



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Friday, 27th January 2023

Panel:

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

Deputy M.B. Andrews of St. Helier North (Vice-Chair)

Deputy R.J. Ward of St. Helier Central

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, The Minister for Treasury and Resources

Deputy E. Millar of St. John, St. Lawrence and Trinity, 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. A. Hacquoil, Group Director, Strategic Finance

Mr. R. Summersgill, Comptroller of Revenue

[10:02]

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

Thank you and welcome to the Corporate Services Scrutiny Panel quarterly public hearing with the Minister for Treasury and Resources and his Assistant Ministers. For the benefit of the transcript we will go round introducing ourselves. There are some officers present who can be brought up to the table as and when, if there is a particular question of detail that you need assistance on. If they could introduce themselves at that point, if and when they are called up. I am Deputy Sam Mézec. I am the chair of the Corporate Services Scrutiny Panel.

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

I am vice-chair, Deputy Max Andrews of St. Helier North.

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

Deputy Lyndon Farnham.

Deputy R.J. Ward of St. Helier Central:

Deputy Rob Ward.

The Minister for Treasury and Resources:

I am Ian Gorst, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (1):

Elaine Millar, Assistant Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (2):

Richard Vibert, Assistant Minister for Treasury and Resources.

Deputy S.Y. Mézec:

Thank you. Final tick-boxing for protocol but there is normally a notice on protocols for Scrutiny witnesses, which I am sure you have read and can confirm that you understand.

The Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

Excellent. We will commence then. The first area of questioning is on the hospital financing, and for that Deputy Farnham will ask the first few question.

Deputy L.J. Farnham:

Thank you very much, Chair. We thought we would start with the easy one first, get that out of the way. Can I just start by asking in respect of the hospital financing and the costs around that, what safeguards are there to ensure that the cost of the new plan will not exceed the previous plan's cost?

The Minister for Treasury and Resources:

When you refer to "safeguarding" what are you ...?

Deputy L.J. Farnham:

I guess I am asking you to guarantee that the new plan, whatever that ends up being, spread over a number of sites, is not going to cost more than the approved plan.

The Minister for Treasury and Resources:

I suppose the first thing to say, that the approved plan already costs more than what was approved, according to the most recent information available. It would be foolhardy for any Minister to try to predict the future. The review that the Minister for Infrastructure undertook with regard to the hospital proposal at Overdale indicated, and the chair was on another panel and questioned us about this, that there were areas where savings could be made. The Government Plan was amended accordingly and now those other pieces of work are being undertaken, which will have to add more detail. You will know, Deputy, from your previous role on trying to deliver a hospital, that initial impressions can sometimes change once you have done the more detailed work. But the premise of the review was to seek to reduce the risk of what was previously proposed in light of the economic circumstances. So I have been quite clear in my conversations with fellow Ministers that they should be seeking to provide further confidence about those areas where savings can be made and that one of the ways that we should mitigate risks so that we do not end up in the circumstance that you have described, is that we take a phased approach and we build developments when we know that we can afford them and we have the finances in place, and move on to the next stage when that also is the case. But there is great uncertainty with any capital programme at this point in the economic cycle.

Deputy L.J. Farnham:

So can you guarantee that the new plan will cost less than the original plan? Yes or no.

The Minister for Treasury and Resources:

Well I am not going to give such a guarantee. It will be foolhardy to give such a guarantee.

Deputy L.J. Farnham:

So you cannot guarantee.

The Minister for Treasury and Resources:

Because previous Governments guaranteed to the States Assembly that they could build what got planning permission for £804 million and then the contractor said it could not be built for £804 million. So it would be wrong for me to seek to issue a guarantee, which is not possible because of the economic circumstances.

Deputy L.J. Farnham:

Just to be clear, because we were both members of the last Government, and we both, as far as I can remember, supported the project right the way through, and when I stepped down as chair, as we entered the election period, we were at a position with the design and delivery partner where we were negotiating at about £840 million, and of course we would have had to come back to the Assembly had we wanted to exceed that amount. The new proposal has suggested a figure of £635 million but there is no aspect of contingencies or optimism bias, et cetera, attached to that. Of course the optimistic timeline for completing this multisite vision of the new Government is 10 years at least. So it is highly likely, is it not, given the current circumstances that it is going to cost more? Without wishing to patronise you, you have a very good handle on the finances of the Government, and I am sure your team must be concerned at the potential for this to financially accelerate because of the delays. I am just asking you if you can guarantee that it is not going to cost more? I think the simple answer is no, you cannot guarantee that. But I just wanted to make sure that you demonstrate that you ...

The Minister for Treasury and Resources:

It is a simple answer but you obviously are trying to drive me to a headline that says “Treasury Minister cannot guarantee that savings will be delivered” but the reason that I am being cautious and not giving you that guarantee is because of the economic circumstances in which we found ourselves, which are exactly the same circumstances that the previous iteration found itself, where a guarantee was given to the public and to the States that a building got planning permission and delivered for a set price and then, in practice, because of changing economic and devolving economic circumstances it was not possible to do that. So it would be wrong of me to go back and give a similar guarantee when we are just coming out of a process that shows that that sort of guarantee is not appropriate because of the economic circumstances in which we find ourselves.

Deputy L.J. Farnham:

That is fair enough but I think you are quite sensibly saying you cannot guarantee it will be less because you cannot, can you?

The Minister for Treasury and Resources:

Of course I cannot guarantee but I have the evidence of a review in front of me of an independent professional who has come along and said that if you do things differently there are these savings that can be delivered.

Deputy L.J. Farnham:

But without going into detail we know the review is flawed in so many areas that could be challenged. It is a high level of review, and even the author of the report has admitted quite openly that the best preference is the Overdale site but he was forced into delivering a report on an alternative because

the Overdale site was unaffordable. That was behind the report. So if this has been done, the new hospital is going to be delayed by up to 5, 6, 7 or 8 years on the premise of affordability, I think it is quite reasonable to ask the Treasury team if they are confident that the new vision for the multisite hospital can be delivered for less or a similar amount of money. Because that was the whole premise of the change of direction. I think the simple answer to that is you cannot, which is quite reasonable.

The Minister for Treasury and Resources:

No individual, I think, can sit and speak to the public and be honest with them. We have a situation where the hospital at Overdale could not be delivered for the promised amount or the guaranteed amount, if that is the term we want to use. It could not be. Alongside that we have a situation where an independent person has come along and said: "Okay, you could ... if you do these things differently this is the quantum of saving that might be delivered" and that is where we are. We have amended the Government Plan to do that. Officials are now going away and working up to provide greater detail and assurance so that the States can make a decision about whether that is where we continue or not.

Deputy L.J. Farnham:

Chair, may I ask a question of the Treasurer please?

Deputy S.Y. Mézec:

Yes.

The Minister for Treasury and Resources:

As long as it is not political.

Deputy S.Y. Mézec:

Do you want to frame it to the Minister for Treasury and Resources and if he cannot answer it I think it then goes to the Treasurer.

Deputy L.J. Farnham:

I was going to ask the Treasurer the same question but I was going to basically ask what indications the Treasury officials have of costs. Is he able to give a guarantee that it is not going to cost more? The officials I would think are probably more acquainted with the detail.

The Minister for Treasury and Resources:

That really is a political question because the premise of the change of direction and the amendment in the Government Plan was that here is a high-level report. We all accept that. Here is a high-level report that indicates areas where savings can be made if you do it differently. Importantly, not just

savings that could be made but you could mitigate the risk of approaching it in the way that it was previously proposed; so a single large operator. All of those things, structured development in a phased way so that you can manage the costs to the States at any one time. I do not think that, unless the Treasurer wants to come and give a different answer, I am not sure that there is any other answer that can be given.

Deputy L.J. Farnham:

I wonder if the Treasurer would like to comment.

The Minister for Treasury and Resources:

The Treasurer is obviously an independent office holder and able to speak for himself. We are unique in that regard, that my director general or chief officer is independent.

