



## Corporate Services Scrutiny Panel

### Quarterly Hearing

## Witness: The Minister for Treasury and Resources

Friday, 17th May 2024

#### **Panel:**

Deputy H. Miles of St. Brelade (Chair)

Deputy L.K.F. Stephenson of St. Mary, St. Ouen and St. Peter (Vice-Chair)

Deputy J. Renouf of St. Brelade

Deputy A.F. Curtis of St. Clement

Deputy M.B. Andrews of St. Helier North

Connétable D. Johnson of St. Mary

#### **Witnesses:**

Deputy E. Millar of St. John, St. Lawrence and Trinity, The Minister for Treasury and Resources

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

Mr. R. Bell, Treasurer, Treasury and Exchequer

[11:01]

#### **Deputy H. Miles of St. Brelade (Chair):**

Welcome to this public hearing of the Corporate Services Scrutiny Panel. Today is 17th May 2024 and this is our quarterly hearing with the Minister for Treasury and Resources. I would like to draw everybody's attention to the following. The hearing is being filmed and streamed live. The recording and the transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent. Any members of the public, which I do not think we have today ... if anybody does turn up, they will be requested not to interfere in the proceedings and to leave quietly once the hearing is closed. For the purpose of the recording and

the transcript I would be grateful if everyone who speaks could ensure that you state your name and role. As I said previously, we have officers in the room and if they are called to the table, please introduce yourself clearly for the benefit of the transcript. If we can begin with introductions. I am Deputy Helen Miles; I am chair of the Corporate Services Panel.

**Deputy L.K.F. Stephenson of St. Mary, St. Ouen and St. Peter (Vice-Chair):**

I am Deputy Lucy Stephenson and I am vice-chair of the panel.

**Deputy A.F. Curtis of St. Clement:**

Deputy Alex Curtis.

**Deputy J. Renouf of St. Brelade:**

Deputy Jonathan Renouf.

**Connétable D. Johnson of St. Mary:**

David Johnson, Constable of St. Mary, member of the panel.

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

Deputy Max Andrews.

**The Minister for Treasury and Resources:**

Elaine Millar, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Ian Gorst, Assistant Minister.

**Deputy H. Miles:**

I would just like to draw your attention that we have only got an hour and a half scheduled for this hearing, so we should finish at around 12.30. As I said at the beginning, I would really like to welcome you both. This is our first hearing as a panel; the first public meeting with you and your Assistant Minister. We have been getting up to speed with your work programme. We have had some very useful and interesting briefings from yourself and the officers in your department, but today really for us it is very much about scene setting. It is about us getting an understanding of the opportunities and the challenges that you are facing across your areas of responsibility. We are quite short on time, so I might have to pull some of the answers to a close earlier than we might wish. First question from me really. As the new Minister, can you tell us about your main objectives for the remainder of your term, and explain how you intend to achieve them?

**The Minister for Treasury and Resources:**

The objectives are as set out in the Ministerial Plan. Obviously, we know we have to deal with the hospital funding. There will be an ongoing programme there, so that is going to be a piece of work this year, and Health generally. We have to deal with additional work on improving housing, tax changes; you have the list. I do not know if you want me to talk through each one of them, I can do that if you want.

**Deputy H. Miles:**

I think it might be ...

**The Minister for Treasury and Resources:**

Or do you just want a general overview of approach?

**Deputy H. Miles:**

I think we want to understand precisely what the public can expect from you that will actually make a difference to their everyday lives and to their financial security. So if you could maybe just focus on those things from your plan.

**The Minister for Treasury and Resources:**

Obviously, the plan does have some specific actions, if you like, and some specific things to bring forward. As a general approach, what I would like to achieve, as I said when I was appointed, is we really do need to make sure we are getting the best use of the money we are spending; that we are spending well. It is not about not spending money, but it is about making sure that we are doing it in the best way possible, in a way that is well governed, that we get good value, that we are not paying over the odds for things that we should not have to do, and that we are controlling and governing spend in a sensible way. That is a very big part of my overall approach to how government spending should take place. That, I think, does feed into the C.S.P. (Common Strategic Policy), where we are aiming to achieve that; to contain spending, to spend in a sustainable way, to stay within our means and minimise unnecessary spend, and ensure value for money.

**Deputy H. Miles:**

Have you got significant priorities that are different from the previous Minister?

**The Minister for Treasury and Resources:**

I do not believe so. I think I have largely adopted the priorities that were already in my predecessor's plan. I do not think they are vastly different. I think the challenges did not change in January.

**Deputy H. Miles:**

Are you saying you are going to be like a continuity Minister then or are you a continuity Treasurer or are you planning on being a reformer?

**The Minister for Treasury and Resources:**

I think Deputy Gorst and I are probably quite closely aligned in terms of our thinking. There will always be things where I will have slightly different views around the edges. We are discussing things like duties and impôts, and how we address those. But I do not think it will be a dramatically different approach. I am not sure it is reform, but I think we do really need to focus on stopping the spend mushrooming because there is quite clearly a perception, I would say, in the public that we do not spend well and that there are mushrooming public finances. The public do not want to see that. They want to see finances being appropriate for the size of the Island. That is not something I can necessarily control because Ministers want more money. Ministers want more money for their own priorities or they have their own priorities. Other States Members have their own priorities which require additional spend and, if the Assembly decides to support those, then we have to ... that increases the spend. As far as I am concerned, everyone in Government, and that includes all States Members, have a part to play in helping us control our spending as Government as a whole.

**Deputy H. Miles:**

Are there any particular challenges that are left over from the previous Government that you are looking to address?

**The Minister for Treasury and Resources:**

Not that come into my head specifically, no.

**Deputy H. Miles:**

So very much a continuity.

**The Minister for Treasury and Resources:**

As I say, the challenges that existed in December still existed in January. The world did not change in the middle of January, or Jersey did not change in the middle of January even though Government did.

**Deputy H. Miles:**

I think as we move on, we will be looking at some of the new challenges that were faced since then.

