



## Corporate Services Scrutiny Panel

### Quarterly Hearing

## Witness: The Minister for Treasury and Resources

Wednesday, 22nd September 2021

**Panel:**

Senator K.L. Moore (Chair)

Deputy S.M. Ahier of St. Helier

Senator S.W. Pallett

Senator T.A. Vallois

**Witnesses:**

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

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

Mr. R. Bell, Treasurer of the States

Mr. A. Hacquiol, Group Director, Strategic Finance

Ms. H. Cunningham, Group Director, Finance and Business Partnerships

[10:29]

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

Welcome to this quarterly hearing of the Corporate Services Scrutiny Panel with the Minister for Treasury and Resources. Normal hearing requirements can be followed today. We have one person joining us remotely but it is very good to have everyone in the same room and also to welcome a member of the public who has been able to access the building, which is very good to see. Hopefully we shall see more of a return to normal practices as time goes on. We will start, as usual, with the introductions. I am Senator Kristina Moore and I am the chair of the panel.

[10:30]

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

Deputy Steve Ahier, vice-chair.

**Senator S.W. Pallett:**

Senator Steve Pallett, member.

**Senator T.A. Vallois:**

Senator Tracey Vallois, member.

**The Minister for Treasury and Resources:**

Susie Pinel, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Deputy Lindsay Ash, Assistant Minister for Treasury and Resources.

**Treasurer of the States:**

Richard Bell, treasurer.

**Group Director, Finance and Business Partnership:**

Hazel Cunningham, group director, finance and business partnering analytics.

**Group Director, Strategic Finance:**

Andy Hacquoil, group director, Strategic Finance.

**Senator K.L. Moore:**

Sorry, I did not catch of what finance?

**Group Director, Strategic Finance:**

Strategic Finance.

**Senator K.L. Moore:**

Strategic. Thank you. Sorry it sounded like "sheep" so I thought we ought to correct that. Thank you very much. Right, we will start with independent taxation. During the debate last week, Members expressed concern about the need for couples to jointly elect to move to independent taxation. Do you believe that more work needs to be done, Minister, to provide opportunities for couples to independently elect to be taxed before 2024?

**The Minister for Treasury and Resources:**

No, I think we have gone into this very, very carefully and obviously extended hugely the amount of time that people will get to adjust to this. It is a very complicated move. We very much appreciate that and already the leaflet drop has happened. We are going to be doing Parish briefings as well and any information that people require they can get from the helpline. So, no, I think every angle has been looked at, which, when we first talked about doing this, when I first became Minister at the end of 2018, several female Deputies in the Assembly asked for personal briefings on all of this. They acknowledged at the time that this is going to be quite a complicated process, which is why we have phased it over the time so that people will have the requisite information to make their decisions.

**Senator K.L. Moore:**

One of the issues that this panel has raised about the complexities and some of the issues that it has caused is the loss of £4 million worth of revenue to the Treasury. In your reply to the panel's comments you stated that there was no pressing need to deal with the loss of £4 million. Could you explain why that is, please?

**The Minister for Treasury and Resources:**

The £4 million is largely an estimate because, of course, everything is. We can only go on estimates and forecasts as to what the loss would be, whether it was like the change from prior year basis to current year basis where ...

**Senator K.L. Moore:**

But the issue is, does it not concern you that this wrinkle that could have been smoothed out and is benefiting wealthier couples is costing the public purse £4 million?

**The Minister for Treasury and Resources:**

As I said, Chair, that is an estimate and that will be more than made up in other areas of taxes, as we have already said, with a heavier emphasis on compliance which is bringing in more money. So one will balance out the other.

**Senator K.L. Moore:**

There has previously been a request for additional resource in that area and the targets were not met. That is certainly also not an exact science, as previous years have shown.

**The Minister for Treasury and Resources:**

It is not an exact science when you are moving from a 100 year-old law; it is 1928, almost 100 years the current law. So moving from such an archaic situation into a modern-day situation, which will, I

am absolutely sure, with the amount of work that has gone into it, even itself out. That is what I said earlier; it is a phased approach to it rather than just a complete changeover in one year.

**Senator K.L. Moore:**

The panel's comments paper noted concerns about the lack of clear communication between yourself and Islanders and the need to explain the effect of independent taxation. You have outlined this morning how that is now going to occur, now that the Assembly has agreed to move forward with your phased approach. We have, as a panel, had to identify and highlight to you the lack of the following of proper consultation rules, as set by the Government itself, not for the first time but for the second summer period in a row. What lessons have you learned about the manner of consultation that your department conducts and how will it improve in future?

**The Minister for Treasury and Resources:**

I think I answered that in the ... well, I know I did. I answered it in the Assembly that we did a massive amount of consultation. We did written consultation, we had focus groups, we had 5,000 replies to our consultation so I do not think there is a lack of consultation and certainly ...

**Senator K.L. Moore:**

Well, it did not follow the rules.

**The Minister for Treasury and Resources:**

... there have been quite a few briefings to the Scrutiny Panel as well on independent taxation and to, as I also mentioned, any States Member that wished to have a private meeting, briefing, that has been done as well. I am not quite sure that over the period of 2 years there has been a lack of consultation. There is some confusion by saying "over the summer"; that was the lodging period not a consultation period. All the consultation had been done before the independent taxation proposition was lodged.

**Senator K.L. Moore:**

Thank you. I think we made it quite clear how the consultation had lacked and did not fall into the Government's communication strategy but we shall move on now to Senator Vallois.

**Senator T.A. Vallois:**

Thank you, Minister, for being here today. Can you advise us when the legislation regarding compensatory allowance will be lodged for the States Assembly debate?

**The Minister for Treasury and Resources:**

I cannot remember that. Compensatory allowance.

**Treasurer of the States:**

I believe that is within the next year, is it not?

**The Minister for Treasury and Resources:**

It is in the next year, yes. I do not know an actual date but within the year.

**Senator T.A. Vallois:**

Okay, it will be going to law drafting at some point next year and then to the States Assembly towards the end? Just a rough ...

**Treasurer of the States:**

Yes, off the top of my head, and we do not have the Comptroller with us today, it is next year so that it will be in place for 2023.

**Senator T.A. Vallois:**

In the response you provided to us, Minister, you stated that compensatory allowance will probably erode by the annual rate of inflation over a 10-year period. Could you advise why the term "probably"? Is there not sufficient, more robust thinking around what that might do over that 10-year period?

**The Minister for Treasury and Resources:**

No, because what it is going to involve is ... again, as I think I said in the Assembly, the compensatory allowance is not the standard allowance across all people who require it when moving to independent taxation because of the ... I think the Comptroller refers to it as the disbenefit in some cases. There are about 7,100 couples, I think, who potentially might require this compensatory allowance. So until they apply for it - as it is a bespoke situation, it is not standard - we will not know how many people (a) will need it and (b) what their requirement would be. Again, just trying to remember, in a situation where one of the couple earns £60,000, the other one earns £10,000 - this was just an example that was put out there - so £70,000 in total and then when the second earner's allowance of £6,500, I think it is, then is removed the partner earning the £10,000 will not get second earner's allowance but equally will not be paying tax because our tax threshold, as you will be totally aware, is £16,000. It would only be the partner on £60,000 who would be paying it. That was just an average example. But until people apply we will not know. Hence the "probably".

**Senator T.A. Vallois:**

Do you have a rough idea of more certainty around what those numbers will look like in terms of applying compensatory allowance? You mentioned that you would have this reviewed in advance

of the end of the 10-year period but would it more likely need more regular review rather than that one review before the end of the 10-year period?

**The Minister for Treasury and Resources:**

Yes, we are looking at about a 6 or 7-year period. I understand exactly where you are coming from but, of course, it will not be mandatory anyway until 2024. So if we take it from this coming in in 2022, that is already 2 years, and so the review will have to be really after it has become mandatory so that we then get an idea of how many people will need the allowance. Of course, people change jobs so it may well be that the couple would, in their current situation, need it but by 2024 may not. That is hence the “probably”. It has been very, very investigated in huge detail but obviously you cannot forecast an exact figure.

**Senator T.A. Vallois:**

Yes, I understand that. Forecasting is not an exact science. You also note that wealthier taxpayers potentially benefiting from independent taxation is a consequence that cannot be resolved within the framework of independent taxation and requires a different approach. Could you maybe expand on what that different approach may entail?

**Treasurer of the States:**

Sorry, can you repeat the start of the question?