Treasurer of the States:

Thank you for the set-up, Minister. So my perspective on that is this: there is a project that was approved by the Assembly to a price tag that cannot be delivered to that price tag and the distance is more, as you know, Deputy, than the £30 million to £40 million you were suggesting. That is largely because of the position with price rises on particular materials there. There are question marks over feasibility but it is largely the economic circumstances we find ourselves in.

[10:15]

The approach that is now being proposed is one of a phased approach. The difference being it is not possible, in my belief, and from what I see, to build what is proposed to be built at Overdale within the cap set by the Assembly at that time. A phased approach does allow the Minister for Treasury and Resources, working with Ministers and the Assembly, to say: "We will not spend more than this because we will take it on a phased basis. So you take each phase, considering where the financial and economic situation is at that point in time, and you do it phase by phase rather than what you are faced with at the moment, or what we were faced with until the decision was made by the Assembly, was ... I think the phrase I might have to use is all your eggs, your chickens and your farm in one basket and you had to push on with the project that you knew could not be delivered within the cap. That is the approach. There is more risk mitigation there by taking it phase by phase.

Deputy L.J. Farnham:

Thank you. I am going to respond to the Minister because what I am going to say is political, so thank you, Treasurer, for that. The report made some very bold assertions and the premise that the author was given direction based on the Overdale model was unaffordable. No guarantees were given to the States. We asked the States for permission to expend and borrow up to £804 million

and if it was to exceed that we had to come back to the States. That was the decision. The price went up because of the politics which caused delay after delay and took us into the election period, which was the aim, shall we say, of those opposed to the hospital in the former States Assembly. But again I say, after listening to the Treasurer, it is quite clear that now the new Government wishes, if they want to build it on a phased project to make sure we have enough money, we are very clearly - very clearly - putting money ahead of health. Because what happens in this phased project if the Treasury runs out of money or decides it is not going to spend more than X amount with an unfinished multisite hospital?

The Minister for Treasury and Resources:

I am not sure, Chair, whether you want to carry on this because ...

Deputy L.J. Farnham:

It is quite a straightforward question.

The Minister for Treasury and Resources:

... there are any number of things there, Deputy, with your assertions with which I would disagree. But I do not think it is to any value really for me to pick them all out and disagree.

Deputy S.Y. Mézec:

I think we can ask a question based on how you are handling the potential risks to funding this project. If it is a phased approach there will be potential risks that arise at each different phase of that, which we would hope you would have plans for or have considered what those risks may be and be able to indicate to us as a panel what contingencies you may have in place to deal with those risks, if they do arise. And what eventually happens if it turns out that once you have done the greater detail of work on this that the cost profile, which has been suggested in the high-level report, is not accurate and it turns out to be much more. What is your plan for that and what risk assessments have you and your officers done at this point on that? I think that gets to some of that.

The Minister for Treasury and Resources:

It does not really. Firstly, the Deputy asked whether a phased approach was putting money above health. Of course it is not. It also suggested that the Minister for Treasury and Resources had the wherewithal to stop a project or start a project. We know that is not the case either. Everything comes through the States Assembly. The States Assembly agreed the change in budget to allow the additional work which is needed to do all of those risk assessments and to give confidence back to the Assembly and the public that the hospital in more than one site could be delivered and it could be delivered in a way which mitigates risk. If that further work goes ahead, although I have no reason to believe it, based on the fact that the report issued was from a professional who has

experience of building hospitals, so we are in surmising territory of what might be, even though the evidence is in the opposite direction, that if it comes back and that further work says no, it is going to cost more, then all of that will be presented firstly to Ministers, then to Scrutiny Panel, and then to the States Assembly for the States Assembly to make ultimate decisions. It is not within the gift, as indicated, for the Minister for Treasury and Resources to unilaterally make those decisions. But we remind ourselves that the current proposal for a hospital at Overdale could not be delivered within the budget allocated despite the assurances that were given, and was more than £40 million over that budget. So it could not be delivered within the timescale that had also been assured. Again, that has been clear for some months. So it is absolutely the right thing to do, to use this time to look at the project in the way that the review has indicated. As those pieces of work are undertaken then my officials, together with other professionals, just in the same way that it was done previously, will look at those risk mitigation factors, we will look at the market at the time. It is however, fair to say, because of the economic uncertainty are we moving into a situation where fixed-term contracts are much more difficult to negotiate than they were previously in times of high inflation and increasing interest rates? I think we probably are. The reality is that, as we sit here, the best advice that we have is that you would not even now have signed a contract with the contractor for all of the reasons around what is happening in the economy that we now know, and that the risk would be put back on to the client in an unacceptable way. While of course there is a good element of politics in all of this, we in Treasury are trying to be pragmatic and practical and mitigate risk to Islanders and to the taxpayers, while at the same time making sure that we have health facilities that will be fit for the future. I do not think you would expect us to do anything else.

Deputy S.Y. Mézec:

Minister, hopefully this question can be answered relatively concisely, but in the final pages of the report on the approved hospital project where there are attempts at price comparisons, the headline figure for the approved scheme - the £804 million - included, as Deputy Farnham said, contingencies, optimum bias, et cetera, whereas the comparative figure that was provided for alternatives did not. At what point will you, as Minister, be able to present some sort of figure that does include all of the accoutrement that the £804 million figure had so that we can have sight of some credible comparison?

The Minister for Treasury and Resources:

As we said at either the last hearing here or in the States Assembly or at the previous hospital review panel, it is not quite that straightforward because what the independent expert did in making those suggestions of where savings could be made, in some of the areas said savings could be made on capital amounts where contingency and optimism bias were included, and therefore they are included in those amounts. In others they were not. This is why it is really important that the extra work and additional work is undertaken. Now I have a timeline in front of me, but I am going to just

look to make sure I am getting this right. As I understand it, during the course of the summer then the outline business case during the course of September will be available, and that will have more detailed numbers on.

Deputy S.Y. Mézec:

What do you do if those numbers, once you have done that work, transpire to be significantly higher than you had originally anticipated and perhaps even higher than the figure for the approved project? Do you revert back to the approved project?

The Minister for Treasury and Resources:

There is not just the issue of cost with the approved project because we remind ourselves that the approved project cannot actually be delivered for £804 million, it is actually about ...

Deputy S.Y. Mézec:

But you could present to the Assembly to ask for more, if the work you do on this project turns out that there are viability concerns and cost issues on that project as well. I am trying to get some clarity as to those risks, which may transpire or not, where we are going to be in that situation.

The Minister for Treasury and Resources:

As we sit here, I have no reason to suspect anything other than what the independent expert has said about where savings can be made and about the risk mitigation of taking a phased approach. If, for some unexplainable reason as we sit here, that expert's long experience of building capital projects and hospital projects in complicated developments is shown to be incorrect, although I have no evidence to say why that would be, so it is purely supposition and that extra work comes back and says: "Oh well, for this reason, that reason and the other reason that the independent expert had not thought about, then it is going to cost more." Then Ministers, in the first instance, and the States will be left needing to make a decision. Do we seek then to see if some of the issues with the current scheme can be delivered in a different way? We know that we no longer have a design and delivery partner for all of the reasons that the panel will know. Do we go out to the market again? I have no evidence before me to suggest that that will be the case but if it is, we will deal with it and we will come back to Scrutiny and come back to the Assembly and have to rethink, will we not?

Deputy S.Y. Mézec:

Thank you. Question from Deputy Ward on this and then we will move on to the next one.

Deputy R.J. Ward:

I am quite interested when you say you will come back to the Assembly for the funding, which we will have to do ...

The Minister for Treasury and Resources:

Are you talking about in the circumstances that ...?

Deputy R.J. Ward:

I mean in general for the new project, which will be a phased approach. Do you envisage coming back for the phases to be funded or an overall cost to be funded?

The Minister for Treasury and Resources:

I expect the Assembly will want to know an overall cost and I think I would, however, wish to propose to the Assembly at that time a phasing of how we would propose ... if we were phasing the building how we would phase the costing of it. Having said that of course, and if that is over a number of years, within the current Government Plan process we just are approving really one year at a time, so we will need to think about whether that is the most sensible approach, ask for the decisions within the years that the spend is going to take place, which ... in the previous iteration you had an overall agreement that you were going to spend this overall amount in advance. That is what capital programmes require, although we are changing the way that we account for capital programmes. But then you had the individual in-year decisions that you had to make as well. So we will need to consider what the best approach is then, particularly really around the funding of it. If we are going to go to a market for 2 smaller bonds over a phased period and we have projections of what interest rates are going to do or what the bond market might do. But all of this will (a) inform the proposal that we put to the States Assembly and inform States Assembly's decision-making.

