



Corporate Services Scrutiny Panel

Quarterly Review Hearing

Witness: Minister for Treasury and Resources

Friday, 28th April 2023

Panel:

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

Deputy M. Andrews of St. Helier North

Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter

Witnesses:

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

Deputy E. Millar of St. John, St. Lawrence and Trinity - Assistant Minister for Treasury and Resources (1)

Deputy S.M. Ahier of St. Helier North - Assistant Minister for Treasury and Resources (2)

Connétable R.P. Vibert of St. Peter - Assistant Minister for Treasury and Resources (3)

Ms. H. Cunningham - Group Director, Finance Business Partnering and Analytics

Mr. S. Cameron - Senior Specialist Officer (1) - Treasury and Exchequer

Mr. T. Queree - Senior Specialist Officer (2) - Treasury and Exchequer

Mr. R. Bell - Treasurer of the States

Mr. A. Hacquoil - Group Director, Strategic Finance

[10:01]

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

Thank you very much and welcome to the quarterly public hearing with the Minister for Treasury and Resources with the Corporate Services Scrutiny Panel. For the benefit of the tape, we will just go around the table and introduce ourselves with our titles as well. I am Deputy Sam Mézec, Chair of the Corporate Services Scrutiny Panel.

Deputy M. Andrews of St. Helier North:

I am Deputy Max Andrews, Vice Chair of the Corporate Services Panel.

Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter:

Deputy Lyndon Farnham.

Minister for Treasury and Resources:

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

Assistant Minister for Treasury and Resources (1):

Elaine Miller, Assistant for Treasury and Resources.

Assistant Minister for Treasury and Resources (2):

Deputy Steve Ahier, Assistant Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (3):

Constable Richard Vibert, Assistant Minister.

Deputy S.Y. Mézec:

Thank you and we have another microphone set up in case any officers need to join for particular questions but if they do join if they could introduce themselves at the start of their remarks for the transcript. Protocol, just to confirm that you have read the notice that is usually in front for explaining how we conduct these hearings.

Minister for Treasury and Resources:

I have previously, yes.

Deputy S.Y. Mézec:

Absolutely. Okay, thank you very much, Minister. The first questions we wanted to ask are following up on the cost of living mini budget, obviously a combined effort leading with yourself and the Minister for Social Security who is here as Assistant Minister for Treasury and Resources as well. Previously we had asked about the uptake of the community cost bonus which was noted to be lower than we might have otherwise had hoped for. Could you give an update on that if you are able to, please?

Minister for Treasury and Resources:

Yes, it is probably best if I hand over to the Minister for Social Security.

Assistant Minister for Treasury and Resources (1):

The latest figure I have is 3,826 claims have been made. It remains open for applications. Applications can be made right through until June and I will be discussing with my comms people ... we have been discussing whether we should do a further round of promotion on that. It is less than we estimated quite cautiously in terms of the people who might apply, because the last thing you want to do is have a benefit but you do not have money to fund it. So we were looking at possibly 7,000 or more households being eligible, in fact up to 14,000 once we amended it but we have promoted it as much as we can, we have done a huge amount to promote it, it may be that the data we had ... our estimates were based on 2021 data so it may be that people have moved up and your earnings have gone up in that period. Income support claims have gone down so it may be that ... it is difficult to say why people have not come forward, we really have done every we can to promote it but it is still ... in a more positive light, it is still 4 times more than payments we made in the past. We made 900: the 2021 period was 900 claims. So it has helped a vastly increased number of people even though it is under what we may have estimated.

Deputy S.Y. Mézec:

It being under what you may have estimated then does that mean that there is potentially money in the pot that is not being spent that you might consider directing at other avenues instead?

Assistant Minister for Treasury and Resources (1):

Possibly, yes.

Deputy S.Y. Mézec:

What kind of consideration have you given to that?

Assistant Minister for Treasury and Resources (1):

We are only just beginning to think about that now. We are currently discussing options for ... the current community cost bonus expires this year so we need to develop something new for either another 3 years or ... so we are discussing that. It is on the agenda for my next meeting as to options for the next form of community cost bonus and what form it will take. I do not imagine it will ... I was going to say I do not imagine it will reduce but there is, I think, an obvious issue with it in terms that the payment ... a household of one person receives the same amount of money as a household of 4 people. If you have 2 adults and 2 children then the amount is the same per household and personally I think we need to give that some consideration. So it may be the amount may change for a single person. But this is still something we are working through because obviously these things may have all kinds of consequences so we just need to work through those.

Deputy S.Y. Mézec:

Thank you. In the same vein there was also the parental support scheme for families who have been resident in Jersey for fewer than 5 years. You said at our hearing in January that around that time there had been around 30 applications when the reach was anticipated to potentially be 10 times that amount. Could you update us on applications for that?

Assistant Minister for Treasury and Resources (1):

I think we initially thought there might be 250 to 300 families and I think we have had 157 applications, over 100 of those were disallowed for various reasons, including they were duplicates or they had more income or there was a non-registered person in the household. We have had 49 claims paid or due to be paid. Initially it was going to be just January ... initially I said January was too short so we had it January and February and we then extended by another month and, again, we have done as much promotion as we can. We have gone through lots of charities, States Members, community groups, head teachers, schools, we really have done as much as we can. We spoke to Deputy Alves in terms of how we can reach the Polish community particularly, we have gone to Salvation Army. We have really gone to as many people as we possibly can to get the word out there. I think our thinking is that again an estimates were based on data probably in 2021 and that since then it may be the case that families who had under 5 years' residency have gained the 5 years so do not qualify but they would then be in the income support net. Also following Brexit there are fewer families coming to Jersey because the short-term work permit does not envisage people bringing families with them so it may just be there are fewer families in that net. Again, we will be looking at that data, looking at what we can do for the remainder of the year because obviously we did not think about what the recent report on poverty in Jersey says about these migrant families and what that encompasses. It is an ongoing piece of work. We are talking about it regularly.

Deputy M. Andrews:

Moving on to the cost of living ministerial group, the panel are aware there was a meeting scheduled for the first week of February so I was wondering did the meeting first of all take place and, if so, what was discussed at that meeting to address the cost of living?

Assistant Minister for Treasury and Resources (1):

I think a meeting did take place on 1st February, you are testing my memory, because there has been another one since then. There was a meeting more recently and I think those meetings are really looking at what has been done, what the take up of the ... what the impact of the mini budget initiatives have been and generally what still needs to be done, what the issues are, what the economic forecast ... I think at the last one we were looking at some of the economic forecasts, what inflation was going to do, what we still need to do or can do. Obviously there are other things going on that probably may have been happening anyway ... well, probably would not have been happening necessarily but very much have the cost of living issues in mind, like the things we are

doing with the cost of G.P. (general practitioner) visits, the work we are doing in pharmacy will help with costs. They will help with costs and the cost of living is a driver for bringing those forward.

Deputy M. Andrews:

If we are looking, for instance, at the latter meeting that you just mentioned, what in particular would have to be discussed in terms of, say, appraising policies that were in the mini budget and the success of those plans?

Assistant Minister for Treasury and Resources (1):

We have had some information from economists about the impact of those. We are thinking about those impacts and what needs to be done. I think for the families involved they have been successful. They have clearly helped people. It is looking what the benefits have been and ... as I say, it is a constant: how successful is this? What more do we need to do? What more can we do? Are there groups that are outside the net? So, yes, we have been looking at the success of those initiatives.

