



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Thursday, 29th September 2022

Panel:

Deputy S.Y. Mézec of St. Helier South (Chair)

Deputy M.B. Andrews of St. Helier North

Witnesses:

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, The Minister for Treasury and Resources

Deputy S.M. Ahier of St. Helier North, Assistant Minister for Treasury and Resources (1)

Connétable R.P. Vibert of St. Peter, Assistant Minister for Treasury and Resources (2)

Mr. R. Bell, Treasurer of the States

Mr. R. Summersgill, Comptroller of Revenue

[12:31]

Deputy S.Y. Mézec of St. Helier South (Chair):

Good afternoon and welcome to the first quarterly hearing with the Minister for Treasury and Resources and his Assistant Ministers with us, the Corporate Services Scrutiny Panel. For the benefit of the tape, we will go round and introduce ourselves. I am Deputy Sam Mézec, the chair of the Corporate Services Scrutiny Panel.

Deputy M.B. Andrews of St. Helier North:

I am Deputy Max Andrews for St. Helier North.

The Minister for Treasury and Resources:

I am Ian Gorst, the Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (1):

Deputy Steve Ahier, Assistant Minister.

Assistant Minister for Treasury and Resources (2):

Richard Vibert, Assistant Minister.

Deputy S.Y. Mézec:

We also have some officers here who will introduce themselves, if and when they are called upon to provide extra detail. Minister and Assistant Ministers, can you just confirm that you have read the notice in front of us and understand it all?

The Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

We will begin. I will say we have got quite a few questions to go through because this is, of course, the first hearing at the start of this government term so, where possible, try to be as direct and brief, and we will follow up if we need to. So just the first opening question, Minister, is to follow on from a letter that we wrote to you in weeks gone by where we asked if you were in a position at that point to outline more of your work programme, including legislative priorities. It was so early at that point that you were not quite ready then; have you made progress on that now and is there anything you can update us on about your plans for the coming year?

The Minister for Treasury and Resources:

Yes, thank you. So all Ministers' priorities are due to be published once the C.S.P. (Common Strategic Policy) and the Government Plan have been published on Tuesday, and then there will be a programme of publishing those priorities as well. It will not surprise you to know that in those priorities there is a need for us to improve customer service and be more customer focused and need to continue with the transformation of Treasury. In Financial Services there is also a whole host of other things that we will need to do as well, but maybe we will ... once that document is in the public domain you will see those follow-up priorities. They will of course give rise to the need for some bits of legislation. Anything that we are going to do to respond to the international tax consensus will require legislation. There will be the usual annual changes that will be required coming out of Government Plans not just this year but next year to legislation as well. There is all the work continuing the independent taxation pieces of legislation as well, so there is quite a full work programme and we can probably provide you with a confidential copy in advance of the publication of that document, but it is now well-advanced compared to what it was.

Deputy S.Y. Mézec:

Okay, thank you very much. Are you able to confirm if there was any work that had been started or at least considered by your predecessor that you have made a political decision is no longer a priority to proceed with, and therefore freeing up resources for other priorities?

The Minister for Treasury and Resources:

I cannot think that there is. I think a lot of the transformation and customer-focusing work absolutely needs to be delivered. All of the commitments and agreement from the States about the changes to independent taxation, they all need to be continued as well, so I cannot think of any area that was previously committed to that is going to fall off the radar. What I do want to do though is make sure that right across the Treasury bit of our organisation there were some bits moved from other departments into Treasury, and I want to make sure that they are focusing on the priorities of the new Government.

Deputy S.Y. Mézec:

Minister, you have got 3 Assistant Ministers, quite a lot compared to some other Ministers. Could you just explain the rationale for having those Assistant Ministers and what functions you will be expecting them to serve out and if either of those here want to explain what they see as their role as Assistant Minister, please do.

The Minister for Treasury and Resources:

I am a consensus politician and always believe that it is important to work in that way. Although I have not always been able to have ... certainly in the last Government I was not allocated an Assistant Minister, the Treasury Department is at the heart of Government and it is a really important department with lots of time-consuming responsibilities. That is why I asked for 3 Assistant Ministers, one being the Minister for Social Security because I think it is really important, as we go through transformation work and with the movement of Revenue Jersey staff and front-door staff to the C.L.S. (Customer and Local Services) building, right alongside Social Security staff, that she and I work closely together. So that was really a driving force there in asking Deputy Millar to be an Assistant Minister. As we sit here, all Assistant Ministers are empowered to act on any matter in my absence and share all of the workload. We have divvied up some of the work but we have not yet made the formal delegations of the divvying up of that work. So Richard, if you want to ...

Assistant Minister for Treasury and Resources (2):

I would concentrate on financial services. That would be my area and also taxation. I have run a number of projects that involve the regulation around international taxation. I hope that I have something that I can bring to the table. So those are my areas that I would be responsible for.

Assistant Minister for Treasury and Resources (1):

I have no formal delegation of responsibility but obviously my interests will be in the States-owned equities and certainly in the review of stamp duty, which will be coming up soon.

Deputy S.Y. Mézec:

Minister, if heaven forbid you were ever indisposed of, which Assistant Minister would be the one that would be expected to become acting Minister immediately.

The Minister for Treasury and Resources:

The law does not quite work like that, does it? The acting Minister has to be another Minister in the first instance, that reverts to the Chief Minister. But, as you appreciate, the Chief Minister has a lot of responsibility and so the day-to-day running of the department in practice is delivered by the 3 Assistant Ministers, working in the same way that we do now. So in making decisions we meet together and agree those decisions and agree the priorities and the work on a weekly basis, so we would expect that to continue.

Deputy S.Y. Mézec:

Constable Vibert mentioned financial services and it has been publicly stated that that will be added to your remit at some point. Do you have a timetable for when that formal allocation may take place?

The Minister for Treasury and Resources:

I do not but I understand that it is imminent.

Deputy S.Y. Mézec:

Imminent? Exciting. Moving on, unless you have anything?

Deputy M.B. Andrews:

No, that is fine.

Deputy S.Y. Mézec:

Moving on, we did correspond previously about the co-funded payroll scheme and your different position to your predecessor on the previous recommendations that were made by this Scrutiny Panel in a previous iteration, could you give us an update on where you are with that?

The Minister for Treasury and Resources:

This is a job that I have asked the 2 Assistant Ministers to sit on the Ministerial body. We are very shortly, I think it is probably next week ...

Assistant Minister for Treasury and Resources (2):

Yes, it is; the 3rd.

The Minister for Treasury and Resources:

The appeals process will be open and launched. There will be the involvement of an independent person from Jersey Business. That is quite important because they will help support the creation of the scheme in the first instance, together with advice from expert officers, and then there will be a political body as well. That is either in the process or did yesterday decide the parameters of the review process, and then that will go into the public domain.

Deputy S.Y. Mézec:

Do you have any idea about the length of time that journey may take for those businesses who will go through and appeal? Did you have any idea what kind of timescale they would face from start of appeal to resolution? Is it quick or will it be longer?

Assistant Minister for Treasury and Resources (1):

The appeals process will be open from next week hopefully and it will run until the end of November. So that will give plenty of opportunities for those who believe they have a claim to make an appeal.

The Minister for Treasury and Resources:

How quick is the process of which the individual decision should be taken? It should be straightforward. It should be timely, dependent on the additional information which any appellant might wish to provide to support their case.