Deputy R.J. Ward:

So we can expect an overall figure as well as the phased figures?

The Minister for Treasury and Resources:

That is what I would expect in order to make the overall decision.

Deputy R.J. Ward:

That is all I wanted to know.

Deputy S.Y. Mézec:

Moving on.

Deputy L.J. Farnham:

Sorry, could I just have one final question? I am sorry to drag this out. Does the Minister agree we live in a first-world country, we have a first-class health team, dedicated professionals, but we have a third-world hospital that needs urgent replacement? The government scheme seeks to, without knowing the facts or the figures, based on a review that the last paragraph says all the assumptions in this report are wholly subjective, and I quote from the report, does he honestly believe that embarking on a project that could cost a lot more than the Overdale scheme and is going to take at least twice as long to complete is sensible?

[10:30]

The Minister for Treasury and Resources:

We can keep going round the same circle and I can keep giving the same answer. It is not exactly ...

Deputy L.J. Farnham:

Fine, you do not have to answer.

The Minister for Treasury and Resources:

It is not a third-world hospital but we do need new health facilities. Of course I have been banging that drum for years. We have had various iterations where I have banged that drum as well and others have said: "No, no, we have to go back to the drawing board because we do not like it", rather than just getting on with it. But what happened with this is, yes, and I am on record as saying the team that brought Overdale are to be congratulated because it got further than any other scheme has got today. It got planning permission. What it did not expect was the economic circumstances that then transpired.

Deputy L.J. Farnham:

I am sorry, I have to interject, it is not the economic circumstances.

The Minister for Treasury and Resources:

It is there economic circumstances.

Deputy L.J. Farnham:

It is a complete change of policy by the new Government. It is purely political and people's health, in my opinion, has been ignored ahead of political priorities of the new Government, which under no circumstances wanted to finish this Overdale scheme. I am happy to leave it at that because we have a lot to get through. Thank you.

The Minister for Treasury and Resources:

I do not think I can just leave such a statement because I refute that.

Deputy S.Y. Mézec:

We do have to move on but can you respond very briefly and we will move on to a different subject?

The Minister for Treasury and Resources:

The decision to not go ahead with the contract and the design and delivery partner was not political. It was entirely premised on the fact that the economic circumstances have changed and that that contract and that hospital could not be built for £804 million. It was £920 million at the best with a fair wind and no change in inflation and interest rates, so we know that even during the course of what would need to have been a more prolonged negotiation, that is providing the relationship actually stood up and one wanted to continue with that design and delivery partner, it could not be delivered.

Deputy L.J. Farnham:

There was no attempt to even ...

The Minister for Treasury and Resources:

It could not be delivered.

Deputy L.J. Farnham:

... negotiate with other providers. It was clear the new Government wanted this project halted. We all know that.

Deputy S.Y. Mézec:

We can ask a question this way, and I think this is a simple question where we can get a concise answer. Was there any point in Council of Ministers' discussions where a serious political conversation was had about the option of simply coming back to the Assembly and asking for a greater spending limit to go ahead with the approved scheme? Or were the discussions in the Council of Ministers predicated on an assumption that you were not going to consider that option seriously?

The Minister for Treasury and Resources:

No, they were predicated on an assumption which was, and I think it was made clear by candidates during the election, that there should be, because of the economic circumstances, a review of the current scheme. That has been my position. I have been clear about that and that is why I supported the review being undertaken.

Deputy S.Y. Mézec:

Okay, thank you. We can move on to some questions, looking back on the mini-Budget measures. The first question is about the cost-of-living benefit schemes that were provided through that mini-Budget. Minister, feel free to answer yourself but the Assistant Minister may ...

Assistant Minister for Treasury and Resources (1):

I read that last night. I seem not to have a hard copy of it so I know there are some numbers in there.

Deputy S.Y. Mézec:

Good luck.

Assistant Minister for Treasury and Resources (1):

I am not good at keeping numbers in my head.

The Minister for Treasury and Resources:

What was the question, sorry, Chair?

Deputy S.Y. Mézec:

I have not got to the question yet. But the first question was: how successful was the cost-of-living benefits communicated to provide outreach to eligible Islanders? I guess that question is kind of asking what has the take-up been like. Has that take-up been as you expected it to be and what kind of levels do you think there are of those who are eligible but have not taken up those that they have to apply for?

Assistant Minister for Treasury and Resources (1):

If we start from the assumption that we thought based on the, for example, the Community Costs Bonus as amended, I think we thought that there may be up to 14,000 families who may be eligible and to the end of the year we have had just over 3,500 payments made. Over the year in total, 4,400 claims, 3,687 were paid, and between October and December there were 3,520. I think we assumed there would be more. We have conducted a very wide campaign. We have been on the radio. I have heard it on the radio. We have advertised in Parish magazines, with Parish Halls. We have gone to stakeholders. It was all over the website. People like Salvation Army, Caritas, the Grace Trust, we have worked with all of those people. I had a meeting with the Grace Trust where we told them about how easy it was. We took them through the process and they said they would help people try to apply for it. So we really have done a huge amount. We have gone to all States Members and said: "Can you promote this?" I do not know why people are not applying. It is there.

It is out there. I do not there is a big instance of applications being made and not accepted. I think the vast majority of applications that have been made have been accepted. The vast majority were paid very quickly. There was one tiny little glitch we discovered when a handful of people, due to a system error, were paid later than we would have liked. But everybody who has claimed and the claim has been accepted were generally paid very quickly. But I cannot account for why people are not coming forward. We really have done everything we can in terms of ...

Deputy S.Y. Mézec:

Can we test that? I think Deputy Ward is probably itching to come on to comment on that.

Assistant Minister for Treasury and Resources (1):

If you have other ideas I am very happy to hear them

Deputy R.J. Ward:

One of the things that interested me, I looked it up, and one of the criteria is the household had a combined tax liability of less than £2,735. I did test this by asking a few people if they knew their tax liability and not a single person knew their tax liability as a figure. Given that you would know that through the Tax Office as to liabilities, is there not a scheme whereby you could simply write to people: "Your liability is this. By the way this is below the level where you could qualify for the Community Costs Bonus"?

Assistant Minister for Treasury and Resources (1):

I have no idea how much work that would involve. I think the problem is because households do not ... if the household is a married couple because a household is not just ... I think a household can be a married couple so we could look at a married couple and say your liability would ...

Deputy R.J. Ward:

It would be a starting point.

Assistant Minister for Treasury and Resources (1):

The Comptroller may have to help me with this.

Deputy R.J. Ward:

It may well be a family which ...

Assistant Minister for Treasury and Resources (1):

We may be able to look at a family unit. If the householders are an unmarried couple we may not necessarily be able to link them together for that purpose.

Deputy R.J. Ward:

But that could be targeted support, could it not?

Assistant Minister for Treasury and Resources (1):

I would have to ask the Comptroller.

The Minister for Treasury and Resources:

I think the biggest difficulty is around the person you have collected the information and that you are getting the tax return for and then what the Comptroller is legally allowed to use that information for. But we can certainly explore whether it is possible to put a flier in with that tax return. That would be the problem I think, the legal basis of the collection of the information.

Deputy R.J. Ward:

The other thing is to simply make a bit more clarity on the website and give a couple of examples perhaps so that people could look at it. Because it is not their strong point their tax liability, it is certainly not mine. It is simple my form but I just wonder whether that ...

Assistant Minister for Treasury and Resources (1):

People would have an assessment, they could look at an assessment and go: "That is how much tax we were assessed for last year." Now I know people are not very good with record-keeping sometimes but we need ... I do not know whether we say this ... I think it is difficult to say: "If you have an income of less than this you might qualify." It may be something we could look at. But we have tried to get the message out very widely.