**The Minister for Treasury and Resources:**

In the challenges we had the hospital, housing, change the tax system, how we get value for money, how we pay for infrastructure, how we get good customer services in Treasury and Revenue. Those

things still existed and are all things that we have to look at and either continue, deliver the work that we have said we would deliver as much as we can.

**Deputy H. Miles:**

Just before I move on, I have some quick questions about the legislative programme and it would be helpful, just as a matter of public record, if you could confirm when they are going ahead and when, so a bit of a quickfire round. I think the first one that we have is assistance in the collection of tax debts. Is that still going ahead?

**The Minister for Treasury and Resources:**

It is still going ahead. I think it was a feature of the last time we renewed our double taxation agreement with the U.K. (United Kingdom). This was one of the points that came up then. Negotiations are continuing that will ultimately lead to legislation.

**Deputy H. Miles:**

Will that be this year?

**The Minister for Treasury and Resources:**

It may be this year. We have to agree a memorandum of understanding. There will be a process. We have to agree a memorandum of understanding with the U.K. It has potential to be mutually beneficial to both jurisdictions. It is a reasonably significant change to the historic attitude, if you like, at jurisdictional level. It is a kind of worldwide principle about enforcing and collecting tax debts for jurisdictions.

**Deputy H. Miles:**

Okay, so that one is going ahead.

**The Minister for Treasury and Resources:**

Everybody has had other priorities so it has been held up but, that work, we are expecting negotiations to continue quite soon. That will then lead to an M.O.U. (memorandum of understanding) that will then have to come to Council of Ministers. Once the Council of Ministers have agreed to directional travel, it will then come to the Assembly because there will be legislative change. Clearly, we are ready to continue with that, but we are dependent on our negotiating partner, and our negotiating partner has a general election coming up so it may not be a priority for them. But it is very much on the list and we will be seeking to proceed with it as we can.

**Deputy H. Miles:**

Okay, the next one is the crypto-asset reporting framework.

**The Minister for Treasury and Resources:**

Again, this derives from, I think, O.E.C.D. (Organisation for Economic Co-operation and Development) developments in terms of agreeing new rules, which they would like to come into force from January 2026, with reporting and exchange happening in 2027. We are proposing to consult domestically later this year, so we will be consulting on domestic implementation. Crypto-asset, that will be a relatively closed consultation. It will primarily affect what, in another context, we call virtual asset service providers. I think there are only 6 of them in the Island. We will consult directly with those businesses to look at how we implement this and what the implications for them will be. That will then lead us into the drafting, and we would expect to see legislation on that at some point next year.

**Deputy H. Miles:**

Okay, thank you. The last one, the Tax (Implementation) (International Tax Compliance) (United States of America) (Jersey) Regulations.

**The Minister for Treasury and Resources:**

We have consulted on that. I think these are relatively minor changes to address some relatively minor shortfalls in our approach, which have been identified I think both by us and by peer reviews. That is common among O.E.C.D. jurisdictions. The legislation is being prepared at present and I think we are hoping to launch that very soon with a view to a debate before the summer recess.

**Deputy H. Miles:**

Before the summer recess, so that is right ready to go?

**The Minister for Treasury and Resources:**

That is our plan at the moment. Yes, that is our plan at the moment. We are also working towards an implementation date of January 2026. There will be further legislation to be debated in 2025. But yes, there is a plan and that is moving ahead in a, I think, generally satisfactory way.

**Deputy H. Miles:**

That is just really to get that on the public record and we will keep bringing that up at subsequent hearings. Okay, thank you. I am going to hand you over to Lucy now, Deputy Stephenson.

**Deputy L.K.F. Stephenson:**

Minister, you quite clearly pointed out at the beginning that hospital funding and health funding generally was a top priority, I think it is fair to say. We have now seen the hospital project start to

move on with some virtual reality images and public consultation starting. Are you able to update us on the financial side of it and how we plan to fund that acute hospital up at Overdale, please?

**The Minister for Treasury and Resources:**

I think we are still operating within ... in terms of the hospital, I do not think there is any significant change from the existing Government Plan. There is that budget set out in the existing Government Plan and we are still working within that. In the immediate term we will still be working on providing credit where it is necessary through the existing revolving credit facility. We have an existing revolving credit facility, and short-term credit will be provided through that. We will be working with the design team to look at further funding requirements as the build and the demand for funds develops. There will be different ways of funding. There may be borrowing, there may be funding from other sources, and we will work through that.

[11:15]

I think it probably will be a combination of some borrowing and some funding from elsewhere.

**Deputy H. Miles:**

At what point can we expect to have a full picture of how that £710 million is made up to fully understand where that money is coming from?

**The Minister for Treasury and Resources:**

As I say, we will be working on that over the course of this year. But I think the drawdown rather than ... what is not helpful is to say we are going to put £700 million and lock it away over there because that is not the best use of funds. What we will be working to do is to ensure that the funds are available as they are required. I imagine that will go in a kind of distribution curve, the demand for funds will increase as the bill develops and will gradually tail off, I would like to think, at some point.

**Deputy L.K.F. Stephenson:**

The next Government Plan that is coming forward, are we expecting to see hospital funding as part of that rather than a separate proposition on funding, which I understand previously had been suggested as a way forward?

**The Minister for Treasury and Resources:**

I am not sure. Treasurer, will we have a ... it will become part of that, yes.

**Deputy J. Renouf:**

That is different to the commitment in the existing Government Plan which said that there would be a separate proposition brought forward on funding.

**The Minister for Treasury and Resources:**

There will be different ways of doing it, but yes, we just have to look at how we fund it over the course of the year. It may be a separate proposition because the Government Plan is coming forward much earlier.

**Deputy L.K.F. Stephenson:**

Minister, do you think there is a risk with not having a separate proposition that we may lose some detail or might not get the attention that it deserves and time? It might be a distraction of the rest of the Government Plan perhaps.

**The Minister for Treasury and Resources:**

The next Government Plan will be launched in July. We are aiming to launch that in July. If you want a detailed breakdown of how much money is going to be spent on staircases and concrete, that will not be there in June. There will be further detail to follow. But I would have thought that the overall spending envelope will be available.

**Deputy J. Renouf:**

I was going to talk about the financial recovery plan. We have committed to a financial recovery plan. Is that still a commitment of the Government, and how do you feel the financial recovery plan is going in Health.