Assistant Minister for Treasury and Resources (2):

A lot of it is in the hands of the appellant because in some cases already the delay is the fact that they have not submitted tax returns, they have not brought forward new information. But once that information is available I believe they can process them relatively quickly. One safeguard that myself and Deputy Ahier have added, and you were the first to raise this, is that - and I would hope that this is an unlikely event - in the longer term if they are unable to recover funds where it proved that they genuinely should be repaid, and that it came to the point of court action, they cannot do so without that specific case being brought back to the Ministerial team. We would want quite rigorous evidence that they need to go down that path.

Deputy S.Y. Mézec:

Very quickly moving on, just to ask obviously the co-funded payroll scheme was mentioned in the 100-day plan of the Government. Are there any other points within that specific plan that are on your agenda right at this moment?

The Minister for Treasury and Resources:

No, the only 2 of the 18 action points which were allocated to Treasury and Resources were the mini-Budget and the appeals process for the co-funded payroll scheme.

Deputy S.Y. Mézec:

Speaking of the mini-Budget, over to Deputy Andrews for some questions to follow on from that.

Deputy M.B. Andrews:

Firstly, I would like to ask the Minister a question in relation to fuel and also food. Obviously we saw in the mini-Budget there were policy measures to assist Islanders, but will there be measures potentially being reintroduced throughout this 4-year term later on?

The Minister for Treasury and Resources:

The reality is that although inflation may not have risen quite as much or may not now be forecast to rise quite as much as the F.P.P. (Fiscal Policy Panel) thought it would, the global volatility or certainly the economic volatility of our neighbour to the north has increased since we brought forward the mini-Budget proposals. That means that we can be less certain or more certain that we may need to bring forward more proposals either in the course of this year, but more likely in the course of next year. We remind ourselves, I think, that the mini-Budget is putting money into Islanders' pockets so it helps them in the short term. What we do not know is, is where interest rates will ultimately land.

[12:45]

We do not know if they will have the effect of reducing inflation levels. We do not know how the tax cuts in the U.K. (United Kingdom) will be inflationary. Therefore what the knock-on costs will be to supplies to us, it is an area we keep under constant review. You will see a continuing theme of helping Islanders with budget pressures in the Government Plan, in the Budget proper.

Deputy M.B. Andrews:

Also, I would just like to ask a question in relation to G.S.T. (goods and services tax) on essential items. Now this essentially is an indirect tax on consumption and it has actually hurt lower earners. Would you be in support of such measures to remove G.S.T. from certain items that are essential items for Islanders?

The Minister for Treasury and Resources:

No.

Deputy M.B. Andrews:

No, you would not. What would your reason be?

The Minister for Treasury and Resources:

The same reasons that they were right at the start. The introduction of G.S.T. followed the New Zealand model whereby it was broad and low and, in effect, therefore was simple. The choice taken at the time was that you either choose that approach or you choose a European style V.A.T. (value added tax) arrangement which is higher, is not so broad, but is extremely complex. It is a choice that States Members continue to have and we know we disagree on it but it is a perfectly legitimate political choice.

Deputy M.B. Andrews:

But here what we could be seeing is Islanders could have savings and they do not have savings because they are having to consume on essential items. In some cases what we are seeing is a Government that is having to rely upon fiscal expenditure because people cannot live financially independently.

The Minister for Treasury and Resources:

Well we can get into an argument about whether the removal of G.S.T. on food exactly how much of that will be passed on those who do pricing. Those who are in retail and have experience tell me that pricing is not just driven by cost but is also an art form in encouraging consumers. We should not forget that when we are bringing forward measures which are seeking to help Islanders, which is why, as a Government we chose the approach that we did of putting money back into Islanders' pockets and allowing them to decide.

Deputy M.B. Andrews:

In relation to rising interest rates, this has obviously been a concern for everybody, especially with the response to policy in the Conservative Government with Liz Truss. However there have been many islanders who have been very concerned in terms of the renegotiations of, say, their mortgages. From your perspective, do you believe there is the potential to introduce any form of economic policy of rental controls in the Island?

The Minister for Treasury and Resources:

We are talking about 2 different things there, are we not? I think that we are very much keeping a very close eye on the interest rate rises and considering whether there are appropriate interventions that Government could make in regard to support. As I say, the situation remains volatile. We see forecasters considering the next Monetary Policy Committee rise being 1.5 per cent or even 1.75,

and interest rates perhaps being by the start of the New Year, up to 6 per cent, although the forecast has tailed off a bit again now. We see in the Bank of England intervening to purchase government gilts. We should not rush with a policy but we should be very mindful of the implications of a rising interest rate. We see local media reporting, mortgage experts giving advice to Islanders who do currently have mortgages, and that seems to me to be eminently sensible advice at this stage.

Deputy M.B. Andrews:

You mentioned about appropriate support just then. What do you mean by this, in terms of how can you help Islanders who have got mortgages?

The Minister for Treasury and Resources:

I would not want to commit to any particular action at this point but there are levers, I think, that the Government could pull if it wanted to provide support.

Deputy S.Y. Mézec:

We produced our report on the mini-Budget which had some key findings and recommendations. Obviously the Government is required to respond in detail to those. But could you give any initial thoughts in relation to the recommendations that we looked at there?

The Minister for Treasury and Resources:

We have given some consideration and we are currently proposing to either accept or partially accept your recommendations. We should not be too long. I cannot recall what the response time is. I think we are probably well in advance but I do not think we are too long before providing our formal response to you.

Deputy S.Y. Mézec:

But it sounds positive if it is accepted partially.

The Minister for Treasury and Resources:

If accepting or partially accepting is positive then yes, it is.

Deputy S.Y. Mézec:

It sounds like it. You are not telling us we are completely on the wrong lines.

The Minister for Treasury and Resources:

No.

Deputy S.Y. Mézec:

Okay, thank you. We will look forward to that. Again, moving on, considering the current rates of inflation, what consideration are you giving to public sector pay? We know that before this crisis and before COVID there had been, let us say, difficulties in terms of the response from public sector workers about pay deals that were offered to them. What is your current thinking on the approach that might be adopted there and your ability to make funding available for pay offers if politically that is what the Government decides to do?

The Minister for Treasury and Resources:

You know the process of the Government Plan over previous years and we have taken the same approach, that there are moneys allocated and we will see this in the plan published on Tuesday. There are moneys allocated to support the increases in inflation. There is of course the economic argument about whether all expenditure should simply be increased by the prevailing rate of inflation or not. But those conversations will need to be had in future around the Council of Ministers' table but importantly between S.E.B. (States Employment Board) and the staff representing unions. So there is, as I say, moneys provided in reserves and there will be published next week, to allow those negotiations to either start or continue.

Deputy S.Y. Mézec:

But at this point, do you have any idea whether it is the Government's intention, given the cost-of-living crisis, and its ability to provide some financial relief to at least its workforce through the pay offers that are given? Is there thinking about considering that impact of cost-of-living crisis right now? The reason I ask this is that there are some very energetic campaigns that we see in our neighbour to the north about pay and how that can be a response to help people through a cost-of-living crisis. What position is the Government taking on that as one lever to help that section of society?

The Minister for Treasury and Resources:

I do not think it would be right for me as the Minister for Treasury and Resources to outline a policy which has not been agreed. So Ministers have still to consider their approach to the pay negotiations.

Deputy S.Y. Mézec:

Would you have any concerns about pay offers having an effect on inflation?

