



## Corporate Services Scrutiny Panel

### Quarterly Hearing

## Witness: The Minister for Treasury and Resources

Monday, 14th September 2020

**Panel:**

Senator K.L. Moore (Chair)

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

Connétable R. Vibert of St. Peter

**Witnesses:**

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

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

Mr. R. Bell, Treasurer of the States

Ms. C. O'Brien, Deputy Comptroller of Revenue

Mr. S. Robinson, Head of Shareholder Relations

[14:01]

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

Good afternoon, Minister and team, to our first quarterly hearing back here in non-virtual world. It is very good to see you all in person. So, we will start off with the usual introductions. I am Senator Kristina Moore and I am the Chair of the Corporate Services Scrutiny Panel.

**Deputy S.M. Ahier of St. Helier:**

Deputy Steve Ahier, Vice-Chair.

**Connétable R. Vibert of St. Peter:**

Richard Vibert, member of the Corporate Services Scrutiny Panel.

**The Minister for Treasury and Resources:**

Susie Pinel, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Lindsay Ash, Deputy of St. Clement and Assistant Minister for Treasury and Resources.

**Deputy Comptroller of Revenue:**

Cora O'Brien, Deputy Comptroller of Revenue.

**Treasurer of the States:**

Richard Bell, Treasurer.

**Head of Shareholder Relations:**

Steve Robinson, Head of Shareholder Relations.

**Senator K.L. Moore:**

Thank you. So, just as a reminder, the usual rules apply. We do not have any members of the public present, sadly, due to the limitations on the number of people we can have in this room at any one time, but the hearing will be recorded and broadcast live and it will also be transcribed as usual. So, Deputy Ahier is going to start off the questioning this afternoon with some questions about the 6-month review of the Government Plan.

**Deputy S.M. Ahier:**

Thank you. Yes, the review highlights 56 initiatives which have been delayed, deferred or reduced. How did Ministers select the initiatives which would be affected?

**The Minister for Treasury and Resources:**

Right. Well, this is, for the benefit of people listening, the 6-monthly retrospective review until the end of June this year, so just to clear up any confusion, not from you but for people listening, as to what we have had to adapt to, to change, because of the scenario that we have been presented with with COVID. From the point of view of changing the 2020-23 Government Plan - this is a progress report obviously - there have been huge changes from what was in the Government Plan prior to the COVID. I do not know if the Treasurer wants to elaborate on the financial side of things, but obviously we have had to adapt and hence the change from the Government Plan in this progress report.

**Deputy S.M. Ahier:**

Yes, but how was each individual item chosen?

**The Minister for Treasury and Resources:**

Each department or Minister then had to come forward with their own changes that they have made and what was either ... I think it was halted, deferred or stopped completely was then what the departments could do in the current scenario.

**Deputy S.M. Ahier:**

So out of those that were deferred, did you have an estimate of how much it was going to be that you were going to reduce it by and then apply that criteria?

**The Minister for Treasury and Resources:**

Not easy to estimate because, of course, as I say, this was until the end of June and we did not know, we still do not know for that matter, how this pandemic is going to spread out, so it is very difficult to estimate exactly what causes and consequences we are going to have as an effect on what the previous Government Plan or the 2020-23 Government Plan was going to pan out.

**Deputy S.M. Ahier:**

The panel notes in the review a quote from yourself which states: "Falling public revenues and the rise in public costs of dealing with the pandemic and the economic impacts mean that Jersey is moving to a budget deficit situation which will last for several years." Will the Government Plan 2021-24 budget run in deficit for each of those years?

**The Minister for Treasury and Resources:**

We are anticipating a balanced budget by 2024, is what we are hoping to achieve. How we get there, of course, is still under discussion but that will be in the Government Plan as to what we are proposing to do with various aspects of borrowing, which we have with the revolving credit facility already, although we have not used it, what we do about the hospital situation, but we do hope that we can get back into a balanced budget by 2024.

**Senator K.L. Moore:**

Thank you. I was just going to ask whether there has been restraint on growth moving forwards in the Government Plan to assist in that arrival back at a balanced budget.

**The Minister for Treasury and Resources:**

There has been, and there has been a whole growth programme, which has been very difficult to do within the current circumstances, but quite a considerable amount of growth in education, and the Jersey Care Model obviously we want to pursue, so there is quite an amount of growth in health, and also ...

**Senator K.L. Moore:**

Sorry, if I may on that point, we were previously told, or certainly the Health and Social Security Panel has been told many times that the care model was not going to cost any additional money to the public of Jersey.

**The Minister for Treasury and Resources:**

It will initially on the basis that once it is instigated then we will start seeing the payback side of it, and also part of that or part of the health growth is the digital side of health which needs to be invested in. So, there is a fair bit of growth. There is also infrastructure, which was already part of their capital plan, which has to be continued. There is the incinerator, for instance, which has to be maintained; you cannot stop that. There is a road programme which has to continue. So, quite a lot has to carry on, but I think departments have tried very hard to assimilate what their growth demands were and try to reduce them to help us with the financing in the future.

**Deputy S.M. Ahier:**

Just referring back to the deficit, you said there was going to be a balanced budget by 2024. What do you perceive to be the deficit over the next period of 3 years?

**The Minister for Treasury and Resources:**

I think we estimate a deficit for next year to probably be about £250 million because the cost of largely ... well, it is all COVID, of course, but largely the test and tracing, at which Jersey has been incredibly efficient I might say, is costing a huge amount. Then we have to decide whether we then start, as other jurisdictions are doing, charging passengers for that, or even if transport via the ports stops because of the potential increase. So, it is all a very unknown quantity but that is the prediction at the moment.

**Deputy S.M. Ahier:**

Expecting it to decrease to approximately what in 2022, the budget deficit?

**The Minister for Treasury and Resources:**

More in 2022 until we can start adjusting it and ...

**Deputy S.M. Ahier:**

More, sorry?

**The Minister for Treasury and Resources:**

Probably more in 2022.

**Deputy S.M. Ahier:**

More than the £250 million?

**The Minister for Treasury and Resources:**

It is almost impossible to predict.

**Deputy S.M. Ahier:**

I just thought, Minister, you would have some estimates going forward.

**The Minister for Treasury and Resources:**

Well, I think we will probably have a debt - probably the Treasurer can elaborate on this - of £350 million probably by 2022?

**Treasurer of the States:**

In terms of debt, the debt will be laid out in the Government Plan arising from this. The deficit shrink over the period, and particularly because what the Minister has described is the need to set aside funding in 2021 for the ongoing impact of COVID-19 pandemic, but obviously as we go into 2022-23 those costs are no longer with us, which is where we start to see shrinkage in the deficit position with proposals to balance the books in accordance with the Fiscal Policy Panel advice in their latest letter to the Minister and States Members by 2024.

**Deputy S.M. Ahier:**

That will be laid out in the forthcoming Government Plan?

**Treasurer of the States:**

Yes.

**Deputy S.M. Ahier:**

Thank you.

**Senator K.L. Moore:**

So, what level of funds will be set aside in 2021 to deal with COVID?

**Treasurer of the States:**

That will be set out in the Government Plan.

**Senator K.L. Moore:**

We are due to see that being published ...?

**Treasurer of the States:**

So, I understand we have a protocol with scrutiny for the first draft to be in confidence with scrutiny by 2 weeks before lodging. Still on plan for that and lodging on 12th October.

**Senator K.L. Moore:**

Thank you.

**Deputy S.M. Ahier:**

The review advised that the financial reports provided were a snapshot of the projected financial position and that costs would continue to develop as the year progressed. What is the purpose of the report if it does not provide legitimate figures, the 6-monthly report?

**The Minister for Treasury and Resources:**

Because, as I think I set out at the start, it is retrospective and, of course, we were asked ... the first time we have done a 6-monthly report. We were asked to do it by the Assembly, so we are fulfilling that request, but it is retrospective and, of course, it has been completely taken off course financially by the pandemic. So, it is reporting what has been very unusual circumstances that was not in the Government Plan.

**Deputy S.M. Ahier:**

All right, thank you, Minister.

**Senator K.L. Moore:**

Okay. So, overall income is deemed to be only 12 per cent down; therefore, £106 million we work out. Is this realistic given the scale of disruption faced by Islanders and businesses?

**Treasurer of the States:**

So, just to repeat, there will be a new income forecast published alongside the Government Plan which will use the most up-to-date data. We use the most up-to-date economic assumptions that the Fiscal Policy Panel have issued, as well as further details of adjustments to the forecasts that will come out of those sets of data from the Income Forecasting Group. So that will lay out where we see the income currently. I think that commentators could probably guess by looking at the Fiscal Policy Panel's revised economic assumptions that the Fiscal Policy Panel now is advising for a more prolonged recovery from the recession that will be this year and it, therefore, does not take a leap to foresee that the income forecast will similarly be impacted.

**Senator K.L. Moore:**

Sorry, could you just repeat that? You do not think that the forecast will be impacted?

**Treasurer of the States:**

No, I said it does not take a leap to foresee that the income forecast will be impacted by more negative economic assumptions.