**The Minister for Treasury and Resources:**

It is still a commitment. The financial recovery plan is still being worked on. It is there. I think the savings delivery this year, under the F.R.P. (financial recovery plan), they have delivered savings of £1.82 million, and that was against the £1 million target for the first quarter. They have overachieved on that savings plan by £0.82 million so far at the start of this year. Obviously, there are other factors to Health funding. Officers are working closely with the finance team in the hospital. We need to understand where the spend is occurring, why it is occurring, and how we contain it. Not contain it, that is the wrong word. But that we have good governance over spend. That comes back to my point. We have to understand if there is an overspend, where the overspend is coming, why are they coming, and how do we mitigate overspending. We know they have issues with recruitment with getting ... they are still heavily reliant on locum and agency staff, and there is a lot of work happening to try and limit that because that is more expensive than having people who are permanently employed. So there is work happening there. There will be other areas that we need



to keep a very close eye on. For example, claims arising out of clinical matters all need to be monitored very carefully.

**Deputy J. Renouf:**

The Minister for Health and Social Services has said that he thinks that Health needs another about £18 million. I am just trying to balance that against the financial recovery plan and see what is your view about £18 million extra money for the Health Department and will the financial recovery plan compensate in a way? Do you save money in one place and ...?

**The Minister for Treasury and Resources:**

The financial recovery plan is dealt with at a very operational level and, Treasurer, would you like to help? In terms of there is a recovery plan which will ... so my understanding is it is targeted in very specific aspects but if there is further spend, we need to understand with the team where that spend is coming from. Would you like to add something, Richard?

**Treasurer, Treasury and Exchequer:**

Good morning. Richard Bell, Treasurer. We are working alongside the team at Health and expecting a report shortly to explain fully where the extra pressures are coming from. There are 2 elements to the current deficit against the additional budget that has been provided, and those relate to further cost pressures that are coming through, which we have asked for more detail in respect of, and delays in executing the financial recovery plan against the original schedule, which might be on track this year, but at a reduced or rather a slightly deferred delivery from the original plan.

**Deputy J. Renouf:**

Would your assessment be that the financial recovery plan is on track or is it behind where it should be?

**Treasurer, Treasury and Exchequer:**

I have asked, in setting the budget for the Government Plan, for an appraisal through Health officers as to whether the Health recovery plan can deliver to the timescale that is currently envisaged. Most of those discussions with officers suggest, when we asked the question, that that recovery plan can be executed. The question is over what period it can be executed.

**Deputy J. Renouf:**

So it is behind schedule?

**Treasurer, Treasury and Exchequer:**

It is behind schedule against the original proposal. I have said rather than it slip further in a non-managed way, I would like to have a reprofiled best estimate of when those savings could come through.

**Deputy J. Renouf:**

If I may, just the question about the £18 million, Minister. What is your view about the validity of an £18 million request for funding from Health and how would you fund it were it to be judged a necessary spend?

**The Minister for Treasury and Resources:**

I do not know the detail of that yet. I have been given that number, but I do not know the detail. As I say, we need to understand ... from my perspective, it is important that we have financial stability in Health, that we understand where the pressures are, and is it that we are not spending wisely? There will be things that we really can save money, but if there is a genuine need then we need to look at ... it will be reprioritising from elsewhere.

**Deputy J. Renouf:**

Reprioritising?

**The Minister for Treasury and Resources:**

Yes, I would have thought so.

**Deputy J. Renouf:**

Within Government funding or within the Health budget?

**The Minister for Treasury and Resources:**

I would want to start within Health because it is very difficult to have a situation where everybody else is having to take ... making sure that we have a good grip and control over Health spending is very important and I think that is a priority that we understand where the costs are arising, why they are arising and how we manage them. That is a big part of the team in Treasury and also the finance team in hospital; we have to be able to understand that. If there are genuine needs, we will have to find a way of finding the money from somewhere if there is a need that cannot be met in another way or we have to say we cannot afford to provide all these services. I am sure we will not get to that, you cannot withdraw services, but there has to be other ways. There are also other things that they can do. The Minister for Health and Social Services and I have not read it because, as I say, I have been at the Island most of the week. It is not just about controlling costs. They are looking to income generation and they have views that Health can increase income through a private patient

strategy. It may be that that will balance some of the cost so Health can be more self-sustaining through income generation.

**Deputy L.K.F. Stephenson:**

Talking about reprioritisations for Health. In February there was £7.6 million signed off for Health and the Minister for Health and Social Services has very recently been quoted as saying that he expects another top-up coming his way quite soon. Is that something you are aware of? Can you give us any details about a further top-up before the end of the year?

**The Minister for Treasury and Resources:**

I have not had that discussion with him, so I do not know, Treasurer, are you ...?

**Treasurer, Treasury and Exchequer:**

There has been a well-publicised figure of £18 million. We are asking for detail underpinning that. I know that the Health officers are working on alternative means to mitigate that increase in cost. In the event that we get to an agreed position, then it will be a position for the Minister to consider in terms of additional funding to balance the books, as we did last year and indeed the year before. But we need to get down and fully understand the figure that is needed. Once that figure is agreed, then it will be for the Health accountable officer to ensure that they deliver within that agreed budget.

**Deputy L.K.F. Stephenson:**

So the Chief Minister recently told the Scrutiny Liaison Committee he was talking about those 2 schools of thought around Health funding. One that Health is underfunded and one that Health needs to be more efficient. But then hearing from the Minister for Health and Social Services one thing as well, and the Treasury then clearly challenging and pushing back, quite rightly. Can I ask you, Minister, what is happening at a political level to bring all those players, those Ministers, together to tackle this? As you say, it is one of the major priorities for the Government.

**The Minister for Treasury and Resources:**

Yes, that will have to happen in the near future. Yes, we will have to be having those discussions and we have not had them yet, but we will have to have those discussions about Health funding.

**Deputy L.K.F. Stephenson:**

Is there a reason they have not started to happen yet?