**Senator T.A. Vallois:**

It is noted that wealthier taxpayers potentially benefiting from independent taxation is a consequence that cannot be resolved with the framework of independent taxation and requires a different approach. I am just asking if the Minister can expand on what that different approach might be or might entail?

**Treasurer of the States:**

Did you say child allowances, sorry?

**Senator T.A. Vallois:**

No, I said wealthier taxpayers potentially benefiting from independent taxation is a consequence that cannot be resolved within the framework of independent taxation and requires a different approach. I am just trying to find out what the different approach is.

**Senator K.L. Moore:**

Sorry, before you do answer, could you move your microphone a bit closer to you, please?

**Treasurer of the States:**

Yes. Can you hear me? Largely a political question. My view would be some of the feedback from what the panel has said requires us to think how we could review that into the future. The point being on the independent taxation, with a taxation rate of 20 per cent, we have not changed the tax rates, we have not changed the marginal rate of tax, no taxes have been changed and independent taxation has been delivered without any of those things. It is a complex area moving from the current system of taxation to independent taxation without moving tax rates and I am not - to be clear before we have headlines saying: "Treasurer advocates increases to tax rates" - advocating that. We will go away, bearing in mind the comments of the panel, to go around that loop again given the concerns that have been raised about the benefits of the route to independent tax being a higher rate. All that simply means is it cannot be addressed directly through the move to independent taxation. There are a few tools left, given that we are now at a 20 means 20 environment.

**The Minister for Treasury and Resources:**

Just quickly, while the treasurer mentions no increase in income tax, just as we have a public forum, one of the television interviews yesterday said there was an increase in income tax. That is incorrect, there is an increase in impôt duty, they got the word wrong. I thought I should take advantage of correcting that.

**Senator T.A. Vallois:**

Okay, thank you, Minister. The panel also notes - and this is where I will ask about child tax allowances - in your response you favour the removal of the child tax allowance from the tax system but this is a matter for the whole Council of Ministers. When will consultation be undertaken to develop a long-term strategy for the future of allowances and other tax based support mechanisms?

**The Minister for Treasury and Resources:**

We said that we were not going to remove the child allowances in the first instance because that just complicates an already complicated situation even more. With thanks to the Assembly for agreeing this, once the legislation is in place and we can start the whole move at the beginning of January 2022 then there will be another look at what we do with child allowances.

**Senator T.A. Vallois:**

Roughly, how long do you think that process will take, because of course next year might have a completely different Government, in terms of looking at strategy for these allowances. Historically there always has been the overhanging question of how income support and tax kind of work together or do not. Will there be consideration about the 2 systems syncing together?

**The Minister for Treasury and Resources:**

Yes, there already is.

**Senator T.A. Vallois:**

Will we expect a strategy from this Government or will it be a hangover for the next Government?

**The Minister for Treasury and Resources:**

I think what we would like to do because we have talked about exactly what you are saying, we would be working with Social Security so that there is less confusion overall, and I would hope that there would be a review in place in order to help the next Government. So not necessarily a public review but certainly the fundamental foundation of a review would be there.

**Senator T.A. Vallois:**

We also note that new models for future higher education funding schemes are set to be developed. Given the changes to taxation brought about through, for example, independent taxation how is your department working with C.Y.P.E.S. (Children, Young People, Education and Skills) to ensure that current and future students are not disadvantaged by any changes in the tax system?

[10:45]

**The Minister for Treasury and Resources:**

Well the whole move to independent taxation - and I am sorry to keep going on about it but it is a big, big move - has been discussed at length with the Council of Ministers, so obviously including the Minister for Children and Education. So, yes, it is much more working with Social Security, working with the Minister for Children and Education so, yes, there is a lot of mutual work going on.

**Senator T.A. Vallois:**

Noting the concerns expressed regarding the future of child tax allowance, how will the approach to tax-based provisions for students change in the coming years?

**The Minister for Treasury and Resources:**

Gosh, if I had known there was going to be so many questions on tax we would have asked the Comptroller to join us. It was not in the list of original questions so I will have to get back to you on that one. As I say, we are working on our whole child, young people tax situation. I just do not want to come out with figures that might not be correct.

**Senator T.A. Vallois:**

Just to reiterate, I think the importance - especially from my previous role, but having worked on the work around the higher education and removing that element of the allowance from the taxes - there



are some concerns around, for example, the student finance order and the understanding of what that means. It could impact on this review that you are doing around child tax allowance or the students, so would you take into account the work that C.Y.P.E.S. are currently doing on higher education funding at present to make sure there is a holistic overview of trying to reduce the detrimental impacts that there may be of any changes going forward?

**The Minister for Treasury and Resources:**

Yes, I understand what you are asking and we need to come back to you on that.

**Deputy S.M. Ahier:**

Minister, the panel notes that its amendment to stamp duty in the Government Plan 2021 to 2024 will assist in raising a projected additional £6.1 million for the Exchequer by the end of 2021. Are you considering any further increase in the revenue raised with stamp duty and, if so, what plans have your department developed to use the revenue raised?

**The Minister for Treasury and Resources:**

I can do the first part of that. Other plans for stamp duty - not for next year - are consisting of enveloped properties, so properties owned by companies, be they residential or commercial. That is what is being considered as well, but again that is quite a big move and all the intricacies of it have to be examined very carefully, and that would further raise stamp duty because at the moment - just for the public, I know you understand - but if you transfer a share transfer within a company you do not pay stamp duty on it. So that is something that is being looked at very carefully. I do not know if you want to add on stamp duty?

**Treasurer of the States:**

As the Minister said, dealing with the issue of enveloped properties particularly from a commercial property transaction basis has been the first step. Ministers are very keen that the current system of stamp duty and in particular commercial as well be reviewed, but the first step to that has to be to address the fact that enveloped properties are not subject to stamp duty in the same way that standalone properties are. We are addressing, as the panel knows, some last-minute comments and in discussion as to what those comments might mean for the measures, and I know there have been senior Ministerial meetings had in that regard. But we have published in the Government Plan that there will be a review of stamp duty. I know that Ministers are also keen to ensure we incorporate within the works to be done, and I know the Minister for Housing and Communities is keen if we accelerate that work relating to whether stamp duty forms part of any set of measures relating to buy to let, for example. But that is a "keen to explore" not an announcement of a policy.

**Deputy S.M. Ahier:**

The treasurer has mentioned a review into stamp duty; that was mentioned a couple of years ago by yourself. How is that progressing and when will it be materialising, the full review of stamp duty?

**Treasurer of the States:**

Unfortunately, given the workload arising - and I feel we need to move on from saying this, so I apologise on behalf - but the extensive work that was undertaken within the department resulting from COVID, but also other tax measures that were not originally in the plan such as the move to prior year basis as well as a growing workload on the international front has meant that we have had to put the stamp duty work back a bit, deferred. That is the reason that work has not been undertaken. But also because the enveloped properties piece of work is more complex than we previously envisaged, but that is now on track to be delivered.

**Deputy S.M. Ahier:**

How much income do you expect stamp duty to produce in 2022?

**Treasurer of the States:**

That is within the income forecast. I would have to start delving through this huge pile of papers next to me to tell you the exact number for 2022.

**Deputy S.M. Ahier:**

What impact has it had on how you approach the question of raising additional revenue?

**Treasurer of the States:**

I am not quite sure I follow the question. There is a revised income forecast that forms the basis of the Government Plan that was lodged yesterday. That revised income forecast - to just briefly talk through - is twofold; firstly the Income Forecast Group were doing what we would call the spring forecast, which is a lot of work in there to understand what was happening within tax flows. As we completed that we - as we knew we would - were presented with a new set of economic assumptions from the Fiscal Policy Panel so we have incorporated those new assumptions into the forecast because they made a material impact upon what the forecast was showing. That does, and you would logically expect it to, improve the forecast, and the set of assumptions from the F.P.P. (Fiscal Policy Panel) gives rise to an improved income forecast which obviously - I say "obviously" - does change, if you like, that equation of what further tax reviews need to be undertaken from a perspective of raising further funds. So I will just quickly summarise that. The financial position is better than we previously envisaged, which means that the deficit previously to the end of the period of the Government Plan is no longer there. We forecast a position of balanced budgets, if not surplus, which means that the imperative to raise money is not there as it was in the previous plan.

