spend the whole year turning tax returns into tax assessments. But if we can file online that happens overnight in the ether. So that is where some of our big efficiencies come from.

Deputy J.H. Perchard:

In terms of those specific staff whose jobs would radically, presumably, change, I mean are we talking about people losing their jobs or them being upskilled or kind of redeployed?

Comptroller of Taxes:

I do not think we are because the organisation that Jersey has, has got quite a lot of vacancies and it has got quite a lot of people who are temporary workers. So we think we should be able to manage without compulsory redundancy, assuming people are prepared to retrain and do things differently. Not everyone will be, some people are signalling they want to take the opportunity to retire. In some cases they will not be retiring early they have just worked well beyond normal retirement age. Some may retire a little earlier, some may not want to retrain and do the sort of work that is available. So we have to plan for this now.

[14:45]

Deputy J.H. Perchard:

So they will be prioritised in terms of filling those vacancies?

Comptroller of Taxes:

Yes. I mean my hope is that anyone who wants a job will be retrained to do one of the jobs that will be there in the new business.

Deputy J.H. Perchard:

Great, thank you.

Senator K.L. Moore:

In addition to the efficiency programmes that seem to be going ahead as we had anticipated, which is good news, it is somewhat troubling to hear that there is talk again of 10 per cent savings targets being imposed on every department. Does the Minister have anything to say about that?

The Minister for Treasury and Resources:

Well, there is and of course it is difficult because in previous governments there were staff savings imposed as well as other savings and so there is only so far you can cut departments. But I think it is more efficiencies and, as the Comptroller said, there are a lot of vacancies anyway so it is managing those vacancies, removing them. So you do not have a lot of F.T.E. (Full-Time Equivalent) equivalents there waiting to be filled that are not. But there are also a lot of people nearing retirement or who want to move on. But on top of that is, as I mentioned before, the retraining of people so that they do not just do one job, they can move, probably in the same department under the same umbrella, but move from one area to another, not necessarily in finance but across a lot of the other departments.

Senator K.L. Moore:

So would it be correct to suggest that the majority of work is aimed at looking at staff and the use of staff and the deployment of staff within the organisation as opposed to changing the provision of services?

The Minister for Treasury and Resources:

I think under the new headings of the departments it has rather changed the provision of services. Take customer local services for an example ...

Senator K.L. Moore:

Yes, but I mean ...

The Minister for Treasury and Resources:

... it just brought people all together in one service point so it is the whole change of service.

Senator K.L. Moore:

But I think what would interest the public is whether a service that they currently enjoy, that is provided by the States of Jersey, would no longer be provided by the States of Jersey. That is what I mean in terms of service provision. What is the end product that the public see and use?

The Minister for Treasury and Resources:

I think the end product is an improvement. I do not know what example you would take.

Senator K.L. Moore:

Okay. So, just as an example, and it is a completely hypothetical one but it is one that has been used in the past, I think would be, say, the removal of a library service in a particular area of the Island or the removal of another function that was currently being offered to the public.

Treasurer of the States:

This efficiency programme is about efficiencies: being more productive in all we do, doing what we do for less and at the same time hopefully improving service delivery. For example, as the Minister has described, changing the way we deliver customer service. As to, this efficiency programme is about efficiencies not goods and services.

Assistant Minister for Treasury and Resources:

Things like procurement and things like that which are all over the shop, to be honest. We are trying to centralise that and we obviously have yet to decide if we can centralise it. So there are natural ways of economising without cutting anything.

Senator K.L. Moore:

Do you feel confident that 10 per cent could be achieved by each department through those efficiencies?

Assistant Minister for Treasury and Resources:

I am hopeful they can because I think if you look around anywhere there is always wastage. It is one of the reasons I think it is ... I know people have criticised all the different changes we have had going on but when you get people coming in from outside they do look on it with a completely fresh outlook and say: "Well, why are you doing that? Surely if you did that you would save money." So I think hopefully quite a lot will come from that.

The Connétable of St. Martin:

Just moving on. The hot topic of the moment is with Brexit approaching how confident are you in the Island's economic outlook?

The Minister for Treasury and Resources:

It is completely almost impossible to comment as it would be for anybody in the U.K. (United Kingdom). It is very difficult to ascertain what is going to happen. All we can say, as a team that have been part of a lot of the planning for Brexit, it is more a question obviously for external relations but we are as well prepared as we possibly can be. Every avenue has been pursued, every contact with M.P.s (Members of Parliament) in the U.K. and elsewhere has been pursued. So until there is a decision it is very difficult to know quite where we will stand. I think one of the major concerns is,

for example, fisheries and exporting of fish to France but again we realise that. That is being addressed but it is very difficult to predict about anything.

The Connétable of St. Martin:

Yes. My next question was going to be: what action is the Council of Ministers taking to protect the economy? As you say, you have explored all avenues, particularly in the event of a no-deal Brexit. Bearing this in mind, do you believe that the Island's economy is on the right track?

The Minister for Treasury and Resources:

Again, it is so difficult to say which direction we will be going but certainly from a current point of view I think we are incredibly, without sounding complacent because there is no room for complacency, but very well placed. We have a good financial foundation, which is more than can be said for a lot of other jurisdictions, and it did not fall out of an apple tree it has been well planned over the years and well supported. Helped of course by an increase in interest revenue, but that was not the case in 2018, it is the inevitable what goes up must come down. So we have to be prudent and very balanced in our approach to give a positive answer one way or the other. It is very difficult.

The Connétable of St. Martin:

Thank you.

Treasurer of the States:

At the moment the issue that is affecting both the U.K. and, to a lesser extent, Jersey but still Jersey is in certainty. So in certainty of the business impact upon consumer demand where you get individuals' behaviours are affected by the uncertainty and also impacts investment decisions. So we are not immune to that but Jersey has always been well placed on seeing out threats to its economy and very innovative in terms of ploughing a new furrow, as it were.

Senator K.L. Moore:

In terms of economic outlook, Jersey's reputation has always been a strong part of that. Would you say that our reputation is in as good standing given recent current events and lack of decision making, for example, as it has been in the past?

The Minister for Treasury and Resources:

We have maintained our rating with Standard and Poor's as the AA minus, I think it was, which could have moved. There has been, as has been very publicly flagged up, the question of beneficial ownership, which we have to fight very strongly and that has been in the media but, as Crown Dependencies, we are working as one on that so that we are treated separately from overseas

territories. A huge amount of work is going into that, again, sort of behind the scenes. But that would affect us hugely so that has to be fought at every opportunity, so a lot of fighting.

Assistant Minister for Treasury and Resources:

I think generally, among those people who really know what is going on, our reputation has never been higher because the F.S.C. (Financial Services Commission) has done a tremendous job in regulating Jersey. Jersey is probably one of the best regulated financial services centres now in the world, which, let us face it, 30 years ago it probably was not. So, we are now in a very good position for that. The trouble is that when you get what we have had, as Susie referred to, these things on beneficial ownership, that are fairly ill-informed anyway, coming from the U.K. then that does not help. There is not much we can do about that other than counter it with facts.