**The Minister for Treasury and Resources:**

There is no reason other than they just have not happened but we will need to have those discussions with Health, and I have said that, at some point. Officers are discussing that at the

moment. The accountable officer in any department is accountable for bringing something in under budget or within budget and where they think they ... what I very firmly understood, as an accountable officer, was if you are not going to come in within budget you have got to start telling people very early and explaining why. I would be expecting them to come and explain where the demands are and what the problems are and how we meet those demands.

**Deputy L.K.F. Stephenson:**

Then just to take that one step further, obviously there is the £18 million and the challenges for this year. It was agreed I think in the last Government Plan that work would be undertaken on a sustainable model for the future that is suitable long term. Are you able to update us where that work is? I think previously there was a working group of Ministers.

**The Minister for Treasury and Resources:**

There was. I am not sure where that is at the moment. I have not had an update on that.

**Deputy L.K.F. Stephenson:**

Is there still a group of Ministers working on that?

**The Minister for Treasury and Resources:**

I am not sure. I have not been involved in discussions about that.

**The Minister for Treasury and Resources:**

Which would suggest that under the new Government there is not currently a group.

**The Minister for Treasury and Resources:**

It may be that the Minister for Health and Social Services is managing that with a different group of Ministers because I think the previous group ... when I say it was a group, the Minister for Health and Social Services and the Minister for Social Security were the people who attended that most often because of the aspects for the H.I.F. (Health Insurance Fund), and that was a very ... what that group did previously it was looking at needs. It was looking at what do we currently spend, what do we need, what do we think about going forward, looking at comparisons with other jurisdictions because Jersey does have ... we are not just looking at one bucket with Health, we are looking at the hospital and care that is provided through the hospital and tertiary care. Then you are looking at primary care, which is funded through a completely different model or where funding is provided through a completely different model.

**Deputy L.K.F. Stephenson:**

I think there would be an expectation from the public certainly that the Minister for Health and Social Services might be involved in those discussions, would you agree with that?

**The Minister for Treasury and Resources:**

There will be a stage where it is appropriate for the Minister for Health and Social Services to be involved, but I think there was value in the work that the previous Minister was doing in terms of understanding the Health framework and understanding how much we were spending and how much we were funding it, because Health funding comes from all different aspects. We were looking at the much bigger picture in terms of how much people pay themselves, how much is paid by private insurance, how much is paid by government. How that compares. I think jurisdictional comparisons are very difficult because although we can do health accounts in a way that other ... a lot of small jurisdictions do not do health accounts and I personally do not think it is helpful to compare ourselves with the likes of France and Germany and Japan. It is difficult to compare a small Island and how we manage our health service with a health service that is serving tens of millions of people. We were working through all of those issues to try to reach a general way forward. If that general way forward is still being worked on, we then come to how we fund it.

**Deputy A.F. Curtis:**

Could I just check: Minister, you mentioned you are not aware of a group. If there is a group of Ministers working on this, how will you ensure that you know when it is appropriate for you to get involved or will you rely on your Ministers to involve you?

[11:30]

**The Minister for Treasury and Resources:**

I would expect other Ministers to involve me at the right time.

**Deputy A.F. Curtis:**

That will satisfy your position that you are able to provide sustainable, sufficient guidance on the financial matters the Minister for Health and Social Services has remit for?

**The Minister for Treasury and Resources:**

As I say, I am not aware in the last few months what has happened to that. This Government has only been in place for 4 months and it may be that the Minister for Health and Social Services has had other things he has been prioritising rather than that work. It may not have progressed beyond the stage it reached at the end of December. My view was that it would be sensible for it to progress, but he may have had other priorities in his first 4 months of office without getting into that project.

**Deputy J. Renouf:**

Can I move you on to Pillar Two? You advised in your letter to the panel that there was political commitment to adopt Pillar Two and that they would come in by January 2025. Can you provide an update on where we are at with producing that legislation and the broad shape that you expect it to take?

**The Minister for Treasury and Resources:**

Not here. Work is continuing. There is a lot of work happening on Pillar Two. Would you like to ... you do this bit. Deputy Gorst is leading this.

**Assistant Minister for Treasury and Resources:**

You will see today, the Minister and I had a conversation with our colleagues in Guernsey and the Isle of Man this morning, really building on that commitment. You will see a statement issued saying that we continue to work together. It will not surprise you to know that we have slightly differing economies, so the implementation methodology may see some difference between Islands, but we are all committed to continuing to implement Pillar Two. The law drafting has been undertaken. I think we have probably had some final scrubs. We are expecting to continue stakeholder engagement with that draft legislation in the next number of days and weeks. We expect that legislation to be made public and lodged probably around the middle of July, so that then we can have appropriate scrutiny and debate it towards the end of the year. Thereby meeting the implementation deadline from accounting periods that start from 1st January 2025.

**Deputy J. Renouf:**

Can you fill us in a little bit on the consultation? Who have you talked to about this and are you confident you have covered the right people?

**Assistant Minister for Treasury and Resources:**

Yes, so it will not surprise you to know we have consulted with affected in-scope entities. We remind ourselves they are big multinational entities, who will have got operations or businesses that touch Jersey. We have engaged with all of them. We have engaged with tax advisers and those that will be advising firms on what they should do in light of these new international standards. Of course you know that Cora, the Deputy Comptroller, sits on the steering group of the inclusive framework, so we are engaging directly with the O.E.C.D. and those who are developing what is required for implementation. We have engaged with other national Treasuries from either like-minded countries or countries where we have quite a prevalence of businesses where they might be headquartered in those countries as well.

**Deputy J. Renouf:**

With a tax measure like this, it is obviously going to have some revenue implications. Can you tell us what broad range of income you expect this tax to generate?