**Senator K.L. Moore:**

Indeed, okay. So, the latest update shows a 9.4 per cent reduction in personal income tax for 2020. Given the prolonged period of impact of the economic activity and the nature of the Island economy and the way individuals and businesses are adapting to different operating conditions, do you feel that this figure is optimistic?

**Treasurer of the States:**

So, the figures are split across a number of taxation income streams, as you would anticipate. G.S.T. (goods and services tax) is informed by what is happening live within the economy, so those figures have obviously been impacted through the lockdown but are recovering. Stamp duty you can see in the Fiscal Policy Panel assumptions, and from estate agents and what you can see on the Island has been happening, has not been as weak as was forecast in both the economic assumptions and the Income Forecasting Group's forecast. In respect of income tax, of course, income tax in the Island falls mostly directly or indirectly from financial services and we believe we have benefited from having a strong financial services and predominant financial services sector in the Island in that other jurisdictions will have an economy that will be more immediately impacted through lockdown. So, lots of financial services activity and related activity has still been possible from working at home in a way that, say, perhaps a large manufacturing sector in other locations would be impacted. So we have asked ourselves those questions as we have been coming through with the income forecasts and to date that has been bearing out in terms of what we have been seeing through I.T.I.S. (Income Tax Instalment System) returns and suchlike. So, yes, we have asked ourselves that question should it see a greater impact, but it flows from the Fiscal Policy Panel assumptions. We have then discounted it further for some of the things we have seen or are likely to expect, such as will we have bonuses next year arising from this year in financial services? Probably unlikely. I would probably move my position from highly unlikely to unlikely, and we have built that into the forecast.

**Senator K.L. Moore:**

Okay. Could you describe what impact, if successful, the move to prior year ... or the removal of prior year taxation will have on 2020's revenue, please?

[14:15]

**The Minister for Treasury and Resources:**

Going back a step, one of the reasons for bringing it forward, bearing in mind this change to the tax system has been on the cards for about 16 years, I think, and one of the reasons for advancing it is to help some taxpayers - not all, obviously, but some - who have been hit with either a decrease in income or a complete loss of income and, in what would have been quite a successful year in 2019, having to pay that in 2020. So that was one of the reasons for moving it forward, one of the major reasons, plus the fact that it is a very difficult tax regime to operate because it is on 2 different levels. So, for a long time we have wanted to get it to everybody, being fair, basically, on a C.Y.B. (current year basis) basis.

**Senator K.L. Moore:**

But the question is: two-thirds of taxpayers are currently paying the prior year tax; therefore, if two-thirds of taxpayers are suddenly told they do not have to pay their bill this year, will that have an impact on revenue?

**The Minister for Treasury and Resources:**

I will hand over to the Treasurer. It will, and what we want to do, as I think you are aware, Chair, we want to try and get States Assembly agreement on this before the end of November so that people on payment on account pay one tranche, if you like, in May and the second one in November. So it is to allow those people who would pay in November to have - if they wish to, they do not have to - an extension or a deferral of their tax payment if they are finding it difficult to do so. So that is why we want to try and get it through.

**Treasurer of the States:**

The accounts of States of Jersey are already prepared on a current year basis position. That is agreed with the auditors. Accounting standards will require you to account for taxation on income in the year that the income is earned, which is ... probably did not pick the best of years to do this in hindsight, but we made the change at the end of 2019 in the accounts. It is laid out in the accounts. The impact of moving from prior year basis to current year basis has advantages for individuals in times of reduced income, and we already know that from what happened with people as they retire or when they have become redundant, for example. In terms of the impact on the financial position of the States and Government, if we move from prior year basis to current year basis it will over the time in which those amounts of money are paid into the coffers improve the asset position of the States of Jersey, putting that into cash reserves as opposed to an accrual as it sits in the accounts at the moment. So, from a liquidity and cash flow perspective it has very real advantages. From a P. and L. (profit and loss) perspective or an income versus expenditure perspective, it is already

addressed. Our accounts are already prepared on that basis. I would add, however, that to most readers of the accounts if we were to move to current year basis as well as having the accounting policy that way it will probably improve the transparency and readability of the accounts going forward.

**Senator K.L. Moore:**

Okay. So given what we were previously asking about the impact on the economy and people's earnings, the current proposal, as we understand it from the Minister, is that people who have moved on to the current year basis after being on the prior year basis will then have to pay back 2019's tax in addition to their current year taxation. So that will be, as you have laid out, a 5 to 10-year period; therefore, they will be paying 10 to 20 per cent of 2019's tax on top of their current year taxation as they go forward over that 5 to 10-year period. Is that correct?

**The Minister for Treasury and Resources:**

They would be paying it anyway if this change was not going to be made. They would be paying their 2019 tax liability. What we are saying is that because of the difficulty in the economy, somewhat, that they would be able to, if they chose to ... they could still pay it off, but if they chose to, to give them a bit of deferment of paying it back. So, it would be up to them.

**Senator K.L. Moore:**

But deferral is kicking the can down the road and my question was clearly illustrating that your proposed method for people to pay back their deferred taxation is that they would have to pay their current year plus 10 to 20 per cent of their 2019 tax for that 5 to 10-year period when they repay it.

**The Minister for Treasury and Resources:**

Over the 5 to 10 years or even just the 3 to 5 years where it is sort of frozen. If they choose to elect for an extra deferral for another 5 years, then it would be a percentage over those 5 years. So, it is not a double whammy, if you like, in one year. Cora is probably best able to ...

**Senator K.L. Moore:**

Well, I am quite happy to hear from you, Minister. As we have heard so far this morning, you have all laid out yourselves that the impact of COVID is likely to take some time and have repercussions. We have heard in the national news bodies such as Cancer Research today have said that they are likely to lay off thousands of scientists because they have not had enough revenue and they are concerned about how they are going to progress into the future. So, the job losses are potentially going to come further down the track, and this is going to be potentially a prolonged experience. Therefore, taking that 10 to 20 per cent of somebody's taxation out of their disposable income over

that long-term period, could you just explain why you think that is a sensible idea, particularly in light of young families who have mortgages and children to pay for and already stretched budgets?

**The Minister for Treasury and Resources:**

I think there is a slight misconception here. The way we have proposed this so that there is an extended period, or deferment if you like, for people to do it is to help people. If we did not do it, then they would be having to pay their 2019 tax liability anyway.

**Senator K.L. Moore:**

I think the question relates to whether ... at some point they have to repay it. You made, we think, a proposal that it would be paid back over a 5 to 10-year period, so I have illustrated how we assume that would work already. Therefore, what we are asking is the economic impact, so potential for additional job losses, insecurity in the economy, and look at it through the lens of a young family with a mortgage and growing children.

**The Minister for Treasury and Resources:**

Well, we do not know what is going to be thrown at us in the next few years. We did not know that this was going to happen this year, and this is just trying to help out people who have possibly suffered a reduced income or a loss of job and ...

**Senator K.L. Moore:**

Or it could be put that it is spreading it over ... spreading the uncertainty and the burden over a longer period of time.

**The Minister for Treasury and Resources:**

It is spreading it over, and people will be able to choose for themselves how they want to repay their liability.

**Senator K.L. Moore:**

Okay. Well, I am sure we will have a more in-depth hearing on this very topic, so we should perhaps move on.

**The Minister for Treasury and Resources:**

Possibly can Cora ...?

**Deputy Comptroller of Revenue:**

Well, I would just comment that the other way of looking at it is what would happen if we did not do the move to C.Y.B. I suppose the reason why the Minister is focusing on this is because for lots of

people whose income is dropping, if we do not move P.Y.B. (prior year basis) people on to C.Y.B., then they are going to be building up tax arrears, which is also an immediate difficulty for them and which would increase their I.T.I.S. rate in 2021. So, the Minister is very minded about not giving people that immediate problem to deal with as well so ...

**Senator K.L. Moore:**

But within the rules there is an element of discretion and an appeals process so that people, if they did find themselves in that situation, they could make appeals to the department and they would be able to deal with them on perhaps a case by case basis if you set a policy for this particular circumstance.

**Treasurer of the States:**

The debt would still be payable. It does not remove the liability from the individuals, it would just be to defer ...

**Senator K.L. Moore:**

No, I understand that.

**Treasurer of the States:**

... the payments in a way that you said that you would not want to see in any case.

**Senator K.L. Moore:**

That is what you are proposing, yes.

**Treasurer of the States:**

That would be a more immediate step. I do not know whether the Minister wants to share the views of current thinking as to how long ... over how long it is likely we bring forward the proposals, ie when the first payments will become payable, further to the F.P.P.'s (Fiscal Policy Panel) advice relating to the balancing of books by 2024 and the position of the economy.

**The Minister for Treasury and Resources:**

Yes, which we said initially there would be ... any liability would be frozen until 2023 if that is what the taxpayer requested. I have to keep saying, but a lot of people just want to pay off the debt and get it done with, but if they are in a difficult situation deferred to 2023. Then in a recent meeting it was suggested that with the coincidence in 2025 of marginal tax relief coming to ...

**Treasurer of the States:**

Mortgage interest.