Deputy J.H. Perchard:

On that point it is very likely that that is going to come back round, and this is perhaps more suited to the Chief Minister, but is the Minister for Treasury and Resources able to comment at all on actions that have been taken since that visit last week from when we expect it to come back round?

Assistant Minister for Treasury and Resources:

I think, as you said, probably it is for the Chief Minister and Ian Gorst as well, and not only that, the Bailiff probably and the Attorney General because I think a lot of it, if it does come back round, it is going to be the strength of our constitutional position that will be defending it. So I think it is probably going to be moved towards the legal sphere rather than the political sphere.

The Minister for Treasury and Resources:

Especially with Guernsey and less so the Isle of Man because although the 3 worked in unison and still are, the Isle of Man has a very different constitution, their position to us.

Deputy J.H. Perchard:

Is Treasury doing any work to protect from the worst scenario in which case the U.K. would impose beneficial ownership on the Islands? Have you looked into kind of protecting against that?

The Minister for Treasury and Resources:

At the moment with the constitution they cannot so it would take a massive vote in the Commons which would then have to be referred to the House of Lords and that is what all this work is going on about.

Deputy J.H. Perchard:

So working on the assumption that it will not happen?

Assistant Minister for Treasury and Resources:

I think at the moment you have to. If it did it is one of those things. Let us face it, we have had Zero/Ten and all these sorts of things that were going to be a disaster and they have not been, it has carried on. So I think you just have to weather the storm and go with it, if it was foisted on us it is all you could do. There is no simple answer to that.

Deputy J.H. Perchard:

Thank you.

Senator K.L. Moore:

Sticking with the general theme of economic outlook, one point of action that has been taken by the Council of Ministers is to introduce an inflation group or an anti-inflation group, of which I believe the Minister is a member. Could you explain to us what oversight that group has?

The Minister for Treasury and Resources:

It is a very good question. It is chaired by Senator Farnham. I think it is long overdue. I think it is a very important board to set up; with our inflation rates almost double that of the U.K. it has to be addressed. That is not the sort of thing you can push under the carpet.

Senator K.L. Moore:

Indeed, the Economic Affairs Panel was about to give in an anti-inflation review.

The Minister for Treasury and Resources:

That is right, yes. We are getting on. I do not know whether that was with the knowledge of the Economic Affairs Panel.

Senator K.L. Moore:

It was ahead of the announcement from the Minister for Economic Development, Tourism, Sport and Culture.

The Minister for Treasury and Resources:

Yes. So there are quite a few panels being formed now: panels, groups, to address these things which are overdue. It has to be said there has been a certain amount of complacency, I think, going on and I think now we realise - and maybe Brexit has brought it to a head, I do not know - that we have to address very determinedly our own situation and not leave it ...

Senator K.L. Moore:

To the oversight of the group?

The Minister for Treasury and Resources:

Of the group, yes: Senator Farnham, Senator Vallois, the Chief Minister and myself.

Senator K.L. Moore:

What checks and balances or rules does it incorporate?

The Minister for Treasury and Resources:

The terms of reference have been drafted. I do not have it with me so I cannot read them out but there have only been 1½ meetings to date. It is a relatively newly-formed panel.

Senator K.L. Moore:

Is the goal of the panel to define future policy, would you say?

The Minister for Treasury and Resources:

As I say, there have been 1½ meetings so it has not really quite worked out exactly as to where we are going other than we have a clear set route to trying to address inflation, what we can do about it. Obviously, you can imagine that the largest part of the inflation is caused by housing prices; I could be here for 3 hours talking about housing prices. But it is where do you start and where do you stop with all these things that contribute to our relatively high inflation rate. Do you have anything to add?

Treasurer of the States:

Well, the Chair was talking about oversight, you were asking about the overall objective of the group. You asked whether it was producing a strategy; the last strategy was 2008, and to have a policy on inflation coming out of that. But the key, I think, from the last item about efficiency it is tracking the implementation of those measures as and when they are developed.

Senator K.L. Moore:

Does the group intend to have policy input into the Budget of 2020 and the Government Plan that no doubt you are currently working on?

The Minister for Treasury and Resources:

We are indeed. Of course the Budget of 2020 will be part of that Government Plan, it is not quite the separate issue that we have always known. So, yes, this will have input into that. But, as I say, it is a very newly-formed panel and there is not much time to pull the whole Government Plan together.

Deputy J.H. Perchard:

How does the inflation group differ from a policy development board?

The Minister for Treasury and Resources:

Good question and well presented. It is, I think, really rather addressing inflation full stop and R.P.I. (Retail Price Index) without necessarily then feeding into policy rather than developing policy itself is the way I understand it.

[15:00]

Senator K.L. Moore:

Will the group be seeking input from business people and members of the community who have knowledge and ...

The Minister for Treasury and Resources:

Yes, and our adviser is the chief economic adviser as well to the panel of politicians.

Senator K.L. Moore:

So in what way does it intend to carry out that work; by written submission or public hearings or private hearings?

The Minister for Treasury and Resources:

Well, as I say, with the 1½ meetings that we have had so far, we have only been developing quite how we are going to go forward and which parts of the R.P.I. we need to concentrate on before we get into the actual detail of how to pursue it.

Senator K.L. Moore:

Okay. So you mentioned housing and the cost of housing and the inflationary impact it has on our economy. So has the group given some consideration to the supply of housing and perhaps propositions that are due to be debated shortly in the Assembly that would have an impact, in a positive way, on the supply of housing which would therefore be anti-inflationary, hopefully, in a small way?

The Minister for Treasury and Resources:

Well, it would but nothing of course with housing, immigration and population is ever simple because if it was it would have been sorted by now. The housing: everybody understands that there is a need for housing and if the supply was there you would almost automatically stop the increase or

huge increase in prices. But then of course you run into the question with an Island Plan as to where you can build and that is what we have got to address.

Assistant Minister for Treasury and Resources:

I think it does move beyond Treasury really to planning, to movement. If you go and see Andium they have a list of sites that they would like to get on with but at the moment cannot because they are hamstrung. Well, if we are going to get things moving, we have got to do it very quickly over the next few years and if it means perhaps building the odd one up or whatever then it will have to be. But it does come down to supply and demand on the housing and that is what drives the price. You can see it in the High Street, soon those rents will begin to come down because they will have to because there is over-supply and not the demand because it is the other way round with housing.

Senator K.L. Moore:

So the debate itself will be a good test of the prioritisation that has been given and the weight that is being given to this inflation group because surely the decisions and the support, or lack of support, for a proposal to increase supply in our housing market will be made either by prioritising the importance of inflation as an outlook or not taking other aspects into account and giving them greater weight.

The Minister for Treasury and Resources:

Well, as Deputy Ash has just said, it is really not just one group and it is not just Treasury. The difficulty with one of the proposals is the fact that it does not fit into the Island Plan. So do you change that? What comes first, do you use greenfield sites; do you move other things; do you go higher? There are lots of balances and things to look at, it is not a straightforward proposition.

Assistant Minister for Treasury and Resources:

As you say, it does come back to balancing it. We need to develop a coherent immigration policy, which we have failed to do for years and years and years. But we need to sit down and get something on the table that works because it is mentioned every election and everybody pays lip service to it but no one ever does anything.