Deputy M. Andrews:

Okay. There is many households and there is still a need for additional assistance, so what particular schemes can we see that will be in place for the remainder of 2023?

Assistant Minister for Treasury and Resources (1):

As I say, we are still thinking about that. The community cost bonus, there will be a new community costs bonus in place ready for applications in the autumn. If we are going to do that we do need to bring legislation forward in that fairly quickly so that is something of a priority at the moment and we will just keep looking at the ... as I say, looking at the need in the other groups. Another priority that I have given to my team was to look at pensioner benefits. These are all things where work is really happening to try to bring that forward.

Deputy M. Andrews:

Also another thing that was mentioned was about the cost of childcare in the Island. I was wondering if any discussions have taken place at ministerial level and, if so, what plans are potentially going to be brought forward to address the current pressures?

Assistant Minister for Treasury and Resources (1):

We are aware it is an issue and I think childcare may not be ... the cost of childcare is not particularly my portfolio so it is not something I am completely up on.

Deputy M. Andrews:

But surely ...

Deputy S.Y. Mézec:

The Minister may sign the cheques for this so this may be over to Deputy Gorst.

Minister for Treasury and Resources:

I have not been formally approached with request for change to the childcare funding. I am obviously, as you will be aware, aware of comments that colleague Ministers have made about work that they would like to do around the cost of childcare. We are in the process of preparing for the Government Plan at the end of the year. That process has just started so it may be that colleague Ministers are putting in proposals into that process.

Deputy M. Andrews:

Do you believe there is flexibility within the budget to actually increase a labour supply, for instance, in childcare settings and to not go over budget?

Minister for Treasury and Resources:

Are you talking about the education budget?

Deputy M. Andrews:

Sorry, what I am saying is in terms of the allocation of budgets to say, for instance, support increasing the labour supply in childcare settings and that would mean potentially a scheme is going to be in place. Is the Treasury Department in the best position now to come up with a workable scheme?

Minister for Treasury and Resources:

As you know, budgets were set at the end of last year. Departments live within those budgets, so if they want to change the prioritisation of how they allocate that funding then they have quite a reasonable degree of flexibility to be able to do that. There has not been any request for a review ... for funding from outside of their budget so I would expect the Minister for Children and Education, as I would expect all Ministers, to work within their allocated budget. If they have other proposals they want to bring forward they have to go into the process in the normal way.

Deputy M. Andrews:

Okay, thank you very much, Minister. I am also very conscious as well in relation to the cost of G.P. appointments. This has obviously been something that has been raised in the media. Are there any contingencies in place to ensure that G.P. appointments are made more affordable for Islanders, especially those who are struggling?

Minister for Treasury and Resources:

So, as you know, G.P. co-payments and the support that government give to G.P.s are delivered via the Minister for Social Security and the Health Insurance Fund, which is separate from the other budget that the Minister for Social Security has for benefits.

[10:15]

As you know, and she has just alluded to it again now, there is an ongoing piece of work with G.P.s - it has to be done in partnership because they are private businesses - to work together to deliver reduced costs to the public. They are private businesses, it is not a straightforward as just saying: "We will pay G.P.s £10 more and then the public gets a £10 reduction in the fee" there has to be a negotiation and an agreement of if the Minister is going to give G.P.s more money, what element are they going to use to offset their costs and what element are they going to pass on to the public. That is an important process that the Minister is now going through.

Deputy M. Andrews:

Could you maybe just inform the panel if there is a timeframe that we could maybe expect to hear some further news on this?

Assistant Minister for Treasury and Resources (1):

It is taking longer than I would like, frankly. As the Minister says, we do have to negotiate with a number of G.P.s to negotiate a structure for how this works because what we do not want to do is put something in place that is effectively reversed by the G.P.s increasing costs in 6 months' time. We need to negotiate something with them which reflects ... which makes sure that prices will come down and stay down for a period, an agreed period, and also that the doctors are getting some recognition for their operating costs because they are subject to the same pressures. Those negotiations are happening but it is a group of people and we have to get that group of people and all the practices online and signed up. It is taking some time but it is actively under discussion, it really is.

Deputy M. Andrews:

Thank you very much, Minister. Back to you, Deputy Mézec.

Deputy S.Y. Mézec:

Thank you. Just the other day we got an updated R.P.I (Retail Price Index) figure, which is the same as the previous one. Minister, what steps are being taken to address potential inflationary pressures?

Minister for Treasury and Resources:

As you know, the anti-inflationary strategy is led from the Economic Development Department. The headline figure of 12.7 was around about that which was forecast by the F.P.P. (Fiscal Policy Panel). It has been that now for 2 quarters in a row so as the F.P.P. forecast, although it is high and it is causing difficulties for Islanders, which is why we uprated the tax allowances by that 12 per cent, it is, we hope, as F.P.P. have forecast, now flattening and then will come down during the course of the year. But we equally know that these things are and remain highly uncertain. So we know ongoing difficulty, we did the measures that we did in the mini budget which continue to have positive implications throughout this year, and we have the economics unit, together with the stats unit, continuing to look at the benefits of the provisions of the mini budget. We see that the Government already has in place a need where it is raising fees above a certain percentage to either come to the Minister for Treasury and Resources or come back to the States and we are generally seeking to maintain increases below where increases are necessary so we look at what is happening with the S.O.E.s (State Owned Enterprises) where their increases have been below the level of the inflationary number and we continue to work in that regard.

Deputy S.Y. Mézec:

You mentioned the F.P.P. which had said that if any additional action is taken beyond the mini budget that you had to be ... you should target that to avoid risks of overheating the economy and contributing to prolonged and higher inflation. Can I ask you how you are trying to align whatever considerations you are making about cost of living support to what the F.P.P. said?

Minister for Treasury and Resources:

You already alluded to it in your earlier question to the Minister around the budget that was set aside for the community cost bonus. If we have reached capacity of those people who were eligible, and the department continues to work on that, then there is spare capacity there. Just as the cost of living community cost bonus is targeted then either any more permanent replacement or any short-term replacement would need to be targeted accordingly as well in line with the F.P.P. advice.

Deputy L.J. Farnham:

Just a quick question. The previous inflation strategy group produced a report in January 2020, of course that was just before we were struck by COVID but that report did contain 6 key action points. Do you know if this has been considered as part of the work being done now by the inflation strategy and have any of those action points been implemented?

Minister for Treasury and Resources:

I am sure it is being considered by the Minister. If you wanted to remind me of the action points then I will ... thank you very much.

Deputy L.J. Farnham:

We will let you read that at your leisure.

Minister for Treasury and Resources:

Thank you. If you remind me of them I am sure they are informing the actions that are being taken, because it was a good piece of work and we have a very good economic adviser who is, as part of his programme of thinking about the future economy, looking at all of those previous reports and good pieces of work in trying to factor them into the direction of travel going forward.

Deputy L.J. Farnham:

Thank you, that is good to hear. I think the point is that there is a piece of work sitting there that could be very useful.

Minister for Treasury and Resources:

Yes, thank you.

Deputy L.J. Farnham:

You are welcome.