**The Minister for Treasury and Resources:**

... one of those, mortgage interest relief coming to an end, then 2025 might give people a little bit more scope. So that is probably what is going to be the difference, is it not?

**Senator K.L. Moore:**

Okay, thank you.

**Deputy S.M. Ahier:**

If I may, one last question on the prior year basis. Obviously, currently when you retire, the year after you pay your prior year basis at the moment. Have you considered if you do change the system deferring the prior year basis until that person retires? In other words, not having a repayment system from 2023 for a period of 5 or 10 years but leaving it until they retire and then giving them the bill the year after they retire?

**The Minister for Treasury and Resources:**

Well, on the basis that the current year basis tax paying came into effect in 2006, a lot of the prior year basis taxpayers will have already retired anyway and there is also the option, as we have just discussed, of deferring it or putting it off for 5 or 10 years. So, we cannot ... it gets too complicated if you try to take in every equation.

**Senator K.L. Moore:**

If I may, a deferral obviously leaves that person or family with a debt. What consultation has taken place with lending companies perhaps to understand how they will treat that debt against a family income or financial position?

**Treasurer of the States:**

I am not sure that we have done any direct with lending companies, but what we are proposing in terms of how we would treat it within the Government accounts, for want of a better phrase, in terms of treatment is that we would not declare it to be a debt until the end of the 10-year repayment period. So, we would not regard it as the debt until that point in terms of legislation, and we will clarify that in the primary legislation due to be lodged shortly.

**Senator K.L. Moore:**

But when taking out a loan, somebody would have to describe their outgoings and, of course, they would have increased outgoings because they would have increased payments over the repayment period.

**Treasurer of the States:**

There are a number of different ways to address how one might address the payment of the considerable amounts of money that have gone out through COVID and, of course, many of those might have impacts upon those households through other means. So, this is one way of addressing that, but I know that Cora was going to say something.

**Deputy Comptroller of Revenue:**

I was just going to say that I think there are plans in place to meet with some of the lending bodies when Richard ...

**Senator K.L. Moore:**

Sorry, so you have not yet spoken to them, but they are going to be spoken to?

**Deputy Comptroller of Revenue:**

Yes.

**Senator K.L. Moore:**

Right, okay. Will that be before the proposition is lodged?

**Deputy Comptroller of Revenue:**

Well, we are hoping that the proposition will be lodged on the 22nd; that is our hope.

**Senator K.L. Moore:**

Of this month?

**Deputy Comptroller of Revenue:**

Of this month. The reason why that is is because there is an urgency in terms of there is a payment due ... there is a payment date due on 30th November, and so if the Assembly is to pass this, it would be good to pass it in time so that people who are due to make that payment know whether or not it needs to be made.

**Senator K.L. Moore:**

I am sure they are already preparing themselves for that eventuality. So, could you just clarify the previous comment? Will that meeting with lenders take place before the lodging of the proposition?

**Deputy Comptroller of Revenue:**

I will check that and revert to you. I am not sure of the exact date it has been arranged for.

**Senator K.L. Moore:**

Okay. One other question we wanted to ask was about the advice that was received by the Treasury Department in relation to this move. What advice was sought and received?

**The Minister for Treasury and Resources:**

Sorry, I missed the beginning of the question.

**Senator K.L. Moore:**

What advice has been sought and received in relation to the prior year move?

**The Minister for Treasury and Resources:**

Oh, crikey, considerable advice from across the financial services, across the tax and accountancy firms, tax advisers, and, of course, we have done a survey as well, which there was a huge response to that. Then later on we will do some focus groups, because there is just not time to fit all that in before the proposed debate, to get public opinion as to quite how ... more the payback time, whether they prefer the 5 or the 10 years or something in between.

[14:30]

**Senator K.L. Moore:**

My question was more about formal advice sought from ... economic advice.

**The Minister for Treasury and Resources:**

Well, we have the Government economic advisers as well as the F.P.P. and the I.F.G. (Income Forecasting Group), the income tax forecasting group.

**Senator K.L. Moore:**

That is it?

**The Minister for Treasury and Resources:**

That is quite a lot.

**Treasurer of the States:**

We have not taken on external consultants from the U.K. (United Kingdom) to do this. We have been seeking the views of local tax agents using our in-house resources in terms of economic advice and ...

**Senator K.L. Moore:**

The Treasury Advisory Panel?

**Treasurer of the States:**

... the F.P.P. recently viewed borrowing as a means of deferring the P.Y.B. tax further into the future.

**Senator K.L. Moore:**

Okay. Perhaps you might share the advice with us, please.

**Treasurer of the States:**

Yes, I am sure we will.

**Senator K.L. Moore:**

As part of our review I am sure that will be very helpful. Briefly, just to touch on the consultation, Minister, you said that there had been many responses to your brief consultation in the month of August, which is very relevant when considering good practice in holding a consultation. Could you tell us how many people responded?

**The Minister for Treasury and Resources:**

I think you have the list. About 2,500 I think?

**Deputy Comptroller of Revenue:**

Yes, 2,400.

**Senator K.L. Moore:**

Okay. Do you have any early snapshots of what they have been telling you?

**The Minister for Treasury and Resources:**

It is all being put together as we speak and should be available at the beginning of next week.

**Senator K.L. Moore:**

Okay, thank you. We look forward to seeing it. Constable?

**The Connétable of St. Peter:**

Thank you. Minister, can you update the panel on forecasted States revenue through taxation for 2020 compared to 2019?

**The Minister for Treasury and Resources:**

There has been a drop ... **[Laughter]** ... a potential drop in tax revenue, because clearly the obvious answer of people having reduced hours and possibly having lost their jobs. So, I do not know what the actual figures are. I do not think we have them, do we?

**Treasurer of the States:**

The income forecast from spring 2020 lays out the latest published income forecasts. They talk to a reduction of I think it was £105 million, £106 million in 2020 from the autumn 2019 forecast. You can see I am reading it from the page so hopefully I have the right number. As I said earlier, we have just concluded the income forecast and we will be publishing that in the coming weeks as we lead up to the Government Plan. As I indicated, there has been a deterioration from that forecast, but the details will be in the income forecast as we publish it in the coming weeks and we will be providing the Scrutiny Panel with that report. We may have already briefed but I cannot recall that.

**The Connétable of St. Peter:**

Minister, will the policy remain for taxation in Jersey to remain low, broad, simple and fair?

**The Minister for Treasury and Resources:**

Yes.

**The Connétable of St. Peter:**

Thank you.

**The Minister for Treasury and Resources:**

I strongly believe in that and - not that I want to go back to the previous discussion of P.Y.B. - C.Y.B. is one of the reasons for trying to initiate that change so it is fair across the whole public taxpaying population.

**The Connétable of St. Peter:**

Could an increase in G.S.T. be part of that?

**The Minister for Treasury and Resources:**

We have talked about G.S.T., as I have made public beforehand, and as part of the fiscal stimulus package we went round the whole remit of whether we reduced it temporarily as a fiscal stimulus package or, in fact, took it out altogether, and decided that was not going to be appropriate because it was not low, broad, simple and fair. So, although everybody pays G.S.T., that would then benefit big spenders far more than others, so it was not perceived as broad and fair, so we did not go down that route. So, it has been looked at as part of an increase, which you asked, and no, that is not being considered at the moment.

**The Connétable of St. Peter:**

Have you considered the possibility of an inheritance tax or other taxation methods?

**The Minister for Treasury and Resources:**

That has also been considered. There is a lot more fiscal levers that the U.K. have than we do with inheritance tax and capital gains tax, for instance. So, all of these have been looked at but are not being put into the equation at the moment.

**The Connétable of St. Peter:**

Thank you. So, moving on to efficiencies, the efficiencies are currently £120 million below target. What impact will this have?

**The Minister for Treasury and Resources:**

Where did 120 come from?

**Treasurer of the States:**

£120 million?

**Senator K.L. Moore:**

I think it is 12.

**The Connétable of St. Peter:**

Twelve, sorry, it should be 12.

**The Minister for Treasury and Resources:**

I was going to say it is very frightening.

**The Connétable of St. Peter:**

I was wondering how we had got to £120 million myself because it did not fit in with the ... right, so it is currently £12 million below target. What impact will that have?

**The Minister for Treasury and Resources:**

I think that is a bit of misreporting.

**Senator K.L. Moore:**

It is in your 6-month report. That is exactly how it is presented.

**Treasurer of the States:**

So, in essence, as hopefully is explained in the 6-monthly report, COVID-19 obviously had considerable impacts upon the activities of Government. Many of my colleagues were concentrating heavily on COVID-19 factors. That contributed into the efficiencies delivery in that we were not able to deliver all of the efficiencies, but what we have been able to do in 2020 is because, as I think we started essentially talking about the delays in the growth programme, if you like, or the investment programme that was laid out in the Government Plan last year, and the 2 items are offsetting one another in terms of spend over the period of 2020. Many of those measures - not all of them are compensating measures - will roll over, perhaps be delayed during this year but will be delivered into next year and beyond. So, they will be caught up with. This is just a delay as we have gone through the initial pandemic outbreak, but we will catch back up with the programme to get back on track to deliver the £100 million over the 4 years to 2023.