**Assistant Minister for Treasury and Resources:**

This is a difficult question for us. There is ongoing work in Treasury to try and quantify what we would call a base case. The reason it is quite complicated work is because - it will not be a surprise to the panel - that big global banking institutions, of which we have a number here in Jersey, we might expect that they will continue to operate in Jersey in the same way that they currently are. We are analysing what we would call a base rate, which is really what income we could expect from the banks moving from a 10 to a 15, bearing in mind it is on a different calculation basis from the one that Zero/Ten currently is. It is that that we are trying to quantify. We will then put that number into the public domain. It will need to be in the Government Plan, so we will need to have that in the Government Plan when that gets launched in July. We will be getting to that point. There is another much more difficult and unquantifiable number, which is any other number of what we might call less sticky business, what will they do because they then come into the scope of their new 15 per cent rate as well. Interestingly, 3, 4 weeks ago, speaking to opposite numbers in Luxembourg, they have taken the view that some of this stuff could deliver increased income. It could also lead to some businesses moving and so they are saying it is a cost-neutral for their Treasury. I am not sure that we can quite get away with just saying it is going to be cost-neutral, which is why we are dividing up the work and trying to give as strong a figure as we possibly can but knowing that there could be a downside if businesses move but there could also be an upside.

**Deputy J. Renouf:**

Are you saying there is currently no estimate at all of likely income?

**Assistant Minister for Treasury and Resources:**

This has been developed from a high level: "This is what we are doing, these are what the two pillars are", to then having to work through all of the detail. For example, Pillar One is not yet properly agreed and that could take some time before it is properly agreed. That has an effect ultimately on what the revenue income might be here in Jersey because it might be offset or sent elsewhere. We have done some early cases but we have been very careful not to talk in public about what those numbers are for all of the reasons that I have just described. Some of that uncertainty remains but we will be and we are aiming to have a base case number that we can put into the Government Plan in July.

**Deputy J. Renouf:**

Can I move on to insurance? Can you update us on the current status of the Government's insurance strategy and its implementation?

**The Minister for Treasury and Resources:**

Sorry, I am trying to find my notes on that just so I am not telling you anything incorrect. What we are trying to do is create a strategy that means we are ensuring again effectively and well that we are ... where it is appropriate to keep a risk in-house, we do that. Here the risk is transferred through insurance that is also being done. There was a full review last year and the new strategy was approved in November 2023. That has now been presented to internal stakeholders and it will address issues, including the C. and A.G. (Comptroller and Auditor General), to make sure that we do have a comprehensive insurance programme that demonstrates value for money and mitigates and manages risks as best we can. I think that is continuing. The immediate priority is going to centralise claims reporting both so that we know what claims are happening. I think previously claims could be made from multiple sources. So we are bringing claims management in-house, which will give us a better view of the nature of claims we have, make sure that we know what claims are there, and it will also give us more visibility because you have a department making a claim directly to the insurer, so it will give us better visibility and control. That is underway, that is making progress. Another priority will be an actuarial review this year of our insurance fund to review its ability to meet liabilities, how we fund them and what we think are the optimal levels of self-insurance; depending on where you set or are given excesses because sometimes the market will have its own idea of what the excess is. But it is progressing. I think it is progressing as we talked.

**Deputy J. Renouf:**

Do you feel that extra provision or extra work needs to be done, given things like the extra storm damage and things like that, and medical malpractice you mentioned earlier? I wonder if you could address the level of heightened risk. Do those things concern you?

**The Minister for Treasury and Resources:**

Our claims will have increased because of the storm. There may be claims because of medical issues in a hospital. Some of those hopefully will be insured, but yes, we are absolutely aware of those and those are being considered by the insurance team.

**Deputy J. Renouf:**

The medical insurance issue and claims from the hospital, do you have specific provisions for those? Have you placed estimates in budgets to mitigate those?

**The Minister for Treasury and Resources:**

It will have an impact on our insurance payments in terms of specific provisions. I mean I know that there is ... Treasurer, do you have specific provisions?



**Treasurer, Treasury and Exchequer:**

As members of the panel will know, it is a repeated issue that we have from 2 aspect: one, the incidents we have had, and including in that the findings of the review in respect of rheumatology, for example, and further improvements to governance that have been made on a clinical footing within Health, as well as the hardening of the insurance market more generally. It is increasingly hard for us to get competitive dialogue between more than one or 2 insurers in the market. Added to that, from the insurer's perspective, increased risks. There have been increased provisions in the Government Plan. It is fair to say that discussions to date would suggest that we have got further pressure on premiums and indeed on the risk that the insurers are willing to have transferred from us to them.

**Deputy J. Renouf:**

It is becoming a problem, a significant problem.

**Treasurer, Treasury and Exchequer:**

It is becoming a more significant challenge.

**Deputy J. Renouf:**

In terms of the private insurance market, we saw the problem recently with EVie's bike fleet and the company identified current turbulence insurance markets in the Channel Islands. I have had correspondence from people saying that the Government underestimates the scale of the problems facing the insurance market, in particular in the household insurance and motor insurance markets. Are we sleepwalking into a bit of a crisis here?

**The Minister for Treasury and Resources:**

I do not believe so because I have ... in terms of motor insurance, we had 47 insurers and we lost 6 when the Gibraltar insurers pulled out. I think, as the Treasurer says, the insurance market is difficult globally, it is difficult in the U.K. We do still have some 40 motor insurers regulated and a regulatory licence to provide motor insurance in Jersey. I do not believe we are facing problems that are specific, that are different to those that are being faced in the U.K. I have specifically asked them to look into the question of the windscreen insurance disc because the more different you are the more difficult it is. But officers have gone away and consulted with brokers and they have told us that is not an issue. I think we all have to respond to the market. The financial services team have looked at this. Nobody has told me they have the issues with household insurance, but there are a number of insurers who do provide insurance cover. I think it is possibly unavoidable that we will virtually all see our premiums going up following Storm Ciarán, because we are a small Island. My household insurance ... well it did not go up a great deal, it went up less; it went up more last year. I renewed a couple months ago and it has gone up a little, not an outrageous amount but that

is because of if you have a small place with an increased claims incidence that will affect everybody. That everywhere where there are storms and there are claimed incidences will have ... if you are in a street where one person has a big claim that will affect the whole street generally, is my understanding of the market.

[11:45]

We are working with insurance to try and recognise Jersey's more limited risks with car insurance. Things like theft are very limited in Jersey but we have had I think quite a number of serious road traffic accidents. There is nothing Government can do to deal with that.