The Minister for Treasury and Resources:

I would want to be led by the best economic advice at the time and the reason I say "at the time" is because of the highly volatile times in which we live.

Deputy S.Y. Mézec:

There is an argument we can observe elsewhere where some are arguing that pay restraint is a helpful thing to do because it can hold back inflation and there are others who say that they do not agree with that economic outlook and said that inflation is caused by other measures. Do you take a view on which of those economic arguments makes more sense to you?

The Minister for Treasury and Resources:

No, I suspect that those 2 arguments will be the arguments that are had to resolve a pay mandate.

Deputy S.Y. Mézec:

Over to Deputy Andrews.

Deputy M.B. Andrews:

The Finance Law Delegation Report for January to June 2022 has been published, however it does not appear that a mid-year review report has been released in relation to the Government Plan. If this has not been released why is this the case?

The Minister for Treasury and Resources:

I am going to look across to my official for a head nodding or nod. I thought it had been. It has not?

Deputy S.Y. Mézec:

Minister, if it is appropriate to invite an officer to give a direct answer to that then please do.

The Minister for Treasury and Resources:

Okay, it is the Treasurer.

Deputy S.Y. Mézec:

Would you mind sitting over there and introducing yourself please?

Treasurer of the States:

Richard Bell, Treasurer of the States. The discussion on the mid-year report - we will next year, subject to Ministers agreeing release - was purely one of timing. So June fell between Governments, as it were, and therefore the added value of doing so was felt not to be as great as it would have been in other years; it would land in the middle of either an election or in the middle of a subsequent election for Chief Minister. There was debate around the table as to what the value would be. It was felt that the value was not great during the middle of an election but we can and will be getting back on track with that next year.

Deputy M.B. Andrews:

Thank you very much for letting us know.

Deputy S.Y. Mézec:

Moving on to the Government Plan, which we eagerly await the publication of. Are any departments forecasting overspends in 2022 and if so, where and why?

The Minister for Treasury and Resources:

It will not surprise you to know that, from a Treasury perspective, what we want is either balanced budgets or underspends. There are always, during the course of any given year, departments who are forecasting during the course of that year ... did you ask me about overspends or underspends?

Deputy S.Y. Mézec:

Overspends.

The Minister for Treasury and Resources:

Departments forecasting overspends currently off the ... and that changes throughout the quarter or the various months. So currently the department's forecasting largest overspends, but they are netted off by underspends elsewhere, it will not surprise you to know Health and Community Services. They always or often struggle with their budget. C.Y.P.ES. (Children, Young People, Education and Skills) are currently forecasting an overspend. What happens during the mid-year, and we will have a better feel when we get the numbers in for the end of this quarter of course, is that accounting officers are asked to consider their spend throughout the course of the year and seek to bring that spend back within their allocated budget because if they do not do ... that is their obligation to do so without a decision from other Ministers to deal with that, and support them through that. It will not surprise you to know of course that if you look at some of the reports about Health, for example, and the difficulties they are facing.

[13:00]

All of the post-COVID challenges and the difficulties that they face there, that Ministers in the Government Plan are seeking to support Health on a moving forward basis, so that they do not need to, as they often are, forecast underspend.

Deputy S.Y. Mézec:

Are you expecting the Government Plan to lay out in a transparent and easily accessible manner where these overspends are and how they have occurred?

The Minister for Treasury and Resources:

That does not normally come through the Government Plan. What we do with the Government Plan is set the new budget and allocate additional growth moneys to deal with issues that might have arisen either in the medium or long term. But what we do at the end of the year of course is, if departments are running an overspend, it is very carefully analysed how that arose. Officers are empowered to, as I say, deal with their budgets in-year and I take a very dim view of departments which run overspends.

Deputy S.Y. Mézec:

Obviously there can be many reasons for overspends, one of which can be stemming from staffing issues and difficulties that arises as a result of that. Do you think that that is the main cause, or at the root of the cause of overspends that you have observed, or is any of it to do with an under-delivery of rebalancing that departments were tasked with previously?

The Minister for Treasury and Resources:

This is where what is ultimately important at the end of the day is the balancing of the overall budget because we know that those 2 departments, for example, will not have delivered their rebalancing or efficiencies during the course of this year. We know also that they are the 2 departments that struggle most with recruitment and have to use temporary and agency staff, so that drives their costs higher than permanent staff. We know also that there was a change of policy by the last Government around parental leave moving beyond the statutory requirement to a 20-week requirement; that of course drives additional costs that were not budgeted. So when we undertake our review in due course, we will need to consider the interplay of all of those things, really, but it is the efficiencies and it is the staffing issues.

Deputy S.Y. Mézec:

Underspends?

The Minister for Treasury and Resources:

We like underspends, sure. We like underspends.

Deputy S.Y. Mézec:

It is a mirror of the same question but about those, yes.

The Minister for Treasury and Resources:

Underspends, so Customer and Local Services were, earlier this year, forecasting underspends. We know that we have got the lowest levels of unemployment for many years. That is releasing the

pressure on the income support budget, but what we of course have done is reallocated some of their in-department underspends to deliver the increases to benefits elsewhere in the mini-Budget.

Deputy S.Y. Mézec:

So do you still regard them as underspends then if you are still spending them?

The Minister for Treasury and Resources:

I doubt there will be underspends. The report I have got in front of me, which is the last one, still says they are, but this report was collated by officers prior to the actions of the States in the mini-Budget.

Deputy M.B. Andrews:

Now moving on in terms of Ministerial decisions moving forward, of course many people are very concerned about the hospital. So, where does that reposition us in terms of our reserves and also during a period of high inflation?

The Minister for Treasury and Resources:

It is so tempting to answer your question because it is about to be answered on Tuesday anyway, but that would not be fair to the other States Members.

Deputy S.Y. Mézec:

Do not worry, no one is listening.

The Minister for Treasury and Resources:

Let me just say this, the previous States Assembly have made a decision, that is a democratically-made decision, and this Government, unless it or until it asks for a decision from the Assembly contrary to that decision, then that decision is the working premise of any forecast or proposed spends in the Government Plan for next year.

Deputy M.B. Andrews:

Thank you very much for answering my question.

Deputy S.Y. Mézec:

Can I just quickly jump back on one question to throw in there that I did not ask that I should have asked previously, and then we will carry on?

Deputy M.B. Andrews:

Yes, that is fine.

Deputy S.Y. Mézec:

Yes, sorry about that. So, it had previously been said that revenue income in 2022 was higher than expected, can you give us an update on your expected revenue this year, and how does that fluctuate from previous expectations that you were working on the basis of?

The Minister for Treasury and Resources:

Off the top of my head - I do have a paper somewhere here - but off the top of my head, the latest Income Forecasting Group increase, yes, that is exactly right, was that this year we would have an increased income line of £43 million. The summer I.F.G. (Income Forecasting Group) forecast £39 million, so throughout the year that forecast has kept improving, and then you will see the forecast for next year in the Government Plan on Tuesday.

Deputy S.Y. Mézec:

Okay, thank you. Back to you, Deputy Andrews.

Deputy M.B. Andrews:

So, Minister, we are looking probably at a primary budget surplus for the year?

The Minister for Treasury and Resources:

Of this year?

Deputy M.B. Andrews:

Yes.

The Minister for Treasury and Resources:

Well, no, because we spent the majority of it, have we not, on the mini-Budget.

Deputy M.B. Andrews:

Mini-Budget, okay. So do you know what the shortfall will roughly be?