Deputy R.J. Ward:

I am just saying that is something that perhaps could be targeted as well if we really want to get that Community Costs Bonus. Particularly at the moment, I think we are heading for some difficult times with families in particular.

Assistant Minister for Treasury and Resources (1):

I absolutely agree. We can consider that and I can talk to the Comptroller about whether we can do that and, again, it depends on the Comptroller having a mailing that goes out and can we get a leaflet in that mailing in the time. Because I think tax returns may already be in train and whether that is a process we can interrupt. I know we do put, for example, we had the ... we talked about it in the States last week, we write to every pensioner and that letter includes a leaflet saying: "Here is some information, here are some benefits." So we have also done that.

Deputy R.J. Ward:

Perhaps a quick video using your communications unit saying: "This is my tax liability. If I look at this number, it is below £2,735, you may be available to the Community Costs Bonus"; just a suggestion trying to be positive.

Assistant Minister for Treasury and Resources (1):

Possibly, although a lot of this we just do not have online. That is the problem. One of the issues from older people they say we cannot go online.

Deputy R.J. Ward:

But a lot of families ...

Assistant Minister for Treasury and Resources (1):

I am sorry, I am not trying to be negative because these are all good suggestions, but we are trying to get the communication as targeted as possible.

Deputy R.J. Ward:

Okay, just some suggestions there.

Assistant Minister for Treasury and Resources (1):

We will talk further and if you have other suggestions we are very happy to look at them. I mean what I would say, is that the period for claiming for the Community Costs Bonus for this year is still open. I think people can claim it right up until June. I think what happens normally is we will see claims will come in over October/November, there will be an uplift before Christmas where people think: "Oh, it is Christmas we will claim that" and sometimes there is an uplift after January. I have not asked the question in fairness, it is not obvious to me that there has been the January uplift. It may be we could do a bit more radio advertising to push that message out there.

Deputy S.Y. Mézec:

Do you know of the funding that was allocated to deliver enhanced eligibility for the Community Costs Bonus? Of the funding that was allocated for it, do you know how much has been spent so far and how much you have left that could be spent? If you need an officer to help with that figure, feel free.

Assistant Minister for Treasury and Resources (1):

I do not have an officer here that has that because that is a Social Security officer.

Deputy S.Y. Mézec:

Fair point.

Assistant Minister for Treasury and Resources (1):

I have my Social Security hat on at the moment.

Deputy S.Y. Mézec:

Fair point.

Assistant Minister for Treasury and Resources (1):

I would imagine, based on the claims we have and the budget available, the budget is not yet spent. But we would hope people will come forward. I think if we were to discover that we had unspent budget and there was still a need, we may look to other ways of spending the budget. Can I come back to just one more example about the benefits that are available? We announced before Christmas the scheme for under 5 years ... the parental support payment, which is aimed at families who have been here for under 5 years. I think this week I was told we have had 30 applications for that. We announced before Christmas and again we have gone to all stakeholders. We have got multiple language versions. We have discussed it again within the last couple of days to extend further. We have gone to all the normal stakeholders as I said” States Members, Parishes, we are going to do a bit more work with the Parishes. What we are also going to do for that group is try to go directly to some of the employers and the employer associations and say: “Please can you get this out among your membership? If you have staff in this category please will you make sure they know?”

Deputy S.Y. Mézec:

How many applications were you planning to ...

Assistant Minister for Treasury and Resources (1):

I do not know if planning. I think we were anticipating or we estimated that there might be in the region of 250 to 300 families. But again, these are families in communities where they just have a resistance to coming to government.

Deputy S.Y. Mézec:

I understand. Okay, thank you. Minister, what consideration, if any, is being given to interventions to assist Islanders in mitigating mortgage pressures?

The Minister for Treasury and Resources:

As you know, I think last time I came before you, we were considering that because of the increase in interest rates. When Ministers considered it of course the headline interest rate has increased

but the work that the Economics Unit have been doing with mortgage providers and the banking community indicated that a great proportion of Islanders were on fixed rate mortgages, and therefore had a number of months and years before they would be negatively impacted by the increase in interest rates, and therefore on balance it was decided that that would not be a sensible intervention at this point in time.

Deputy S.Y. Mézec:

Is that line of consideration therefore now closed?

The Minister for Treasury and Resources:

We of course have seen the increase again in the annual figure of inflation. Ministers are meeting on the Cost-of-Living Ministerial Group next week to think about possible interventions. But that is not one.

Deputy S.Y. Mézec:

So it is closed then?

The Minister for Treasury and Resources:

At this point in time, yes.

Deputy S.Y. Mézec:

Okay, thank you. Considering the increasing inflation levels and the impact on small businesses, what consideration are you giving to the £300,000 turnover threshold for small businesses to register with the Tax Office?

The Minister for Treasury and Resources:

Informally I have been asked about this and given it informal consideration. But it is already, if not the highest, one of the highest thresholds in the world.

[10:45]

My understanding from officers is that really already businesses which have a smaller turnover than £300,000, so you are importing goods into Jersey, are self-registering so that they can mitigate the effect of input G.S.T. (goods and services tax), and therefore at this moment in time we cannot see the benefit of change in it.

Deputy S.Y. Mézec:

Okay, so that has not been considered?

The Minister for Treasury and Resources:

Informally I have considered it but we are not considering it for those reasons that I have just said.

Deputy L.J. Farnham:

What was the rationale back when G.S.T. was introduced for having such a high threshold at that time and how has that changed from your informal decision not to do anything about it now but just to let it be eroded? Because it is causing a lot of concern to smaller businesses, some of which have decided to either close or simply not take any more business because once they go over the threshold it is just not worth them doing business.

The Minister for Treasury and Resources:

If there are individual cases then of course we will consider them to see if that does present evidence. But, as I say, the advice from officials is that companies which are under that threshold, who are importing goods, are already voluntarily registering because ... I suppose it depends on the nature of what the company is doing because not registering does not mean you do not suffer input G.S.T.; you do suffer input G.S.T. It is just that you do not add it to the price of the good or service that you are providing but you do of course have to increase your price to cover the input G.S.T. There is an argument that says although it might be considered bureaucratic there are benefits to smaller businesses that suffer input G.S.T. to registering.

Deputy L.J. Farnham:

Without going into the detail of that, that could be correct in very few cases but the majority of businesses would just basically see a 5 per cent tax on their takings. It is difficult to pass that straight on to clients, as we all know, for some businesses. I am just trying to think back because I think we were all there at the time. What was the reason for having such a high threshold at that stage and how does that differ from the decision today not to move it up even a little bit?

The Minister for Treasury and Resources:

Well I think it already ... I mean, it was to, at that point, if I recall, and it is a few years now, I think to seek to ensure that there was not an overly bureaucratic system to small businesses. I still think that the £300,000 threshold is reasonable and generous. We look across the United Kingdom, I think it is £85,000, so it to me does not seem unreasonable even in a time of increasing inflation to keep it as it is. But, as I say, if there are a great number of businesses for whom it is a concern, then of course we would look at those individual cases and build an evidence base, if that is required.

Deputy L.J. Farnham:

Okay, thank you. I think if it had have been index-linked it would be something like we did ... something like £450,000 or £500,000. Not that I am saying that would be the right move, but it is disappointing that I think you cannot move that a little bit.

The Minister for Treasury and Resources:

But we still come back to the point that if you are suffering input G.S.T. you have no mechanism to offset that. So it is not necessarily a bad thing having to register.

Deputy L.J. Farnham:

I think having to register for most small businesses, the advantage of receiving input G.S.T. is not strong enough and I think they are disadvantaged by having to register. But I will do a bit of research on that and come back to you. Thanks.

The Minister for Treasury and Resources:

It might be that we will reach out to Jersey Business and see what they are experiencing.

Deputy L.J. Farnham:

Thank you.

Deputy S.Y. Mézec:

The last Government set up a Ministerial group called the Inflation Strategy Group, has this Government continued with the existence of such a group, do you know?

Deputy L.J. Farnham:

If it helps, the Inflation Strategy Group, which I chaired, reported to the States with a list of recommendations in January 2020, the start of the pandemic. With some very good recommendations, I may add.