**Deputy J. Renouf:**

I think the issue is it is around the shrinking pool of people who are willing to invest in a unique market, and that is certainly the feedback that I am getting. There may be 40 registered but how many are actually active or prepared to consider the specificities of the market. In a way, the post-Brexit world seems to be one of far greater risk aversion and companies deciding to not bother with a jurisdiction that appears unusual, different with a whole set of rules that ...

**The Minister for Treasury and Resources:**

Which is exactly why I asked the last question about the insurance disc. But I think the team have spoken to brokers, and the brokers are saying they are not seeing significant issues, is my recollection of those discussions.

**Assistant Minister for Treasury and Resources:**

Just from that financial services perspective, we are very mindful of the point that you are making. We have had the withdrawal from the Jersey market of insurers based in Gibraltar that used to rely on an underwriting by the United Kingdom Government that no longer said ... why should U.K. citizens underwrite a risk which they are not benefiting from financially? You can see that logical argument. You have had the incidents that the Minister has referred to, you have a more difficult insurance market globally and small places like us are finding it more and more difficult to be different in any given globalised market where risk is calculated based on some system based in London or New York. So we are very mindful of that and keep engaging with the brokers particularly, and this is no different really to what is happening at the governmental level where it is more difficult to take the medical issue, more difficult to get insurance, insurers are wanting you to share more of the risk. We could get to the point where we are having to think more holistically about what is Government doing generally for insurance and shouldering that insurance risk across our community. I do not think we are at that stage yet but certainly the financial services division continue to look at that and continue to engage. But it is not only in insurance, it is in lots of services where Islanders are finding

it more and more difficult because we are putting up ... we are unique and we have to stand up for our uniqueness who are butting up against all of this.

**The Connétable of St. Mary:**

A few general questions, simple ones, regarding States-owned entities, but sticking with insurance for the moment. Could you explain the interrelationship between the States-owned bodies and insurance? I have before me one of the M.O.U.s regarding one of the companies on insurance. It says: "In agreement with the shareholder, i.e. the Government, the company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the shareholder's insurance arrangements." What I am really asking essentially is to what extent do these States-owned bodies ensure through your overall composite plan that there is such thing or separately?

**The Minister for Treasury and Resources:**

I do not know the answer to that question.

**Treasurer, Treasury and Exchequer:**

It is generally part of the group policy, States-owned entities.

**The Connétable of St. Mary:**

Do many of them have their own then?

**Treasurer, Treasury and Exchequer:**

Certainly for their major insurance, they form part of our policy. I have not really given an absolute answer that they do not have some other policies but, for example, incident, disaster, form a part of our group policy rather than separate insurance provisions.

**The Connétable of St. Mary:**

Off that then, do they bear the cost of that insurance in their own accounts?

**Treasurer, Treasury and Exchequer:**

We re-charge insurance premiums through to them.

**The Connétable of St. Mary:**

Okay, thanks. Moving on to the more general questions I was referring to. What are the latest developments in the governance arrangements for arm's length bodies, focusing particularly on States-owned entities, like the States of Jersey Development Company, if in fact there have been any recent developments?

**The Minister for Treasury and Resources:**

I suppose the main recent development in Government, they have gradually over a period of time all been adopting new articles of association. As you will have seen, we brought new articles forward for Andium recently, and I think S.o.J.D.C. (States of Jersey Development Company). Certainly they have been lodged and we debated them. I think we have accepted those. There is no significant change, I do not think. I have been taking the ... I think more recently one of the Assistant Ministers took the direct shareholder ... took more of a role with the shareholder relationship. I am doing that so over the last few months I have been trying to meet them to understand where they are, what their issues are. So that is direct Ministerial involvement, which they seem to be happy with so far. No specific change. They have got the memorandum of understanding.

**The Connétable of St. Mary:**

That is the point. You mentioned the articles of Andium and the States of Jersey Development Company are currently before us but they are relating to the internal workings, which are fairly standard. Therefore, going back to the M.O.U.s, I should perhaps explain I am coming from a background where the first M.O.U. I saw was at the time of the incorporation of Ports of Jersey, which I think the Minister for Treasury and Resources of the day, which was not the present Minister for Treasury and Resources, acknowledged it was not fit for purpose. In those days I think at officer level you had one person dedicated to looking after the States entities, and that was acknowledged not to be enough. Can you give a general steer as to how much that ...

**The Minister for Treasury and Resources:**

I have a relatively senior officer who does all the day-to-day interaction with the States-owned entities so Andium, S.o.J.D.C., electricity, water, I meet them quarterly, and they can come to me if they have an issue. I think Steve does have other support, but it has not come to me yet that that is not sufficient.

**The Connétable of St. Mary:**

Again, by way of background, there was a time when it was not, and many questions were raised at the Assembly as to the adequacy of the shareholder function exercised by your department. That is really the basis of my questioning. There were new M.O.U.s again lodged by the previous Minister for Treasury and Resources but one, I think 2 years ago which are in standard format, and I am aware of that. They will probably be reviewed during this Government. But within that, what I am really asking is the extent of your own involvement that they refer to business plans and quarterly meetings, et cetera. Are you one of the ...

**The Minister for Treasury and Resources:**

Yes, I have been doing that with the officer who is their kind of direct ... I am afraid his particular title escapes me from my memory but he is a direct liaison point with the States-owned entities. I have been going to quarterly meetings. I will be going to the S.o.J.D.C. A.G.M. (annual general meeting) on Monday. I believe that is on Monday. I did not go to the J.T. (Jersey Telecom) A.G.M. recently because something came up, but I went to the presentation. I am meeting quarterly. I have met some of the chairs and the Government-appointed directors separately. I am having a fairly hands-on role with them.

**The Connétable of St. Mary:**

That is nice to hear. Each of the M.O.U.s refers to the policy heads. I know that following the meeting with the Economic and International Affairs Panel in the previous Assembly, they restricted those policy head definitions to actual Ministers. Are you one of the Ministers included as a policy head automatically in these?

**The Minister for Treasury and Resources:**

I have to confess that I have not read the M.O.U.s, or if I have it was a while ago. In the last few months, the M.O.U. has not come up as being a problem. My focus has been on building the relationship with the entities and understanding who they are, what they do and what their issues are, but the M.O.U. is not something that has not really reached my radar as being an issue.