The Minister for Treasury and Resources:

I will tell you that on the 1st or 2nd January.

Deputy M.B. Andrews:

Okay, thank you. Now we will ...

The Minister for Treasury and Resources:

Probably a few days after that.

Deputy M.B. Andrews:

We will be moving on. So, obviously buy-to-let surcharges was obviously agreed by the States Assembly. Please may you provide us with an update?

The Minister for Treasury and Resources:

You can expect to see an update in the Government Plan on Tuesday giving effect to the decision that the States made.

Deputy M.B. Andrews:

Okay, and also as well in terms of a rate that will be set, or is there potentially going to be more than one rate set if, say, a purchaser is buying a certain amount of homes, or is it just a single rate?

The Minister for Treasury and Resources:

No, we have just set on a single rate. I should not tell you what that rate is other than to say it is a rate equivalent of a rate elsewhere.

Deputy S.Y. Mézec:

Double digits, single digits?

Deputy M.B. Andrews:

Also in terms of those who are investing in second home ownership, essentially what we are seeing is investment in a market that is in a position of partial market failure. So, technically we could be looking at, for instance, using such surcharges to be ringfencing the Dwelling Houses Loan Fund. Has that been something, for instance, that has been discussed to try and assist first-time buyers accessing home ownership?

The Minister for Treasury and Resources:

Well we do not know yet what such surcharge will produce. We do have some forecasts, they will be in the Government Plan for next year, but just currently in general revenues, because we do not like to hypothecate as a general rule, what I am very keen for is that the £10 million that was set aside while the chair was Minister for Housing and Communities, is used. I think if we can start to use some of that £10 million in 2023 that will allow us to provide support. We do not at this point need to be looking at other areas of support, although we do remind ourselves that the high interest rate environment does create other challenges for some arm's-length organisations who are involved in delivering housing, so we are going to need to look at their models and see how we support them as well. Because although, on the one hand the demand, you could argue, it will

reduce in a high interest rate environment because Islanders cannot afford the high interest, the demand just remains latent. There is still a real demand for houses, it is just that the affordability has moved into a different sphere.

Deputy S.Y. Mézec:

Just to follow on that, and you also referenced the £10 million for home ownership which I am pleased has not been forgotten, what thinking are you doing on that and in combination with what you are looking to do with the stamp duty surcharge to make sure that whatever combination of measures are put together is not inadvertently inflationary?

The Minister for Treasury and Resources:

Well, we have to recognise that putting money into the marketplace is always going to some extent be inflationary, it is just the timing of it, but the thinking is being done by the Minister for Housing and Communities.

Deputy S.Y. Mézec:

Thank you.

Deputy M.B. Andrews:

In relation to second home purchases over all property transactions, are you quite content there will be data covered from all property transactions, or do you think there are potential limitations in terms of the data that can be collected?

The Minister for Treasury and Resources:

I am not sure it is data that we ... we do collect data and I am just trying to think of ... Comptroller, I do not know if you want to come forward because I am either about to ... I have had the first draft of details provided to me for a States Member's question. I am not sure, Deputy, if it is your question, a written question that you have asked.

Comptroller of Revenue:

I am Richard Summersgill, the Comptroller of Revenue. As the Minister says, we are making plans to implement what was amendment 22 to the last Government Plan which will introduce a higher level of stamp duty on purchases other than of a primary domestic dwelling, so buy-to-let properties, second and holiday homes.

The Minister for Treasury and Resources:

Sorry, Comptroller, the question was about the data that we have got on second home owners that we have got.

Comptroller of Revenue:

Yes, indeed.

The Minister for Treasury and Resources:

But I just was not sure if we had it in the breakdown the Deputy was asking about.

Comptroller of Revenue:

Right. Well, I think the basic answer to that is that at the moment there is very little data on the nature of those sorts of purchases. The new rate of stamp duty will be administered by the Judicial Greffier and we are discussing at the moment the details. But I imagine that part of the process will be that when somebody is buying a property, they will have to make a declaration as to whether it is for buy-to-let purposes, holiday home or whatever. So in the future, because we are beginning to tax it in this way, I think that data will grow and become more robust.

The Minister for Treasury and Resources:

But we have the data now from property ownership that people put on their tax returns, and we are answering a question, a written question, this week that will give the number of taxpayers and the income earned from it, are we not?

Comptroller of Revenue:

Yes. We have information about people who derive income from letting property.

The Minister for Treasury and Resources:

Yes.

Comptroller of Revenue:

Obviously in the tax system we only ask for data that is necessary for assessing tax liability, so what we often find is that we cannot answer slightly more granular questions. So, for example, the tax return does not, in some cases, differentiate between income derived from Jersey property and income derived from offshore property, so there is a degree of a lack of transparency in some of the data we hold.

Deputy M.B. Andrews:

Okay, thank you very much.

Deputy S.Y. Mézec:

Can I just ask to follow up on that, either for the Minister or Comptroller here, has there been any thinking about ensuring that with this new stamp duty surcharge that you are able to capture homes which are sold perhaps with the initial intention of being for an owner-occupier but then very quickly end up being let out? Because I do not know if what you are proposing will enable people to decide very quickly after buying a home: “I am now going to move on and let this one out” and so it becomes basically the same as a buy-to-let but with just a short intervening period.

[13:15]

The Minister for Treasury and Resources:

So we do not really want to get dragged down into something that is not yet in the public domain, but you have hit on a problem that a simple straightforward system will not work perfectly in every situation basically. I do not know if you want to ...

Comptroller of Revenue:

Yes, we certainly are giving consideration to some sort of effectively anti-avoidance provision so that if somebody, for example, on the point of the transaction says: “I intend to live in this dwelling myself” but then very quickly the circumstances change, there may be the option to levy tax, accepting that in some cases people’s circumstances genuinely do change.

Deputy S.Y. Mézec:

Okay, thank you.

Deputy M.B. Andrews:

Okay, thank you very much for that. Moving on to the next question, so the Revenue Policy Development Board minutes from 11th March 2022 propose that the economic impact assessment to the stamp duty amendment would consider the impact on the rental sector. Has this been actioned and, if so, can you update us on the outcome?

The Minister for Treasury and Resources:

Sorry, Comptroller, you need to come back.

Comptroller of Revenue:

I am sure that my colleague who is doing the work on this will be considering that. We certainly have been taking advice from external economists who have been supporting us in thinking all of this through. I am afraid I have got nothing more I can tell you at this stage.

Deputy M.B. Andrews:

No. Okay, thank you.

Deputy S.Y. Mézec:

Do you want to stay just for the next few questions just in case they turn out to be relevant? Okay, so the Revenue Policy Development Board agreed a preferred option for vehicle emissions duty optimisation for non-commercial vehicles to be proposed in this Government Plan, and that further work and consultation was required on road user charge versus vehicle ownership charge before decisions are taken. Has any consideration been given to consultation in that regard, and can you outline any progress you have made on that?

The Minister for Treasury and Resources:

So for the first bit of that question, you will see proposals in the Government Plan about V.E.D. (vehicles emissions duty) which are very much driven by wishing to change activity. For the second part, I am not sure yet that that consultation has started.

Comptroller of Revenue:

No, it is still at a relatively early stage of development. The lead options for replacing fuel duty in the longer run are indeed either a form of road user charging or a standing charge on the ownership of vehicles, or indeed a mixture of the 2. I think once the project has moved forward, it will obviously be going to Ministers to consider what they want to do in the first instance, but at that point I think we will be asking the Minister whether he wished to go to consultation.