**The Minister for Treasury and Resources:**

Further to the treasurer's very clear explanation, I have found - in that time - the figures. The total stamp duty in 2020 was £36.9 million which is £7.9 million higher than the autumn forecast of £29.1 million. This increase over forecast was experienced by all components except stamp duty relating to the registration of wills.

**Deputy S.M. Ahier:**

But the stamp duty for the first 6 months of this year has risen to £28.6 million compared to £13 million the year before. Did you consider raising stamp duty for properties over £3 million in this Government Plan?

**The Minister for Treasury and Resources:**

Not for next year.

**Deputy S.M. Ahier:**

But did you consider it, Minister?

**The Minister for Treasury and Resources:**

The forecast is higher than ... obviously I have only got the figures for 2020; I have not got them for 2021 yet.

**Deputy S.M. Ahier:**

Okay, fine. I will pass over to Senator Pallett.

**Senator K.L. Moore:**

Before we do that could I ask the Minister and the treasurer to move the microphones closer to them because some people are struggling to hear what they are saying?

**Senator S.W. Pallett:**

I have just got a couple of questions on G.S.T. (goods and services tax) and impôt duty. As you will be aware, Minister, the panel has got a sub-panel that is looking at G.S.T. and personal importation issues of a more general question. The mid-year Government Plan review indicates additional equipment and facility costs for the administration of G.S.T. What are those costs and will these costs in any way be passed on to consumers?

**The Minister for Treasury and Resources:**

Sorry, Senator, the costs of the administration?

**Senator S.W. Pallett:**

The additional equipment and facility costs for the administration of G.S.T.

**The Minister for Treasury and Resources:**

There is no plan to pass those on to the consumer, the costs. I do not know exactly what the costs are because, as I say, that was not in our list of questions, I do not think, so I have not got the actual figures.

**Senator S.W. Pallett:**

Could you let us know what those costs are?

**Treasurer of the States:**

If I recall, there are system enhancements being made to CAESAR as well as additional manpower costs arising from the proposal that is in the Government Plan to reduce the ... sorry, you are talking about the half-yearly report which was the subject of a previous Government Plan, which arose from the reduction from £240 *de minimis* to £135 *de minimis* and the increased administration costs that arise from that. That is what those costs are off the top of my head. Those costs were predominantly related to manpower costs arising from an increased number of parcels that would be subject to G.S.T.

**The Minister for Treasury and Resources:**

That would be increased resources for Customs and Immigration.

**Senator S.W. Pallett:**

The mid-year review also highlights the impôt duty has increased by £3 million. How have we spent this money? Any particular specific issues that you have spent that money on?

**The Minister for Treasury and Resources:**

The impôt duty for 2021?

**Senator S.W. Pallett:**

The extra impôt duty, yes.

**Treasurer of the States:**

No element of general revenues is hypothecated for any specific purpose within public finances. What that ultimately does, we have got increased revenue across the piece when you compare it to the autumn forecast of a year ago in the Government Plan. What that then ultimately means is that the borrowing required for COVID is less, so increased income gives rise to reduced need to borrow.

**Senator S.W. Pallett:**

So that has provided you an opportunity to reduce that?

**Treasurer of the States:**

Yes. The budgets are set by the Assembly, other than those areas where the Minister has authority to release general reserve or to make decisions in consultation with Ministers and to transfer from one budget to another. It is not money into the Treasury Department's cash limit; it is money into general revenue.

**Senator S.W. Pallett:**

What work has been undertaken to estimate the change in impôt duty for the year end 2021? Can we expect the increased revenue from impôt duty to remain or do you think that you would expect that to fall? There are probably some reasons why it went up.

**Treasurer of the States:**

Yes, so the reasons why it went up in 2020 were a petri dish of factors that arose from the pandemic and limited travel across the borders, which meant limited opportunity for Islanders to purchase duty free, for example, that has an impact on our impôt duties. Obviously in one direction, what that would mean is a reduced number of tourists which you would expect to bring down impôt duty and G.S.T. At the same time a twofold issue here; Islanders not spending off-Island, they are spending on-Island because they were not going on trips or holidays, and in addition to which anecdotally I think we all know of - and it is not just limited to Jersey - where those who could afford to do so and would otherwise spending money on holidays were spending money on other goods on-Island.

**Senator S.W. Pallett:**

But as we get back to some level of normality you would expect those figures to ...

**Treasurer of the States:**

You would expect complete return ...

**Senator S.W. Pallett:**

To the previous levels?

**Treasurer of the States:**

... to normality. We are considering that as an income forecasting group; 2021 is a bit of a hybrid year, is it not, between the 2 positions. Not fully locked down to the extent they may have been in

2020, although there were options to travel in 2020, so we would expect by 2022, 2023 to get back to where we were previously, yes.

**Assistant Minister for Treasury and Resources:**

I think, Senator, it is a difficult one to call because, as the treasurer explained so well, it was a strange year. We were quite shocked when we first saw that the tobacco revenue had gone up as much as it did and, again, that is because people were not bringing in duty free. Plus of course considerably more people were at home during that time which would then mean if you are a smoker it is a lot easier to smoke at home than it is when you are in the office when you have to pop out, so there was probably increased tobacco usage. We probably thought the alcohol revenue would fall because pubs and restaurants were shut for a long while but, whether it is a good or a bad thing I do not know - from a Treasury point of view it was a good thing, maybe a public health not so good - but the supermarket saw huge sales of alcohol because again people were at home probably having a bottle of wine and watching the television rather than going out.

[11:00]

So whether we now see a hybrid, whether people have now got used to the cheaper side of not going out, which there is some evidence to that, whether when the weather changes they will go back inside, but at the moment you see people out barbecuing and ... I do not know what you would call it; self-hospitality. So hopefully that will not continue because we obviously hope people will return to our hospitality venues, but it is a very difficult one to call until we see next year's figures and it will be interesting to see the result.

**Senator S.W. Pallett:**

Okay, well I think we appreciate the explanation. I am just conscious of time and I will hand back to the chair.

**Senator K.L. Moore:**

Minister, you mentioned briefly the enveloped property law changes that we were expecting to come forward at some point this year but there appears to be a delay. Could you explain what the delay has been and when you do propose to lodge those changes?

**The Minister for Treasury and Resources:**

Again I think I alluded to earlier that any change in any tax situation is very complicated, and I think the treasurer has said that we have had rather a lot going on in the department, not helped by COVID. But what we have to get right is the difference between residential and commercial so that, if anything, is taking slightly longer than we thought.

**Senator T.A. Vallois:**

So I will be asking questions around the loans and borrowing, as expected. The debt framework outlined in R.132/2021 provides a series of terms for the proposed bond for the funding of the Future Hospital. The panel notes that the terms laid out in a bond purchase agreement should include price, interest rate, maturity rate, redemption provisions and any other cancellable provisions. However, there does not appear to be sufficient information on what redemption provisions, if any, are included. Why is this?

**The Minister for Treasury and Resources:**

Right, well the bond could be in one, as you refer to, or it could be done in 2 tranches but what we want to do, hence we want to get on with this on the hospital side of things and not have a delay when interest rates are at the moment for a government borrowing money incredibly good, so we want to get on with that. Whether that is done in 2 separate bonds or whether it is one but over a period of 35 to 40 years at a fixed rate so we do not have to ... unlike the revolving credit facility, if you want a comparison, which is a very short-term loan, this has got to be a long-term one. I think I have also said before that the benefits of it are that we should - and we have obviously looked into it - be able to borrow the sort of money we need, the £756 million, at a maximum of 2.5 per cent which would go into the Strategic Reserve and then be earning interest of somewhere between 6 and 8 per cent. So it makes logical sense to do that. I do not know if you want to add anymore, Treasurer or Hazel?

**Treasurer of the States:**

No.

**The Minister for Treasury and Resources:**

Perhaps Andy might like to say a little more on that. He is financial strategy.

**Group Director, Strategic Finance:**

I just wondered, what was the specific point that the panel were raising on the maturity?

**Senator T.A. Vallois:**

There does not appear to be sufficient information on what redemption provisions, if any, are included. That was the specific question, and just basically asking why that was.

**Group Director, Strategic Finance:**

So I would refer to the debt strategy, for example, at appendix B it does talk about current characteristics. As the Minister has said, it will need to be developed in mind with the debt strategy

and the legal work being done on the issuance of the borrowing. It does refer to sort of the expected types, so for example, when is maturity - maturity profile being 30 or 40 years - the potential to do 2 tranches? I would hope that we have set out enough of the information to be able to inform people reading the debt strategy, although there are obviously some details that need to be developed in the detailed proposal.