Deputy S.Y. Mézec:

Moving on to independent taxation. Can you just confirm to us the timetable for having the legislation finished and debated in the Assembly?

Minister for Treasury and Resources:

It feels as though the Assistant Minister is doing more work this morning than I am. She is leading on independent taxation. I think you have been briefed on the legislation and it is in the zone of being lodged.

Assistant Minister for Treasury and Resources (1):

Yes, we have a draft. I think the draft has been sent to you.

Deputy S.Y. Mézec:

Yes, that is right.

Assistant Minister for Treasury and Resources (1):

You have seen the draft and I think we are hoping to have that lodged in time for debate before the summer recess. We are just finalising it. I have to confess I have not fully read it myself properly but they are hoping to bring that forward for debate before the summer. Sorry.

Deputy S.Y. Mézec:

We can come back to it, if necessary, if you need to take a moment, please do.

Assistant Minister for Treasury and Resources (1):

Sorry, do you mind if I go outside, sorry.

Deputy S.Y. Mézec:

Absolutely, totally understand. Excellent, good. Do you have any idea when ... so this panel has had a draft version of that legislation. Do you have any idea when we might receive the final of that and will get advance sight of it before it is lodged?

Minister for Treasury and Resources:

If you would like advance sight of it before we lodge then you are very welcome to have it. There might be at least one member of the panel that has some views around the mandatory nature from 2025 and we have been doing some work on that as well. So the process will be that the Assistant Minister will sign it off, I will then obviously read it before it is lodged as well but she will be making the decision around that completion date. I do not know if we have a target date for lodging.

Senior Specialist Officer (2) - Treasury and Exchequer:

At the very latest we aim to lodge and to have it ready for debate before the summer recess, so the last sitting before the recess in July.

Minister for Treasury and Resources:

Yes, so we are working back from July. You will need time to do your review work as well so we can give you a firm backstop date post this hearing if that would be helpful. I was just saying, Assistant Minister, we are quite happy once you have done your next review of the legislation for the ... once it is ready for lodging but before lodging I am happy for the panel to have sight of it.

Assistant Minister for Treasury and Resources (1):

Yes, absolutely.

Deputy S.Y. Mézec:

Thank you. In terms of funding in future Government Plans for the completion of this workstream, where are you with that? Is it going to require any additional funding?

Assistant Minister for Treasury and Resources (1):

I think the funding will mostly ... it will mostly arise from the compensatory allowance and I believe that has been built into our planning going forward because that allowance will be payable for some considerable time, you know, 10 years we will be paying that allowance to make sure people are not worse off because we do understand that there are groups of people who may be worse off as a consequence. So that funding has been accounted for, I believe.

Minister for Treasury and Resources:

Although we should just say, Assistant Minister, should we not, that if the States are to agree a dual running of mandatory and a grandfathering of certain classics however there will be financial implications of that as well?

Assistant Minister for Treasury and Resources (1):

Considerable.

Minister for Treasury and Resources:

But that will probably be after the debate that we have in the States.

Deputy L.J. Farnham:

Why is independent taxation for existing married and civil partner tax-paying couples being made compulsory?

Minister for Treasury and Resources:

For all the reasons that the Assistant Minister outlined in her letter to the panel. If we started on this journey, which I believe that we did, around fairness, which is that males and females should be treated independently in the tax system and partners should not be considered chattels of other partners, we start from that fundamental fairness point of view, it is only right that you, in due course ... and there has been opportunity for people to register in advance of that. It is only right that you would move everyone to that position of fairness because there is an open conversation about whether the current system is fair, whether there could be a legal challenge around it and you end up with quite a difficult decision. If you were going to deliver a grandfathering position and you were going to ask people to choose you would not be able to have the compensatory allowances so you would be letting historic taxpayers choose, you would be putting others on to a mandatory basis, as you know people who are newly coming into the system, people who are newly married or newly civil partnered or newly separated, they go on the mandatory system. So you do end up creating an unfairness. So you have those 2 unfairnesses to deal with. You have the underlying fairness around not creating and not treating individuals equally but then on top of that you would be adding

another unfairness whereby those that could choose to remain with that unfairness were benefiting from the way that their tax was calculated.

Deputy L.J. Farnham:

I am not sure I follow that fully and notwithstanding the engagement that has been taking place to raise awareness there seems to be - well certainly a theme from the submissions we have received - little understanding that this is to become compulsory and that is causing concern for a lot of people because not everybody considers themselves to be a chattel of another person. For many decades our tax system has been working well for married couples and this continues to cause concern and anxiety for some members of our community, especially the older citizens and those with care responsibilities and those on lower incomes. Therefore, what steps are being taken to raise further awareness of the draft legislation and the fact that it does actually, if the Treasury are successful with the law changes, become compulsory?

[10:30]

Minister for Treasury and Resources:

Yes, so let us just be clear, it was a ... I will come back to the Assistant Minister to answer that. It was a States decision, it is not just Treasury off its own bat deciding to make these changes, it was very ...

Deputy L.J. Farnham:

It was Treasury that brought the proposal.

Minister for Treasury and Resources:

Very clearly a States decision and there was a lot of pressure brought by the States on the previous Minister for Treasury and Resources to follow this particular route. But a lot of consultation has been undertaken, a lot of consultation. I think in the Assistant Minister's letter it outlines that consultation. I personally, and I think the ministerial team, understand that there are I would say a good number of members of the community that either are not aware of it or are concerned about what it will mean for them as individuals because they are quite happy with the current approach. As you say, they personally do not feel demeaned by the current approach and having the profession I have it will not surprise you that I help others with their tax returns. So that work will be pro bono of course, family members and all of those things, and that will change. We will be putting in place more work around support and education. This is where I think particularly with that cohort that you are rightly concerned about the work that we do at the parish halls where we have tax officials going to the parish halls, which have been phenomenally successful, where Islanders can sit down and go

through their own tax affairs or their own tax returns, which is going to be absolutely critical between the decision of the States and the implementation of the mandatory approach in 2025.

Assistant Minister for Treasury and Resources (3):

I would say that those parish hall sessions have been extremely useful. Now, I think particularly for the elderly we are going to have to have those sessions because there will be many wives who have never had to complete a return. Of course, they are perfectly happy for their husbands to do so.

Deputy L.J. Farnham:

Why are we making it compulsory for them?

Assistant Minister for Treasury and Resources (3):

We are going to have continue those sessions because I think that education is vital if this is going to be successful.

Deputy L.J. Farnham:

It is clear that a large part of our community, a large part of that group, married and civil partner tax paying couples, do not ... want to retain the choice so why ... I mean, at the risk of repeating myself why is it being forced upon them. From Deputy Millar's letter, a lot of emphasis was put on the fact that we want to fit it around a new administrative and computer system to make it convenient. Whereas I think, rather than make our system fit into new systems we should be designing systems to fit into the needs of our citizens.