Deputy S.Y. Mézec:

Okay, thank you. For the Revenue Policy Development Board, are up-to-date minutes published from that body, do you know?

The Minister for Treasury and Resources:

So there no longer is a Revenue Policy Development Board and Ministers have not yet sat to consider the matters arising. I am not aware of when the latest minutes published were but we can certainly review to see ...

Comptroller of Revenue:

All the minutes are in the public domain, Minister.

The Minister for Treasury and Resources:

Okay, fine.

Deputy S.Y. Mézec:

They are?

Comptroller of Revenue:

Yes.

Deputy S.Y. Mézec:

Okay, fine. Thank you.

Deputy M.B. Andrews:

So, moving on to the next question in relation to the high-net-worth individual tax regime, are the prescribed limits of taxation going to be changed and, if so, how much more revenue is going to be generated do you forecast?

The Minister for Treasury and Resources:

So, we are hitting that problem we have hit a little bit already this afternoon. There will be changes in the Government Plan to that regime in line with what is permitted within the existing legislation.

Deputy M.B. Andrews:

Okay, so by "existing legislation", please may you expand on that in terms of how you have concluded your ...

The Minister for Treasury and Resources:

Well, the legislation that currently governs the regime of 2(1)(e)s.

Deputy M.B. Andrews:

So in terms of their prescription of ...

The Minister for Treasury and Resources:

So that legislation allows for a revalorisation of the minimum rate of tax that they pay.

Deputy M.B. Andrews:

Is there any indication in terms of the aggregation increase of taxation that will be collated?

The Minister for Treasury and Resources:

Well we will have forecast what the revalorisation will give rise to, and you will see that in the Government Plan.

Deputy M.B. Andrews:

Okay, thank you very much.

The Minister for Treasury and Resources:

But that is within the existing legislation. The Chief Minister is in the process of undertaking a more substantial review of that regime.

Deputy M.B. Andrews:

Thank you, Minister.

Deputy S.Y. Mézec:

We are going to move on for questions about independent taxation now so ...

The Minister for Treasury and Resources:

Okay, so you better stay, Comptroller.

Deputy S.Y. Mézec:

But the questions will be for you in the first instance, Minister, to test you. So the previous Government Plan indicated that this year legislation to establish an independent transitional compensatory allowance will be brought forward to ensure that no Islanders are disadvantaged by the change. So can you just give us an update on any progress that has been made on that?

The Minister for Treasury and Resources:

That really is for the Comptroller of what he has been doing internally. No decisions or requests for decisions have been brought to the Minister. So, Comptroller.

Comptroller of Revenue:

No. So we have developed a formula for providing a compensatory allowance which we are currently discussing internally with officers and with our software developers, and we will put to the Minister in due course. That effectively achieves the Minister's predecessor's desire that we should endeavour to ensure that nobody is financially disadvantaged from the move, with a particular focus on lower-income people. The data analysis in the previous reports to the Assembly showed that about 7,000 married couples, typically lower-income couples, would be financially disadvantaged if you immediately forced them to go into independent taxation. So, the compensatory allowance would provide an offsetting amount to correct that over at least 10 years, was the previous Minister's proposal.

Deputy S.Y. Mézec:

So is there going to be anything in this Government Plan about that?

Comptroller of Revenue:

I think there is a progress update, and I do not think it is confidential, that Ministers will present further legislation to the States Assembly early in 2023.

Deputy S.Y. Mézec:

When do you envisage, all being well, that this compensatory allowance would be available and in effect?

Comptroller of Revenue:

I believe the Minister has agreed in principle that the first year of moving people into independent taxation is likely to be 2025. So, in 2025 effectively those married couples that have not yet elected for independent taxation would move into independent taxation but with the availability of that compensatory allowance.

Deputy S.Y. Mézec:

Thank you. The independent taxation pilot scheme, phase 1, what challenges were highlighted through that and has any consideration been given as to how to resolve anything that might have come up in that?

Comptroller of Revenue:

The pilot so far has gone well. It has identified a number of software programming issues we need to resolve before we start to transfer people into independent taxation on an industrial scale.

Deputy S.Y. Mézec:

Phase 2 of that for married couples and those in civil partnerships, where are you on that?

Comptroller of Revenue:

Well, phase 1 has gone well. So anyone who is now moving to the Island, any married people now moving to the Island, are taxed independently. Phase 2 was the voluntary adoption, I think, by others of independent taxation. We have not had a huge take-up. I think most people are waiting to see, and if people are a bit unsure about the financial consequences, that is well understandable. We have put quite a lot of information out to support that, including the introduction of a new tax calculator online, so people can go online and play with numbers to see if they will be better off or worse off under independent taxation.

Deputy S.Y. Mézec:

Thank you. The previous Corporate Services Scrutiny Panel recommended that a clear understanding to the States Assembly of the planned future of the child's tax and childcare allowances should follow the introduction of independent taxation. So what consideration, if any, has been given to the position on this, and will there be a final decision any time soon on that?

The Minister for Treasury and Resources:

So, the whole of this independent taxation has not yet been the subject of consideration by any of the Ministerial team. I think my Assistant Minister, who is not present with us today, has agreed to take on responsibility for bringing forward this legislation and was a supporter in making all of those decisions, but you remind us of a good point that there are a number of quite technical issues that may have a very ill-effect on Islanders that still need to be resolved.

Deputy S.Y. Mézec:

Is the resourcing capacity at Revenue Jersey sufficient to meet the operational requirements for all of this?

The Minister for Treasury and Resources:

Well I would say it was. Well, officials would always like some more resource even though they might have seen a nice increase in resource and head count, but I believe that it is.

Deputy S.Y. Mézec:

Hypothetically speaking, if there were more resourcing, what would it be spent on? I am also getting towards communications there on it, because obviously it is a complex subject for some households to understand. So are you thinking of doing any more on that, or is the plan for communicating these changes going ahead as planned without any changes?

The Minister for Treasury and Resources:

I have not looked at what the current communication strategy is, as I say, because Ministers have not yet considered this workstream; it is still with officials, as the Comptroller has said. It will be really important that we get the communication strategy right. I hope and think that we have learnt from just how difficult it was with the move from the prior-year basis. Even though we had a really great communication strategy, it just somehow did not get through to Islanders. Perhaps one of the problems that we encounter is that we have got too many numbers people looking at a communication strategy, and we are too focused on the technical elements of it rather than the practical: what does it mean in practice; what decisions should I make about my election of when I want to pay back, and focusing it on what is in the best interests of Islanders rather than maybe what we think makes sense from a numbers or technical perspective.

Deputy S.Y. Mézec:

Yes, indeed. Speaking on that, because Deputy Andrews will ask about prior-year basis in a moment, I did have an incident with a constituent who was devastated to what they had received in the post about prior-year basis, then after a 20-minute meeting at C.L.S. walked out elated because it had turned out to be a good thing for them, so it is obviously a complex thing to communicate.

Deputy M.B. Andrews:

Thank you. So, with regard to prior-year basis taxation payments, how many Islanders have opted or been required to make early settlement, and how much revenue has this raised?

The Minister for Treasury and Resources:

When you say "required", do you mean opted, do you not?

Deputy M.B. Andrews:

Yes.