**Senator T.A. Vallois:**

Okay, thank you for that. Can I just clarify then, so the proposed Government Plan, as set out in the publication yesterday, suggests somewhere around the £1.7 billion looking to be borrowed? Is that going to be one bond, a number of bonds, specificity around specific bonds, so one for pensions, one for the hospital, one for the housing, or are we putting it all together and having a 40-year on that one bond?

**Treasurer of the States:**

There are a couple of factors to consider there. In answering your first question; highly unlikely we would be issuing a single bond. Instead we would be looking to address which product is best in the short term, which product might be better in the medium to long term. Without the revolving credit facility in place there are some related issues around being in a position to go to market, and we are addressing that. But you may recall last time these things have financial statements prepared and audited; they are not in the timeline envisaged. My own view is that this is a programme of issuance and that what we would be looking to address there is not to tie that issuance to the specific approvals but to be looking at what the cashflow profile across those different purposes are to make sure that we do not end up with too high balances just sitting there waiting to be spent, as you would if we went and got £1.7 billion tomorrow, as it were. But also considering that against the risks of future coupon rise in the event that interest rates changed. So I would envisage there being a programme. However, what we would also want to consider is in the case of bonds where you might be looking to issue a green bond, that could only be used for certain specific purposes, although if you look at the prospectus or the framework underpinning the Isle of Man issuance, for example, it does cover quite a wide range of what might be envisaged as sustainable or green uses of that bond. We would have to be careful if we were looking to a random market bond in that respect, that we were using that for specific purposes, which may well fit the hospital but might not fit some of the other purposes to which we are using the proceeds. In short, the answer is not single, more of a programme and addressing both approvals but also the cashflow needs and, in particular, cashflow needs for the hospital project.

**Senator T.A. Vallois:**

Okay, thank you.



**Senator K.L. Moore:**

Could I just ask you to elaborate a little on the comment made about the programme? I think, Treasurer, you said that you would not anticipate that a large sum would sit unused; I presume you mean the Strategic Reserve for a period of time. But that has been referred to on many occasions as a benefit of the Government's borrowing strategy, as they have described. One of the purposes that seems to be espoused by Government Ministers at the moment is that they intend to hold a considerable sum of money on the Strategic Reserve and see the benefit of any returns that it might receive from investment.

**Treasurer of the States:**

I think that just comes down to your league table of £1.7 billion or £200 million, £300 million, £400 million; they are both considerable sums but one is a very considerable sum and one is not. My answer in terms of £1.7 billion in one go is that the advice we have had would be that that would be challenging for the market to attempt to issue in one go. If that were not the case it may well be that we would give consideration to going out for the much larger sum but the advice we have had is that we are better, in terms of getting better terms, issuing it as a programme. That may still well mean that on a historical basis we have very considerable sums waiting to be spent, but that is a long way from £1.7 billion waiting to be spent sitting in a cash ... but, yes, there would be a return on that. You would have to, however, make sure that your strategy ensured that you were not taking too much risk with that sum, given that it is being used for specific purposes. Indeed in some of it in respect of, say, the pension liabilities, we would want to move to ensure that we are delivering the savings that come off those existing liabilities sooner rather than later.

**Senator T.A. Vallois:**

Thank you for that, Treasurer. In terms of the bond issuance and the fact that we have a bond already that is for a specific purpose, and it was very detailed with regards to the agreement by the States Assembly - £250 million that bond was - I understand Andium have also obtained a borrowing facility of £150 million. How does that impact on the overall balance sheet and cash flow in terms of looking at borrowing for the Island of Jersey, rather than just looking at one specific return on that specific bond?

**Assistant Minister for Treasury and Resources:**

To the best, as I understand it, but the treasurer is probably better placed to answer it than me, Andium's is a commercial borrowing; it would not come under a Government borrowing, is that correct?

**Treasurer of the States:**

Yes, that is right.

**Senator T.A. Vallois:**

Yes, it is a commercial borrowing facility but Andium is recognised in the accounts as States ownership and I am asking the more strategic macro looking in terms of recognising the balance sheet and looking at the debt. I believe I asked a question about hospital when we had the former Public Finances Law and we had specifics in there; our Public Finances Law is a little bit more flexible now. I am just trying to understand ...

**Treasurer of the States:**

The thing that does not change between the 2 Public Finances Law is its treatment of Andium's direct debt; no more so or less so than it does in any of the States-owned entities. That was not addressed in the limit that was in the Public Finances Law previously, to my recollection, but I know how very good your recollection is. You are right to say: on a macro level did we not take that into consideration and do take that into consideration? That is different, as the Assistant Minister is alluding to, from the perspective, say, of S. and P. (Standards & Poor's) rating, for example. We do look carefully at that global perspective across the group when we are looking at the exposure, when we look at each of those companies individually in terms of their exposure also. In the case of the Andium one, of course, what it is there to do is to create an asset, so from a net asset basis. They are not borrowing in order to cover recurring annual expenditure. They are borrowing to invest on behalf of the Island's social housing, which in turn yields a return which pays for the repayment of the borrowing, which led to that increase in the asset base of Andium. We give consideration to that but we are considering the uses of the borrowing in each of those entities as well.

**Senator T.A. Vallois:**

The reason why I am asking this question, in particular, is because it is the first real borrowing that we went for as an Island and there was a lot of detail and a lot of expectations that that repayment model was important and recognising that the coupon for that bond, 3.75 per cent, that is over a 40-year period. Considering the housing situation that Jersey finds itself in, the potential and the possibilities that we could do around reducing the cost of living for people where they are looking to find first-time buyers' homes or whatever that might be, would there be a consideration about looking again at that bond while you are looking at these programmes of bonds for the other areas to try to assist in what is technically a housing crisis in the Island?

**Assistant Minister for Treasury and Resources:**

I would just say, from Andium's point of view, I do not think at the moment it is a shortage of money that is stopping them going ahead. We have got a pipeline that we will put 3,000 new properties in by 2030. Andium's main problem is sites and the amount of times we have had sites, Gas Place

being a classic example, all ready to go and Planning said: "We have got a few strange remains under there and you cannot use it."

**Senator T.A. Vallois:**

But the Government could assist in that in terms of freeing up their own land and they have not done that so far, so ...

**Assistant Minister for Treasury and Resources:**

The Government or, let us put it another way, the Assembly could because at times the Assembly have voted to take bits away from both Andium and S.o.J.D.C. (States of Jersey Development Company).

**Senator T.A. Vallois:**

To be fair, if we had a decent public estate strategy and we knew what we did or did not need, which is the Government's job to do, then the Assembly could make that decision.

[11:15]

**Assistant Minister for Treasury and Resources:**

It is something that we are looking to address at the moment with various of our entities, to make better use of the public estates, as you say. It is much more than a lack of available funding, to be honest. They are putting ...

**Senator T.A. Vallois:**

I understand that. My question was more so on the basis of so there have been questions about operating surpluses with regards to Andium. It is a non-profit organisation. It is a social housing provider. There are concerns around the rental policy of 90 per cent. What I am saying is when you are looking at this new programme of bond issuances at £1.7 billion, whether you would take into consideration where we are with our housing crisis, our situation with our housing in the Island, whether that would be a consideration for looking at that bond again and considering our rental policy against that backdrop?

**Assistant Minister for Treasury and Resources:**

We have frozen them and it looks as though we may well do it again. There are also plans where we will, hopefully in the next few years, edge down the 90 per cent rate. It will be done gradually because it has to do it, so stable and financial structuring models. The important thing to remember when people are bandying around figures like 90 per cent of rent is a lot of people do not pay anything like 90 per cent of rent. In fact there is quite a high percentage of people at Andium

properties that pay no rent at all; the Government pick that up. It is a bit of a misnomer that was played heavily by certain politicians using this, in my opinion.

**Senator T.A. Vallois:**

I am not using the argument of politics, that is why I did not mention 90 per cent ...

**Assistant Minister for Treasury and Resources:**

But I feel that bond has worked really well for Andium. I think it was one of the best things. If they had not had it, you go around Le Squez or the Samarès development, you look at the low rise that is going up at La Collette now, you look at all the developments they are doing, I think it has proved great value for money that bond, so ...

**Senator T.A. Vallois:**

I am not arguing that it has not. Because you are going down this route of issuing other bonds and looking at a higher level of debt for the Island overall, that you consider that bond as it currently stands and the rental policy. What that might look like I do not know, but that is all I was asking.