Assistant Minister for Treasury and Resources (1):

That is one of the reasons why system developments in Jersey are so vastly costly because we have complex systems and if you create a system that has to operate on a dual basis it will become ... it is system development, system maintenance, system support all becomes more expensive. You have extra staff time, you have extra communications time and I think for relatively ... although you are suggesting that it is a big number of people who are concerned, I think in my letter there is a relatively small number of people who are concerned and we have said that we will support them. That small number of people may be unconcerned, they may not view themselves as chattels but I can absolutely tell you there are women who do, it is simply not appropriate that a married woman's income is treated as income of her husband for the purpose of tax returns. It is just archaic and we have to move it on. I know there are women infuriated by it, that the tax system treats them that way and we do need to come into the 21st century and recognise women's rights as individuals, and the only logical, sensible way to do it is to make it mandatory for the sake of not burdening the Island with further cost and expense for a further 30 or 40 years. We will help those people. You cannot

be ... you simply cannot be, as women, protected from never having to do a tax return because your husband might die and you have to do one.

Deputy L.J. Farnham:

While we all agree on the principle of independent taxation - I think it is quite right that new taxpayers follow that doctrine - partners who feel that enraged about it should be able to volunteer to opt out. People that are quite happy with it should not be forced to opt out.

Assistant Minister for Treasury and Resources (1):

What about people who are being coerced? You know, if you have women or a partner, it could be a male partner, who is subject to coerce control and the other partners says: "Well, I am not going to consent."

Deputy L.J. Farnham:

That is the basis of changing our tax system?

Assistant Minister for Treasury and Resources (1):

Well, it is a factor. It is a factor in the way our system works. It opens people more to abuse. We cannot shut our eyes to those situations. I absolutely agree there are people for whom it works very well and it is very convenient and it is very efficient but for many people it is just simply not acceptable anymore and if we are going to make that change it makes no sense to burden the Island with very extensive cost and inefficiency for the next 30 or 40 years to protect people who may have only done joint taxation for 2 years and married when they were 22.

Deputy L.J. Farnham:

The compensatory allowance that is proposed is expected to continue for 10 years initially and will be reviewed. Should it be found that Islanders remain disadvantaged after 10 years will the compensatory allowance continue until such time as no Islanders are disadvantaged?

Assistant Minister for Treasury and Resources (1):

I think that would be the subject of the review at the time. I think the proposal is the compensatory allowance will be paid for 10 years, it will be reviewed at 8 years and the decisions will be taken at that time as to what is required. It may be for some people the shift in earnings or their circumstances will mean that they are no longer worse off. We have to look to see where we are in the future and decide ... make appropriate decisions at that time.

Deputy L.J. Farnham:

Would you as Ministers now expect that ... because the plan is to defer any tax disadvantages that would become a result of this, the plan is to defer it for a 10 year period, surely the aim has to be that no taxpayer would be disadvantaged in the future? I know we cannot say what future States will do but I am just wondering why it was a temporary measure.

Minister for Treasury and Resources:

I think we remind ourselves in quite a lot of these things that we should seek to learn from the past. We look at the way, for example, that we manage the introduction of income support where we had extensions so there was no detriment to people on a previous benefit that had moved on to this benefit. That did get ... it was supposed to be extended I think for 3 years and then we extended it and extended it and allocated money accordingly. What we are doing here is giving a good chunk of time of 10 years so we are learning from that, do not be too short, do it for a long period of time but rightly review it because you might want to, when you look at the actual tax base that you have, you look then at those who may or may not have detriment at that period of time, you have had 8 years to work through that process and you can do a proper review and then make properly informed decisions rather than just one way or the other one on the hoof making that change. I think it is very important to learn from that. I would say the same as the Assistant Minister said her letter about running of parallel systems. When you look at P.Y.B. (Prior Year Basis), you look back and you think the nettle should have been grasped right at the start and it was not. As much as people love to criticise Revenue Jersey, and they do, our mission since becoming the ministerial team has been to support Revenue Jersey in their customer service transformation programme, improve service delivery and they are doing that in a number of ways through the use of technology, through management of the telephones, through going out to the parish hall system. If we make a decision to run then 2 systems here and do not move to mandatory we are just going to be going back around a whole circle where we are going to ask Revenue Jersey to largely be doing it. It could be done but it is costly, it is bureaucratic and it is going to be more difficult for them to deliver the service level that Islanders should expect. We are trying to learn from past experiences.

Deputy L.J. Farnham:

Running 2 systems side by side seems to be working okay now and we have purchased, by all accounts, a very expensive system for our new tax collection - stop me if I am wrong - I do not know how much it has cost but I understand it has cost a lot of money.

Minister for Treasury and Resources:

Well, not ... not that expensive.

Deputy L.J. Farnham:

But it is clear we invested in a system, which I am sure will turn out to be good, that does not fulfil the needs of our taxpayers. There is an element of the system cannot handle both ...

Minister for Treasury and Resources:

No, we purchased ... no, this system was purchased before the States had made the decision to go either to sort our P.Y.B., you and I both agree with sorting out P.Y.B., it needed to be done because it was a parallel running issue. So we purchased a system here with the needs of the organisation and Islanders. This is what ... politicians come along and make decisions, that is what we are elected to do but there are system implications from that. That system ...

Deputy L.J. Farnham:

We bought a system that does not handle joint returns.

Minister for Treasury and Resources:

No, no, of course it handle joint returns but what you will have is ... just like you had with P.Y.B., you had a body of people who were P.Y.B., you had a body of people who were C.Y.B. (Current Year Basis) or whatever it was, yes, okay, fine, it still can handle it, of course it can but the overall approach is more bureaucratic, everything you do you have to have 2 lines of communication, you have to understand the double requirement to ... if you are making your system adjustment to both elements of that proposal. So we can pretend it is not a problem, that is absolutely fine, or we can acknowledge there are issues and make our decision in the light of those issues. That is what we are saying. The States will decide.

Deputy L.J. Farnham:

The letter very clearly says it is far too bureaucratic for us to have 2 systems but we will quite happily deal with double the amount of tax returns.

Minister for Treasury and Resources:

No, if it makes that ... if it makes that decision there will be implications and it will set us back from the ... along the transformation that we are trying to deliver. That is all we are saying but it is for the States to make that decision, Deputy, as you know.

Deputy L.J. Farnham:

Okay, fine. Thank you very much. Understood, it just seems to me that sometimes we put the cart before the horse. Finally, quickly, what support is going to be provided to Islanders particularly in raising awareness of what is approaching because many Islanders, whatever we all may think, are not aware of these changes and the compulsory nature of them are going to be here so soon?

Assistant Minister for Treasury and Resources (1):

We will, of course, be doing ... I think it becomes compulsory in 2025 so I think we said from January there will be leaflets going out in all income tax returns this year. So you would assume that the married partner who does the return will tell the other partner perhaps about it or share it with them. That is a problem, you know, if we are relying on one taxpayer to share information with the other that is an indication that the system does not work. So we will be doing a full communications campaign over 2023 and 2024 to make sure that the people do understand and they know it is coming and they will have to do something in the same way that we have communicated all our other changes.

Deputy L.J. Farnham:

Thank you very much.

Deputy S.Y. Mézec:

Just a little bit of a quickfire on this because we asked the public to submit their thoughts and concerns to us to help inform us of what questions we would ask you on this and we did get quite a lot of engagement on that with a wide variety of concerns from all sorts of different angles here. Some of the themes that I noticed in that were people who were anxious that this would make them worse off. Could I ask you, what would you say to that person who when reading the headlines on this instinctively is worried I will be worse off from this? What would you say to that person?