The Minister for Treasury and Resources:

Yes, well, Comptroller, I have got the numbers but you should answer because you are the official. Do you want me to give you ...

Comptroller of Revenue:

I do not have them in front of me, Minister, so if you ...

Deputy S.Y. Mézec:

To you, Minister, in the first instance.

The Minister for Treasury and Resources:

No, it is a ...

Deputy S.Y. Mézec:

That is cheating, is it not?

Comptroller of Revenue:

So, 3,500 taxpayers have decided to pay in full already which has placed over £22 million into the Government's account. So, we are currently estimating there is about £315 million to be paid by about 27,000 taxpayers and, as you will know, the payment arrangements are potentially a couple of decades long. So over the next year and a half, people have to make an election as to how they wish to repay it, either by instalments or by lump sums or by a lump sum on retirement.

[13:30]

Deputy M.B. Andrews:

Also, do you have on the per annum basis the amount of income that will be coming in, in this respect?

Comptroller of Revenue:

Well, there are forecasts and assumptions within the Treasury, but it is very difficult to forecast and obviously at the moment it will probably double, so.

Deputy M.B. Andrews:

Thank you very much for answering my question. I just also want to speak a bit about the revolving credit facility. So what is the current revolving credit facility debt, and by how much has this been reduced through underspend?

The Minister for Treasury and Resources:

So, currently drawn down to the tune of about £59 million: £19 million of that was for fiscal stimulus, £40 million was drawn down to deal with COVID, although subsequently some of that drawdown has been spent on the hospital. I do not have the figure for the reduction from underspends but I do know ... I am just trying to think back to at the end of last year. I think we allocated somewhere between £50 million and £100 million of underspends to reduce the borrowing. We have a plan in place to reduce the COVID borrowing, again, which we will announce on Tuesday in the Government Plan.

Deputy M.B. Andrews:

What actions have been taken, if any, to accurately identify underspends to negate the borrowing requirement of the Government of Jersey in 2023?

The Minister for Treasury and Resources:

Well, actions are obviously taken by accounting officers and finance directors. They have to report in to Treasury centrally on all of their spending and their underspends. The previous Minister made the decision, in line with a States decision, to allocate underspends in the way that was approved in the States, and I will continue to do so at the end of this year.

Deputy M.B. Andrews:

Thank you. In relation to the Bank of England, obviously they have been raising interest rates periodically, so in terms of public expenditure, how is that obviously going to impact in terms of the amount of revenue that we are bringing in, but also the expenditure that we are also having to incur?

The Minister for Treasury and Resources:

Well, we really return to the points that I made at the start of the hearing, it remains very volatile. The Economics team in the Department for the Economy are gathering data about the state of or indebtedness across the economy. The duration of that indebtedness and the risk embedded in that indebtedness, and also thinking about the impacts of increasing interest rates on personal income tax and corporate income tax, they are doing that modelling, but that modelling is volatile as well because what might happen in the short term may not be sustainable in the longer term. We know that we are strong from an economic perspective, but we can equally expect, as other forecasters are, that there will be economic decline across Europe and that may ultimately have a knock-on effect to us.

Deputy M.B. Andrews:

So in relation to borrowing, do you think the dynamics have changed, especially so with a new Assembly?

The Minister for Treasury and Resources:

No, I think the dynamics have changed with the economic volatility in the United Kingdom.

Deputy M.B. Andrews:

But also as well when we are considering, say, for instance, when we are looking at a new hospital, obviously there is potentially going to be a change in terms of the hospital site selection. Of course, if we are going to be proceeding with this, and in conjunction with the changes that have obviously been seen in the U.K., that is now making it a more complex, more volatile environment. So, how are we going to address that in terms of your position as Minister for Treasury and Resources looking forward?

The Minister for Treasury and Resources:

Well, we remind ourselves that we have the decisions in place from the previous Assembly which are to build a hospital within a budget of £804 million and to borrow £756 million. Because of the volatility in the U.K. economy and in the bond market, it would seem that the extent decision would need to be revisited, whatever is decided about a hospital site or whatever comes out of the Minister for Infrastructure's review.

Deputy M.B. Andrews:

In relation to rising interest rates, has that really changed the outlook for our longer-term investment strategy for the Government in terms of our reserves?

The Minister for Treasury and Resources:

Well, we remind ourselves that we hold investments in our reserves for the long term; we are not looking for short-term liquidity. We do not have the problems in the majority of the reserves that some U.K. pension funds found themselves in with having to realise gilts for liquidity. We have an Independent Investment Committee that supports the decisions that are made around the investment strategy, but even through times of volatility, we know that over the long term, exposure to the market produces the biggest returns, and so we would not just change our strategy on short-term volatility. We may have to, or the P.E.C.R.S. (Public Employees Contributory Retirement Scheme), for example, may need to think about whether they have got the liquidity for payments, but we do not have that problem with the old-age pension.

Deputy M.B. Andrews:

Thank you very much, Minister, for answering my questions. Now I will pass you over to Deputy Mézec.

Deputy S.Y. Mézec:

You mentioned early on in this hearing about customer service for Revenue Jersey, so some questions on that now. In year-to-date, 31 per cent of calls to Revenue Jersey have not been answered, and those that have been answered would on average have to wait over 7 minutes. Are these figures acceptable to you?

The Minister for Treasury and Resources:

No.

Deputy S.Y. Mézec:

What are you doing about it?

The Minister for Treasury and Resources:

The Comptroller and myself are absolutely committed to improving customer service standards. We know that there have been improvements across many of the areas that we provide services to Islanders, but the one area which seems to be persistently difficult to deal with is the handling of calls at times of particular actions, so when people get their I.T.I.S. (Income Tax Instalment System) return, for example, we are just not handling the volume of calls that are required. That is causing a deep frustration across the community, and we are not able to turn around all Islanders' queries

in the way that we would desire to do so. So, we are improving the service down at C.L.S. and I think that that is working and functioning better than it previously was. We are piloting ...

Deputy S.Y. Mézec:

Sorry to interrupt on that, but what exactly has changed in terms of when you walk through doors there? What exactly has changed that has made things better, as you said?

The Minister for Treasury and Resources:

Well I think there are more people down there because we have put extra resource into it. We are also piloting Revenue Jersey officials going round the Parishes, and we are piloting that with St. Clement, St. Peter and St. Mary at the moment. So, we are piloting that to hopefully ...

Deputy S.Y. Mézec:

Are those the Parishes where you anticipate getting the most take-up for the most revenue as a result?

The Minister for Treasury and Resources:

Well, no, this is about offering service to the public and trying to regain the trust of the public in the work that we do and in the service that the Taxes Department provides for them. There is also a lot of good work going on from a digital perspective, and we will be rolling out hopefully more of that in due course so that systems talk to each other and using A.I. (artificial intelligence) in dealing with that. But we will need to - and I am looking across to the Comptroller - find a way of using our people to handle calls at times when we can expect peaks. I think we can know from looking at the back-testing of our data when those peaks are going to be. For example, there has just been a piece of information in the public domain about Islanders which, due to their I.T.I.S. rates, are paid more tax, as we sit here, than their liability might be. Some Islanders may just roll that forward; others might in difficult times think: "Okay, I would like to talk to the Taxes Department about that." So we can now, I think, because we have been monitoring, we can forecast when we might have this increased activity and we need to allocate people accordingly, but it is not going to be a quick fix.