**The Connétable of St. Peter:**

So, again, the revised Government Plan predicts that some £27.8 million of efficiency savings will be achieved from an original target of £40 million. Do you feel this is acceptable for the efficiency programme to fall so far short of its target? I must admit that this is one where I have some concerns, and you may be able to tell me that those are not well founded. But my concern is that of those £27.8 million efficiencies, on the other side we could see budgets increased, completely negating those efficiencies. Is that something that you would ensure does not happen?

**Treasurer of the States:**

Are you addressing that to me or the Minister?

**The Connétable of St. Peter:**

Yes, or the Minister, whoever.

**Treasurer of the States:**

There is on the basis of the forecasts this year, it is probably inescapable, that with rebalancing budgets away from efficiencies that are yet to be delivered but will be delivered from investment or growth spend on a one-off basis in 2020, not an ongoing basis, those funds will still be there. The £80 million that was in the Government Plan for 2020 and onwards will still be there for growth into 2021, 2022, 2023. It is just a positioning as we have come through COVID-19 in terms of not being able to deliver all the efficiencies, but equally not being able to invest all the funds that were intended by the Assembly to be invested in growth and investment activity. So, we see this as just being a one-off adjustment as we have come through what we have been through, as have many other countries, but we will get back on track into 2021. Largely, the growth comes forward from 2020 to 2021 so that it is not an ongoing swapping in the way that you have described it there.

**The Connétable of St. Peter:**

Okay, so you would be conscious of that, that departments might ask for increased funding, which is, in effect, just their efficiencies that they have claimed on the other side?

**Treasurer of the States:**

Oh, yes, yes. There is still the requirement to deliver it on an ongoing basis. It is built into cash flow.

**The Connétable of St. Peter:**

So, I can sleep easy at night that that will not ... thank you.

**Treasurer of the States:**

You can on this count.

**The Connétable of St. Peter:**

So, the efficiencies programme involves structure of the organisation and transforming of financial management, for example. This should not have been driven off-course by COVID. It has and why has this been allowed?

**The Minister for Treasury and Resources:**

Sorry, are you asking why the efficiencies programme ...?

**The Connétable of St. Peter:**

So, what we are saying is that, yes, the efficiencies programme was driven off course by COVID.

**Senator K.L. Moore:**

Sorry, aspects of it.

**The Connétable of St. Peter:**

Aspects of it.

**Senator K.L. Moore:**

Such as the transformation of financial management, for example. The question is: how has COVID been allowed to drive that off course?

**Treasurer of the States:**

Well, if I talk broadly in that sense, in the sense that many colleagues within T. and E. (Treasury and Exchequer), myself included but many from the finance community, were heavily involved in lots of the work related to the measures put in place not only to make sure that we can spend through COVID but also so that we could put forward the business cases that have led to the individual measures that have supported the economy. So, many of my colleagues have moved from what they were doing, including finance transformation, into matters relating to COVID. There is obviously going to be a consequence with that and that is partly in respect of finance transformation, in addition to which if we take, let us say, zero-based budgeting, that did start before COVID but the majority of the team, who were from elsewhere, could not engage directly with people in departments because people in departments were spending most of their time on preparing and putting in place measures to respond to COVID and, therefore, some of the finance transformation in the form of zero-based budgeting, for example, could not be delivered through those months. We are now back up and running on that as we get back to some sense of normality going forward. So, it is just a clear ... we had a pressure that was about additional work required from the Treasury, as in common with many departments, and, therefore, we had to concentrate our efforts on that particular emergency.

**The Connétable of St. Peter:**

Thank you very much.

**Senator K.L. Moore:**

As you mentioned some of the fiscal stimulus measures, perhaps you could share with us some of the feedback that you might have received from the retail sector, for example, that encouraged you to take the early action of sharing £100 vouchers with members of the public at this early stage in the pandemic.

**The Minister for Treasury and Resources:**

Well, this was discussed, as I alluded to earlier, as to how we could help the economic recovery, as to whether we reduced or looked at G.S.T. or quite what we would do. Putting the £100 on a card - they were not called vouchers but on a card for people - this happened last week, as everybody will be aware. Starting Wednesday, everybody got their cards by Friday, and a massive amount - the figure is somewhere or other - have ... the 105,000 cards distributed, 55,000 already activated and by Saturday morning, I think off the top of my memory, at 10 o'clock there was about £625,000 that had been spent. So obviously an immediate reaction to this, and we felt that this was a good way of getting the public to spend locally. That was the main essence. So, you cannot use the cards online and the only other restriction is bookmakers, so you cannot use them to gamble. But other than that, to get people to treat themselves, really, and go out for something they might not otherwise have done and help stimulate hospitality largely, which has suffered hugely through all of this. They are not the only department to have suffered but it has done. So that was the reasoning behind it,

and people on Income Support and also certain pensioners will have had an additional £100 put into their accounts directly, in addition to the cards that they will get.

**Senator K.L. Moore:**

We will move on to some further questioning about fiscal stimulus in a moment, but Deputy Ahier has ...

**Deputy S.M. Ahier:**

Thank you. Capital expenditure. Capital expenditure for 2019 totalled £162 million. The latest 2020 forecast indicates that departments are forecasting spend of £128 million with £36 million being spent to June. Will £92 million be spent to December and where is the capacity going to come from to deliver that level of expenditure?

**The Minister for Treasury and Resources:**

That is probably a question for you.

**Treasurer of the States:**

Okay. So, whether the £128 million will be spent comes from those at the front line of delivering those programmes. So, they have not come from me sitting in an urban room and coming up with a number. They are coming from the teams that are responsible for delivering them. It does to me look challenging to deliver the £128 million. The reason that the half-yearly figures, of course, are only £36 million is because ... and I know it seems to be regarded as some sort of excuse or that COVID-19 was just one more project in a whole portfolio of measures, but the cold hard facts are that construction was heavily impacted in particular. We spent several tens of million on the construction programme in the first half of this year.

[14:45]

So, it will recover over the period in terms of ... subject to any further health restriction lockdown activity, but it will recover over the period and that is built into that forecast of spend towards the end of the year from departments. Much of it is also I.T. (information technology), which is not as critically impacted in terms of lockdown, and that is forecast within the forecasts that have come from departments to be spent by the end of the year. It is not in addition to what the Government Plan or the previous Government Plan and this Government Plan has in place and it is not the full amount of capital that is available. So, at the start of this year there was approximately £200 million that was still available to be spent on approved capital programme. At the end of the year, departments are forecasting to spend £128 million of that money, still leaving £70 million to £80 million still to be

delivered. So, it is not the full extent of the approvals that have already been agreed by the Assembly for capital, so it is less than that total amount.

**Deputy S.M. Ahier:**

But will there be an acceleration of capital expenditure during the second part of the year?

**Treasurer of the States:**

Well, so there has been an acceleration of capital expenditure, as you will see from the projects that have been happening. From cycling backwards and forwards on Grande Route de la Côte for the last few months, there was much happening there, and then as we came out of lockdown that road was resurfaced. So that is just one example, but you are seeing as you have gone from next to zero capital expenditure taking place during the lockdown inevitably we have an acceleration to this point and that will continue into the rest of the year if the figures supplied by departments are to be spent.

**Deputy S.M. Ahier:**

Have you considered the impact on the construction industry, as you were mentioning, locally and the inflationary pressure placed on private individuals and companies trying to undertake works?

**Treasurer of the States:**

As I say, this is not more than we were originally planning to spend. There are considerable elements of the capital programme that are not in the local construction industry. There are large-scale I.T. costs in there, in particular, so it is not the sum total of the £128 million. It is not £128 million construction projects being put into the local economy. For example, while we are considering the financial impacts and economic impacts of the current Government Plan that is to be lodged at the end of the month, we are very conscious of across the States of Jersey group, ie Andium and potentially S.O.J.D.C. (States of Jersey Development Company), that we are not crowding out the private investment. It is in one of the risks that we have identified on fiscal stimulus, for example, and we are trying to keep a close eye on the impacts in terms of the construction industry.

**Deputy S.M. Ahier:**

Thank you. Minister, if we can move on to fiscal stimulus now, will public finances be used to fund further fiscal stimulus measures envisaged past the £150 million package announced in July?

**The Minister for Treasury and Resources:**

At the moment we are bringing a proposition to the States for £50 million for fiscal stimulus, which hopefully will be agreed and then there will be applications made for that £50 million. We estimated that the co-funded payroll scheme would probably cost about £138 million. It has not to date, so we

have been able to extend the payroll scheme until the end of this year, funded until the end of this year, although we are hoping to be able to keep it going until the end of March next year because nobody thinks that we are going to be out of the woods anytime soon. It will be tapered in order to do that and get people back into operation again. So, there is a huge amount of different, diverse fiscal stimulus packages that we have produced. The C.R.E.S.S. (COVID Related Emergency Support Scheme) scheme, which was to provide financing for people who had not been here for 5 years, so who were not able to claim Income Support benefits, any benefits, has now stopped. That stopped at the end of ... well, there were no further applications after the end of July but it has now ceased paying out completely, with help for repatriation for those people if that is what they want to do. So, there are all sorts of things that have been initiated. Free parking in town was another one. That has now stopped. So, we just have to keep watching as to what is required, basically, as to where we direct extra fiscal stimulus but with a very careful eye on how much it is costing.