[10:45]

Minister for Treasury and Resources:

I would say they were right because without the compensatory allowances would be the case. What the ministerial team have done and what the department have said is that - and we just had questions on it - they will be compensatory allowances to ensure that they are not worse off and those compensatory allowances up front will last for 10 years with a review at 8 years.

Deputy S.Y. Mézec:

If that person responded to that with: "I do not know how I will manage that in this paperwork that maybe unfamiliar to me now, how will I manage it?"

Minister for Treasury and Resources:

No, you will not manage the compensatory allowances, the department will manage those, so you will just be separated out and make 2 returns.

Deputy S.Y. Mézec:

Some also expressed a concern at having struggled with the tax system previously, spending a long time on hold on the telephone trying to speak to someone, that kind of customer experience, some who are worried about encountering that again if they have an issue that they want to raise as a result of the tax changes, what would you say to that person?

Minister for Treasury and Resources:

I would say I understand that and that is one of the reasons why I have just been talking about the transformation project that is being undertaken at Revenue Jersey and that runs slightly counter to letting people have this choice. If there is certainty, then there will be the ability to apply more resource to supporting Islanders. We will do it through education, we will do it through face-to-face conversations but we will also do it through online engagement. So we are absolutely committed to continuing to improve our customer service standards which we know, and we have been open about this, that in the past have not met the standard that we would expect or Islanders would expect.

Assistant Minister for Treasury and Resources (3):

Because there are some people who like that face to face.

The Minister for Treasury and Resources:

Yes.

Assistant Minister for Treasury and Resources (3):

We have seen that, the sessions in the parishes, and we are catering for that.

Deputy S.Y. Mézec:

Lastly, to those people who are perfectly happy with how the system is and who do not like the idea that it would be changed because as far as they are concerned the current arrangement works perfectly well for them, in a couple of sentences, what would your message to them be?

The Minister for Treasury and Resources:

It is a historic unfairness which we understand that some may not want to see changed but it can only be right that - it will not be until 2025 - in 2025 the Island has a tax system where we have eliminated that historic unfairness where we do not treat individuals as equal. We will support those Islanders who we understand do not want to necessarily see any change because they are perfectly satisfied with the system that they have got. We will support them through this change.

Deputy S.Y. Mézec:

Thank you.

Assistant Minister for Treasury and Resources (1):

Deputy Mézec, sorry, can I just ask you, do you have, just as a matter of interest, the people who like the current system, were they are predominantly male or female or is it a mix?

Deputy S.Y. Mézec:

I would have to judge by the basis of their name. We did get comments from people saying ... I just have one in front of me: "When I was first married, I was horrified to find myself as an appendage to my husband's tax bill." They then go on to say: "But I got used to it and do not care anymore." There is a mixture of views but it is ...

Assistant Minister for Treasury and Resources (1):

I agree there is an efficiency to it if you have joint accounts but, yes.

Deputy L.J. Farnham:

I am just confirming, does one spouse require the permission of the other spouse to elect independent taxation?

The Minister for Treasury and Resources:

Yes, because you are basically ...

Deputy L.J. Farnham:

I beg to differ, you do not need permission. There is no permission required. So it was not a trick question but I just wanted to see if you knew that point because any ...

The Minister for Treasury and Resources:

It was a trick question then. So you are saying that my spouse could go into the Taxes Office and to have it done separately?

Deputy L.J. Farnham:

Yes, which should alleviate some of the fears that Deputy Millar was expressing.

The Minister for Treasury and Resources:

No, I do not think so.

Assistant Minister for Treasury and Resources (1):

Well it does not if the abusive partner finds out they have done it and then ...

Deputy L.J. Farnham:

Well I think the point is ...

Deputy S.Y. Mézec:

I think we may need to move on now.

Assistant Minister for Treasury and Resources (1):

I believe it is separate taxation any ...

The Minister for Treasury and Resources:

I think we will just need to go away and double-check that assertion.

Deputy L.J. Farnham:

All right, fine. Thank you.

Deputy S.Y. Mézec:

Yes, indeed. Deputy Andrews.

Deputy M.B. Andrews:

During our last public hearing with you, Ministers, one of the concerns that was raised was about prior-year taxation and how the uptake was relatively low. So what work has been undertaken to promote awareness of how individuals can pay their prior-year tax liabilities and could you update the panel on that, please?

The Minister for Treasury and Resources:

Yes, you raise a good point. I am not up to date with the work that has been undertaken with the education and engagement. I do somewhere in this file have the latest figures of those who made contact with the department. Yes, I only have the end-of-December figure and I cannot recall exactly what the previous figure was that we provided to the panel, whether it was the end-of-December figure or an earlier figure. As you know, it started at £349 million of the P.Y.B. debt. £26 million has been paid and it is equivalent to 4,190 taxpayers. £14.8 is no longer deferred but we can give you a more detailed breakdown, if you would like, post the ...

Deputy M.B. Andrews:

Yes, if you could, please, later on.

The Minister for Treasury and Resources:

Yes.

Deputy M.B. Andrews:

Okay, thank you very much, Minister. We will move on to ministerial priorities and the delivery plan. So I just wanted to briefly outline your roles and responsibilities regarding the Financial Services portfolio and whether this is impacting on your responsibilities as Minister for Treasury and Resources in terms of workload.

The Minister for Treasury and Resources:

Well, it is a very good question. The responsibility for Financial Services was transferred from the Minister for External Relations and Financial Services to the Chief Minister. The Chief Minister designated the Minister for Social Security and myself as Assistant Chief Ministers to support with that work. As we sit here, the Minister for Social Security is taking that lead and I am supporting in any way that colleague Ministers would like me to support. As with any portfolio, there are ebbs and flows of workload.

Deputy M.B. Andrews:

So at the moment would you say you are going through a fairly busy period or is it fairly stable in terms of responsibilities of that?

The Minister for Treasury and Resources:

Well I would say quite busy in the run up to all of the amendments that are happening around MONEYVAL and the changes there.

Deputy S.Y. Mézec:

You have for a period been allocated the external relations responsibility as well, how has that been factored into your workload for the time being?

The Minister for Treasury and Resources:

Well, yes, I think I have had an ongoing delegation as Assistant Minister for External Relations and Financial Services while the Minister has been off on compassionate leave. The Minister, of course, has been kept apprised of actions and I have been stepping in where the department has needed a physical person on the ground or signing of documentation. So, I would not say that it was too big a commitment but just a commitment as and when necessary for things like sanctions and, as I say, when we have had visitors in and things like that. Because I know the portfolio quite well, it has not taken up that much time.

Deputy M.B. Andrews:

Now just following on from that, I would like to just ask a question in relation to the transformation of the Treasury Department. Also, I was wondering if you could maybe just update us on the current

status on the impact regarding Connect Finance and the payment issues that have been highlighted as well.

The Minister for Treasury and Resources:

Yes, so the new system went live at the start of the year. It is a finance system. Earlier this year - and I look to the Treasurer just to shout over - the Treasurer took accounting officer responsibility for the system. So although it was a finance system, it is cross-departmental and it is co-ordinated in that way but it is well known and we have been quite public about the difficulties that have been encountered around the payment of invoices to suppliers. Some of that are systems difficulties, some of that are historic process difficulties. Progress, I think, is being made; I can detail some numbers for you if you would like.

Deputy M.B. Andrews:

Just out of interest, in terms of you having just mentioned historic process difficulties, why is that the case and what is being done to really address those older invoices that still remain outstanding?