Senator K.L. Moore:

So tackling inflation is not your first priority then?

The Minister for Treasury and Resources:

You cannot just tackle one thing. As I keep saying, you have got to do it in the round because there are too many drivers for inflation to just say: "Oh, we will tackle inflation."

Assistant Minister for Treasury and Resources:

I mean if we were in the U.K., sure, we could have interest rates running up 2½, 3 per cent because we can do that to push inflation figures down. But we cannot control that. That is an imported inflation from the U.K. So, the actual lever that you would be able to use, which is the strongest lever which would be used in the U.K., is just not available to us.

Senator K.L. Moore:

No, but you have other levers as members ...

Assistant Minister for Treasury and Resources:

We do but they are limited in their strength. I think that is fair to say.

Senator K.L. Moore:

Okay, thank you. We will move on now, I think.

Deputy J.H. Perchard:

Regarding the ongoing public sector pay dispute, Minister, do you intend to make any more money available for 2018 and 2019 awards?

The Minister for Treasury and Resources:

The short answer to that is there is no more money to be made available in 2018 and 2019, which is why we went back to the unions with the R.P.I. of plus 1.3 for 2020. We are very aware that does not address 2018 and 2019. But constrained as we are by this M.T.F.P., I mean I know it comes out all the time but we have acknowledged that, as I mentioned in an earlier answer, by changing the way that we are doing the finance transformation so we do not get caught like that again. But this time we are.

Assistant Minister for Treasury and Resources:

When you are talking, coming back to what you were talking about before, about inflation, it is a classic example.

Senator K.L. Moore:

Well, listening to one of our media outlets this morning, we heard that it is being suggested that if the requested cost of living pay increase was allowed then the Treasury would look at considering increasing G.S.T. (Goods and Services Tax) to cope with that or to raise the funds, which, of course, would have an inflationary impression itself.

The Minister for Treasury and Resources:

Treasury are not considering that. What you hear through the media outlets and any communication from the unions, is this request for increase in pay and what has been offered, I think is very reasonable for 2020. But it has got to come from somewhere and it is, as I kept saying in the Assembly, a recurring cost. If you were to assess the entire lot in a whole it is about £9 million a year. Now, that, of course, does not stop in 2020 or 2019 it just goes on and on and on with inflation built in and we cannot do it. So something would have to give somewhere in order to fund it. Now, quite what would have to give I do not know.

Deputy J.H. Perchard:

If Deputy Southern's most recent position on the issue were to pass, however, where would you anticipate the money coming from?

The Minister for Treasury and Resources:

Well, of course, the States Employment Board is not a funding organisation, it merely sort of deals with the employment side of it. So we would have to address it when it happens, if it happens, because you cannot find that sort of recurring money. If we could have done we would have done. It just is not there. If it was a one-off payment that is a different kettle of fish but to fund it every year with increases ... and the offer on the table at the moment of the R.P.I. plus 1.3 is a lot of it consolidated so it is an increase. The pension is taken care of and then I think it is about 2 per cent in non-consolidated or cash as well. So it is not, I do not think, a poor offer but ...

Assistant Minister for Treasury and Resources:

As we touched on earlier as well, we have the waste charge. You know, those sorts of things, the *de minimis* that we did not bring in, which would be about £1 million, they are all things that would have to be considered and if the States Assembly want to back the extra money then they are going to have to back tax raising measures because the 2 have to go hand-in-hand. You cannot just keep paying money out and not bringing money in.

Deputy J.H. Perchard:

Sure. I suppose that that has caused it by not having public sector salary rates increase and possibly then you are saying that we are happy with ongoing salary cuts to public sector employees many of whom work in vocational ...

Assistant Minister for Treasury and Resources:

True but then that has been the same in the private sector as well. If you look certainly in the banking sector - I am not sure about accounting and law because I have not worked in it - they have not had a cost of living rise for 10 years. Some of them have not had any rises at all. So, it is not just purely a public sector problem; this has been right across the board.

Deputy J.H. Perchard:

I have heard a lot of that quite divisive rhetoric, particularly in the last few months, and I do not know how helpful it is to draw those comparisons because what we are talking about are the people that the States employ and they are our responsibility. So, irrespective of what other people are doing - and I would like to see the comparison to data in addition to that - surely we should lead by example and ensure that people are not facing real-term cuts to salaries while serving the public.

Assistant Minister for Treasury and Resources:

Yes, I do not mean it to sound divisive but I am saying it is across the board. It is not divisive. In fact it is one Island where all are having that problem whether you be a States worker, a bank worker, a hotel worker, a shop worker.

Deputy J.H. Perchard:

I accept that point but what I am saying is we are responsible for those who are ... in terms of being an employer.

Assistant Minister for Treasury and Resources:

Yes.

Deputy J.H. Perchard:

You know, we are the employer of this group of people and those are the people I am asking about.

Assistant Minister for Treasury and Resources:

True, and I think that is why we have tried to make the best possible - because I am not on that board - but the board have tried to make the best possible offer they can including one-off monetary payments on that. I am more a fan of the one-off monetary payment because you are not having to make the ongoing commitment for 2021, 2022, 2023. We are saying we have got money there at the moment; there is some money. I think it is very difficult to commit. While we are responsible to them we are also responsible to the taxpayer generally to make sure we are budgeting and balancing the books correctly. That is where we stand as the Treasury Department.

Senator K.L. Moore:

It is possible to look at a simple Google search where you will be able to see the average earnings index which tracks public sector pay versus private sector pay over the last 10 years and it is very easy to see that although - and you are right - there have not always been cost of living pay increases in the private sector, the pay increases in the public sector have been lower. So the real-term effect has widened the gap between private sector and public sector pay in that period.

Assistant Minister for Treasury and Resources:

Yes. So, obviously there are stats and stats but I think the private sector can be distorted because I am not saying that that is across the board. I am saying that for the rank and file private sector worker they are distorted by the fact that some of the top people in the private sector: lawyers at the top of the tree, accountants at the top of the tree, bankers at the top of the tree, their salaries have gone up way more than, say, people at the top of the civil service tree. So stats can often just be slightly misleading but I take your point.

The Connétable of St. Martin:

When the Draft Revenue Administration Law was referred back on 26th February, it was stated that the draft law would be resubmitted to the Assembly before the end of April. Is that still the intention?

The Minister for Treasury and Resources:

It is the hope. I think we gave you a copy of the addendum that we wished to put in. So rather than doing the whole thing again we would put in just the addendum. There is only one sitting in April, which is the 30th I believe, so that is when we would hope to have this debated because I think you raised this when we spoke last week. But the problems with delaying this, then sort of remove as the basis for so much else that we need to do, not least of all the online filing of which this is the basis which comes in in 2020. So to delay it much longer would be very difficult. But obviously what we would need from the panel beforehand is the fact that you are happy with the differences that we have made and the further information that has been provided because that is what we want to ensure we have your security on, if you like, before we lodge the addendum. I think it was a very constructive meeting last week and I hope that we have been able to provide you with the answers to the questions apart from the timeline as much as anything else.