**Assistant Minister for Treasury and Resources:**

I would see that as a different standalone and I get the route you are going but that is a different standalone to the reason we would be looking to borrow anything else. You look at, for instance, the pensions, if we were to address that now with a loan, for people going down the road that is a saving and I think it might be about £3.6 billion eventually that we would not be passing on to future generations over the next half century to a bit further than that. It would take that completely out of the equation. It is something that should have been addressed years and years ago but it was not. If we do do this now it will be a huge saving. The other bit is the COVID debt. As the treasurer said, there are various things we could do with that but if we are going to address our major issues, which is the pensions, which is the COVID debt, which is the hospital, then it makes sense to address it all at once. Otherwise you end up in 20 years' time with what has happened here where people say: "Why did they not do this 20 years ago?" We are looking to do it now.

**Senator T.A. Vallois:**

I am not saying it does not. I think you are going slightly off the kind of centre of my question. We look forward to the debate in December on whether we go down this route or not. I suppose another question is about the repayment function for that level of debt. Is there any clarity on what that repayment function will be included in the table and what the effects of the borrowing will be after 2025? Because of course we know the Government Plan is for a short period, our debt is going to be for a long term. Will that consideration and clarity around that borrowing be identified through

whether it is the debt framework through another strategy or will it just be enveloped in the next future Government Plans?

**Treasurer of the States:**

Firstly, we move beyond 2021 in the Government Plan that was lodged yesterday and we would update the debt framework document accordingly. What we are trying to do with the hospital proposition is show what was coming before the Government Plan came out, and so that is in there. To answer your question, looking at refinancing is obviously something we would often periodically look at but what I have to be conscious of at all points is that the Assembly gives approval for borrowing for certain purposes. We cannot just start changing those purposes. I am not saying we are changing those purposes in any way, shape or form. You are alluding to the current coupon on that debt but obviously the market, were we to try and redeem, would price into that, and I am not saying we are. You are asking the question: at any point would we look at adjusting debt? I think we would under the framework look at any future refinancing as well. The Assembly, as it was with the housing bond, was asked simply in terms of the proposition to approve £250 million of borrowing, not the instruments that goes with it; that is in the report.

**Senator K.L. Moore:**

The big difference though would be housing debt versus the hospital, and other items of debt that are being proposed here is that the housing-generated revenue in terms of rent, which under the previous Public Finances Law was acceptable. However, issuing debt for non-revenue-raising items would not have been acceptable. I appreciate that the law has changed ...

**Treasurer of the States:**

I am not sure it is the law that would have restricted that. We have set some principles out. From my perspective, yes, you are right to point that out and it is a bit of a circular argument as to where the rents come from in the first place, given that some of those rents are funded through benefit payments. But you are right to point out that that is an asset that is income-generating. But in each case having a plan that is laying out clearly how it is to be repaid is the important aspect, so that you can ensure that it can be repaid. It is not annually-recurring expenditure we are proposing to borrow from.

**The Minister for Treasury and Resources:**

I think the difference, to try and address your concern, is, as the Assistant Minister said, the Andium one is the commercial agreement. If we are talking about the hospital, that is something that we have to borrow without anticipating the rent return or whatever your comparison was but it is just so essential. We have to have a hospital, so not comparing like with like over 2 different areas of borrowing.

**Senator T.A. Vallois:**

I will pass to Deputy Ahier.

**Deputy S.M. Ahier:**

Thank you, Senator. Noting concerns raised in the U.K. (United Kingdom) regarding the immediate future of gas prices and storage, what work is being undertaken by your department and other departments to safeguard Jersey against any disruptions that may emerge from the U.K. in the coming months?

**The Minister for Treasury and Resources:**

The chief executive of Jersey Gas has already apologised but said she is disappointed she is having to raise gas prices in the interim in order to secure the supplies for the future, but very much addressing the situation. But obviously we have to import it and if the prices are going up energy-wise across the board then that is what we have to do in the short term.

**Deputy S.M. Ahier:**

Is there any way you can prevent gas prices from rising well above inflation and becoming unaffordable to Islanders?

**The Minister for Treasury and Resources:**

Not really, not to Islanders because we are dependent on the supplies from elsewhere.

**Assistant Minister for Treasury and Resources:**

I think the Deputy raises a good point. Without actual direct intervention and subsidising it you cannot. Where we are fortunate in comparison to the U.K. is the U.K. is very gas-reliant, the houses, heating, cooking; they had a big switch to gas years and years ago, to an extent that were they right? Yes, they were because it was a greener fuel. We stayed and many, many places in Jersey still have oil-fired heating, for which nowadays obviously we do not consider very green either. But we did not have that big switch to gas that the U.K. had, so we are not quite as exposed. But it is a difficult thing for the people that have it. But if you are asking, can we do anything about it? Only by having a government subsidy.

**Deputy S.M. Ahier:**

What resources have been provided by all departments to develop means of mitigating the impacts of issues, such as the one described in the U.K. from affecting Jersey? Are you setting aside any resources in case of an emergency?

**The Minister for Treasury and Resources:**

An emergency in ...?

**Deputy S.M. Ahier:**

In the sense that a couple of gas suppliers are likely to go bust on the mainland, is there any possibility of a similar event happening here?

**The Minister for Treasury and Resources:**

I do not know if Jersey Gas has done that. Are you aware that they ...

**Treasurer of the States:**

I am aware of conversations that are taking place, and I know the Government put out words to that effect yesterday. We are conscious of the potential impacts and, in particular, are concerned about the potential impacts that may be borne by those on lower incomes or more vulnerable people. We are going to be working across Government to address the issues, once we know more detail from Jersey Gas.

**Deputy S.M. Ahier:**

Thank you. The panel notes Senator Gorst's amendment to the 2021 Government Plan, which was accepted by the States Assembly, requires the Minister to prioritise the application of unspent funds to be returned to the Consolidated Fund and be used to minimise the borrowing requirement from the revolving credit facility. Please can you provide an update of how you are adhering to this amendment?

**The Minister for Treasury and Resources:**

Yes. That was relatively new. Was it 2 years ago that the underspends rested with the departments and then it was changed to be returned to Treasury, so that we had an idea of what underspends we had at the end of the year? The amendment is ...

**Treasurer of the States:**

At the end of the year, if I recall the numbers, the Minister did return £50 million to the Consolidated Fund arising from unspent balances at the end of the year, predominantly against capital spend. We are monitoring the situation during the year and, subject to discussions with the department dependent upon the outturn against the particular capital schemes, would look to see whether there are opportunities in accordance with the Assembly's decision.

**Deputy S.M. Ahier:**

What progress is being made on the Council of Ministers agreeing an estate strategy to include a list of potential sales in order for any funds raised to be prioritised for use to minimise any future borrowing requirements by the Minister for Treasury and Resources? Has this been adhered to?

**The Minister for Treasury and Resources:**

The estate strategy, I think the most recent ones to come out of that are ... the Assistant Minister referred to it, it just takes a long time to realise the estates that we have. So South Pier and the Waterfront are ones in the current public eye, I think. But there are many others - you are probably better able to describe this - Ann Street and Gas Place, which you have alluded to, are now returned and been changed to housing. The Willows is another one, I think that is an Andium development, is it not?

**Assistant Minister for Treasury and Resources:**

That is an Andium, yes.

**The Minister for Treasury and Resources:**

Yes, so there are quite a few that have been sitting for quite a few years not doing an awful lot that are now being part of that estate strategy and being developed.

**Deputy S.M. Ahier:**

Thank you. Should future mid-year reviews include breakdowns of how successful amendments to the Government Plan by States Members have been implemented?

**Assistant Minister for Treasury and Resources:**

I think that following the other day when we had Senator Mézec's censure thing there are a number of things being put in place where we will be monitoring all amendments, how they have gone, what we were tasked to do and whether those deadlines are being met. Yes, there is a fair amount of work being put in place on that.

**Deputy S.M. Ahier:**

That could be incorporated within the mid-year review.

**Assistant Minister for Treasury and Resources:**

I would hope so. Would you think so, Treasurer? As far as we are concerned.

**Treasurer of the States:**

Sorry, could you repeat the question?



**Deputy S.M. Ahier:**

We are just asking if successful amendments by Members could be incorporated within the mid-term review.

**Treasurer of the States:**

Yes, sorry, I meant the very last question, not the original question.

**Deputy S.M. Ahier:**

Sorry, I cannot remember. I think we will pass on to Senator Pallett.