The Minister for Treasury and Resources:

That is probably the biggest argument, and I speak as someone who did not support this initial programme because I thought when it was decided it was running over budget by 100 per cent I felt we should stop and reappraise and just do the bits that we could afford in the original budget, but that was not the decision that was made so I speak in that context. But the answer to that question you have just put, Deputy, is the biggest reason why we needed a new system, a system where departments had to, or suppliers and departments have to work together on the system. So you had a purchase order in there, you had an approved programme, and then you had an invoice in the system which could then be paid without too much manual intervention. That change of approach is ultimately what will mean that invoices in somebody's drawer or at the back of their file or under the proverbial sofa cannot happen because it has to be on the system, so what bringing in the new system has brought to light is probably the biggest good reason of why you would deliver a new system.

Deputy M.B. Andrews:

Minister, do you have any data available for the amount of invoices, for instance, that have been paid and the amount of invoices that remain outstanding?

The Minister for Treasury and Resources:

I do. I have got some in front of me but there is quite a lot of other data which we can ultimately provide. So, total payments via the new system since the start of the year: £166 million, that is 40,000 invoices that have been paid. Some of those of course were from 2022 totalling £22 million.

We know that there is a further £4 million from 2022 which are having to have manual intervention which are still needing to be paid but they are in the process of being paid. We have 1,186 suppliers who are already using - it was called I.T.S. (Integrated Technology System) it is now called Connect - the Connect system in the correct way. Some departments have found this particularly difficult, health and education, and so what officers have done has been going out directly to schools to support them in the use of the new system. I think that has dealt with quite a lot of the angst and dealt with quite a lot of the difficulties but that will need to be an ongoing process, and the same across health as well. What I think is an interesting statistic is that in quarter 1 of 2023 we paid 73 per cent of invoices within 30 days of the invoice date, that is the standard that the States used, now it is lower than was done in 2022 but in 2022 it was only 80 per cent. So, what that shows to me is, yes, there have been some difficulties, and there are ongoing difficulties, as I have just explained, but it is making progress and we would expect that number to continue to increase so you can get through-flowing issues. The whole point of a new system like this ... and somebody was critical of the need for manual intervention if somebody sends an email invoice and saying it should be able to deal with emails.

[11:00]

Well, there is some use of A.I. (Artificial Intelligence) which in time the system will recognise an invoice from a particular supplier and it will get used to it and it will get used to processing it but the whole point is that you do not need this manual intervention anymore in that way. You have got your purchase order, the supplier puts through their invoice, invoice gets paid automatically because you have taken the risk out of mispaying or paying the wrong invoices.

Deputy M.B. Andrews:

Are there any additional questions? No? We will just move on, Minister. So thank you for providing an answer to my question. So, Minister, could you update on the progress to date of the priority on investigating and creating funding of community infrastructure in respect of consideration for the funding arrangement, the administration and management of the fund and appropriate governance of delivery?

The Minister for Treasury and Resources:

Yes, so you have asked about 2 areas: one is the funding for infrastructure in the community; the other is thinking about the Infrastructure Investment Fund, both of which work has started but community infrastructure, funnily, real work will start in the final 2 quarters, I think it is, of this year. The infrastructure fund work, which you have not asked, but it is in a similar vein, it will be ready to be included in the Government Plan at the end of year. So that work has started but the main body of work will again be in the final 2 quarters.

Deputy M.B. Andrews:

The final 2 quarters, okay. I think we should move on to Deputy Mézec; I am just conscious of time as well. Thank you.

The Minister for Treasury and Resources:

The Minister for Social Security has just reminded me that she has just released £1 million from the Dormant Bank Account for support with charities and community work as well.

Deputy S.Y. Mézec:

Thank you. One of the priorities in your plan is establishing the Value for Money Programme, so can I ask what progress has been made to date and when departments can expect to have the appropriate governance reporting and resourcing structures for this programme?

The Minister for Treasury and Resources:

Well we have got Hazel with us but, broadly speaking, there were 3 priorities for this year. One is health, you know that there is a turnaround team in health, and that turnaround team includes a review of finances. We know that last year health went over budget, off the top of my head, just below £20 million. We know that they continue to have pressures in this year and so there is priority there to support the turnaround team and look at their services to get a grip on what they are spending where and focus initially on getting their budget into balance but equally then making savings as well, so that is the first focus. Second is on I.H.E. (Infrastructure, Housing and Environment) or I.E. (Infrastructure and Environment) as I think it is now called. Thirdly, is the focus on getting to grips with the use of consultants, and we are doing that with S.E.B. (States Employment Board) but Hazel might want to say a little bit more about the overall programme if you have got time or we can leave it there.

Deputy S.Y. Mézec:

So my question is about having appropriate governance reporting and resourcing structures in place, so that is across whole government.

The Minister for Treasury and Resources:

Okay, so that is why Hazel will just give you 2 minutes on that then.

Deputy S.Y. Mézec:

Thank you. Part of that question was when departments can expect to have all of that in place.

Group Director, Finance Business Partnering and Analytics:

Hazel Cunningham, I am Group Director for Finance Business Partnering and Analytics in Treasury and Exchequer. So in terms of the Deputy's question on governance, so we have agreed an outline governance structure with the executive leadership team with some broad categories of cross-working across the departments, in addition to those areas the departments will be looking at through their own portfolios. So, I need to take that to Council of Ministers for further discussion and to then further develop the rollout programme for that aspect for money and also we have talked before about some of the continuous improvement aspects of the new programme. So that is very much, as I have stated previously, in the research and design phase of the programme, so there will be elements of that later in the year but we would expect that to really be part of the rollout programme in the next financial year. The programme and the Council of Ministers' plan that was set out in the Government Plan does not provide additional resources as such for departments, so there is an expectation that departments will deliver this within existing resources. In terms of continuous improvement and value for money, what has been agreed is that there will be a programme team, a small programme management team, which will support the rollout to the programme, the governance and reporting, that is 4½ F.T.E.s (Full Time Equivalents) have been agreed which addresses some of the recommendations that have been made by the C. and A.G. (Comptroller and Auditor General) previously around programme management.

Deputy S.Y. Mézec:

Thank you.

The Minister for Treasury and Resources:

But that does not preclude individual departments like health coming and wanting support with their actual programme financially as well, and we are just in discussions with them about that.

Deputy S.Y. Mézec:

Until a lot of that is formally in place, how would you sum up how delivery of value for money is being managed in the interim?

The Minister for Treasury and Resources:

Well through those 3 workstreams.

Group Director, Finance Business Partnering and Analytics:

Yes. If I might just add, as the Minister has stated, a number of departments already have continuous improvement capacity, so they have been engaged in some of the design discussions for the programme. So, for example, in health they have the quality improvement team, in C.L.S. (Customer and Local Services), C.Y.P.E.S. (Children, Young People, Education and Skills) and Revenue Jersey, all of those areas, and colleagues have contributed to the discussion and the

design principles that are being brought together at the moment. So, there is existing capacity in the organisation particularly in terms of continuous improvement practitioners. Some departments do not have that capacity and those are the conversations that we will need to support with chief officers in terms of how they choose to take their individual departmental value for money plans forward.