**The Connétable of St. Mary:**

It is the operation of the M.O.U. I am bothered about.

**The Minister for Treasury and Resources:**

I think it seems to be operating well. Nobody has highlighted it to me, I think as yet, as being problematic.

**The Connétable of St. Mary:**

As far as you are concerned, the M.O.U.s have requirements as to quarterly meetings and business plans and you are always involved in that yourself?

**The Minister for Treasury and Resources:**

We have quarterly meetings and, yes, we see the business plans, obviously we see the accounts, we have quarterly meetings and we will have additional meetings as required.

**Deputy A.F. Curtis:**

Minister, could I quickly ask, you mentioned one of the priorities is looking at what you described as a mushrooming of expenditure in the civil service, and under the articles of association and M.O.U.s,

the shareholder function reviews and approves both the quantum and the strategies for both bonus payments and remuneration. Is it any part of your plan to consider whether the current structures in place in the S.O.E.s (States-owned entities) for bonus and remuneration is appropriate, and if so, do you have a timeline for that?

**The Minister for Treasury and Resources:**

Yes, I asked that question last week and I have been given some advice, which I have not read yet. I have been given some information, but yes, establishment of any of those arrangements have to come. I have challenged something that we were asked to do recently, just in terms of general issues. Yes, I am taking a keen interest on that. I have some thoughts on how we may take that forward. It would mean having to engage someone to do a piece of work and review, engage that.

**Deputy A.F. Curtis:**

I am sure we would like to stay updated on that.

**The Minister for Treasury and Resources:**

But we are looking at it. It is something that we have looked at and thought ...

**Deputy A.F. Curtis:**

Thank you.

**The Minister for Treasury and Resources:**

But yes, we will be thinking about that. It is on the agenda, but I cannot give you a timescale because there are numbers of them and some things have happened, some things are yet to happen. People have been given assurances or undertakings that are long overdue that we have to consider.

**The Connétable of St. Mary:**

Moving on slightly, it is supposed that we have fully consolidated accounts for the States of Jersey Group, including all its entities. Could you give a timeline as to when they might be available?

**The Minister for Treasury and Resources:**

Sorry, the ...?

**The Connétable of St. Mary:**

States of Jersey Group consolidated accounts, which would include the activities of the company.

**The Minister for Treasury and Resources:**

They are consolidated already.

**The Connétable of St. Mary:**

We have that in place, do we, already?

**The Minister for Treasury and Resources:**

Some are consolidated. Sorry, Andium, S.o.J.D.C. are consolidated.

**The Connétable of St. Mary:**

The individual companies?

**Deputy H. Miles:**

Ports are not, though.

**The Minister for Treasury and Resources:**

Some of the States-owned entities ... sorry, the annual report and accounts for 2023 have been published. That includes those entities that are already consolidated are consolidated into the group accounts. There are a few which are not I think previously for good reason. I think there is work underway to consider whether they should be consolidated and when that might happen. Now there are issues because they are not all wholly owned. I think that is a wrinkle that needs to be addressed. Sorry, Richard, do you want to expand on that?

**Treasurer, Treasury and Exchequer:**

Those with December year-ends either have their audits completed, have already published them, or will be imminently publishing them. There are a lot of companies, and the J.E.C. (Jersey Electricity Company) spring to mind that does not have a December year-end.

**The Connétable of St. Mary:**

Okay, we will keep on following that up, if we may, then.

**The Minister for Treasury and Resources:**

Yes, but I do not think something is going to happen immediately, but there is work. The question of consolidation I think has been brought up by the ...

**The Connétable of St. Mary:**

We will monitor it then, okay.

**The Minister for Treasury and Resources:**

... C. and A.G., and it is something we are aware of.

**The Connétable of St. Mary:**

What is called a value-for-money programme currently, can you provide an update as to where we are on that and whether the new Council of Ministers are setting up any new arrangements to deal with that?

**The Minister for Treasury and Resources:**

The value-for-money programme is already continuing. Our C.S.P. commitment was, and I will just read it out because I have it here: "is to curb the growth of the public sector, rely less on external consultants and instead develop local talent and redirect money where it is needed most." That is what C.O.M. (Council of Ministers) has agreed to. The departments have savings on cashable savings targets, which will be set in the Government Plan. Budgets are already reflected re reductions, and that is being monitored. Richard and his team have had meetings with the accountable officers in all the departments with a view to where they can bring in savings and ensure value for money. Health, as we discussed, is a particular focus.

[12:00]

Again, chief officers are looking at how they can benchmark and measure reductions, particularly with things like consultancy spend because, as we know, the public do not like consultants. They do not like consultancy spend. I am very well aware of that. I think they particularly do not like consultants off-Island but sometimes we do need expertise that is not on-Island. I think when we need that experience, we have to have it.

**The Connétable of St. Mary:**

I was not challenging that; it is just what are your figures?

**The Minister for Treasury and Resources:**

There are plans in place to do that, and chief officers will be providing quarterly progress reports to their own Ministers and to the C.E.O. (chief executive officer).

**The Connétable of St. Mary:**

Will there be some more information forthcoming at the time of the Government Plan then as to what we have achieved so far or what we are expecting?

**The Minister for Treasury and Resources:**

Will it be at Government Plan or at the end of the year?



**Assistant Minister for Treasury and Resources:**

The previous savings were obviously taken out of the bottom line of departments, so departments then have to live within that bottom line. As the Minister has said, there are other proposals in the C.S.P. which then need to be factored into the new Government Plan that gets launched in July. We will then need to present how those new elements are being funded. I think the current plan is largely through reprioritisation, but there is quite a lot of work still to get through to be able to show that that can be the case.

**The Connétable of St. Mary:**

Okay, well we will wait on the Government Plan then to find out what is intended. My final question in my sector, as it were, on a different matter completely. The Jersey Public Services Ombudsman Initiative, can you advise what the current status of funding is that was originally allocated for that entity?

**The Minister for Treasury and Resources:**

Well, I think funding was allocated. That has been ... and this was discussed by the last Council of Ministers, there was not, I think, necessarily overwhelming support for the establishment of an ombudsman. Going back to the perspective of, if we are trying to constrain public spending, setting up yet another body.