Deputy S.Y. Mézec:

You have touched on a few things that I wanted to ask extra questions on there. First, some credit where it is due, I get constituents coming to me often with frustrations about this, and when I have, on their behalf, contacted Revenue Jersey to try to help them get a resolution, they have always been extremely helpful and very satisfactory, but it is obviously a shame that sometimes it gets to that point where that kind of intervention is necessary. One thing I know some constituents would have benefited from because of difficulties that some people have with their eyesight or working through numbers and that kind of thing, would be the ability to simply walk in at a time that is

convenient for them and sit down with somebody, like the good old days that used to exist down there, but we of course accept that sometimes that is not always the best way of resolving an issue. What thinking have you been doing about some form of walk-in appointment system down there, and where are you on that?

The Minister for Treasury and Resources:

So, I agree with you entirely. What we will be doing over the coming months, so probably the timescale that it will be, is we need to have a proper strategy which (a) allows for walk-in appointments and (b) allows for really quite straightforward online booking appointments. Because, although I understand fully why Islanders want to just be able to pop in, what we do not want to do is for Islanders to pop in to see somebody, and then have to book another appointment the following week to get their file down and deal with a technical issue. That is not a good thing; it is far better if we have more available bookable appointments they can book in and go. But we do not want to go back to Islanders just popping in in person to get their I.T.I.S. rate, for example, when we now have a really straightforward form that can be dealt with within a day: fill in the form online and you can have your I.T.I.S. rate emailed to you within a day just as a standard process, or if it is an emergency you can get it. So, we are working on marrying all of these things up so that what we want to do is provide the service in the way which is most convenient to Islanders, and that is a combination of needing to have the front door open so that people can walk in, but it is also having digital services where you can do it in 2 minutes and you do not have to leave wherever you are, or leave your phone for 2 minutes.

Deputy S.Y. Mézec:

Following on from that in terms of the I.T. (information technology) infrastructure, is that where it needs to be now, or what upgrades are being made and what is the timescale for completing some of that?

The Minister for Treasury and Resources:

Well we have got 2 different systems: we have got the overarching, which is known as the I.T.I.S. system which is the connect system which is, from my latest advice, coming online for the first 2 phases early next year. So that is in process and that is important because it replaces the accounting system, and we will really transform the data that we have got available and discipline across the organisation when it comes to accounting. In tax we have got the, I think it is called the R.M.S. (Revenue Management System), which it was a bespoke system and it has given many improvements.

[13:45]

It has a contract life, as all these systems do, and we are seeking to ensure that it is able to provide for us and provide the services that we want in the interests of Islanders.

Deputy S.Y. Mézec:

On staffing in Revenue Jersey, are you at full capacity there or are there vacancies that are currently being recruited to? Have the challenges that we faced in the COVID pandemic had an impact on all of that?

The Minister for Treasury and Resources:

Yes, the COVID pandemic has had challenges right across the organisation when it comes to the staff. So, the Revenue Jersey section of the department as at 1st September, there are quite a few bits, but it has no vacancies, so it is in full employment of 143; 11 of those I think are fixed-term contract posts but, yes, it is fully staffed.

Deputy S.Y. Mézec:

Thank you. I am done for this subject area unless you have got something else to add.

Deputy M.B. Andrews:

No, I am fine for the subject area, yes.

Deputy S.Y. Mézec:

Okay, we can move on.

Deputy M.B. Andrews:

Yes, so we will be moving on to the Fiscal Stimulus Fund. So, the most recent progress update report on the Fiscal Stimulus Fund notes a total final expenditure from the fund of £19.3 million. It also notes that one amount remains outstanding in relation to one project. Can you update us regarding the outstanding amount, please?

The Minister for Treasury and Resources:

I cannot. This report was a report which I was simply left to publish on behalf of the previous Minister. I am not sure whether the Treasurer can ... sorry, you need to come to the microphone.

Deputy S.Y. Mézec:

Also introduce yourself again, please.

Treasurer of the States:

Hello, Richard Bell, Treasurer. Repeat the question, please.

Deputy M.B. Andrews:

Yes, the most recent progress update report on the Fiscal Stimulus Fund notes a total final expenditure from the fund of £19.3 million. It also notes that one amount remains outstanding in relation to one project. Can you update us regarding the outstanding amount, please?

Treasurer of the States:

So my understanding is that that figure remains broadly the same. There was a question relating to continuing to support one or 2 projects from underspends outside of the ... or funds held in reserve outside of the Fiscal Stimulus Fund, and we are finalising that position with the Minister for Economic Development, Tourism, Sport and Culture.

Deputy M.B. Andrews:

Thank you very much for answering my question. Now, moving on, how are you measuring the impact of the fund, and what quantitative assessments are being used to demonstrate this?

The Minister for Treasury and Resources:

Well it is finished: the money has been spent, the projects are delivered. I do not know if you want to talk about the ...

Treasurer of the States:

That follows a number of performance indicators, if you like, through which we said we would try and assess the effectiveness of the fund. Most of the projects have only just come or recently come to an end, and we are gathering that data and reporting from the projects.

Deputy M.B. Andrews:

So in terms of how success is essentially measured, how was that implemented?

Treasurer of the States:

Well there are a number of factors that were put in place, or a number of K.P.I.s (key performance indicators) put in place, that were primarily around a number of local contractors or employees or people that were hired. But there were also indicators set in respect of the previous Government's strategic priorities and how they lent themselves to supporting those priorities. So they have all come together; they were all assessed through the process of assessing the requests, and they met those requirements at that point in time, or their plans did, and now we just need to make sure that they have upon completion of the projects.

Deputy M.B. Andrews:

In relation, for instance, if there was, say, anything like this to ever be brought forward again, what improvements potentially could be made in terms of the administration side of things?

Treasurer of the States:

So, I think with hindsight one of the issues related to the sheer scale of bids, if you like, that were made, or the sheer scale of projects that were put forward. On both sides of the table, if you like, having the resources in the Treasury in particular to deal with all of those at the same time, have also been helping some organisations who perhaps are small-scale organisations from the charitable and voluntary sector, helping them put together the business cases as well. So having all of the information come in quicker would have supported moving quicker to decisions on those funding applications.

Deputy M.B. Andrews:

Also time, was capacity an issue within the department?

Treasurer of the States:

Well, there were a lot of questions that had to be asked back of bids that were put forward, and that was the case across government as well because there were sponsor departments as well. I think we had put enough resourcing in place on the very level of application. The sheer scale of applications we have, off the top of my head, were 90-odd from the first tranche. We did not expect that scale of requests, so that was a bit of a struggle internally, but probably more so in answering the questions that arose from those initial bids as well.

Deputy M.B. Andrews:

Thank you very much for answering my questions. Deputy Mézec, over to you.

Deputy S.Y. Mézec:

Have you asked these ones?

Deputy M.B. Andrews:

No.

Deputy S.Y. Mézec:

Do you want to go over those; I think those are down for you as well.

Deputy M.B. Andrews:

Sorry, yes. It is me to continue, so moving on to the next question. The most recent States investment strategy's report was presented on 27th September 2022 in accordance with the terms

of the Public Finances (Jersey) Law 2019. Minister, please can you briefly outline what measures are taken to ensure that proper management, control and accountability of investments are made?

The Minister for Treasury and Resources:

Well you would have read in that report the structure that is in place, and the governance that is in place, to manage those funds. I am just wondering if your question is driving at the decision which I have just made to act upon the recommendations of an independent review of an investment strategy. I think you see in that process a very strong set of governance which gives confidence to me, and hopefully it does to States Members and the public, that those funds are managed appropriately.