Deputy S.Y. Mézec:

Thank you. Would you mind staying just for a moment in case one of my supplementary questions is relevant but for the Minister, we have had some dialogue previously about our recommendation in previous reports regarding the Fiscal Policy Panel's recommendation and your alignment or otherwise to it for the inclusion of speculative savings within Government Plans. Could you update us on your position in respect of that?

The Minister for Treasury and Resources:

Well I think last time I met I said I would go away and rethink the wording. Unfortunately, I have not quite done that so I still do need to do that but the balance that I highlighted I still think is a balance, but I am aware that you are obviously not happy with that and you want me to make an acceptance or reject one way or the other.

Deputy S.Y. Mézec:

Indeed. Can we ask you to consider that and we can follow that up? In your delivery plan there is also a reference to the Arm's-Length Bodies Oversight Board to ensure good value for money with those relationships. Could you update us on that?

The Minister for Treasury and Resources:

So currently ... I have forgotten its name now. I do not know, Treasurer, do you want to just come and talk about that?

Treasurer of the States:

Good morning. Richard Bell, Treasurer of the States. The A.L.B.O.B. (Arm's-Length Bodies Oversight Board), as it is more commonly known, speaking in acronyms, is established under the leadership of the Chief Executive who chairs it and has representatives from offices across government. Our focus is on governance, including outstanding C. and A.G. recommendations relating to governance in those particular areas, including grants, for example, and that is where the initial work is focused. It will, through that governance of course, establish a better understanding of the value for money relating to those entities, so it will need us to require to examine key performance indicators for those entities, for example. Further down the line, there is a desire to consider how better perhaps - and it is an emphasis on "perhaps" because obviously there is a key

political element included here as well as the entities - to consider how those entities will work better together. There was a conference last year where all those entities came together to discuss issues in common across the piece and to understand better the direction of travel for government and there are plans to hold another similar sort of event later this year as well.

Deputy S.Y. Mézec:

Thank you. Moving on to the progress on the Stamp Duty Review, can you update us on where that is?

The Minister for Treasury and Resources:

Yes. So, you know that during 2022 the review that had been started by the previous Minister was paused to deal with amendment 22 which added the additional stamp duty to buy-to-let properties. I have taken the view that rather than restarting a big review of stamp duty, we needed to provide information into the Housing Department about what our experience of stamp duty has been, together with the Economics Department, to talk about what the economic conditions were, to feed into a wider housing strategy. So what we are doing this year is just focusing on first-time buyer stamp duty and doing a piece of work around that.

Deputy S.Y. Mézec:

Thank you. Do you anticipate any changes coming up in the 2024 Draft Finance Law?

The Minister for Treasury and Resources:

Well, that is a good question. Are we going to change the level of first-time buyer stamp duty? I suspect that we probably will in some shape or form but it is ever so slightly too early to say in what way but I think it is important for us to focus on that element of the market.

Deputy L.J. Farnham:

That has been fixed for quite some time now, has it not? Since it was put in place, property has increased considerably.

The Minister for Treasury and Resources:

That is why I say I expect, but I do not have all of the details of that work yet completed.

Deputy S.Y. Mézec:

Are you working with the Minister for Housing and Communities on that?

The Minister for Treasury and Resources:

Yes, my officials are.

Deputy S.Y. Mézec:

Thank you . In terms of the ministerial delivery plan in general, have you identified any timeline targets that you may not necessarily meet at this point or is everything on schedule?

The Minister for Treasury and Resources:

We are only just really at the end of the first quarter, so difficult to say with absolute certainty that everything was on schedule. Things that you plan for during the course of the year inevitably slip in some respect but I am not aware, unless I am going to be reminded, of slippage in any of the plan as we sit here.

Deputy S.Y. Mézec:

Thank you. Moving on to the Public Finances Law, are any changes being considered in respect of this law and, if so, could you outline what they may be?

The Minister for Treasury and Resources:

So, as you know, changes to the *Public Finances Manual* happen relatively frequently but they are quite technical in nature and they go through the Comptroller and Auditor General and really are organisation-focused. We know that the Chief Minister and the Cabinet Office are thinking about the role of the C.E.O. (Chief Executive Officer). Whether that will ultimately lead to some changes in the Public Finances Law, I am not aware at this time. So they are taking the lead on that and, depending on where that lands, there may be need for changes to the Public Finances Law in due course.

Deputy S.Y. Mézec:

You anticipated my supplementary question there. You said that they are leading on that but if I were to ask you whether there are any changes you would like to see in that or would contribute if you were asked by the Cabinet Office, what would you say?

The Minister for Treasury and Resources:

Well, it is a good question.

[11:15]

As you know, we were thinking of changes to the finance law and we came to see Scrutiny around the length of the planning horizon. I am not sure if you have received my letter to say we are just not going to do that at this point; we might pick it up again later once we have got this Government Plan over the line, so obviously I would have wanted to see that. There is also, which I am a bit

loath to raise, but there is the issue of the Principal Accounting Officer which has been politically contentious. I think the issue of the Principal Accounting Officer is an important one. There is some conversation about whether that should be sitting with the C.E.O. or whether it should more rightly sit with the Treasurer. Although there is ... I cannot see the Treasurer's face on this camera.

Deputy L.J. Farnham:

He is smiling.

The Minister for Treasury and Resources:

Although there are arguments either way, I do not want to say with any certainty but I suspect it might just stay as it is, but that is the area that might change depending on those deliberations.

Deputy S.Y. Mézec:

Thank you, that is helpful. Over to Deputy Farnham for the next line of questioning.

Deputy L.J. Farnham:

Thank you very much. I was going to ask how much money has been spent to date on the hospital but of course F.O.I.s (Freedom of Information) to the media answered that question for us.

The Minister for Treasury and Resources:

Yes.

Deputy L.J. Farnham:

So can I ask a question on Kensington Place which the Minister for Infrastructure has signed a Ministerial Decision to acquire for £16 million, is that transaction now completed?

The Minister for Treasury and Resources:

Well you would need to ask the Minister for Infrastructure.

Deputy L.J. Farnham:

Or perhaps the Treasurer might know.

The Minister for Treasury and Resources:

According to my briefing, it is not yet completed but I understand it is in the process, yes.

Deputy L.J. Farnham:

Do you or any of the team happen to know if the purchase price includes any compensation paid or has that been a separate transaction?

The Minister for Treasury and Resources:

No, as we said to you before, there are 2 ways of approaching this transaction. The approach which I support was a valuation of the site once the work had been undertaken and that is how we arrived at the £16 million.

Deputy L.J. Farnham:

So that is an inclusive price? So that enables Andium to pay off the contractors, et cetera?

The Minister for Treasury and Resources:

That is a valuation of the site price, as we discussed in the States, did we not?

Deputy L.J. Farnham:

I have a feeling you are slightly dodging the question, Minister. I am trying to ascertain ... because this is a lot of public money and there will have had to have been compensation, probably quite rightly, paid to a developer, whoever was contracted to build those houses which was stopped before it really got going. So I was just asking if you knew whether that £16 million included that and if ...

The Minister for Treasury and Resources:

What I can say to you is ...

Deputy L.J. Farnham:

Because I have heard a number of different stories from other Ministers.