The Minister for Treasury and Resources:

Yes, I do not ...

Deputy S.Y. Mézec:

He would say that, would he not?

The Minister for Treasury and Resources:

He would, yes; I do not think it had met for several years. So it was right for it to meet. I think the reality is that the work that we did with the mini-Budget took over from that group and the creation

of the Cost-of-Living Ministerial Group, which has met ... I was not able to go but it has met once and it is meeting again next week.

Deputy S.Y. Mézec:

Okay, but the Inflation Strategy Group, is that iteration of a group that ... would you consider that defunct now?

The Minister for Treasury and Resources:

I do not think it is defunct, but I do not just have the details to hand.

Deputy S.Y. Mézec:

Okay, we may follow up. In which case then, so the last area following on from the mini-Budget, we made a recommendation to you in our report about considering the timeline of implementing the fair rents plan and examining whether it should be expedited or amended given the circumstances. You initially rejected that recommendation but provided commentary which sounded like you actually accepted it. We followed up on that and you wrote back to us to say that you would accept it after further consideration on it. So, firstly, in accepting that recommendation, what discussions have you had with the Minister for Housing and Communities to look at how that may be expedited?

The Minister for Treasury and Resources:

Well, I think the change from the previous position to the current position was based upon the advice of the Minister for Housing and Communities officials. I have had no further conversation with them about the work that they are undertaking, but I do know that they are undertaking the work, as we described in our response. So I think it is one to pick up with the Minister for Housing and Communities.

Deputy S.Y. Mézec:

Okay, thank you. Any questions on the mini-Budget? Okay, in which case the next questions are over to Deputy Farnham about where we are with stage 2 of independent taxation.

Deputy L.J. Farnham:

Thank you, Chair. The legislative programme notes that in 2023 - and I think it actually was originally intended for 2022, the States' decision - the final phase of independent taxation including a compensatory allowance and requirements for mandatory independent taxation will be implemented. Can you briefly update us as to the progress of this legislation in the current work stream?

The Minister for Treasury and Resources:

Thank you. The Assistant Minister, Deputy Millar, is policy lead in this area.

Assistant Minister for Treasury and Resources (1):

Yes, I had a briefing on this last week. Work is ongoing, work is continuing. We are hoping to bring the legislation forward, I think in June. There may be slight slippage but that should not affect the overall programme. But we are looking to bring forward the draft legislation in June. We have discussed the compensatory amount, which will last for 10 years. We are currently debating whether that should be reviewed or ... but it almost certainly will be reviewed perhaps around about year 8 to compensate those who are worse off. Although we would ... I would certainly anticipate that over the 10-year period the impact will have diminished such that the 10-year period will be sufficient. So work is continuing apace. We are thinking about how we communicate. There will be further communications. I did see drafts of further communications to people, just to keep them up to date. I think the change has been ... there has been one change in that we will extend the voluntary period. People can elect, at the moment, to go on to independent taxation. We are going to make 2024 a year where people can elect voluntarily to go on to independent taxation and it will become compulsory in 2025. So it is very much still coming and is being actively worked on.

Deputy L.J. Farnham:

All right, thank you. Can I follow up by, as I say, I think on the grounds that notwithstanding the 10-year compensatory plan, many married couples and especially, perhaps, lower income couples will be worse off. But also I know myself and other Members of the States have been contacted by more senior members of our society, married couples, who are concerned about having to do independent taxation at their stage of life; they have been doing it for last 30, 40, 50 years. On those grounds, would the Ministerial team consider revisiting the retrospective compulsory nature of this one? I think it is quite acceptable for all new taxpayers and those that want to go on to independent taxation, but those who are currently settled in the married taxpayers' bracket continue to do so.

Assistant Minister for Treasury and Resources (1):

I do not think it is correct to say it is retrospective. It will apply to everybody for their tax going forward.

Deputy L.J. Farnham:

Sorry, maybe that was the wrong phrase.

Assistant Minister for Treasury and Resources (1):

I accept that. Again, I am sure the Comptroller would be better placed to comment, but my understanding is every time you allow exceptions to rule, you are running 2 systems which become more expensive, more administratively difficult to manage. We are trying, I believe, to move on to

a new revenue system and building in an alternative for a small individual group of people will, I imagine, involve cost and further administration. That is a point, and I think there are actually 2 points come out of it that we discussed. There is the element of the financial impact, and as I say, I hope over the 10-year period that may be enough to smooth that impact. There will be some older people who will be able to structure their affairs a little, so that the impact is less pronounced. There are some who will not. Then I think the issue, which is not something that I had previously considered, but I do understand the problem is that there are some older women who are very anxious at the thought of having to do a tax return, which they have never done in their entire life because their husband has done the tax return. Now, I think that will be the case and we will make sure that we provide support for people who are feeling anxious. There will be lots of comms and I think it is one of the things with the ... we now have the Older Persons Forum, and I intend to take that to the Older Persons Forum. Which, again, we are actually predominantly female, the first meeting I attended. So I want to talk to them about it and just see how big an issue it is and what can we do to help older women. Now, I would imagine that while they are very anxious, the reality will be, as it is in most households, the person who always did the tax return will continue to do the tax return, and will just do 2. I know lots of married women who do the tax return for, basically, their husband. I did mine during 20 years of marriage. I think couples deal with these things differently and where people do have anxiety about how to fill in a tax return we will provide support to help people.

Deputy L.J. Farnham:

Thank you. I understand that but the comment about it means having 2 systems. We tend to put systems in and then make society fit into the systems, rather the other way round where we should, perhaps, be making sure our systems accommodate the needs of our citizens, especially the older ones who are set in this behaviour pattern. I think it would not be unreasonable just to allow those who want to stay on it to be able to do that if it is administratively possible. It might be a little bit inconvenient, but is it possible and would the team consider having another look at that?

Assistant Minister for Treasury and Resources (1):

My sense would be it would be better to move rather than to maintain 2 different systems because, I think, you do have to remember although there is the issue about tax, it is still in many quarters something that Jersey is criticised for. The notion that a woman is her husband's chattel. A married woman is her husband's chattel who has no responsibility for her own affairs and the husband has responsibility for all the tax and her income is his. That is very, very ... I will use the word "abhorrent" to some people. So I think as a jurisdiction we need to move away from that as soon as we can. As I say, I think it would be better to support people and it may be that once somebody has been shown ... because the tax return for most people is not that complicated. Most people will not have complicated tax returns and some of the older women in question may have a small pension that is

the only thing they have to add. My preference would be to continue with the proposal towards a mandatory system with the compensatory allowance because that is the best thing overall for terms of simplicity.

[11:00]

Deputy L.J. Farnham:

Would you mind if I just ask the Minister and the other Assistant Minister their views?

Assistant Minister for Treasury and Resources (1):

Absolutely.

The Minister for Treasury and Resources:

I think the Assistant Minister has laid it out very clearly. Although I do understand the point that you are raising and it has been relayed to me, so I am not unfamiliar with it. But I think for the reasons that the Assistant Minister has just outlined, it is preferable to move to mandatory independent taxation for the whole Island. Even though my personal circumstances I might have preferred something else, I just think that the decision has been made. Running 2 parallel systems has got lots of systems implications and we are trying to simplify our tax regime, not complicate it. I mean, we have lots of questions about changes to I.T.I.S. (income tax instalment system) rates and all of those things. We do not have as simple a tax regime as we could have. If we set in train another hybrid version that is really going to not really enable us to continue the road to simplification that we want.

Deputy L.J. Farnham:

Okay. A couple more quick points on this, if I may. It has been emphasised that during the transition and the 10-year window that no taxpayers would be financially disadvantaged, especially the lower income brackets. To that end, has a formula been prepared as yet as to how the compensatory allowance would work and?

Assistant Minister for Treasury and Resources (1):

I have certainly seen charts and tables showing possible impacts. Have we developed a formula? I am not sure, having ... yes we have, sorry, maybe I did not focus enough on the formula.

Deputy L.J. Farnham:

Comptroller is nodding. Rather than discuss it now, perhaps that formula could be provided to the panel at some stage?