Deputy M.B. Andrews:

Minister, can you update us on the composition of the Treasury Advisory Panel and briefly explain the panel's role and its key input in the development of the latest investment strategies?

The Minister for Treasury and Resources:

Well I could have done if you had asked me to in advance. We can go away and provide that for you; I do not have the names of all of the panel in front of me. I know that the chair of the panel has recently changed, and that is a person with great experience in the local and international banking and investment sector. I do not have the names of all of the other members of the panel. I do not know if, Treasurer, you have those off the top of your head.

Treasurer of the States:

Richard Bell, Treasurer. I will start with the one I should know off by heart: Richard Bell, Treasurer, sits on the Treasury Advisory Panel.

Deputy S.Y. Mézec:

Does he come highly regarded or ...

Treasurer of the States:

Or my delegate, which is often the case, a gentleman by the name of Paul Dentskevich, who is from the local finance industry and has financial industry experience elsewhere. A gentleman called Gordon Pollock, who is also the chair of both the Public Employees Pension Scheme and the School Teachers' Pension Scheme, but his profession was or still is an actuary, so that allows us a crossover. There are also in attendance at meetings ... sorry, there is the chief economist for the Government. We also have attendees from the School Teachers' Pension Fund. They have 2 attendees who regularly attend as well as the chair who sits on the panel, and that is because the investment strategy for that fund is determined by the School Teachers' Fund itself but they are also

obviously involved by attending the panel with the monitoring of the performance reports and regular meetings to look at performance overall but review the strategy at least on an annual basis.

Deputy M.B. Andrews:

Thank you very much, Officer.

Deputy S.Y. Mézec:

Do you want to stay; just that some of the next ones may be relevant?

Treasurer of the States:

Okay.

Deputy M.B. Andrews:

Minister, I have one more question. So the States of Jersey's Common Investment Fund operates a number of investment pools in which States funds can participate. Can you briefly explain the decision process for establishing new investment pools and the Government's thereof as well?

The Minister for Treasury and Resources:

It is done via the ... what do you call yourself? Investment Committee?

Treasurer of the States:

Treasury Advisory Panel.

The Minister for Treasury and Resources:

That is it, the Treasury Advisory Panel, through the monitoring of the performance, basically done as any investment operation would do to look at what your liabilities are, you look at the return that you need to deliver, you look at whether you are looking for capital or income growth, so it is basic investment approaches, and you have a governance structure to make sure that you are doing it appropriately. There is an independent adviser as well which helps facilitate decisions that goes out and looks at performance, monitors performance, looks at timelines about when performance should be delivered, looks at removing or appointing, all of the things that you would expect in a well-managed investment portfolio with the, I think, appropriate checks and balances in place, all of which are delegated down from the Minister.

Deputy M.B. Andrews:

Thank you very much, Minister, for answering my question. Deputy Mézec has a couple more questions to finish off.

Deputy S.Y. Mézec:

Yes, so, again, on government investments, there is a changing landscape in terms of what more and more people out there expect the approach to this to be in terms of our consideration for environmental and social issues and monitoring investments to ensure that they are ethical, and we believe we are playing a positive role in the world in where those investments lie. So can I just ask, how is routine monitoring of those investments in short, and how often are investment portfolios reviewed to ascertain whether their credentials remain positive and in line with, not just our investment objectives, but our values as well?

Treasurer of the States:

So from an E.S.G. (environmental, social and governance) perspective that has been an area of some activity during the term of the last Government, in particular. There were questions in the Assembly but we already had policies in place. Primarily, that takes place at the point of ensuring that the managers we take on are consistent with that policy position, and that will form part of the overall performance of those managers undertaken periodically by our advisers to ensure that we are broadly in line with that policy.

Deputy S.Y. Mézec:

Minister, are you confident that Jersey's investments in that regard are not involved in business or companies that are playing a negative role in the world in terms of carbon emissions and fossil fuels? Are you confident that progress has been made on that to ensure that our investments are placed ethically, or is there more to do?

The Minister for Treasury and Resources:

Well I was confident under the previous Government that they had made those changes. You will remember there were public answers to written questions about the changes that have been made. It is not an area yet which has necessitated, other than that slight change in investment strategy there, that necessitated me to undertake a review. But that does not surprise me because this is a very wide portfolio and I am working through as a new Minister all of the areas of the portfolio, and this is one that will still need to be undertaken.

[14:00]

But I have no reason to say anything other than I would expect that they are carrying on in the way that they were previously.

Deputy S.Y. Mézec:

Are measures being taken to manage the risk of that changing at all in future, or mistakes being made and having to change where investments are based on information that may come to light about what those investments may end up leading to?

The Minister for Treasury and Resources:

Well I would not use the term “mistakes are being made”, but we know that an investment house and its asset allocation follows an overall strategy. As the Treasurer has just said, you deal with that best with regard to the manager’s approach to investing. So if the manager is making a commitment and there is an E.S.G.-committed manager, you know then that the strategy that they will be pursuing will be in line with that ethos, so it makes it easier. But, as I have said, you have an independent adviser which does lots of day-to-day review, does not just work for the Government of Jersey. It in itself is reviewing hundreds of companies and asset managers for all sorts of clients, so it has got a really good take at any given time on what those managers are doing and what they are investing in, and what the performance of those investments are doing as well. But inevitably a global company investing in a difficult area can get things wrong. We know that is life, the important thing is then the process that you have got in place to either disinvest, or the company is making changes to how it is performing itself. So it is the underlying companies, that is.

Deputy S.Y. Mézec:

Thank you. Considering the increasing interest rate risk, how is exposure to that risk appropriately managed in respect to these strategic investments?

The Minister for Treasury and Resources:

You have got any number of risks that you are having to concentrate on at any given time, and you have got to make sure that your portfolio is balanced, whether it is exchange risk or it is interest risk. Really, your interest risk is connected to your liquidity, and so when they are managing the interest risk, you are looking at liquidity requirements. As I said right at the start, I would not expect them to have any concerns about interest risk with the old-age pension or Social Security Reserve Fund. The interest rate risks might be on gilts held which need to be put into cash or might have liquidity requirements in the P.E.C.R.’s pension and in the teachers’ pension, although even those sorts of risks can be helped because the Government itself is making contributions into those pensions and is providing liquidity. So the risk that we face in our funds I think are slightly different from what you would just face in a normal pension fund as we saw playing out over the last couple of days. I do not know if you want to add anything else?

Deputy S.Y. Mézec:

Thank you. Deputy Andrews, do you have any final questions?

Deputy M.B. Andrews:

No, I do not have any questions.

Deputy S.Y. Mézec:

So that is the end of our question plan. So the final question to ask, therefore, is there anything that you would like to take the opportunity now to update us on, or raise something we may wish to question in future to be helpful?

The Minister for Treasury and Resources:

I do not think I have ever been asked that question, although I might have been by you, Chair. I cannot think of anything. If there is, I will let you know.

Deputy S.Y. Mézec:

Please do. Thank you very much for your time. Thank you to all the officers who have supported the operation of this hearing. Thank you to anyone who may be tuning in online to have watched, and we will see you next time. Thank you very much.

The Minister for Treasury and Resources:

Thank you very much indeed.

Deputy M.B. Andrews:

Thank you.

[14:04]