The Minister for Treasury and Resources:

Because you can look at a site through different lenses, can you not? Why I was satisfied with the £16 million is because an independent valuer said that was the valuation for the site. So, leave aside all of the arguing about who is paying what for what, an independent valuer said that was the valuation for the site and that is why I was satisfied with it.

Deputy L.J. Farnham:

I will try a different angle, if I may. Do you happen to know if any money has been paid to Andium to offset the costs that they incurred since the cancellation of that housing project prior to the sale of this land?

The Minister for Treasury and Resources:

As far as I am aware, Andium are waiting for the transaction to complete and they will get that full valuation amount as agreed by the States when that transaction is completed.

Deputy L.J. Farnham:

Because of the information they have provided, and they have been very open about Andium ...

The Minister for Treasury and Resources:

That is right, yes,

Deputy L.J. Farnham:

... they are probably facing somewhere in the region of £600,000 or £700,000 in interest costs during the space between the project being halted and now. I am assuming they have had to carry those costs and the sale of the site to the public will cover all of that.

The Minister for Treasury and Resources:

Well I would be surprised if that was the amount, bearing in mind the amount that was made public during the States debate last week about the monthly costs. I will not calculate the months back at this point but anyway. They are fully States-owned of course but they act as a developer so they borrow to develop sites. They have then had the Government saying no, it wants to take that site back, and we are taking that site back at a market value but which is a value determined by an independent valuer.

Deputy L.J. Farnham:

No, I understand that. I was just asking for confirmation Andium, I think it is about £58,000 a month interest rate - I am not sure when it was; it is sort of 8 to 10 months so that adds up - I am just simply asking have the Government paid any money to Andium in the interim between the project being stopped and the completion of the sale?

The Minister for Treasury and Resources:

So I will only say what I said before - I could look to my officials - as far as I am aware, the only amount of money that will be paid to Andium and is not yet, is the valuation amount of £16 million and that was in the Government Plan.

Deputy L.J. Farnham:

Perhaps I could ask the Treasurer if he is aware of any.

Treasurer of the States:

I am not aware of any payments that were done other than the payment that the Minister is referring to.

Deputy L.J. Farnham:

Thank you very much, that is all I wanted to know. Finally, what consideration has been given, if any, to the long-term finance costs and implications under the current economic conditions? We are told the new Health Facilities Project is going to take up to 10 years or 8 more years if it goes to plan, what sort of consideration has been given to how we might be funding that over that period? If so, can you share any information about that?

Treasurer of the States:

Is that a question for me or the Minister?

Deputy L.J. Farnham:

As you are here, Treasurer, it might as well be to you.

The Minister for Treasury and Resources:

He does not want a political answer, Treasurer, I think is what he is trying to say.

Deputy L.J. Farnham:

No, I want a proper answer. Yes.

Treasurer of the States:

As the Deputy is aware from his previous role, we continually review the funding options available, or the financing options available to us for the new hospital. An update there is we are close to renewing our R.C.F. (Revolving Credit Facilities) which are principally short-term facilities. They were originally entered into for the COVID period but again there is the flexibility to consider how to fund the healthcare facilities. We are indeed using those and they will be used for the purchase of Kensington Place, for example, in accordance with the Government Plan approvals. So we are renewing our revolving credit facility to the tune of £300 million down from where it is currently. That strategy is to allow us to firstly get to the stage at which the Assembly agrees a new project or budget for a new project. It allows us to - alongside that or with that - either way it is to work out what the cash flow requirements are. As a short-term facility, obviously we are paying the interest mostly. There are some charges on amounts not drawn down but it minimises the costs that we incur rather than bringing down £300 million in one bill as costs so that we can match cash flow to our borrowings so we do not overborrow in the long term. It also allows us to wait to see or wait for a period of more stability in the cost of debt and to enter the market, once we have the permission of the Assembly, at the most favourable terms rather than having to enter because we do not have the cash available. So that facility will be renewed very shortly and in place. As I say, what we need to then do is see the cash flow requirements for the new proposals in order to devise what we would see is the best utilisation of debt for that project and how we would then finance that debt. The new government is

very clear that it wished to minimise that debt, and indeed you see that that is what the Minister has done, as with the previous Minister, in terms of applying unspent funds to the clearance of the COVID debt. So we did not expect to be clear of the COVID debt right now but we obviously are now clear of COVID debt as part of that work and we would expect to deploy that further into the hospital project, subject to what the Minister says. But that allows you to understand better how much long-term debt you need to take on rather than going for the full sum.

Deputy L.J. Farnham:

Yes, understood. Thank you very much. One very quick question: could be a yes/no answer. Are you aware, do you have any indication of what the total cost could be of this project at this stage?

Treasurer of the States:

Not at this stage beyond the work of the adviser's report that informed the Council of Ministers' decision and brought to the Assembly for the change of direction.

Deputy L.J. Farnham:

The question is ... because are you talking to the report that was presented to States Members last week?

The Minister for Treasury and Resources:

No, the original report.

Deputy L.J. Farnham:

Sorry, the original adviser's report. No, since then we have had a further update from the new health facilities team and I just wondered, it is not quite, it is almost coming up for a year since the project started, are there yet any indications about what the full capital cost could be?

The Minister for Treasury and Resources:

Well that is the work that is being undertaken.

Deputy L.J. Farnham:

So there is still no ...

The Minister for Treasury and Resources:

It is sticking to the timeline that was communicated at the time.

Deputy L.J. Farnham:

Thank you. It was a good start, with a political answer at the end but that is fine.

The Minister for Treasury and Resources:

It is only what I would have said.

Deputy L.J. Farnham:

Thank you. That is it from me.

Deputy S.Y. Mézec:

There is a lot of uncertainty at the moment about construction projects because of what has happened to a high-profile firm here, so can I ask how that has been considered as part of not just the hospital but wider capital programmes that you will be considering?

The Minister for Treasury and Resources:

That is probably a technical question for the Treasurer. As you know, there were a number of ... at least 2 projects that were due or potentially due to be undertaken by that developer. The department is considering the way forward on those. Andium, who were using that developer as well, have already got a new delivery partner for their development.

Deputy S.Y. Mézec:

We have got one minute left ... a quick-fire round. I think rather than do that we will send you questions that we had left over as usual. Thank you, and your officers, for your time this morning.

The Minister for Treasury and Resources:

Thank you.

Deputy S.Y. Mézec:

I will just present you with a final opportunity to say to us if there is anything that we ought to be aware of at this point or anything upcoming that you think will be of interest, not just to Scrutiny, but to the public.

Treasurer of the States:

The Annual Report and Accounts.

The Minister for Treasury and Resources:

Yes, so the Annual Report and Accounts is due to have the audit sign-off today. I see there was an email came in with the confirmation from the auditors, that will then be signed and made public next week. We will get you a copy of that as soon as we can and then there will be a briefing to States Members as well next week.

Deputy S.Y. Mézec:

I would love to say sum it up in 30 seconds but we probably have ...

The Minister for Treasury and Resources:

Well, as you would expect from an income and expenditure point of view, a good year. The investments suffered the volatility of the market at the time of the accounting year end.

Deputy S.Y. Mézec:

Thank you very much. Thank you to anyone who might have tuned in online to watch this. As I said, we will send you our leftover questions and look forward to your responses to those but thank you, all, very much. I call the hearing to a close.

The Minister for Treasury and Resources:

Thank you.

[11:29]