**Deputy S.M. Ahier:**

Where specifically will the £50 million fiscal stimulus that you just mentioned be directed?

**The Minister for Treasury and Resources:**

Well, this is going to be down to people applying for help. So, it is just to agree that £50 million worth ... obviously that is quite a big sum. That is why it has to be agreed by the States. People will apply for help from all sorts of sources.

**Deputy S.M. Ahier:**

Thank you. Islanders have been told to keep their Spend Local cards as the balance on the cards may be topped up. What potential options are being considered?

**The Minister for Treasury and Resources:**

That is absolutely correct and what we looked at was asking people over the age of 16 to hang on to their cards. Then when we get the data, because we already have quite a considerable amount in the space of 2 days, really, as to where people are spending, how much they are spending, then we will be able to ascertain by maybe January next year as to whether there should be a further top-up to these cards to stimulate the economy further if it is required at the beginning of next year.

**Deputy S.M. Ahier:**

How will you calculate the impact of the Spend Local card in stimulating the local economy, especially when many Islanders may just use it as a discount for their normal shopping and pocket the savings for international purchases?

**The Minister for Treasury and Resources:**

You cannot stop that. It is inevitable. You cannot catch every single outlet in this. The fact that we got these cards out to every resident, providing, of course, that every resident has supplied their correct address, then you cannot cover every single factor. So, we will, as I say, rely on the data that we get back from the spend so far to see whether we progress it further.

**Senator K.L. Moore:**

As you are aware, the Investment Appraisal Board in providing you advice with this idea of the £100 vouchers gave leakage as a serious risk in their analysis, rating it on a scale of zero to 5 as a probability of 3, and on the same scale in relation to impact again a probability of 3. So, what was your rationale for supporting this frivolity in mind of the advice that you had received from the Investment Appraisal Board?

**The Minister for Treasury and Resources:**

Chair, the investment in a fiscal stimulus fund to the tune of £11 million is not to be described as a “frivolity” if I may say so. It is a very seriously considered investment to help everybody across the board. Now, if some choose to spend their card and save whatever they spend, £70, and invest it, well, then that is their choice. I am afraid you cannot combat every single initiative that people might use. This was seen to be a fair way that everybody would be entitled to an extra £100 of their tax-paid money, ie we are giving the taxpayers’ money back to them, if you like. So, we felt that across the board was a fair way to do it.

**Senator K.L. Moore:**

But as we have discussed already this morning, the likelihood of the impact of COVID being with us for some years and having an economic impact for some years is very likely; therefore, taking such measures at such an early stage in the economic impact stage and spending £36 million on the £100 vouchers and then the 2 per cent social security discount, there will be little left in your armoury after having spent that much money already.

**The Minister for Treasury and Resources:**

No, I do not think so. I think it has all been ... it is not a kneejerk reaction. The Treasury does not work like that. So, every foreseeable risk has been countered, discussed, worked through, but you cannot foresee everything in the way of people’s spending habits. We do not know. From the database of issuing these cards, we will be able to establish a huge amount of information as to people who are no longer here but are still on a register somewhere, which has already occurred in several cases, so it is going to help us with information, and also what people’s spending habits are.

**Senator K.L. Moore:**

So, this is a data collection exercise as well?

**The Minister for Treasury and Resources:**

Yes, that is what I was saying, data collection exercise, yes, very helpful.

**Senator K.L. Moore:**

Okay, that is very helpful, yes. The other question to ask there was ... momentarily escaping me but once I gather my thoughts ... completely gone, you go ahead.

**Deputy S.M. Ahier:**

On the point of the cards and the data protection, personal information for every Islander has been shared with a third party, Prepaid Financial Services, by Government for the £100 card scheme. Can you clarify how this is G.D.P.R. (General Data Protection Regulation) compliant?

**Treasurer of the States:**

We can provide the answer to you through the team that has delivered the cards and we will come back to you with the answer, but we have checked through rigorously for the last few weeks, including making sure that the J.F.S.C. (Jersey Financial Services Commission) was content with the card issuances or that any of the alternatives that would not have been acceptable have been eliminated. But perhaps if I could respond to the Chair while she thinks of the next question in terms of the risk analysis, the risk analysis was a risk analysis undertaken by the Treasury with other parts of the Government. What we have done is looked at all the different alternatives. There is no perfect measure to deliver good fiscal stimulus into the economy. We looked in particular at vouchers as a means of avoiding to a large extent expenditure leaking off-Island, which is not necessarily the same with other measures, but that would form part of a package of measures. So when we look at the risk analysis as it relates to these specific measures, we had also done the risk analysis as it related to the alternative measures and have been talking this through with people from business across the Island to look at some of those alternatives. The Fiscal Policy Panel made it clear that we should put stimulus into the economy and that that response should be quick, not leaving it a year, seeing how the economy is and then moving into fiscal stimulus. Previous Ministers have been fairly quick off the mark to put a fiscal stimulus programme in place through what we call internally the fiscal stimulus pot, which is the equivalent of the fiscal stimulus fund. That is not bullet proof, nor will it lead to 100 per cent stimulus going directly on to the Island. As you know, much of that building project from previous fiscal stimulus, some of those goods or that raw material would have had to be imported. We are an Island economy. It is difficult to ensure that all of any stimulus can be spent on the Island, but the vouchers, through putting some of the safeguards in place, were about the best design in order to make sure that that money is spent on-Island in local shops and with local retailers and other businesses.

**Senator K.L. Moore:**

I guess the point and my very obvious question that escaped me was that taxpayers are very aware that at some point they will be paying you back for this £100 voucher. Many households saved money during the pandemic and you see the sale of hot tubs went through the roof as families who were unable to travel and saw their spending going down ... of course, that had an impact on a great deal of local businesses because they saw their own turnover decreasing, but many households did save money and, therefore, do not feel the need to benefit from the £100 voucher and they are very aware that they will have to repay that money in increased taxation in the future to pay for the Government's spending.

**Treasurer of the States:**

I might suggest that in the event that they did not spend it and did not add to their spend that in the future as and when there are any measures to repay it, they will still have felt the benefit of those funds. But for the lion's share of people I would suggest that the lion's share of locals did not buy hot tubs.

**Senator K.L. Moore:**

Well, because they ran out. They were not able to.

**Treasurer of the States:**

There was a recent survey ... I know that they sold out, but I do not think we have 40,000 hot tubs banging around in Jersey at this point in time. Now I am distracted. I think the lifestyle survey that came in recently pointed to 35 or 36 per cent of households saying that they do expect an impact arising out of COVID-19 to their finances, the point being, however, that it was not a welfare measure. It was a stimulus measure. It was trying to get some money back into the economy on a fairly quick basis, on a quick to react basis. The Fiscal Stimulus Fund will start to bring money into the economy at the back end of this year, into next year. So, this was a package of measures that did not all hit at one time. These measures, in addition to the Income Support measure, hit in the months directly after or weeks directly after the lockdown. The fiscal stimulus programme and the social security contribution reductions will impact positively on the economy over a longer time period from here until the middle of next year. So, it is a package of measures rather than just being seen as measures that are disconnected from one another.

[15:00]

**Senator K.L. Moore:**

An excellent answer and I absolutely hear your response in relation to the findings of the J.O.L.S. (Jersey Opinions and Lifestyle Survey) survey and the impact that it has had on a good many

households. So, going back to F.P.P. advice, usually it says it should be timely and targeted as well as temporary. Therefore, the targeting, could there have been a better way of targeting it at those households that require and would benefit most?

**Treasurer of the States:**

So, it is a package so targeting comes in more than one sense. Targeting can be at those on lower incomes because they will spend most of it, and you saw that with the first measure that came out. There was more money put into Income Support households and others on low income benefits so that they would see the welfare benefit of that but also that that money would be spent, a high percentage of that would be spent, but that we also needed to impact to a greater extent. The Income Support measure alone would have only put £1 million to £2 million, off the top of my head, into the economy. This offers the possibility of putting up to £11 million into the economy. So targeted also is about not just the income bands and not just who is the most likely to spend the greatest share of that, but targeted in this respect is also to target it to being on-Island spend, to try and minimise the extent to which we would get leakage out of the Island, so that people did not go and start spending it on well-known retailers that you find overseas online but that they spent it with local companies. From that aspect of targeting, it is a positive impact on the economy. Targeting is not just related to income bands.

**The Connétable of St. Peter:**

I would just like to say thank you from the Parish of St. Peter because one or 2 people have already popped in to pay their rates with the card.

**Treasurer of the States:**

I did have a personal view on that but I ... **[Laughter]**

**The Connétable of St. Peter:**

I was not expecting that to happen, by the way, but yes, I do not think that was quite the in joke but anyway it has helped them out.

**Treasurer of the States:**

Okay.

**The Minister for Treasury and Resources:**

That is just the whole idea.