**Senator S.W. Pallett:**

I am going to move on to COVID recovery. In his speech to the Chamber of Commerce on Wednesday, 15th September, the chief executive described the COVID-19 pandemic as having, and I quote: "Intensified inequality starkly with unaffordable housing and the gap between the asset-rich and the asset-poor having grown and that the risk was doing great damage to the Island's economy and future growth." How do you believe you, as Minister for Treasury and Resources, should respond to this statement and work to address those concerns?

**The Minister for Treasury and Resources:**

I think ever since the beginning of the pandemic we have tried to address all the concerns, and certainly the financial ones obviously, as well as the health issues. As the chief executive has said, there is, potentially, a divide between those less well-off and those better off, which has been affected by possibly not being able to work, by lockdown. We have only had, I think, 2, 1½ lockdowns, I think.

[11:30]

Yes, of course it has a big effect but we will not know or we are beginning to realise what the long-term effects could be financially and of course health-wise as to this. As the Assistant Minister alluded to hospitality, what the effect on that has been, the staycation side with the ports of course who have not been able to operate and are now not back to normal but certainly opening up hugely to ... I think somebody said the other day there was not a spare bed in any hotel in the Island. Things have turned around but we will not realise the full effect of that until such time as it has levelled off.

**Assistant Minister for Treasury and Resources:**

Obviously with our salary schemes and things we definitely tried to help and, by its nature, it probably helped those who were employed. A lot of them in the hospitality industry when they were under our scheme, the finance industry was largely unaffected anyway; it did a great job, partly because it

was ready for a lot of this because of its contingency plan. It was able to slot quite nicely into it. When we sat round the table, although we obviously wanted to help companies, our first aim - and I remember saying it - is to look after the people of the Island. By looking after the companies we would, hopefully, do that and I think we did to a large extent. Obviously you are not getting your full money, so you are not doing as well as you were. We also, together with Andium Homes, froze the rents to try to help people. I think people, like Jersey Post, particularly with vulnerable Islanders, went round to check they were all right. I think we did quite a lot through the pandemic to try to help people who perhaps were not as financially well-off as others. If there is a gap that has widened it is something we will have to address going forward but I think we did everything we could to try to help people who were under pressure.

**Senator S.W. Pallett:**

But as we move out of COVID, the chief executive has, I think, identified several areas that are causing concern. I think some of the social risks are quite stark, especially those around housing I think. None of us are going to bury our heads in the sand and say it is going to go away. But how do you think your department can mitigate some of these growing gaps between those that can afford housing and those that cannot, just as an example of one of the gaps that exist?

**Assistant Minister for Treasury and Resources:**

I alluded to it earlier, one of the ways with housing is we have to start to build this housing; I think we are. If, say, by the end of 2022 we can get another 600, 700, 800 rental places up, then that will obviously take a lot of people who are currently renting within a private scheme and will, hopefully, reduce rents. It is certainly a case that we do have to get the supply there as soon as possible. The other thing, not that it is this department particularly, but I know the Minister for Housing and Communities is looking at much more efficient ways of building. I think Deputy Luce, your party colleague, has looked at it as well. There are ways of doing this that we can cut building times by probably 75 per cent, I would imagine. The only problem with that, which again I have alluded to, is finding the sites to build it on. I think it is a major problem in Jersey, we all sit there, the papers, the press, certain States Members saying: "We need more housing, we need more housing" and the public say we need more housing. But the moment we go to put housing somewhere everybody goes: "We need more housing but not there." We have got to get over that one way or another or - and I know again your party colleague, Mr. Luce, is with me on this - we have to go upwards. Those are decisions that we cannot take as a Treasury team but it is something that, as a States Assembly, we have to address.

**Senator S.W. Pallett:**

I hope you agree that without providing affordable housing in all sorts of areas, including key worker accommodation, we are going to put our Island's economy and future growth at risk if we are not

very careful. But just moving on, following the debate on the minimum earnings threshold in which Members expressed concern that the proposition will lead to those on lower incomes paying an unequal amount, compared to those on higher incomes, do you believe that action is required by your department to address the issue?

**Assistant Minister for Treasury and Resources:**

On minimum wage?

**Senator S.W. Pallett:**

On the minimum earnings threshold.

**The Minister for Treasury and Resources:**

Is that still rentals or ... sorry, I was not quite sure ...

**Senator S.W. Pallett:**

No. The debate last week was setting a minimum earnings threshold, it did not get approved. Just on that particular issue, Members expressed concerns on that but do you think there is any action that your department can take to improve that?

**The Minister for Treasury and Resources:**

Yes, it was deferred, the Social Security proposition on that. Is that the one you are referring to?

**Senator S.W. Pallett:**

Yes.

**The Minister for Treasury and Resources:**

Yes. It will have to come from Social Security and ...

**Senator S.W. Pallett:**

Sorry, you are right, it was deferred, my apologies.

**The Minister for Treasury and Resources:**

I think what it is trying to do is to address the difficulty which arises from the comparison with hours, which is where it stands at the moment, instead of pound notes, if you like, so somebody could be earning £100,000 on 7 hours, for instance, somebody in agriculture or hospitality probably considerably less. I think that the move, which is what the Minister for Social Security wanted to see, was that the transfer would go from hours into pounds. The threshold would be judged on the money earned, rather than the hours spent.

**Senator S.W. Pallett:**

Are you providing their only advice as a department or ...

**The Minister for Treasury and Resources:**

We are working together on that one as well, yes. Again, and I am not making excuses for it, but it is a complicated move from what people understand and know and it will not affect people who work, for instance, as a cleaner, a housekeeper or whatever on 4 hours a week but the difference being that if somebody is part-time, as I said earlier, on a big wage, then that ...

**Senator S.W. Pallett:**

It could have an effect.

**The Minister for Treasury and Resources:**

Yes.

**Senator S.W. Pallett:**

I am going to pass over to the chair.

**Senator K.L. Moore:**

Could you outline, please, the future for the Island's business disruption loan guarantee scheme?

**The Minister for Treasury and Resources:**

Who wants to take that one, business loan guarantee scheme?

**Treasurer of the States:**

I think you have a paper to consider at this week's Ministerial meeting, Minister.

**The Minister for Treasury and Resources:**

On Friday.

**Senator K.L. Moore:**

Whether it will continue or not.

**The Minister for Treasury and Resources:**

We are looking at it at the Ministerial meeting on Friday.

**Senator K.L. Moore:**

Okay. We look forward to the announcement. You will be aware, Minister, that representatives of both the events and hospitality industry have requested an extension to the co-funded payroll scheme to provide stability for that industry; will you be extending it?

**The Minister for Treasury and Resources:**

We have extended to the end of September and I totally appreciate that the events, along with hospitality in general, but the events have been very badly hit. They are back on track, I gather, not that I went, as of last weekend. But of course with the summer coming to an end that restricts them slightly. That, again, extension of the payroll scheme does demand or the payroll scheme itself demands a very concrete business case, obviously this is taxpayers' money that we are using for this; COVID money. Providing they can provide a very secure business case for an extension, then of course it will be considered.

**Senator K.L. Moore:**

That extension would be until next year ...

**The Minister for Treasury and Resources:**

Again, it has got to be considered on a case-by-case basis. We cannot just do a blanket extension because it is just too much money. Like the Fiscal Stimulus Fund, when people applied for that there was the Fiscal Stimulus Oversight Group, which considered every single application and it was in 2 tranches. If the application was deemed to have a future, if you like, the person making the application or company was then asked to produce a business case and was helped with that. If it was a self-employed who may not have access to their own accountancy firms then that was considered as well. Because it is not a bottomless pit of funding, then the business head case has to be quite secure in order to either elongate the payroll scheme or, as we have done, generate the fiscal stimulus grants.

**Senator K.L. Moore:**

What allocation of resource are you going to place so that that can happen, firstly, in terms of administrative resource but also in terms of cost?

**The Minister for Treasury and Resources:**

Again, that will depend on the extension and to how long. Whether an extension goes to the end of the year or whether it goes to the end of next March, and across which part of the board we extend it. Whether it is through the whole of hospitality - you asked about events - or whether it is just events. So that will have to depend on the applications and the business case, as I said. I do not know if you want to ...

**Senator K.L. Moore:**

You will make a decision as a result of the applications that you receive, is that what I am understanding?