The Connétable of St. Martin:

Yes, I was going to say: would you be able to include the timetable of intended changes to the tax law and the new draft law as proposed?

Comptroller of Taxes:

I think, with the Ministers' addendum, she can certainly provide a full timeline for the changes in the Revenue Administration Law. We have also got a broad timetable for the key changes that we think need to be made to the tax law more generally. Now, we had, going back into December and January, already agreed with the larger accountants on the Island what their real priorities were for technical law changes, so those are all incorporated into that one. I think inevitably the dates of what we think we can achieve over the next year or 2 are more definite because as we go out further obviously we are not quite as sure what else might come along and what resource will be available.

I think, as we were discussing last year, we are always, to some extent, at risk of being buffeted by international changes, whether we do need to respond to changes on the O.E.C.D. (Organisation for Economic Co-operation and Development) or the European Commission or indeed the U.K. Parliament. So, yes, I think we can give you a very clear view of what is going to be in the second and third tranches of the Revenue Administration Law and I think we can give you a good view of what the priorities will be for changing in particular the 1961 Income Tax Law.

[15:15]

The Connétable of St. Martin:

Yes, because how important do you feel it is to update that law?

Comptroller of Taxes:

Well, although it is 1961 in its base, obviously the law is reviewed every year as part of the budget process. What has tended not to be changed over the last half century really is the administrative provisions, which is what we are addressing in this law, and some of the more technical aspects which tend to be largely of interest to the finance sector, the tax agent community and the tax office itself, so the things that do not get a lot of interest from the public or indeed the States Assembly. So, for example, one of the things that the taxation community would like us to address sooner rather than later, and it needs addressing, is how debt interest is treated in the Tax Law. That is very old and it is dealt with, to a large extent, by administrative concessions, which really need updating and putting into statute in this day and age.

The Connétable of St. Martin:

Thank you.

Senator K.L. Moore:

When the law is relodged, the above law, will it not contain Article 26 as it was withdrawn at the last reading?

The Minister for Treasury and Resources:

From my understanding, it will not.

Comptroller of Taxes:

Yes, your intention is, when the law is put before the Assembly, not to propose Article 26, which is a production power, and all of the production powers were in any event going to be reviewed and addressed in the second tranche of the law, which we hope to lodge in the summer as part of the Government Plan. Those are the slightly more contentious areas of the powers of the Comptroller

in that those relate to forcing people to give us records and information where they failed to respond to requests for information.

The Minister for Treasury and Resources:

At the moment the second tranche, which Richard was referring to, is due about the second week of June. So from the point of the timeline not that much after.

Senator K.L. Moore:

Okay, that is helpful. Will it then include a statutory window as requested by the panel in our report?

The Minister for Treasury and Resources:

I think that is proposed.

Comptroller of Taxes:

Yes, we are also proposing to review ... the statutory window at the moment is effectively 5 years. We do feel that is too long. Equally we feel that the one year that the U.K. has is too short because of Jersey's particular circumstances. So, we are currently looking at the pros and cons of somewhere between 4 or 3 years, that sort of thing, for the next few years.

The Connétable of St. Martin:

In your letter dated 5th February to the panel, you set out a significant amount of work in the programme and we just wondered: do you have enough resources to deliver this or everything that you have committed to?

Comptroller of Taxes:

Well, as part of the last M.T.F.P., the Assembly voted us £8 million for the transformation programme and the Council of Ministers has since also allowed us extra monies from contingency. So that has bought us a dedicated policy person, Tom Kerry, who is leading most of this work. So between Tom being dedicated to this full time and then input from other colleagues in the office and from the Tax Policy Unit, yes, we are absolutely confident we can deliver everything that we need to within the Revenue Administration Law. With regard to the tax law, the wider tax law rewriting, the Tax Policy Unit has produced its plans based on the resources that are available to it. So we are as confident as we can be that what we have promised to deliver we can deliver within the resources that are available.

The Connétable of St. Martin:

Thank you.

Senator K.L. Moore:

Is the Treasury team confident that the law is human rights compliant, particularly in relation to the role of commissioners?

Comptroller of Taxes:

Yes, the Attorney General always certifies the law to say whether, in his judgment, it is legally compliant. So, I am not conscious of any qualms over the commissioners of appeal. It is a little old fashioned in this day and age. It was based on United Kingdom practice. The United Kingdom, knocking on 20 years ago, moved away from commissioners of appeal to judicial tribunals of first instance, and that is essentially what the Jersey Law Commission has recommended for Jersey, and the last Council of Ministers accepted that recommendation. So the commissioners of appeal is a system that we need to keep running until the new mechanisms are in place.

Senator K.L. Moore:

Thank you.

Deputy J.H. Perchard:

Given the confusion that was present in the Assembly at the last debate regarding the law pertaining to married women's taxation, I thought it would be helpful for me to pose some questions to you, some of which we know the answers to but we would like to just clarify for the benefit of the public. Firstly, you have confirmed your intention to reintroduce changes to the taxation of married women with legislative change coming in 2020. Can you confirm that that is on track?

The Minister for Treasury and Resources:

Yes. The consultation and review of the consultation should be June this year and then we can, based on that, because obviously the questions and the consultations, as you will be very aware being very up on this, are do we introduce an independent taxation system which sounds like ... but when you look into it there are quite a few drawbacks, which I am sure the Comptroller will explain. But it is not perhaps the obvious route to take because of the allowances and all the rest of it that goes with that. Or whether it is a household assessment made of a couple whether they be married or not but living in the same household, which follows a bit of the lines of Social Security. So that is really the first question and then after that if the Comptroller could explain the sort of somewhat downside of independent taxation because I think what we are planning to do is briefings to the public on all of this because they have to be aware that it is not just quite such an obvious answer. That is not the married women's bit but it is the independent ...

Deputy J.H. Perchard:

No.

Comptroller of Taxes:

Yes. I mean there are 2 basic options which the Minister has just described them: independent taxation is what the U.K. has and administratively that is in some ways the easier to introduce although, also as the Minister says, a household form of taxation, where we tax couples irrespective of how the couple is made up, sits very well with the existing Social Security system. The issue with independent taxation, which I think will be the one that will excite some debate, is that inevitably if we start taxing people as individuals there will be winners and losers, as opposed to how people are taxed now, and in order to mitigate that it will probably be necessary to change tax rates and tax allowances. Now, some stakeholders out there are already signalling unease about the thought of the tax rate changing, so that is likely to be an area of debate. But independent taxation, if we want to protect people from adverse impacts from it, will probably require the Assembly to think about varying tax allowances significantly and potentially varying the 20 per cent tax rate.

Senator K.L. Moore:

Would it not be possible to introduce transferable allowances rather than wholesale rejigging of allowances and rates?

Comptroller of Taxes:

Yes, it would and indeed we are looking at that.

Deputy J.H. Perchard:

How many responses did you receive to the consultation?

Comptroller of Taxes:

I cannot give you an exact number. I am sure I have been told, within the last few days, over 2,000 people. I think Mr. Eastwood might have said that last week.

Assistant Minister for Treasury and Resources:

Yes, I think he did. A decent response.

Comptroller of Taxes:

Yes.