The Minister for Treasury and Resources:

We can come and give a briefing on where we are with independent taxation, if that would be helpful? It is quite technical.

Deputy S.Y. Mézec:

I think that would be worth it, yes. On that basis, should we save some questions for next ...

Deputy L.J. Farnham:

Let us save some questions for next time, thank you.

Deputy S.Y. Mézec:

We are in the home run now so we want to try and get through some of these as quickly as we can. Deputy Ward.

Deputy R.J. Ward:

These are some questions on prior tax payments. Can you please provide a brief update regarding the position on the prior-year tax basis taxation payments?

The Minister for Treasury and Resources:

So we have received in £24.3 million, so that is 7 per cent of a total of £349.7 million from the 2019 suspended prior-year tax basis. Then there is £13.8, which is no longer deferred. Again, we can come and talk to you about the details if you like. Which leaves a deferred liability of £311.3 million. That is from 26,579 taxpayers. It has been fairly slow on the election of how taxpayers are going to pay that liability. I think by the end of December we had received 1,126 elections. The greatest number, 46 per cent, elected to do a direct debit plan, which the department is working with those individuals, 31 per cent has elected to pay on retirement and 17 per cent to pay in full before the election deadline, with 8 per cent then opting for some other periodic payment. But we will be going out and reminding Islanders again about the election process.

Deputy R.J. Ward:

You are making me think about my own. Would a process be put in place whereby the ...

The Minister for Treasury and Resources:

On retirement, surely, Deputy?

Deputy R.J. Ward:

Well, you never know. Will a process be put in place whereby the prior-year basis liabilities are used to increase the balance of the Strategic Reserve Fund, as recommended by the Fiscal Policy Panel? Is the money going to go into the Strategic Reserve?

The Minister for Treasury and Resources:

So as you know, that is my understanding of what the previous position was, and I have not been briefed or suggested that any other change would take place. So that is as we stand now.

Deputy R.J. Ward:

So, that is a yes?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Ward:

I have got some more questions on the Public Pension Regulation Ombudsperson. In respect to the Pension Regulation ...

The Minister for Treasury and Resources:

So that, of course, in light of the decision to keep Financial Services with the Minister for External Relations and Financial Services, that stays with his portfolio. But if you want to ask a question I can have a stab at it.

Deputy R.J. Ward:

I can condense the question down.

Deputy S.Y. Mézec:

Can I quickly just ask on that: when was that decision made to not transfer the portfolio and on what basis?

The Minister for Treasury and Resources:

Well, has that been ... I am looking to officials, I thought it was being published this week.

Group Director, Strategic Finance

That was my understanding of it, that is our plan.

The Minister for Treasury and Resources:

On the basis that I am quite busy, as you can see, with all Treasury matters. I am the Assistant Minister for External Relations and Financial Services anyway, and so the Chief Minister decided just to leave it as is and get on.

Deputy S.Y. Mézec:

Do you have delegated responsibility for that as an Assistant Minister?

The Minister for Treasury and Resources:

I think the Ministerial Decision is being updated to give that, yes.

Deputy S.Y. Mézec:

Okay.

The Minister for Treasury and Resources:

As in we share the responsibility.

Deputy L.J. Farnham:

Given your long and very deep knowledge of that sector, you must be disappointed at that?

The Minister for Treasury and Resources:

No, I have got a lot to do and I am supporting the Minister in all of the work that needs to be undertaken.

Deputy R.J. Ward:

Can we get back to the ... do you know when the legislation will be lodged? Do you have any idea when the Pensions Regulations Ombudsperson's regulation will be lodged?

The Minister for Treasury and Resources:

I do not have that information to hand, but I do know that good progress is being made and we can provide that to you.

Deputy R.J. Ward:

To the panel?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Ward:

I think that is all we can ask on that, to be quite frank.

Deputy S.Y. Mézec:

Indeed, okay, thank you. On Revenue Jersey, can you update us on staffing capacity and if there are any vacancies, and if you feel that the current service level that is being provided is as it should be?

The Minister for Treasury and Resources:

I think if we answer the last question first; I think it is improving. The Comptroller is moving his officials around on a risk-based process. Average waiting times for telephone calls is coming down. Average call time, of course, is also coming down, but that is not necessarily a good matrix because telephone calls we ...

Deputy S.Y. Mézec:

Could be fed up?

The Minister for Treasury and Resources:

No, we take the opposite view in Revenue Jersey, which is we are ... obviously we are not pleased that Islanders are having to wait the length of time that they are. But when they do get through to us we want to be able to solve their problem there and then, and that is why it takes some time and that is why we have the process that we do. We are seeing on the walk-in helpdesk, between 800 and 1,000 customers a week. We are seeing similar sort of numbers of, I think, telephone calls, and the Comptroller is going to pop up and correct me when I get a number wrong. We have been involved in some pilot programmes in the Parishes. We had the last one on the 25th in St. John. My understanding from officials is that they have been incredibly well-received and a great number of Islanders have turned up to those.

Assistant Minister for Treasury and Resources (2):

I can confirm that. It was very, very popular in our Parish and people were asking for more of that type of ... possibly from other States departments.

Deputy S.Y. Mézec:

Indeed.

The Minister for Treasury and Resources:

So we are then going to take that pilot programme and develop a permanent programme in that regard and I think that will deal with quite a lot of Islanders' concerns about closeness and connectivity with the department and their tax queries. In regard to emails, I think our inbox is, or

was when this information was collated earlier this week, empty. What we are trying to do now, though, is use an online form. So that rather than having to email, you fill in your details on the online form. So we have got the details that are going to be relevant to your question and we are turning those online forms around in 2 working days, even though our target is 5. So it is still not yet where we would like it to be. The Comptroller continues to, as I say, move people around for areas at times of risk. We know that when Islanders are filling in their returns that is a time when they often have a lot of questions. So we continue to work on delivering better customer service.

Deputy S.Y. Mézec:

On that, do you have any idea what the turnaround time for processing a completed tax return form is at the moment?

The Minister for Treasury and Resources:

It is interesting because I have had at least one Islander contact me who had completed their form and they calculated that they were due a rebate and they were a bit upset that we had not quite started doing their return yet. The Comptroller can tell us what his programme is for doing and completing those returns.

Comptroller of Revenue:

Yes, Richard Summersgill, Comptroller of Revenue. It varies through the year. Every year we encourage people to file early and file online, so as the Minister has said, people are already filing. We will start processing those returns, probably in the next week. So if you file at this time of year, you will probably get your tax assessment and revised effective rate within a matter of days. If you leave it until February, March time it gets a bit longer. If you leave it until May, when the paper deadline is, it is a bit longer still. If you leave it until the 31st July, which is the deadline for filing online, you could be waiting several months. Because we obviously resource neither to the peak nor the trough of the activity. So we have a limited number of people who we can apply through the year.

Deputy S.Y. Mézec:

Are you seeing a greater uptake in online filing?

Comptroller of Revenue:

Well it is impossible to say at this moment. Last year the take-up was 48 per cent. We hope to keep increasing it because it certainly helps manage the whole of the business if people do file online. The potential game changer this year is the introduction of the "JerseyMe" facility which is an alternative to the Yoti I.D. (identification) verification service, and that is a local service provided by Jersey Post. We were finding that quite a few Islanders were resistant to Yoti. Partly because it

was not on Jersey, partly because some of the customer service was letting people down. So we are hopeful that JerseyMe will enable a large group of people to file online.

Deputy S.Y. Mézec:

Okay, and what are you doing to ensure that those assessments of tax returns and the I.T.I.S. rates that are issued are as accurate as they can be? Are you making improvements there?

Comptroller of Revenue:

Tax assessing is done to a standard formula built in to the computer system so tax assessments should never be incorrect as long as the correct information was input. I.T.I.S. rates are a rather strange beast. I recall the last Minister for Treasury and Resources wrote to your predecessor as chair of this panel, a 3-page letter explaining how it worked. There is lots that can go awry with an income tax instalment scheme effective rate. The best way to get your rate as accurate as possible is to file early and provide all of the information. But so many factors can affect that rate. We rely on employers to give us timely information. We rely on employees to give information to their employer. We have to act quickly, and we do. I.T.I.S. rates also take account of historic debts that might have built up in the system. So at the present time, for example, a great number of people still have historic debt arising from the relaxations that were allowed during lockdown. The system will build that into their I.T.I.S. effective rate going forward.