**The Minister for Treasury and Resources:**

The representatives of the hospitality situation, the agriculture situation, it really depends on the representatives initially to come forward and say: "We cannot manage without an extension."

**Senator K.L. Moore:**

If you are dealing with such requests on a case-by-case basis, who and how will those decisions be made as to which companies receive support and which do not? I think I heard you refer to those who may be deemed not to fail or not. Are you stating that you will make those decisions?

**The Minister for Treasury and Resources:**

No, I did not say deemed not to fail, it was just the 2-stage approach was an expression of interest to start off with and then, if the expression of interest did not fit the criteria, there was no point in individuals, companies, whatever, producing a business case, which obviously, as you will understand, is quite a lengthy and difficult process to do. There was no point in saying to them: "Go away and produce a business case" if they did not fit the criteria.

**Senator K.L. Moore:**

You will be the decision-maker on these individual cases.

**The Minister for Treasury and Resources:**

Not for fiscal stimulus, no. I go on the recommendations of the Fiscal Stimulus Oversight Group and it will be the same with the payroll scheme.

**Senator K.L. Moore:**

The Fiscal Stimulus Oversight Group are going to now make those decisions about requests for extended co-funded payroll.

**The Minister for Treasury and Resources:**

No, they are totally separate schemes and the ...

**Senator K.L. Moore:**

I am asking who the decision-maker is for the extension of co-funded payroll scheme requests.

**Treasurer of the States:**

If I can perhaps help. There is an officer working on considering evidence in respect of support to businesses beyond the end of this month. As I know that members of the panel are aware, that schemes elsewhere do finish at the end of September. The U.K. Government finish their last scheme end of September. We are looking at what should replace it. We are very aware that while restrictions are not in place any longer, or predominantly not in place any longer, we, therefore, move from a response phase into a recovery phase and making sure that measures are fit for purpose for recovery, as opposed to being the schemes that were the right schemes to the response phase. We are going through final discussions to put proposals before Ministers. We are well aware that certain sectors of the economy suffer the lasting or enduring effects, as we move into autumn and winter, more so than others.

**Senator K.L. Moore:**

How are you going to communicate to businesses that you are waiting for them to put forward bids or at least express an interest in an extension of the co-funded payroll scheme?

**The Minister for Treasury and Resources:**

The expression of interest was more for fiscal stimulus; that is how that was broken down. The co-funded payroll scheme is what we, as a Government, have introduced, so it would be a Council of Ministers' decision as to whether we extended it from the end of this month, as the treasurer has said.

**Senator K.L. Moore:**

When is that decision likely to be made and announced?

**Treasurer of the States:**

By the end of the month.

**Senator K.L. Moore:**

It does not really give anybody a lot of time to prepare themselves. Would you advise, therefore, the ...

**Treasurer of the States:**

Could I, firstly, put it out that there are a number of fixed-terms costs, fixed-cost schemes that have been announced through to next March that are tailored specifically, as they were during the previous winter season, towards those companies that have, shall we say, more of an impact arising from the seasonality of their business? The phrase was coined more generally in the past, having therefore suffered 3 winters - is it now - suffering potentially 5 winters? Some businesses and parts

of sectors, if not entire sectors in some of those areas that are supported, have had a good few weeks.

[11:45]

But that is notwithstanding the fact they have not had the tail end that they would expect from the number of visitors to the Island previously. Indeed in the case of on-Island events that have been restricted by the number of people who can gather in one place.

**Senator K.L. Moore:**

Thank you. I will pass on to Senator Vallois.

**Senator T.A. Vallois:**

Just some very quick, brief questions on the fiscal stimulus, if I may, Minister. The number of fiscal stimulus projects now based around construction with, of course, the inflation strategy that we have in place and recognising the impacts, whether it is the pandemic or Brexit that has had potentially on inflation or logistics, and of course all the houses that we are now looking at building, does the Minister have any idea about what further impact the fiscal stimulus might have on inflation, the cost of living for Islanders?

**The Minister for Treasury and Resources:**

As you mentioned, Senator, the construction costs have gone up considerably but of course construction in itself, its terminology, is very wide. A lot of the fiscal stimulus recipients of the funding, it was not new construction as such, it was maintenance really. The Opera House is a very good example, nothing had been done, it had not been used for 18 months. In order to configure with health and safety, for instance, a huge amount of money was allocated for maintenance and electricity, plumbing; so not construction as people understand it to be building. That was where a lot of it went and of course the smaller businesses are the ones - plumbing and electricity, for instance - that have suffered hugely during the pandemic. It is doing what it says it will on the tin, inasmuch as it improves the economy for those businesses, not to mention the sports areas that have been granted fiscal stimulus funding as well, some charitable areas. It has been quite broad, which was the criteria that the Fiscal Stimulus Oversight Group have had to meet.

**Senator T.A. Vallois:**

Understanding that, with the recent information or advice that has been received from the Fiscal Policy Panel, looking at income forecasting, of those particular areas we are looking at a more spring in our step going forward than we were previously. Are you concerned, although it was good news,



that with the fiscal stimulus projects coming online and some of them going into next year, whether that is in construction or not, what impact that might now have on the economy?

**The Minister for Treasury and Resources:**

Yes, we did say it is part of the criteria that any project that received the funding - you are quite right it was supposed to be completed by the end of 2021 - and the delay in some areas is not the fault of the recipients of the funding. It is because we had so much interest - certainly in the first tranche I think it was 93 applications for £102 million and the first tranche had £25 million - and had not anticipated that sort of interest. Obviously if you are sorting through those applications it takes a lot longer. It was a combination really as to some just could not achieve the completion by the end of this year, so in some cases it has been extended; not many.

**Senator T.A. Vallois:**

Recognising that there was an issue and there has been a delay, there is an acceptance that it may have an impact on the economy because of now the latest forecasts.

**Treasurer of the States:**

The Fiscal Stimulus Group has taken advice all the way through and, on top of the points the Minister has made about the diversity within construction, accepting that it is construction and I do not think I am speaking in different terms here. Notwithstanding all of that, the scale of stimulus in construction within the Fiscal Stimulus Fund is relatively small to the scale of construction in the Island and the advice we had had is that it would make little difference to the inflation. You are right and the Minister is right, the original plan was to be delivered by the end of the year. The original plan, however, came before the wave or phase of the pandemic that we had in the winter of last year. So that it was natural to pull the whole timeframe forward to a degree because it was not originally put forward envisaging a further wave. But we have taken advice on all points and have considered that advice very seriously at all times and, in particular, with the advice which is, I think, borne out by what the Fiscal Policy Panel says not to go beyond the 30 at this stage that we have agreed to.

**Senator S.W. Pallett:**

If we accept that there was a need to extend some of these fiscal stimulus bids out to the end of March, is there a point that you would pull the plug on these if they could not show that they could complete these projects within a reasonable amount of time? Because you were going to move from, potentially, being fiscal stimulus into, potentially, overheating a particular sector - construction sector - and I take on board what they have said; they have got capacity but there may come a point where they do not. Is there a cut-off point? Because that money could be used for other things.

**Treasurer of the States:**

I think that probably relates to what the scheme is and at what stage of development it is. If you have a scheme that was part way through construction and it met all of its contracts and then said: "We are going to need a bit more time because of X, Y, Z", then I fear that that would be counterproductive to pull the plug at that point. If, however, we found that it was a scheme pre-contract that was now saying, and I will just exaggerate: "It is going to be another 2 years", then that would clearly be beyond the terms envisaged by or imagined by States Members in agreeing the Fiscal Stimulus Fund. That would be an extreme one and saying: "No, that is clearly not within the bounds." We are focusing as a group on those particular milestones, i.e.: "You said planning permission will be delivered by this date, it has not been delivered." Therefore, if it is delayed, what does that mean for the project? That may mean that we have to make some difficult recommendations; say the one who would be before had gone out to tender: "Have you got the contract in place and have you got a schedule that shows you did?"

**Senator S.W. Pallett:**

When will that information be made public so that everybody is aware, to ensure that the process is a transparent process?

**Treasurer of the States:**

We are endeavouring to do so; there is always more they can do. But I have explained what that process would be and we looked there in the reporting that we are required to put before the Assembly either quarterly or half-yearly - I think it is quarterly - and we will do so in that.

**The Minister for Treasury and Resources:**

There are, just for your information, 11 extensions that have been approved - just to put it in perspective of the number of applications that were granted - with about 3 or 4, I think, still under consideration. So that is the sort of ...

**Senator S.W. Pallett:**

Okay, thank you.