Deputy J.H. Perchard:

Okay. Again, just for the benefit of the wider public, could you just outline what law changes would be required to change the current situation for married women for tax?

Comptroller of Taxes:

Well, I suppose the key point is that the way the current taxation system works with regard to married couples is quite complicated. It is rather like a spider's web reaching into all different parts of the tax law, which is why it is not so simple as inserting a new article or renewing an old Article. So, quite a lot of work has to be done to rewrite quite significant chunks of the law from the point of view of a different form of taxation.

Deputy J.H. Perchard:

My understanding was also that if we were to take the approach of removing Articles, particularly Article 121(a) I think, that the tax system as it is would kind of fall apart unless you were able to replace that old system with a new system.

Comptroller of Taxes:

Yes, that is right. We have always said that we would be very uneasy indeed about trying to change the personal tax system on the existing i-Tax computer system. Now, happily, as you all know, the investment was made, in the M.T.F.P. period, in a new computer system. It is called the Revenue Management System. That is currently being tested in Revenue Jersey. We expect it to roll out in the back office this year. So, it will be possible to start programming that for a new form of personal taxation once the law is clear. So sometime in 2020 once the Assembly has made the decisions, once it has agreed the law, then we will be able to start programming that into the new system. So, if all goes smoothly that is why we think we could probably introduce a new form of taxation for the 2021 year of assessment.

Deputy J.H. Perchard:

It was stated during the debate on the Revenue Administration Law that Members were frustrated and disappointed to see that an administrative change seemed to take priority over this issue, which is about fundamental equality between married men and women and people. Does the Treasury understand that frustration?

Comptroller of Taxes:

Absolutely. I think the point, which I think, though, you realise very well, is that there is a critical path. So, in order to change the personal tax system we need a new computer. In order to really embed the new computer we need some enacting legislation. So, what the Revenue Administration Law covers is the things that need programming into the new system before it can be rolled out into the office. So, there is a critical path. Having the Revenue Administration Law gain Royal assent in 2019 enables the new system to be rolled out properly in 2021 and online filing given and then that enables us to instruct programmers on a new personal tax system which we could not deliver in the existing i-Tax system.

Deputy J.H. Perchard:

Finally from me, Comptroller, you stated earlier that a lot of legislative changes that are currently happening are technical or perhaps boring or have not generated much public interest, which is why they have not been changed before. But regarding this issue, which is of great public interest and has been for several decades now, what rationale can you give for this not being dealt with sooner? I appreciate it is before the Minister's time in post.

[15:30]

Comptroller of Taxes:

I think it has always had a degree of profile and been on the agenda for change. I do not think it was necessarily always at the top of the list. I think that is partly because of the various pressures on the Tax Policy Unit to prioritise other things. So when I arrived in Jersey in 2015 the Tax Policy Unit was 3 people and they had been buffeted quite a lot by the introduction of G.S.T., Zero/Ten, which were, to some extent, external things we had to respond to; Zero/Ten was part of the pressure from the E.U. (European Union), long-term care contribution. So there were always a few things pushing it off the top of the agenda. What, again, we managed to do in the last 4 years is double the size of the Tax Policy Unit. The Council of Ministers has been very generous in providing additional funding and we have effectively got again a person almost dedicated to this issue so we have been able to make a lot more progress with those extra resources.

Deputy J.H. Perchard:

When you say "knocked off the top of the list" are you talking about the policy priorities of the Government at the time?

Comptroller of Taxes:

Yes, and to some extent the Government at the time responding to the European Union, to the O.E.C.D. and so on.

The Connétable of St. Martin:

I was at the International Women's Day Breakfast on Friday and I saw ex-Senator Corrie Stein, who I have known for years, and she obviously heard about the tax and she first brought it to the States in the 1980s.

Assistant Minister for Treasury and Resources:

So it has been a while.

The Connétable of St. Martin:

So it seems such a shame that it has been pushed off the top of the ...

Comptroller of Taxes:

Yes, and I think in the U.K. ...

Senator K.L. Moore:

No longer.

The Connétable of St. Martin:

No longer, which is very good because when you think that the Minister for Treasury and Resources cannot sign off for her own taxes, which seems to be ridiculous.

Comptroller of Taxes:

No. Well, I do remember the Minister for Treasury and Resources when she was the Minister for Social Security, I think in a Budget presentation in 2017, holding my feet to the fire and asking: "When did I think this could be done?" and I think I said to her then: "2021 at the earliest" and that really was based on the understanding of the transformation programme when the new systems would be in. It is worth saying that when the long-term care contribution was introduced the i-Tax system's performance degraded significantly and I think it has been a real and present danger to us that the system is fragile. So we really did need to change it, so it was great that M.T.F.P.2 did provide the funding to enable that to begin to happen.

Senator K.L. Moore:

Thank you. Shall we move on to the next section? We have touched already briefly on the matter of the Government Plan, which is forthcoming, as you have mentioned already, Minister. To what extent is the Government Plan dependent on changes being agreed to the Public Finances Law?

The Minister for Treasury and Resources:

It is very dependent on it. I mean obviously it has all been timed for a smooth transition. Of course, things can go wrong, as we know, but for the acceptance by the Assembly of the Public Finances Law, and again the Treasury team made a huge effort with that to address any concerns that people have had. I know that the tax agents ... I know the Minister for Education has had some concerns so we have really gone out of our way to try and work that out and there have been some changes to it, which we were discussing this morning. Perhaps you would like to ...

Treasurer of the States:

I think in answering the question in terms of the relevance of the law to the Government Plan of course there is the changing the cycle; moving from a 4-year rigid process, which is potentially at the heart of some of the frustration seen by States Members in terms of additional funding that has to be agreed late in the day. It is about the only way of doing that because you are not coming back to the States every year. The other one would be tying budget and expenditure together. So just that, going back to the 3 plus one, or the one plus 3 rather, that is a ruling document and a ruling plan but the other one is budget and expenditure. So we have seen in the time of the last Assembly that expenditure plans were agreed, the principle of income raising measures agreed at the same time but then the final decision is not taken on those income raising measures, which threatens the sustainability of the plan. So we were very keen to have the budget decisions and the expenditure decisions in the same debate and that is the direction of the Government Plan but it needs a change to the Public Finances Law. The other one that is probably most relevant to the Government Plan would be the way that we budget for capital expenditure but also removing, to a degree, the arbitrary barrier between a large project that is revenue expenditure in nature and one that is capital expenditure in nature. At the moment we have an overly prudent way of doing that that says you have to have the money in the bank with the Treasury before we will even start to think properly about planning a project and that those changes in the law would allow for a much more efficient and effective use of cash balances rather than having to carry about £200 million just sitting in their bank account waiting for the capital programme to be delivered. So they are those parts of the law, and there is more in that law, but those are the things in the law that are really important from the prospective of moving from the Medium Term Financial Plan, which is a plan for 4 years, admittedly having some local financial discipline, but there is not flex to the changing circumstances that government have or the change in pressures that government have. It does not allow for an annual debate and in some ways is at the heart of the inflexible position we find ourselves in now.