**Senator K.L. Moore:**

I am sorry, we will let you get back to your question, Deputy.

**Deputy S.M. Ahier:**

Minister, what is the rationale for giving a social security discount in addition to the £100 vouchers?

**The Minister for Treasury and Resources:**

This, again, was not largely but really to give the self-employed some targeted help, because obviously if you are self-employed you are paying both the employer's and the employees' social security contributions of 12.5 per cent. They found it, a lot of the self-employed people, difficult to access the co-funded payroll scheme because it was not until you had to produce a business licence, the self-employed, one-man bands, whatever you want to call people who are self-employed, did not realise they did not have a business licence. Without one you could not access the payroll scheme. This was, in a way, to help those people out. I think there are about 4,000 self-employed, is that about ...?

**Deputy Comptroller of Revenue:**

Four thousand to 5,000, yes.

**The Minister for Treasury and Resources:**

Four thousand to 5,000, yes. It was, in a way, to help them but also, again, just one part, as the Treasurer said, of the package of fiscal stimulus to move people forward, to give them what is, essentially, a sort of 20 per cent pay increase, when a lot of them have had reduced salaries.

**Deputy S.M. Ahier:**

Two per cent. Do you think it is justifiable to give away a £26 million cash amount to people when the North of St. Helier youth centre has been deferred, Mont à L'Abbé extension has been deferred and, of course, the Public Services Ombudsman has been deferred until after the next election now?

**The Minister for Treasury and Resources:**

Yes, we are aware of that and, of course, as with everything else we have discussed, it is all part of the package and every single thing has been looked at. I am aware of the deferment of the North of St. Helier youth centre but that has happened with quite a few capital projects at the moment. What we are trying to look after with this fiscal stimulus package is more the economic recovery and people's well-being, so that they have a bit of a chance to move on again after what has been a pretty devastating 6 months. Capital programmes have had to be put to one side for the time being in some cases.

**Deputy S.M. Ahier:**

Are you going to offer support for people who are not working, such as pensioners and people with disabilities?

**The Minister for Treasury and Resources:**

Well, I think that is very largely catered for anyway. Pensioners have their pension and people with disabilities have their benefits. I think that is not something that is necessarily part of a fiscal stimulus; that is more people spending in the economy, so all pensioners. As I mentioned earlier, some pensioners would have had the £100, as did people on Income Support, if they are not taxpaying pensioners, if you like, would have had that additional £100, as well as the £100 on the card.

**Deputy S.M. Ahier:**

But those groups do not benefit from the £26 million reduction in social security.

**The Minister for Treasury and Resources:**

They do not if they are not paying contributions, no.

**Deputy S.M. Ahier:**

You have no alternative method of subsidising them in some way?

**The Minister for Treasury and Resources:**

Well, as I have just said, those pensioners who need it will have got that extra £100, as well as the card, so they are already being helped.

**Deputy S.M. Ahier:**

On I.T.I.S., do you know the total of I.T.I.S. monies overpaid at the end of each year? I understand that I.T.I.S. amounts are rounded up, so if somebody is due to pay 12.5 per cent, they pay 13 per cent to raise it up and that to ensure that the correct amount of money is received. Do you know how much money is overpaid during the course of a year?

**Deputy Comptroller of Revenue:**

I do not have that figure to hand. There are balances both over and under in repayments of I.T.I.S. because it is not precise, but I can find that out for the panel.

**The Minister for Treasury and Resources:**

Because it depends whether it is raised up or down. As you say, it goes to the 1 per cent, so some are up, some are down.

**Deputy S.M. Ahier:**

Yes, I understand the majority are raised up. I am leading to my question, which is would ... sorry?

**Deputy Comptroller of Revenue:**

Sorry to interrupt you. I think overpayments of I.T.I.S. are more likely to happen in periods where incomes are rising. Because particularly for prior year basis taxpayers, if you are on a prior year basis there is a chance that you will overpay your I.T.I.S. contributions if your income is rising and in a period where your income is falling it is more likely that you are underpaying your I.T.I.S. contributions. We could get the figure for last year, but it will not necessarily be the same for this year because it is a very different set of circumstances.

**Deputy S.M. Ahier:**

But my question, Minister, was that if there has been ... and this would not be a huge sum but slight overpayments of I.T.I.S. during the year, would you consider automatically repaying those sums at the beginning of next year as part of the stimulus package?

**Treasurer of the States:**

We will have to look at the administrative deliverability of that. It would undoubtedly deliver stimulus, but the expectation is that the majority of Islanders will be working the other way around, in that they will have underpaid their I.T.I.S., which brings us nicely back round to the proposal to move prior basis taxpayers on to a current year basis. Current year basis taxpayers will be automatically or will have the opportunity to automatically rebase their I.T.I.S. rate as their income falls. Prior year basis taxpayers, if they are finding that their income is falling in 2020, are not, therefore, keeping up with their I.T.I.S. payments in respect of the liability that arises from 2019. So, I expect in this year, as opposed to many other years, we will be working in the opposite direction but, as the Deputy has asked, we can look at what that is looking like this year. Of course, we will not find most of that out until we get towards the back end of the year.

**Deputy S.M. Ahier:**

Of course, but would it be possible to inform the panel as to the amount of people who are overpaying I.T.I.S.?

**Treasurer of the States:**

Yes, okay.

**Deputy S.M. Ahier:**

Thanks very much.

**Senator K.L. Moore:**

We will move on to borrowing, and the Chief Minister stated that borrowing should not be used to fund normal recurring revenue expenditure. How does the Treasury plan to pay for many of the items of additional expenditure in the COVID response?

**Treasurer of the States:**

If I understand correctly, the Chief Minister has said that he does not agree with borrowing for recurring revenue expenditure. That is very different from whether or not to borrow from one-off COVID-related expenditure. They are one-off in nature. They are, I suppose you could coin the phrase, into an emergency situation, which undoubtedly, we were and continue to face threats to the economy on an ongoing basis, as well as potentially health as well. The cost from COVID, the non-recurring cost, will have an impact on the finance and the proposal would be that we will be borrowing or putting forward to the Assembly that we borrow for those costs that relate to COVID, those one-off impacts either on expenditure or to a degree the impact on income arising in the immediate period ahead of rebalancing the books by 2024.

**Senator K.L. Moore:**

Do you have any idea of what amount of borrowing you are ...?

**Treasurer of the States:**

I do and that will be laid out in the Government Plan.

**Senator K.L. Moore:**

We look forward to seeing it with great anticipation. Okay. If we can turn to the short-term borrowing and the revolving credit facility that was arranged, could you update us on the amount of the loan that has been drawn down so far? I think the Minister said none of it had been used?

**The Minister for Treasury and Resources:**

There was an initial drawdown, which was part of the arrangement, which has been paid back, of £5 million, so that is not there as a debt anymore and we have not drawn down any more to date.

**Senator K.L. Moore:**

Okay, why was the £5 million paid back?

**Treasurer of the States:**

The condition of the original application was that we made an initial drawdown of at least £5 million at the start of the facility. It is a facility, as opposed to borrowing, as you already understand. But that was a requirement that we did, so we borrowed that down and then have repaid.

**Senator K.L. Moore:**

Okay. How much is being paid in terms of interest and commitment fees, arrangement fees?

**Treasurer of the States:**

Just let me get the sheet. In terms of commitment fees, they are paid at 35 per cent of the applicable margin, 35 per cent per annum on the applicable margin; the margin being 0.8 per cent. That works out at 0.28 per cent for a year on commitment fees. The arrangement fee was at 0.25 per cent of the available facility up to £500 million.

**Senator K.L. Moore:**

That has been paid already, I believe?

**Treasurer of the States:**

They get paid quarterly in arrears; I think. The arrangement fee has been paid already, yes. Just to clarify, when we talk about borrowing in the Government Plan, we will be using this facility to execute that borrowing strategy or proposing in the Government Plan, sorry, to use this facility to do so.

**Deputy S.M. Ahier:**

The commitment fee, was that approximately £3 million?

**Treasurer of the States:**

No, that was ... the commitment fee, sorry, let me just work this back, it is 0.28 per cent of £500 million if none of it is drawn down.

**Deputy S.M. Ahier:**

The arrangement fee?

**Treasurer of the States:**

The arrangement fee £1.25 million.

**Deputy S.M. Ahier:**

All right. If things stay as they are, we have borrowed £5 million at a cost of about £1.5 million?

**Treasurer of the States:**

No, the £5 million was in excess of that, but that would have been used ultimately to pay the fees but, ultimately, that has been repaid.

**Senator K.L. Moore:**

What do you foresee at the moment is the potential uses of this money?

**The Minister for Treasury and Resources:**

Well, if we need to ... it depends how we borrow. As the Treasurer said, the possibilities are laid out in the Government Plan, which we will need to do if we are not going to use our reserves. For many reasons, not to mention personal ones, I do not think the strategic reserve should be used. That and the very well-invested social security reserve fund are what has been our backup in this current situation, for which we are very grateful to previous Administrations for increasing it and for the investment that we have had. But, of course, any investment could go down as well as up and our view is that we should not be diminishing the reserves because you then, by nature, diminish any return that you might have. It is also at the moment much cheaper to borrow than it is for the losses in investment interest that you would have. It makes sense to do that and, of course, we take the advice of the Fiscal Policy Panel and the investment strategy groups as to how we go ahead and what we borrow and if it is a long-term bond and for how long.