**Senator T.A. Vallois:**

Does that mean that, as Minister for Treasury and Resources, you will have to come back to the States Assembly for the extension of what was agreed in the proposition for the fiscal stimulus?

**Treasurer of the States:**

Our understanding is we do not for the extension to the programme but we do need to update States Members.

**Senator T.A. Vallois:**

Okay.

**The Minister for Treasury and Resources:**

There were 2 tranches, as you will be aware, but there will not be any further ones. The £50 million that was allocated for 25 and 25 for the 2 tranches, only £29.6 million has been spent, so that still leaves £20 million that has not been borrowed. It is not as if we are paying interest on that, it just has not been borrowed.

**Senator T.A. Vallois:**

Okay, thank you for that clarification. Just in terms of the oversight group, what political steer is there at the oversight group level, if any? I am just asking that on the basis of an answer to a question you gave to the Constable of St. Martin about you acted on their recommendations. I am trying to understand where political steer would have come from through that oversight group, if any at all.

**The Minister for Treasury and Resources:**

The treasurer is on the oversight group, so ...

**Treasurer of the States:**

The treasurer is not political.

**Senator T.A. Vallois:**

No, I hope not.

**Treasurer of the States:**

The Fiscal Stimulus Group is very conscious of acting within its remit and what it is charged to do. We are very aware that the final decisions are the decisions of the Minister. We are making recommendations, which are often not clear cut, and giving recommendations to the Minister. But the Minister - and we have had long meetings - is, ultimately, the person who makes the decision, subject to consultation with this panel and consultation with political colleagues on the ... I think it is the Economic Recovery Political Oversight Group.

**Senator T.A. Vallois:**

The political steer comes at the decision-making phase whereby the consultation with ourselves and the Economic Oversight Group.

**Treasurer of the States:**

Yes.

**Senator T.A. Vallois:**

Okay.

**Treasurer of the States:**

The Fiscal Stimulus Oversight Group does not make decisions, it makes recommendations.

**Senator T.A. Vallois:**

I am just clarifying where the political steer is. Thank you. Just lastly, very quickly, because it was based on that question of the Constable of St. Martin in the States Assembly about the key cultural and historical buildings and landmarks and all those bits and pieces, and of course there was mention of fiscal stimulus there. But does the Minister believe that a substantial increase in funding to 1 per cent of Government net revenue expenditure in this particular area should have yielded a reappraisal of the department's approach towards this area of spending in order to ensure that funds are appropriately planned and allocated for this responsibility?

**The Minister for Treasury and Resources:**

As you are probably aware, we are very keen on the cultural and heritage sites that we are very, very fortunate to have in Jersey. Yes, that 1 per cent of funding may have to be looked at again, it might have to be increased. But until we see how that 1 per cent is being spent we will then judge it on that or the States Assembly will judge it on that. But, yes, of course we have to look after our heritage but I think the Connétable of St. Martin's question was about churches, and we had already said that churches really are historically the responsibility of the Parishes.

**Senator T.A. Vallois:**

I will pass to Deputy Ahier.

**Deputy S.M. Ahier:**

Do you believe that it was appropriate to provide fiscal stimulus to a private non-States-owned school that has already secured a £7 million loan from the States Assembly for the same purpose?

**The Minister for Treasury and Resources:**

I go on the recommendations of the oversight group so they must have ... I do not sit on that group, so I am not part of the recommendations.

**Deputy S.M. Ahier:**

Do you personally think it was appropriate?

**The Minister for Treasury and Resources:**

On the basis of the business case that they made ... the way you are saying it now it sounds as if it should not have been but on the basis of their case for it, then I do not know if you want to elaborate, Treasurer.

**Treasurer of the States:**

The question was, to me, clearly, yes, because that was how they recommended ...

**Deputy S.M. Ahier:**

Thank you very much. I will pass over to Senator Pallett.

**Treasurer of the States:**

I am just conscious of the time. Maybe if I ask the chair if you want me to continue or if there is not anything else.

**Senator K.L. Moore:**

I think if we could stick with this.

**The Minister for Treasury and Resources:**

I will have to go at 12.00 p.m. I am afraid because I have got a meeting with Jersey Finance.

**Senator S.W. Pallett:**

Okay, a very quick one then, this is around the technology transformation programme. What is the total spend on I.T. (information technology)-related spend in the Government Plan 2022?

**Treasurer of the States:**

I have in my head as a proportion of the ...

**Senator S.W. Pallett:**

While you are doing that I will ask the second question, so the Minister may want to answer this: how accurately does the total cost of I.T. projects in the Government Plan 2022 reflect against the predicted spend in the original Government Plan lodged in 2018?

**Treasurer of the States:**

Now we are getting University Challenge there.

**The Minister for Treasury and Resources:**

I am sure I have got the figures, I just cannot ...

**Senator K.L. Moore:**

You might prefer to provide us an answer in writing, would that be simpler?

**The Minister for Treasury and Resources:**

It is in the Government Plan.

**Senator T.A. Vallois:**

I think if I can, if you want to respond in writing because I know the time, but how do you satisfy yourself as Minister for Treasury and Resources or the treasurer, in particular, having that oversight of public finances, that what is allocated for I.T. spend and spent in terms of delivery of outcome that that is sufficient and appropriate in terms of efficiency and effectiveness of public money?

**The Minister for Treasury and Resources:**

There is certainly a considerable increase in I.T. spending and I think the reasoning behind this - I understand your question - is because we are very high on the global level of our I.T. over here, as exemplified by the recent sale of the I.o.T. (Internet of Things) of Jersey Telecom. We want to maintain that and Digital Jersey are saying that we could become or should have the wherewithal to be a sandbox, which I.T. people will understand. A testing ground, if you like, for I.T. and, consequently, the improved or increased investment in it. But the monitoring of it is, again, going to be undertaken by us.

[12:00]

**Senator T.A. Vallois:**

I think it is so much really looking at, well, we have had a Government Plan 2020, 2021 from this Government, now we are looking at Government Plan 2022. Significant budgets have been asked for for I.T. spend in the public sector and it is understanding how the Treasury satisfy themselves that that money is being spent in the appropriate way and that what is being asked for in terms of budgets is also appropriate. I am just trying to understand how Treasury satisfy themselves that it is right.

**Treasurer of the States:**

There is more rigour. If I were to go back, I will just say 10 years ago - I am not saying 10 years ago for any particular reason - in terms of looking at business cases for that spend, it is fair to say there has been a degree of underinvestment in I.T. and some of that is now coming home to roost in terms

of it all coming at the same time or similar times, be it the taxation system, which we had left for a very, very, very long time, but also in terms of the backbone or the back-office systems in government as well. To answer the previous question, it is £40 million on major projects included in the Government Plan in 2022 across I.T.S. (information technology services), across the digital care strategy, across cyber in particular; a further £15 million across smaller programmes, which are itemised in the programme. Back to the other question though, there are business cases and we have a team now within Treasury to look at the business cases specifically, rather than off the side of the desk, and help people to form those business cases. We will also be looking, either through ourselves in Treasury or through the Programme Management Office in the C.O.O. (Chief Operating Office) - not just in I.T. - to be looking to see whether the benefits that were promised in those business cases are delivered further down the track.

**The Minister for Treasury and Resources:**

Hazel, did you want to add anything on this?

**Group Director, Finance and Business Partnerships:**

I think Richard has covered the main points. The other aspect perhaps to highlight to members of the panel in terms of those minor projects, as we might term them, it is not just about the support functions and what might be termed as a back office. Some of those are about service delivery and digitisation of services that are presented on the front line or to end users as well. For example, passport project, there is the Jersey Care Model regulation group, there are a whole range of different projects which are included within that sum of money. It is not just about the back-office support.

**Senator K.L. Moore:**

Thank you. While we are talking about business cases, will we be receiving copies of the business cases that underpin the various growth bids in this Government Plan?

**Treasurer of the States:**

I think that is the intent. We can arrange to do so, yes.

**Senator K.L. Moore:**

If we could receive them at your earliest possible convenience, as we are already running under a restricted timeframe, we would be grateful.

**Treasurer of the States:**

Yes. We did publish yesterday the income forecast, the Government Plan and the annexe, which I am sure you have read cover to cover already. We will forward business cases as well.

**Senator K.L. Moore:**

We have done our very best. Thank you, I am grateful. Given the time, I will draw the hearing to a close and thank you all for your attendance.

[12:03]