Senator K.L. Moore:

In the Budget debate last year this panel made some recommendations in relation to changing stamp duty bands. Has any work been done to investigate adopting any of those changes or implementing different bands in the Government Plan?

Treasurer of the States:

So in the case of stamp duty and enveloped property because there is also an issue there with regard stamp duty paying on properties. We are about to go out to public consultation and we have been working on understanding the better and practical experience from other jurisdictions and some of the tax measures as well. So we will shortly be going out for consultation.

Senator K.L. Moore:

For what period of time would that be?

Treasurer of the States:

I am not sure what the ...

Comptroller of Taxes:

Normally we limit it to 2 to 3 months. I think most of the interested stakeholders are ready and waiting to engage with us.

Senator K.L. Moore:

Okay. Well, would it be possible for the panel, in that case, to have early sight of your consultation documents?

Comptroller of Taxes:

Yes, sure.

Senator K.L. Moore:

Thank you. That would be most appreciated. Good, I think we can move on.

The Connétable of St. Martin:

Okay. We would just like to move on to the Investment Appraisal Board and I would just like to ask: what factors do you consider when considering recommendations from the Investment Appraisal Board?

The Minister for Treasury and Resources:

I think we have been through it before as to the way it works but for the benefit of the public, this was set up largely to ... well, many factors but before a request for an investment would come through the Council of Ministers and one at a time. So what the Council of Ministers did not see was rounded requests from, for instance presume 100, so were not able to prioritise because they did not see the others. It also took quite a lot of time because they only meet once every 2 weeks. So the board was set up as an independent board who do not make decisions. They look at the requests put in front of them and then they make recommendations to the Treasurer who then makes a recommendation to the Minister. So that is the sort of signing off point but the Investment Appraisal Board only make recommendations, not funding. At the moment it seems to be that they have got ... I think it is 103 applications in front of them and so they can assess again recommendations as to what they feel is a very competent board - 4 of them - are the priorities that are required in the bigger scheme of things. So it seems to be, at the moment, quite efficient but obviously it is a relatively new board so we are seeing how they move forward.

The Connétable of St. Martin:

Would you agree with Deputy Maçon's proposal that any award should be subject to a 2-week notice period to be put to the States Assembly?

The Minister for Treasury and Resources:

Well, this again is ... it is not impossible at all but you can see the risks with it that it can be taken off course and if people put in requests ... I mean some of them, because we have seen quite a few of them, could easily wait another 6 months but they, understandably, want to have their request put in early and it is a matter of doing that prioritisation now. If it is going to go before the Assembly for 2 weeks that then again delays the actual final funding of it. So I think there are risks involved with that but I can understand why he wants to do it, why he wants to have a more equal across-the-board agreement of the Assembly but it does come with potential problems.

The Connétable of St. Martin:

Are Ministers involved in every bid for contingency funds from areas within their remits and are they informed when the funds are released?

The Minister for Treasury and Resources:

They are because the bids have to come from departments. They are not from individuals, as you will know, so the Minister has to be aware of what bids are being made by his, her department and then should the bid be recommended they would be informed again, so up to the next stage, and then we would inform them again before, I think it is, before funding. Is it, Treasurer? Before it is signed off?

Treasurer of the States:

Yes. So where you were minded to have made a decision you will forward the recommendation to the Minister so they are aware. So in the last tranche we tried very hard to make sure that everyone was lined up and was in full knowledge of the decision and when it would be released.

Deputy J.H. Perchard:

So Ministers are aware of bids before they go to the board? Yes, that is my question.

Treasurer of the States:

With previous tranches some of the issues mainly related to the fact that previous Ministers would have been involved in those bids initially. We are very clear about obviously a new policy that says the Treasury will not even look at a bid unless it has been signed up by first the accountable officer and the Minister for the board. So we have made sure with this latest tranche that Ministers related to those bids have been sighted and are supportive of those bids.

Deputy J.H. Perchard:

Since the establishment of the Investment Appraisal Board has that been so?

The Minister for Treasury and Resources:

Yes. As the Treasurer said, it was bids that had been made before that perhaps with the changeover of Government and new Ministers, the new Ministers were not aware of what had happened before.

Deputy J.H. Perchard:

Okay. So it is possible, given the changeover of Government, that a Minister may not have been aware of a bid because the bid was made by a previous Minister?

The Minister for Treasury and Resources:

Which I think has happened on a particular occasion.

Deputy J.H. Perchard:

Sorry, I should follow that up with: what checks and balances are you putting in place to prevent that from happening under those specific circumstances of a change of Minister?

Treasurer of the States:

I would probably start by saying ... just giving a little bit of a plug for the new way we are doing the Government Plan and the Public Finances Law, is that this frustration that has been seen and the scale of decision-making that is currently going through the process in terms of allocation of contingencies we do not expect to have anything like the same degree because she will have an annual Government Plan debate and all increases in expenditure, other than those that are strictly necessary, urgent and/or unforeseen, should be going through the Government Plan process. They should not be going through the contingency allocation process. Learning from what we have had this time, if we had a change of Government while we had that in place, and again I would have to think about that, would be 2 or 3 months, make sure before the decision was signed off that we will go back to the new Minister.

[15:45]

So if there were to be a new Minister partway through this session then we would go back and make sure that we have ministerial backing. So we are hooking it in at both ends. We are hooking it in, saying: "No bid will be considered unless it has been signed off by a Minister and the accountable officer." It goes through the process. As the Minister said, she will ... we will, on her behalf, update the relevant Ministers and before the decision is finally made Ministers will be informed of the

decision. So if a Minister is informed of a decision and they are not aware of it I would hope at that point, after having 2 if not 3 checks already, that they will make their view known that they do not support the bid that was identified.

Deputy J.H. Perchard:

If it were to be not supportive of the bid therefore not be ... would the grant not be ...

Treasurer of the States:

In the new policy it is clear that if the Minister does not support the bid it will not be taken forward.

Senator K.L. Moore:

How much money remains available to the Investment Appraisal Board for allocation?

Treasurer of the States:

Firstly, no money is available to the Investment Appraisal Board for allocation. The bids come in ... what I would probably point out is some of those bids, I think it is a quarter ... a quarter of the bids were of course, I cannot recall which, were for 2020. Now, we cannot be allocating out of 2019 money for 2020. That is a matter for the next Government Plan. As we are going through the finalisation of the accounts we will be able to confirm sums that are available to carry forward out of 2018 into 2019 so we will have allocation confirmed as we finish the accounts.

Senator K.L. Moore:

So at the moment it is a moveable feast?

Treasurer of the States:

I never like to guarantee just before the finalisation of an audit what those numbers will be.

Senator K.L. Moore:

So under what rules did the Minister sign off last week the amounts ... I think it was about £2 million worth of bids that were allocated last week? So where is that being paid from?

The Minister for Treasury and Resources:

From the Contingency Fund.

Senator K.L. Moore:

There is money remaining in it?

The Minister for Treasury and Resources:

There is some but by dint of the nature of the description of the fund it is there for contingencies so one has got to always bear in mind that ... the Connétable mentioned Brexit, for instance. We do not know what that may or may not cost us, if anything, but there has got to be money set aside for that. Various other things that may or may not happen; we have got to have something left in that fund that can automatically react to unknown quantities basically.