[15:15]

So, we have to investigate all of that. Then the revolving credit facility could be then used to ... a bond could be used to pay off what we borrow from the R.C.F. (revolving credit facility). It is a matter of working out, taking the advice as to when we need to borrow. But Jersey is not used to borrowing money, so we have to look ahead. We are going to have to, of course, with the hospital but that is a completely different equation. The debt that is likely to accrue from this pandemic situation we do not know, of course, what it is going to be because who can tell? But if we go into lockdown again and the economy takes another dive, then there could be all sorts of reasons why we have to accrue more money, but we are not at the moment looking to use the reserves.

**Senator K.L. Moore:**

Under what circumstances do you envisage that you might look to the strategic reserve for funding?

**The Minister for Treasury and Resources:**

I think the only way we can see that working is, for instance, if we had a bond for 30 years - that is just an example - then we have worked out what the accrual in interest income on the strategic reserve could be, which would be more than enough just in interest to pay off any debt. The thought of that being, looking well into the future, is that we do not saddle future generations with a debt at the end of it.

**Senator K.L. Moore:**

Will the strategic reserve be reviewed to allow for more liquidity and use in times of need?

**The Minister for Treasury and Resources:**

Correct me if I am wrong, Treasurer, I think we are able at the moment to borrow up to £400 million from it or take £400 million from it ...

**Senator K.L. Moore:**

Which is pretty liquid, yes.

**The Minister for Treasury and Resources:**

... which is just under half of where it sits at the moment, so that is already a measure in place, but we are not inclined to do that.

**Senator K.L. Moore:**

Have you considered turning it into a sovereign wealth fund perhaps?

**The Minister for Treasury and Resources:**

That has also been considered.

**Treasurer of the States:**

It has been mooted previously. Any changes to the purposes for strategic reserve come back to the Assembly, obviously. I think in terms of this Government Plan for the coming year, given that there is still some yards to run on the COVID-19 pandemic and its impacts, we need to preserve some flexibility and that is the reason why we would use the R.C.F. on a short-term basis to get further down the line and have more certainty, to address the funding for the hospital before crystallising into a medium-term to longer-term position. But you are right in raising it in terms of making sure that we have the purposes of the strategic reserve reviewed and largely they stay intact, largely in terms of a response in terms of the strategic reserve is where the strategic reserve would then become the line of defence for future shocks while that debt is repaid. Might still use some short-term debt to avoid fire-selling, but the strategic reserve would then be the first line of defence for future shocks, as and when or should they occur.

**The Minister for Treasury and Resources:**

There is also a significant advantage in having those reserves. It supports our credit rating with Standard and Poor's, which is hugely important from the point of view of a credit rating but also the financial reputation about future borrowing. It is important to maintain that.

**Senator K.L. Moore:**

Okay. Constable?

**The Connétable of St. Peter:**

Minister, a question on the workforce. How do you keep yourself apprised of the opinions and experiences of departing staff?

**The Minister for Treasury and Resources:**

We have exit interviews which are not public and, of course, they are not compulsory either. But if people want to partake in an exit interview, they are very welcome to do so.

**The Connétable of St. Peter:**

If you see anything, do you act on any of that information?

**The Minister for Treasury and Resources:**

It depends on what the information is. I am not privy to it, I am afraid, but obviously it would depend on what the information is.

**Senator K.L. Moore:**

Our investigations obviously shared with us only 2 exit interviews with the 60 departures from one particular part of your department, which is income tax. I shared with you in the Assembly in sheer desperation last week some of the feedback that I have received from people, which refers to people crying at their desks, such is the level of despair and unhappiness among members of the workforce. Do you feel that you need to take some action in relation to this information that we are trying to share with you and the flag that we are trying to raise with you about the turnover of staff?

**The Minister for Treasury and Resources:**

I think the turnover of staff has been completely exaggerated. We totally, totally understand the pressure that Revenue Jersey has been under because not only is it introducing a whole new tax computer system to replace the 35 year-old one previously there, there has also been the move from Cyril Le Marquand House, a physical move to La Motte Street, so that put a lot of pressure on the staff. Cora could probably answer better but about 40 vacancies, so completely understaffed, which put more pressure on the others, all of which has been now resolved to the point of, I think, about 5 vacancies left.

**Senator K.L. Moore:**

Minister, it is the vacancies that have caused the turnover. So we identified when the Comptroller joined you at our quarterly hearing in February where the Comptroller at the time described to us

that they had filled 43 vacancies, yet there were 17 remaining to be filled at that time. Therefore, it is simple mathematics; 43 plus 17 makes 60. At the time we said: "How many people work in the department?" and we were told there were 120 roles in the department, which is why we have reached that figure of 50 per cent turnover, which I defy anyone to describe it as otherwise. So, I am a bit puzzled as to why you might think that that was an exaggerated picture.

**The Minister for Treasury and Resources:**

I think the Comptroller, of course, who ... because your panel asked us to be here in person and he is, very sadly, away with personal circumstances, he cannot be here to answer.

**Senator K.L. Moore:**

Yes, we understand that, but it is your role, Minister, to hold to account your officials. That is why it is important that we ask you these questions because it is your job to be holding your officials to account. We, in holding you to account, wish to ensure that we are confident that you are confident in the abilities and the performance of your officials.

**The Minister for Treasury and Resources:**

I am totally confident in the ability and performance of the officials. I can say that without any hesitation. But I cannot go into the numbers, which because of the very heavy recruitment situation I do not know what the latest as of today numbers are.

**Senator K.L. Moore:**

No, but we are trying to understand whether you have understood the reasons for this turnover of staff and whether it concerns you.

**The Minister for Treasury and Resources:**

Any turnover of staff would be concerning, but I thought I had answered that in the first ...

**Senator K.L. Moore:**

Well, you did back in February, yes.

**The Minister for Treasury and Resources:**

No, in the answer to you just now, in that they have been under enormous pressures as a department, Revenue Jersey. I have already answered that, so at the risk of ... I will not repeat it ...

**Senator K.L. Moore:**

It requires no further investigation in your mind?

**The Minister for Treasury and Resources:**

All we can do is what we are doing at the moment and taking very considerable care of people's concerns, their well-being I think is the word that is used a lot now, mental health issues. We do take huge amounts of concern over that.

**Senator K.L. Moore:**

It would be helpful if we could see some evidence of that. Perhaps we would ask if you could furnish us with that in the future. But, of course, for those who have already left it is a little late, is it not?

**The Minister for Treasury and Resources:**

But, as I say, the staff can give exit interviews, they do not have to.

**Senator K.L. Moore:**

Yes, and only 2 have chosen to do so.

**The Minister for Treasury and Resources:**

They are not available for public consumption.

**Senator K.L. Moore:**

No, for obvious reasons.

**Assistant Minister for Treasury and Resources:**

One of the things we are doing, and I think Richard probably would know better because he is part of the Government as such, we are doing a Best Company Survey, which is now used by a lot of the big banks and smaller banks as well. It is a totally anonymous reply service. We will get information back from that as to whether they find themselves under stress, working conditions, everything like that, and it is done in a totally anonymous way. Hopefully, not just the Treasury Department but as a Government body, we will get some great information and we can move forward with that.

**Senator K.L. Moore:**

When will that be published?

**Assistant Minister for Treasury and Resources:**

I think the actual survey - and, again, you have probably been filling it in - I think it finishes on 14th September and I think they then take around a month to 2 months to come back with ... it is often: "Where would you rate yourself, 1 to 9, happy?" but there is also a box at the end for: "What other

things do you think your company can do to make it a better place to work?" I am sure the Government will happily share that with ...

**Senator K.L. Moore:**

Just to be clear, is that part of the HR Lounge process? They have returned to do a follow-up on the bullying and harassment report that was published 2 years ago.

**Assistant Minister for Treasury and Resources:**

I cannot comment on whether or not it is part of that process, but I would imagine it would form a part of it because, as I say, so many issues ...

**Senator K.L. Moore:**

Does the issue of bullying and harassment concern you as an Assistant Minister and a member of the Government?

**Assistant Minister for Treasury and Resources:**

If there was bullying and harassment, yes, it would concern anybody; I think that goes without saying.

**Senator K.L. Moore:**

But you do not feel that there is a problem with bullying and harassment?

**Assistant Minister for Treasury and Resources:**

I have certainly never witnessed anything.

**Senator K.L. Moore:**

You do not feel that the 50 per cent turnover in a department is a point of concern?

**Assistant Minister for Treasury and Resources:**

I feel if people felt they were under stress, as the Minister has said, I can well believe they will. It is a phenomenal amount of work that has been pushed in one area. This is not the fault of anybody in particular, but it is also an area that has come under considerable press scrutiny, press criticism and Government and States Assembly criticism. That puts its own pressure on the workforce that have been, effectively, doing a tremendous amount of work and a tremendous amount of good work.