Deputy S.Y. Mézec:

Okay, and final question on that. When somebody is issued an I.T.I.S. rate that takes into account historic debts, that can be confusing for them if they do not know where it has come from and can obviously lead to questioning of that, even if it is accurate.

Comptroller of Revenue:

Yes, indeed.

Deputy S.Y. Mézec:

What are you doing to improve communication there for those who do receive an I.T.I.S. rate that they were not necessarily expecting?

[11:15]

Comptroller of Revenue:

First of all we do deal with people on a case-by-case basis. We do have an online form which allows people to query an I.T.I.S. effective rate. We also have a project underway to review some of the printed outputs. I think we are all aware that some of our printed outputs in the new systems are a

little opaque at times. So we have a team of people working on improvements that we can hopefully introduce over the coming year.

Deputy S.Y. Mézec:

Okay. Thank you very much.

Deputy L.J. Farnham:

May I ask a question of the Comptroller? A very quick one.

Deputy S.Y. Mézec:

Then we are on to you for questions after that, so carry on.

Deputy L.J. Farnham:

Am I right in assuming now, that a line has been drawn under 2019? Or are I.T.I.S. payments - I have been trying to help a couple of constituents - still being allocated to pre-2019 tax debt?

Comptroller of Revenue:

The 2019 tax liability was absolutely ring-fenced. So it was effectively taken out of the tax system into a separate ledger.

Deputy L.J. Farnham:

I thought so.

Comptroller of Revenue:

It is then subject to the payment arrangements the Minister described earlier.

Deputy L.J. Farnham:

Okay, thank you very much.

Deputy S.Y. Mézec:

In the last 15 ...

The Minister for Treasury and Resources:

Sorry, there could have been cases where, depending on what people have elected, they have elected to pay it straight away then it will have come in. So if you are getting complaints from parishioners, it is better to get in touch with Revenue Jersey because they might ...

Deputy L.J. Farnham:

Yes, that is what I advised them to do.

The Minister for Treasury and Resources:

... not have realised that that is what is ...

Deputy L.J. Farnham:

They seem to have thought some of their recent payments had been allocated pre-2019.

The Minister for Treasury and Resources:

Yes, that might be why.

Deputy L.J. Farnham:

Okay, thanks.

Deputy S.Y. Mézec:

In the last 15 minutes we are in fifth gear now.

Deputy L.J. Farnham:

I thought we were going until 12.00, for some reason. These have got shorter, these ... would you like to stay another half an hour? No, kidding.

The Minister for Treasury and Resources:

No, I am afraid I could not. We did not need the first half hour, Deputy, did we?

Deputy L.J. Farnham:

Yes, we did. **[Laughter]** I could do another half hour on that one, easily. The recent civil servant public sector workforce pay rises of 7.9 per cent, what are the ramifications for the government finances of that increase? Roughly what is that going to put on to our payroll?

The Minister for Treasury and Resources:

We have not got all groups settled yet.

Deputy L.J. Farnham:

Okay.

The Minister for Treasury and Resources:

There are provisions within the Government Plan which cover that.

Deputy L.J. Farnham:

Approximately?

The Minister for Treasury and Resources:

I do not actually have the figure in front of me. But it is in a reserve pot, and if everyone settles at that level then that will be within the overall framework of the Government Plan.

Deputy L.J. Farnham:

The 7.9 per cent is across the board, as I understand it, or are ...

The Minister for Treasury and Resources:

Well of course it was negotiated by S.E.B. (States Employment Board) but as I understand it, there is still a piece of work to do for officeholders.

Deputy L.J. Farnham:

Minister, do you accept perhaps, with hindsight, that some of the higher pay bracket civil servants - notwithstanding the excellent work that they do, of course the Treasurer and Comptroller - perhaps should have been slightly lower, with a higher percentage going into the lower-paid staff, especially in those areas where there are acute staff shortages, such as education, health, caring, that kind of thing? I presume it is too late to ...

The Minister for Treasury and Resources:

The States agreed the Government Plan. I proposed the Government Plan and then the S.E.B. do the negotiations with the various pay bodies. Some of those pay bodies have settled within that mandate and others are still in consultation. It is legitimately a matter for S.E.B. and I am pleased that those groups that have settled have settled.

Deputy L.J. Farnham:

What is the cost of redundancies and dismissals to the Government as a result of the restructuring process?

The Minister for Treasury and Resources:

Which restructuring?

Deputy S.Y. Mézec:

Cabinet Office.

Deputy L.J. Farnham:

Cabinet Office, sorry.

The Minister for Treasury and Resources:

I do not have those details in front of me. I can provide them.

Deputy S.Y. Mézec:

Can I ask, just on that, in that restructuring that has occurred to establish a Cabinet Office and roles changing, moving around and so on, is it open to those whose jobs may change beyond recognition or simply not exist to take up a voluntary redundancy? Is that officially an open route for any of those people?

The Minister for Treasury and Resources:

You are asking me S.E.B. questions. It is quite a while since I sat on the S.E.B. but my understanding is that there are in whatever the Cabinet ...

Assistant Minister for Treasury and Resources (1):

I think it is.

The Minister for Treasury and Resources:

I think there are standing voluntary redundancy arrangements within the remit of the S.E.B., not special ones, but standing ones.

Assistant Minister for Treasury and Resources (1):

I think it is going through an entirely normal process.

Deputy S.Y. Mézec:

Okay, thank you. A very quick one.

Deputy L.J. Farnham:

The chief operating officer, do the Ministers or the officials know the cost of severance packages? Can you share with the panel?

The Minister for Treasury and Resources:

Those sorts of things are normally ...

Deputy L.J. Farnham:

I know it is technically a S.E.B. question but, as the Minister for Treasury and Resources, you should know the cost.

The Minister for Treasury and Resources:

It is, and they would be normally confidential, would they not?

Deputy S.Y. Mézec:

We tend to find out one way or another, as has been the case previously.

The Minister for Treasury and Resources:

We can go away. I do not know.

Deputy S.Y. Mézec:

We will find that out.

The Minister for Treasury and Resources:

You are asking that question and you will follow it up for confidential information.

Deputy S.Y. Mézec:

Thank you. Okay, Deputy Andrews, time to shine.

Deputy M.B. Andrews:

So moving on to stamp duty, part of our Government Plan review under recommendation 15, it was indicated that there should be in quarter 1, 2023 a review into stamp duty to address potential legislation changes. Please, Minister, can you provide us, as a panel, with an update?

The Minister for Treasury and Resources:

I can only provide you with an update that the reality is that if the Assembly and Members were seeking to use stamp duty measures, which I think in the short term was okay, but I think in the long term stamp duty changes need to follow a strategic approach to Jersey's housing market and so, from my perspective, that is going to delay the review. We need the Minister for Housing and Communities to do his work, come forward with his strategic plan for the housing market and then we will follow up if there are recommendations and suggestions there around stamp duty, rather than putting the ... trying not to put the cart before the horse.

Deputy M.B. Andrews:

So at the moment you cannot really give us a timeframe?

The Minister for Treasury and Resources:

It was scheduled to be finished in 2023 but it will take longer now because of that.

Deputy M.B. Andrews:

It will take longer. Also in the Government Plan I know the Council of Ministers brought forward a late amendment in relation to stamp duty. I just want to know why you brought forward that late amendment in relation to stamp duty when the intention is that you are going to be conducting a review more broadly.

The Minister for Treasury and Resources:

Do you mean the amendment to the increase of 3 per cent for buy-to-let properties?

Deputy M.B. Andrews:

For building developers.

The Minister for Treasury and Resources:

Yes, because we drafted the law as simply and unbureaucratically as possible. When we went out to review it was then pointed out that there was this unintended consequence that if you applied it to developers buying property and those properties were for the open market, you were just adding an additional - as in non-buy-to-let market - 3 per cent and that is why I made that change, so that we were mitigating the effect of that potential unintended consequence.