Senator K.L. Moore:

In the past in order to prioritise, decision-making contingency was split into 6 categories but this has now been amalgamated into the one process it appears. Who took that decision to consolidate the allocations into a single process?

Treasurer of the States:

We do track where the separate pots that were allocated from either the budget or the M.T.F.P. is so we have got a roof - not a roof - we have a very precise detailed analysis of where the money is coming from. The question has arisen, when you get into scenarios such as having to put money aside for Brexit, for example, having to find more funding for pay those do not necessarily fit into the pots with which they were originally intended. So they may choose to set Brexit-related costs against central contingency or you may say it relates to the protection of the economy and you may put that there. Equally so with pay. I think we have heard several times the current pay officer is in excess of the pay provision so you have to take a global view of where the funds are available. So when we are going to be putting forward any further decisions into 2020 the Minister has to be sighted of where the States decided to have those different allocations, what are the implications of those decisions. So it is partly not just about how much money is left in contingency in total or in the separate pots but it is also identifying what the potential drawdowns on those contingencies are from the decisions that have been made and any decisions that may be made during the year. So the Minister will have that detail in making the decision for 2019.

Senator K.L. Moore:

So who was the architect of this new process?

Treasurer of the States:

I do not think the process has changed that much. There is tracking that goes on of where the allocations were but when we are asked to fund a pay award outside of the pay provision that the States Assembly and the previous Council of Ministers put into the previous Medium Term Financial Plan then you have to put forward options as to where that would be funded from across the piece because it clearly cannot be funded from the pay provision that the States Assembly had agreed to. So it is not really a question of who is the architect. It is a question of needs, must and necessity in

considering where to take money from but as far as the law is concerned the pot of contingency is a single contingency funding source.

Deputy J.H. Perchard:

I know the Minister is aware of the PwC (PricewaterhouseCoopers) report that was published last week pertaining to the gender pay gap and one of their findings was that Jersey, specifically, would benefit from a 6 per cent boost to G.D.P. (Gross Domestic Product) by matching female employment rates to Sweden's and on top of that closing the gender pay gap in Jersey would bring a further £212 million boost to the economy. Do Treasury have any plans to review this report and to take action to perhaps ensure that that economic opportunity is taken?

The Minister for Treasury and Resources:

Yes, we would have to look at those figures which are quite startling but I always get a bit nervous in reports when people compare the U.K. or Jersey to Sweden who pay 48, 49, 50 per cent in tax and considerably amount to more whereas ours is perhaps 20 per cent and considerably an amount more in social security contributions than we do. So when Sweden, for instance, to give an example, say: "Well, we give 18 months paid maternity and paternity leave" with that sort of tax and contribution rate of course they can afford to do it. So it makes me a little nervous that it is not really a direct comparison but ...

Deputy J.H. Perchard:

Sure. Pertaining to the gender pay gap though that is a Jersey specific finding that is unrelated. I take your point about Sweden. This is unrelated to that so the PwC report outlines the fact that if we closed our gender pay gap in Jersey it would generate £212 million. So on that point perhaps alone then: does Treasury intend to review the PwC findings and perhaps take some action that would, as I said before, enable us to take the opportunity to generate that kind of money?

The Minister for Treasury and Resources:

But you cannot ignore it.

Assistant Minister for Treasury and Resources:

But I often feel that things like gender pay gaps are not so much Treasury decisions. They have to come from a Government decision. I mean one of the reasons there are big gender pay gaps, particularly if you take it on the most basic and just average it out, is that there are a lack of women in the leading positions on the leading boards. It always annoys me when they say "gender pay"; it means that women just have not been given the opportunity to be at the top and I always find the more worrying thing is if you 2 are doing the same job or you and I are doing the same job and you are paid less. Now, that definitely should not happen.

Deputy J.H. Perchard:

Yes. Equal pay for work of equal value is one way in which we address the gender pay gap for sure because it is one particular way.

Assistant Minister for Treasury and Resources:

Yes, and that is okay but the other one is much more difficult and needs to come from a government driven directive. I think it is very difficult for the Treasury to say: "We will do it."

Deputy J.H. Perchard:

Sure, but in the face of the problem we have with there being a public sector pay dispute and the argument is there is no more money, £212 million is quite a lot of money that we have a potential to generate but are not proactively pursuing.

Senator K.L. Moore:

Just to assist the Deputy as well I think the comparison with Sweden is about participation in the economy and therefore it would not be a drain on resources and then has nothing to do with the income tax rate in that country. It is simply an economic question I think that the Deputy is asking you, as a public document has alerted you to the potential boom that could be affected if we were to follow a different policy and encourage more women into the workforce therefore are you, as a department and political decision-makers, taking the opportunity to generate action from this report?

Assistant Minister for Treasury and Resources:

As part of that though, of encouraging women into the workplace and remaining in the workplace after children, et cetera, that does come down to things like nursery provision and time off when you have had baby, keeping the job open, keeping the money there and that does come down to tax. It is easier for a country like Sweden to do that and to offer more. Now, if we want to go down that route, we can go down that route but it comes back to the other thing; that we do have to pay for it. Now, if we are going to pay for it we put the tax up to 40 per cent and we work on that but that has to come as a government policy. We cannot, just at the moment, say: "Let us have free nursery care for everybody" unless we cost it out so it is a Government decision not just a Treasury one.

Deputy J.H. Perchard:

Sure, I take your point that it is a Government decision but the meeting we had with PwC as the Gender Pay Gap Panel, the expert in question stated categorically that one of the most effective ways of closing the gender pay gap was simply to legislate regarding a mandatory pay reporting and if you do that the gender pay gap will move. So I appreciate what you are saying about there being

a more complex society-wide issue regarding childcare and things but there are things you can do today that would impact gender pay gap and raise more funds.

Assistant Minister for Treasury and Resources:

Yes. I mean if that is one of his suggestions I do not see why that could not be implemented.

Senator K.L. Moore:

I think also the benefit of the Deputy's excellent question is that when there are clear action points a Government can, for example, rather than saying: "We are going to increase your taxes" because of course we cannot possibly offer the same services as another such jurisdiction, perhaps we could "invest to save", which is a commonly used and understood term. So we, perhaps, implore you as a department to consider a new approach.

The Minister for Treasury and Resources:

It is a very commonly used term now on the basis of efficiencies is the "invest to save".

Senator K.L. Moore:

Exactly and especially when you have solid evidence from a renowned databased approach that suggests it could have seriously good economic consequences for the Island. If we could just move on and ask a further question ... if you have finished, Deputy?

Deputy J.H. Perchard:

Yes, thank you.

Senator K.L. Moore:

We noticed, with some surprise, this afternoon that the Minister has lodged a proposition, P.26, which relates to a loan to Beaulieu School. As I say, this is somewhat of a surprise to us and we were interested to understand why in particular this case has ... or these steps have been taken and it has been taken through this route rather than through the Education Department who would have a global understanding of the capital needs of the various educational establishments in the Island.