**Senator K.L. Moore:**

In hindsight, as members of the Government, do the Minister and Assistant Minister have a view as to what might have been done better to ensure that the employer was meeting its duty of care to its staff?

**Assistant Minister for Treasury and Resources:**

I think, to an extent, everything is done to meet the duty of care for our staff. We have a very solid H.R. (Human Resources) Department attempting to do that. But when you have got vacancies, and we have now successfully filled most of them, but a lot of the time you are competing, particularly in Jersey, with the highly paid financial services sector. When you are looking for some of the roles, particularly in a tax environment, you are competing against people who are even better paid. We lost one of our members of staff. Cora has obviously stepped in and is doing a great job, but we lost someone to one of the big tax companies here. It is not always easy to retain and I understand, again, there is considerable work going on within the H.R. Department as to how we can make it easier for departments to retain staff.

**Senator K.L. Moore:**

Could you perhaps give us an example of some of that considerable work? It is a rather sweeping statement.

**Assistant Minister for Treasury and Resources:**

I do not work within the H.R. Department, but I know that there is a focus within it.

**Senator K.L. Moore:**

The Minister is a member of the States Employment Board. Have you been given any briefings from the H.R. Department in terms of what they are doing to improve the position for staff or is there a referral process if you can see that staff in the department are under pressure due to particular pieces of work or what ought to be done to alleviate that pressure?

**The Minister for Treasury and Resources:**

Not in this particular instance. It has not come before the States Employment Board.

**Senator K.L. Moore:**

Thank you. All right.

**The Connétable of St. Peter:**

Carrying on with the workforce, what level of training is given to new members of staff - the question was specifically about the Tax Department, but I would say across Revenue Jersey - and who is this provided by? What is the training programme for staff?

**Deputy Comptroller of Revenue:**

When the staff join Revenue Jersey, they are given an induction programme. At the moment we are developing a number of training modules. Quite a bit of on-the-job training is being done, but together with one or 2 other staff in Revenue Jersey I have been spending some time trying to develop some structured training modules through the different tax heads to make sure that the training is built in at every stage and we are developing a training framework. We have been speaking to third-level institutions to see if we could get accreditation for that training framework. We have also spoken to the profession to see would they be interested in working with us on extending that training framework. It is something that is very much in development, but we are very conscious of expanding our training and making sure that it is of the best quality. In fact, it is not just a question of Revenue Jersey staff, it would be lovely if we could have some type of accredited tax professional training in Jersey for anybody that wants to participate in it, and that is why we have been speaking to the third-level institutions about Revenue Jersey contributing to developing something like that so it would be an offer for anybody who wanted it.

[15:30]

**The Connétable of St. Peter:**

Yes. It is fantastic that you are developing that, but it sort of suggests that there was not a great deal there before.

**Treasurer of the States:**

For many decades there have been little, from what I could see, in what was the Taxes Office. It is fair to say, though, that the roles are completely different to the roles that you would find in the Taxes Office as recently as 3 years ago. We are moving from predominantly data input from the tax form that gets scanned on to another system that goes on to a screen to be typed into another system, and a system, if I might say so, that it is appalling that has not been dealt with previously. Now we are moving to a risk-based and tax-based system, which means that we have a greater need for trained tax professionals in particular, rather than predominantly input into a system from paper records. The system will generate some of that risk rating of individuals or companies, based upon what goes into the system and what comes through from the individual returns. A lot of that manual process, it is just not adding value and will be replaced by added value. In addition to which and adding on to what Cora says, we have introduced a new induction system in the last year across the department, and there is about to be launched or has just been launched a States-wide induction. Cora talks about accreditation on tax, which if it has been something has been not something, I have been aware of in recent years in terms of an opportunity. But in terms of the finance side of the organisation, we had an induction of 9 new trainees last year. We now have a training programme that relates to them and will be going out likewise this year for more trainees so that we have a trainee progression. We are also accredited with the A.C.C.A. (Association of Chartered Certified

Accountants); I think it is platinum employer status. So, we are developing all of that. We are using wherever we can to develop some online training modules for people within the finance function as well, which can cross over to what is happening in Revenue Jersey as well.

**The Connétable of St. Peter:**

That is good to hear that you are sort of catching up now in the whole training process and someone is taking charge of it and getting it up and running. Thank you very much for that. I think we have reached the end of our time.

**Senator K.L. Moore:**

Well, if we could just keep you for an additional 5 minutes, particularly as you have been so patient waiting for the final set of questions, which do relate to your area of expertise, Constable. Would you like to ...?

**The Connétable of St. Peter:**

This is the memorandum of understanding, yes. We understand that the M.o.U.s (memoranda of understanding) with arm's length organisations are nearing finalisation. What has prompted the changes to the M.o.U.s?

**Head of Shareholder Relations:**

Shall I take this question?

**The Connétable of St. Peter:**

Yes.

**Head of Shareholder Relations:**

Okay. This has been a long-term process. There was a Comptroller & Auditor General (C&AG) report issued in 2014, which specifically looked at the shareholder relationship with Jersey Telecom. Following that, there was a follow-up report in March 2019 which looked at the responses to the 2014 report. Before that follow-up report was produced, in November 2018 the Treasury and Exchequer Department engaged PWC locally to look at the suite of M.o.U.s with the States-owned entities. When we talk about States-owned entities we are talking about the wholly owned States-owned entities. PWC were engaged to look at, effectively, what is best practice in terms of corporate governance, looking at the recommendations of the C&AG. report and to ensure, as I say, not only best practice but consistency across the governance of the States-owned entities.

**The Connétable of St. Peter:**

Because there are 2 sides to this in that some of the arm's length organisations appear to think they had a bit more independence than they had. But on the other hand, they are arm's length organisations and one has to protect them from the politicians interfering. I remember being told off for using that word "interfering" in a recent debate but that is what it is. How have you tried to address that in the new M.o.U.s? Are you putting levels of protection in for possibly both sides of that argument?

**Head of Shareholder Relations:**

We have to look at the fact that the States is the shareholder of the States-owned entities. The boards of directors of those States-owned entities have their own duties under the Companies (Jersey) Law 1991 to act in the best interests of that particular company. We also have to have regard to, potentially, the interests of the shareholder but predominantly have the best interest of the company in our minds. So you could say there is a tension between the 2, between what the legislation requires and what the M.o.U. endeavours to do is to look at how each party, both the shareholder and the States-owned entity board, what the expectations are of each, so in terms of things like reporting between the board and the shareholder, the number of meetings that the shareholder will have with the States-owned entity board. One of the other recommendations of the Comptroller and Auditor General was to note that there was an inconsistency between the various memoranda of understanding. For example, the current M.o.U. requires the production of a strategic business plan, which the Minister will approve. Now, some of the M.o.U.s implied that this had to be produced annually, which really a strategic business plan is for the a sort of short to medium term, not on an annual basis, so we wanted to ensure clarity over that. I think there is also some clarification needed in terms of when does a board need specific approval from its shareholder, when would it be appropriate to inform or consult with its shareholder, so there is more prescription about those kind of elements.

**The Connétable of St. Peter:**

That is excellent. Will you be able to or do you intend to forward those M.o.U.s to scrutiny so that they can review them?

**Head of Shareholder Relations:**

Yes, I believe the generic M.o.U. has already been shared with the panel in previous correspondence. When we talk about generic, just to be clear about it, there is a generic element which is called the Government's framework, which ensures that each S.O.E. (States-owned entity) is governed in a similar format. There are bespoke elements which reflect the market in which each of these S.O.E.s will operate in. But, yes, we are in the process of receiving the feedback from those S.O.E.s. Obviously, they will each have their comments on it. We will look at those, reengage with

PWC. to see where we can meet the expectations of the feedback of S.O.E.s, and yes, we will share the results of that with the panel.

**The Connétable of St. Peter:**

I know you have not yet finalised these, but in the future would you consider that you would in X number of years' time review them again to see if they need to be updated?

**Head of Shareholder Relations:**

Yes, ideally we are looking at reviewing them every 3 years but one of the beauties of having a reasonably consistent M.o.U. between all of them is that, as corporate governance best practice evolves, we can implement changes across the piece, rather than to revisit each individual M.o.U., so yes, we will do that.

**The Connétable of St. Peter:**

Thank you very much.

**Senator K.L. Moore:**

Thank you.

**Deputy S.M. Ahier:**

Sorry, just one last question: when were they last updated, the M.o.U.s for the States-owned entities?

**Head of Shareholder Relations:**

Some of these go back. For instance, Jersey Telecom and Jersey Post, their M.o.U.s were entered into in 2006, but the more recent ones were formed by Acts or propositions. For instance, Andium and Ports of Jersey and States of Jersey Development Company are more recent, so 2015, 2014, that ...

**Deputy S.M. Ahier:**

Thank you.

**Senator K.L. Moore:**

Okay. Thank you all very much. I am sorry for running, as I said, slightly over but we thank you all for your time and I close the hearing.

**The Minister for Treasury and Resources:**

Thank you.

[15:38]