Deputy M.B. Andrews:

Thank you very much, Minister. Also I would be very interested to know in relation to this stamp duty review that will happen at some point in the future, what is the scope for this review and who are the stakeholders who you will be seeking to engage with?

The Minister for Treasury and Resources:

I think when it comes to stamp duty changes normally, the stakeholders are those property professionals, so lawyers, conveyancers, the Law Society, all of those, as you would expect, but if we are seeking to have a more strategic approach to that, then I think the stakeholders in that instance should be and will be wider, so we need to get input from the general public as well.

Deputy M.B. Andrews:

I know obviously with first-time buyers it is again a major issue that we have in Jersey with people seeking to enter home ownership. Do you think there might be some flexibility potentially in future, where stamp duty could be maybe staggered over a period of say a few years instead of just having one lump sum made payable?

The Minister for Treasury and Resources:

I think it is an interesting suggestion. We need the policy or strategy of what we are trying to do for first-time buyers and then develop our stamp duty changes or approach in light of that, so if it is a cashflow issue that is part of the reason that people are struggling around first-time buyers - and I think it is much, much more than that - but if that were one of the elements, then what you are proposing would help in that regard.

Deputy M.B. Andrews:

Have such discussions happened around the Council of Ministers' table?

The Minister for Treasury and Resources:

No. The Ministry for Housing is leading on this.

Deputy M.B. Andrews:

Yes, okay. I know obviously we are fairly short on time, so I am just conscious in terms of Deputy Ward, who might have a few more questions to ask.

Deputy S.Y. Mézec:

Are you happy to end this line of questioning?

Deputy M.B. Andrews:

Yes, I am quite happy with this. Thank you, Minister.

Deputy S.Y. Mézec:

Okay, thank you, in which case we are going to skip to Deputy Ward.

Deputy R.J. Ward:

Yes, just to skip to a couple of questions. With regards to the new income tax exemption and the amount of tax raised, the cost was identified ... well, the wording was: "estimated cost approximately £330,000." Can you very briefly outline how this cost was identified and what it encompasses?

The Minister for Treasury and Resources:

The Comptroller will be able to because it was his officers that provided the ...

Comptroller of Revenue:

Yes. I think that was based on discussions with conveyancing lawyers and other stakeholders that the Minister has mentioned, but I think ultimately it is very difficult to establish. There was certainly a search of our tax records to see if we could identify households that were likely to be renting out a room. We do also have data already on people who benefit from existing provisions, so if you are

taking somebody into your home and being paid for it, there are various tax allowances already. So I think it was really the nexus of all those things that allowed us to estimate it. We should know whether it is in the right ballpark towards the end of 2024, I would say.

Deputy R.J. Ward:

Would there be a cap on the spend? Because you could be not in the ballpark because one of the things which is unclear, I would say, is whether it is for existing or to attract many more rent-a-room schemes because we are ... but that is a question for the Minister for Housing and Communities, but just talking about the cost, do you have an upper limit to the cost of this scheme in mind? Because it is very much an estimate, the £330,000.

The Minister for Treasury and Resources:

It is, yes, but we cannot have an upper limit because we have changed the legislation to allow for it, so it is now ...

Deputy R.J. Ward:

Right, so it could be limitless.

The Minister for Treasury and Resources:

... in legislation. If you meet the criteria, you are entitled to it, so you cannot stop it.

Deputy R.J. Ward:

Okay, but is there a point where ...

The Minister for Treasury and Resources:

But if it became ... well, we would have to discuss it. If the cost of the relief was much greater than we have calculated, then we would have to discuss with the Minister for Housing and Communities the implications of that.

Deputy R.J. Ward:

When you say "much greater" is that double, treble, 20 per cent?

The Minister for Treasury and Resources:

We do not know because we do not know what other tax levels will be.

Deputy R.J. Ward:

Yes, but there must be a figure in mind as to when it is effective spend. As the Minister for Treasury and Resources, you know about effective spends, I am sure.

The Minister for Treasury and Resources:

It is spend foregone, it is income foregone, is it not?

Deputy R.J. Ward:

Yes. So there must be some sort of figure where that is a liability you are no longer willing to take.

The Minister for Treasury and Resources:

If it is not within the ballpark of let us say the £300,000 to £400,000, then we are going to then review it, are we not, and have a look and see what is happening and what ... are there other actions that we should be taking?

Comptroller of Revenue:

Yes, I suppose if, for the sake of argument, it cost twice as much as we have estimated, then arguably the policy is twice as successful as anticipated.

Deputy R.J. Ward:

Do you want ... I recognise it is 2 minutes late.

Deputy S.Y. Mézec:

Yes, go ahead for the final one.

Deputy R.J. Ward:

What consideration or conversations have you had in respect of Treasury's assistance to Andium Homes, given the current financial position, to assist Andium to resolve Jersey's housing crisis?

The Minister for Treasury and Resources:

As you know, since the Government came to office, I had conversations with Andium early around their strategic plan.

[11:30]

But those conversations have really not happened more recently because of the tragedies that they have been involved in, but it is an area that we will need to pick up. I am meeting the chair, I think ... well, it is not later this week, because we are at Friday. I am meeting the chair next week and that will be part of our conversation.

Deputy R.J. Ward:

Has any consideration been given to using private investors in resolving the housing crisis for Andium in the building of new homes?

The Minister for Treasury and Resources:

Andium have got their business plan to build a number of homes and they had historically thought of going to the market to help finance that. We need to work through with them what that financing model now looks like in light of the increased interest rates and what they would be able to get that money for and what it does to their model and whether it would be better to work in partnership with Government and use leverage, basically the Government's ability to get cheaper money, as it were.

Deputy R.J. Ward:

There are more questions on that, but I note the time.

Deputy S.Y. Mézec:

Just a very final one on that from me. You receive about £30 million a year from Andium to the Treasury and they obviously, because of the tragedies that they have had to deal with recently, will have had to have undertaken spend to help resolve that for the tenants and find solutions for them as quickly as possible, which they are doing in an incredible way. But with that cost coming to them, that will inhibit their ability to invest in other areas that they were otherwise planning for. What consideration therefore have you given to the financial return that they provide to Government and any potential flexibility in that to enable them to stay on track with their strategic plan, given the extra spend they have necessarily had to undertake recently?

The Minister for Treasury and Resources:

The whole of the tragedy is being centrally managed in government. We have additional heads of expenditure that are being provided to support across government and Andium with the costs that they have incurred, so we have not made the direct link with the return in the way that you suggested.

Deputy S.Y. Mézec:

To be clear, Andium is not footing the bill for some of those extra efforts that they have had to undertake, you are compensating them for that? Have I ...

The Minister for Treasury and Resources:

The Treasurer chairs the recovery brief. He can update us on where we are with the conversations about supporting them.

Deputy S.Y. Mézec:

I think it is worth it, just to understand that basic point of fact, I think.

Treasurer of the States:

So in terms of a basic point of principle, Andium have been footing their own costs. We are working with the insurers. Our insurers are Andium's insurers. It is all under with the same brokers and the same policy and so there have been meetings this week with insurers to understand the extent of what costs will be covered and what costs would not be covered. We are going through the process of bringing all those costs into one place so that the political oversight group that is overseeing the 3 instances, the flooding incident, the maritime tragedy and the tragedy on Pier Road ... so when we get a better idea of where all those costs are, then those options will be available in terms of adjusting through or making payments once we understand the extent to which the very admirable response from Andium to the incidents, to both the incidents they were involved in, and whether those costs can be accommodated through there or what will be due repayable from insurers.

Deputy S.Y. Mézec:

Thank you, that is very helpful. That was all I had to ask on that. Do you have anything you want to take the opportunity at the end to update us on?

The Minister for Treasury and Resources:

No, thank you.

Deputy S.Y. Mézec:

In which case, thank you very much for your time. Thank you for the time of your officers and our officers as well for facilitating. Thank you to anyone who happens to be tuning in online to watch this and have a good weekend. Thank you. Meeting adjourned.

[11:34]