The Minister for Treasury and Resources:

It was one of the first things I did as Minister, was go for a tour around Beaulieu School, so although it might seem quite sudden now it did start off about last June I think ... a request for this loan and it was originally going to be - the Treasurer can talk about it - an investment term and then decided that this was a far better way to do it as a loan and so we have agreed it with the school. I am just going to briefly outline it. The Treasury will be able to give you more details. So that we have first

call on the building overtaking any other loans that they may have as collateral for this loan. It is repayable over a maximum of 20 years at 4.25 per cent so all been very carefully worked out and ...

Senator K.L. Moore:

If I may just interrupt you a second; 4.25 per cent is not a particularly commercial rate so the question has to be asked why the decision has been taken to go on this path rather than following a more commercial solution.

Treasurer of the States:

So just firstly to iron out why it has to be the Minister for Treasury and Resources and not the Minister for Education. Public Finance Law. You are probably aware that the Public Finance Law will require decisions such as this to come through the Minister for Treasury ...

Senator K.L. Moore:

If I may just ask a follow up ...

Treasurer of the States:

... but the only ... the other point to be made is that there are extant loans outstanding with the school so it is not the first time we have done this with the schools in particular and the difference between these schools and - I am going to get the terminology wrong and I apologise - J.C.G. (Jersey College for Girls) and Vic (Victoria) College is that they sit outside of that, which is provided directly by the States in terms of capital expenditure so there has been a long history of the States providing lending. I understand that the school has considered previously other options for lending. It is fair to say that we are looking to ... and they are looking for someone to lend on the long term, which is consistent with some of their previous borrowings and therefore they approached us and several other politicians and Ministers in securing the funds which is back to by business case.

[16:00]

We did look long and hard at the rate of return in effect and took the view on a long term that it was a reasonable rate to take, notwithstanding the fact that they are also providing education for Islanders. Sorry, and I jumped across you and I do apologise.

Senator K.L. Moore:

It is okay. So my question, thank you, I can still remember what it was going to be was a simple one, was whether the Minister for Education had been consulted during this process.

Treasurer of the States:

I know very well the Minister for Education has been because I have been in the room when she has been taken through the proposal.

Senator K.L. Moore:

Okay, thank you.

Deputy J.H. Perchard:

I just wanted to ask why a fixed rate as opposed to a variable rate or a rate that ... or with provision that it could be changed in the face of economic change.

Treasurer of the States:

So we are looking at the business case and what the business case can take in terms of being deliverable? We have used the Treasury Advisory Panel so when we were looking at whether we could hold this as an investment as opposed to hold it as a loan. In the end really looking at the law - I think the phrase I can use - it quacks, so we had to call it a loan rather than call it an investment. We looked through with the Treasury Advisory Panel and asked them what an appropriate rate would be as an investment. We discounted that slightly because we are now taking security. Whereas had we taken an investment we would not have had the security that would ensure that we could pay it back but it is also looking at what the business case will take as well that we think a cross security and the interest rate we are protecting the States interests.

Senator K.L. Moore:

The question, I guess, has to be asked, given the publicity around an unrelated issue that was raised from the public last week which was the licence has been turned down for a Montessori school to be opened in the Island. In the theory of One Government and removing silos this does not appear to be a very joined-up approach where there is a private sector group wishing to fund and enter the market, for want of a better word, yet they are prevented from doing so by the imposition of a rule, which does not enable them to employ any staff. Whereas for an existing business operating in the same market there is a solution found to the funding impasse that allows them to continue operating. It is ...

The Minister for Treasury and Resources:

Well, it is slightly different, is it not, from a funding loan to going against the grain of why licences are issued or restricted in this case? I am not part of the Housing and Work Advisory Group any more so I do not know this particular case. As I said, I do not know the case but I would not have thought you would go as far down the route of opening a school if you did not think you could get the licences. It is a bit sort of chicken and egg, is it not?

Senator K.L. Moore:

But the reason for asking, and perhaps lumping the 2 issues together, is one that as part of this process it appears that Treasury have identified that there is a need for education and a need to educate a growing section of our community and you have taken this action in a proactive way in relation to one institution yet ... and I appreciate that it is not yourselves but another arm of government has taken different action to prevent participation in the same market that would have a similar impact in terms of offering a different educational choice for parents and children in the Island.

The Minister for Treasury and Resources:

Well, as I say, I do not know that case and with the loan to Beaulieu it is to improve their facilities, so it is very different and it is capital expenditure for their community centre and their sports grounds not for teaching, which is what the Montessori wanted.

Senator K.L. Moore:

Yes, but it is aimed at expanding the provision so that they can take on new students into that establishment.

The Minister for Treasury and Resources:

Well, I do not think it is necessarily new students. I think it is improving the facilities for the ones that are there.

Senator K.L. Moore:

Part of the rationale that was given for their ability to repay was that they would be able to have more students in the school and therefore their income would rise. Anyway, it is perhaps a moot point but we felt it was rather an interesting announcement and slightly conflicted with your colleague's decision of last week and that different approach in the same subject matter.

Deputy J.H. Perchard:

It did just seem that 2 issues that should be considered alongside one another are not, and again I appreciate your point about the Montessori issue is not about a loan but it is interesting that it did not cross your desk simply because any expansion of any market will have an economic output. So it is just something that ... and is worth perhaps raising it again with the Chief Minister perhaps about an overview of things that are going on in different departments and joining the things together when it makes sense to.

The Minister for Treasury and Resources:

Well, absolutely and that is the whole idea of the Government Plan, is to sort of stop this - I hate the word - but that silo mentality and have a more cohesive government is the whole purpose of it so hopefully when it comes together.

Senator K.L. Moore:

It does beg the question, if I may just labour the point slightly ...

Deputy J.H. Perchard:

I thought I was doing that.

Senator K.L. Moore:

Between us we do a great job. If you are talking about cohesive decision-making how will the Government Plan bring your Council of Ministers together and enable a cohesive decision-making process because it is not at all obvious at the moment to anyone looking upon it?

The Minister for Treasury and Resources:

No, it does not but it will be.

Senator K.L. Moore:

But how?

The Minister for Treasury and Resources:

Well, once it comes together as a plan and we are obviously still working on it furiously. There has now been a one ...

Treasurer of the States:

One Government.

The Minister for Treasury and Resources:

Is it O.G. (One Government)? O.G.P.O.G. (One Government Political Oversight Group).

Treasurer of the States:

It is the One Government Political Oversight Group.

The Minister for Treasury and Resources:

Yes, which has just been formed.

Treasurer of the States:

I suppose in terms of the way the work is progressing the work is progressing directly from the process that ... you are probably well aware in terms of the C.S.P. (Common Strategic Policy) in terms of taking those 5 or 6 priorities and working on them across government rather than them being ... as would have been the case in the M.T.F.P. and previously written up by individual departments now forming teams at officer and political level with Ministers from different departments to work up through those priorities what the policy should be. So that should lend itself to a more joined-up decision-making across government rather than being seen as individual bits from individual departments so that is generally the approach we are taking on the development of the Government Plan.

Senator K.L. Moore:

Thank you. That is very helpful. Okay, we do have any further questions? So I thank you all for your attendance today and close the meeting.

[16:08]