**The Connétable of St. Mary:**

Yes, I appreciate that. I was not intending to go down that line. That is perhaps for the Council ...

**The Minister for Treasury and Resources:**

I think there is still ...

**The Connétable of St. Mary:**

If there is funding in place, how much is the funding available, if it were to go ahead?

**The Minister for Treasury and Resources:**

There was an anticipation of £400,000 a year, but we are not on at a stage yet, I believe, of saying we are not going to have an ombudsman. I think the previous Council of Ministers was not supportive. I am not particularly supportive of creating yet another body. What we were going to do previously - what the officers, I think, were asked to do - was go and look at the existing complaints board mechanism and look how that could be enhanced.

**The Connétable of St. Mary:**

Yes, I appreciate the arguments.

**The Minister for Treasury and Resources:**

So some of that money may be used in enhancing the existing complaints board rather than setting up ...

**The Connétable of St. Mary:**

Yes. All I am asking is if the funds are already allocated or imagined. I do not want to go into discussion of the need for it, otherwise we might have different views, but all I am asking at this stage is, in determining the level of funding, will you be looking at the saving that it will achieve in other areas? I am thinking particularly that the whole thrust of the idea of the J.P.S.O. (Jersey Public Service Ombudsman) was to take problems away from current officers and I can see in many cases a distinct saving in time spent by those officers if the J.P.S.O. came into existence.

**The Minister for Treasury and Resources:**

I do not agree. I think it would vastly increase the amount of money that departments put in. It would increase the amount of time and effort that departments have to put in to manage any complaints.

**The Connétable of St. Mary:**

All I am asking is will you be carrying out an exercise as to the likely savings that it might achieve if it were carried out?

**The Minister for Treasury and Resources:**

I think it is still a work in progress as to what we do in terms of the ombudsman and the alternative. The alternative may create a cost. I think the decision taken by the previous C.O.M was not necessarily about the money. It was about the general principle and the effectiveness and value of bringing in an ombudsman when we had an existing complaints mechanism. I think C.O.M. were just generally less persuaded. I do not think that decision was ... my recollection was that the decision was not necessarily taken about ... although I believe it would cost significantly more than has been set aside within the departments. If an alternative saves money, then whatever funding has been committed will be released to do other things or whatever money is committed will be used for the enhanced complaints board. It is a work in progress and, at the moment, I do not know what the implication on the spend would be.

**The Connétable of St. Mary:**

All I am asking is that I assume with what you just said, the cost is relevant so will enquiries be made into the potential savings that would arise should a proposal on the lines suggested by the Law Commission proceed?

**The Minister for Treasury and Resources:**

I am sorry, I am being really dense. I just think we have a budget for the ombudsman. If there is an alternative, that will have to be costed and, to the extent that is less than the ombudsman budget, the difference will come back in.

**The Connétable of St. Mary:**

But in costing it, will you anticipate the level of savings that might be achieved elsewhere?

**The Minister for Treasury and Resources:**

I am not sure there will be a significant level of savings.

**The Connétable of St. Mary:**

Okay. Well, then, there might not be but will you carry out that exercise?

**The Minister for Treasury and Resources:**

As I say, it was not about saving, it was about the mechanism as a whole. My view on this is that we have got £400,000 to set up an ombudsman service, if you like. That, I think, is a very small amount of what it would actually cost in terms of the additional manpower needed in government departments to deal with ombudsman complaints. That is not costed anywhere at the moment. The previous Council of Ministers felt that it would be better to consider enhancing the complaints mechanism. There may well be a financial difference but I do not know where that piece of work is going.

**The Connétable of St. Mary:**

I understand what you are saying but the Council of Ministers prior to that agreed that the public consultation should take place.

**The Minister for Treasury and Resources:**

I do not think that it was going to be a public consultation. I think that officers were asked to go and look at the current complaints mechanism and how that could be enhanced. I do not know where that work is at the moment. This was done last year.

**The Connétable of St. Mary:**

Okay. The question I was asking was from the Treasury aspect, but I think there will be a bigger debate on that so I will close that, thank you.

**The Minister for Treasury and Resources:**

Yes, I am just not in a position to answer your question in terms of cost, because it is just going on ...

**Deputy H. Miles:**

I am just really conscious of time. I have a couple of questions around taxation but I am going to skip those. Jonathan has a question around the Common Strategic Policy and living wage.

**Deputy J. Renouf:**

Yes, you have a commitment to increasing the living wage and the Government has committed to some form of subsidy to help businesses cope with the increases in the minimum wage to the living wage. Which department is going to be responsible for administering that support, Treasury, Economic Development, Social Security, where does the ministerial lead sit for that?

**The Minister for Treasury and Resources:**

I think the ministerial lead sits ... I think it is a combination of Social Security and Sustainable Economic Development, those are the 2 Ministers who are leading on that. Again, I believe those Ministers are still working on a proposal as to how that support can be provided, and we would want it to be linked to promoting productivity but there is quite a lot of work to be done on that in terms of economic impact assessment of the living wage, how that support may look and how it may be provided. I have not been closely involved but I believe discussions are underway, are happening, there is active work happening on that.

**Deputy J. Renouf:**

So the model is that the Minister for Sustainable Economic Development and the Minister for Social Security will work together and they will bid to you for money for a subsidy?

**The Minister for Treasury and Resources:**

I think money has already been prioritised from savings elsewhere.

**Deputy J. Renouf:**

So it is going to be funded from within existing budgets? There will be no additional money?

**The Minister for Treasury and Resources:**

Yes. There will not be, I believe, new money found. It is reprioritisation spending.

**Deputy H. Miles:**

Thank you. Do you know how much that budget is?

**The Minister for Treasury and Resources:**

I would not like to say at the moment because, as I said, I have not been closely involved in the discussions.

**Deputy M.B. Andrews:**

Thank you, Chair. Thank you, both of you, for being in attendance today. I just wanted to ask you a question about Deputy Coles' fifth amendment in the Government Plan, a scheme for right sizing. Could you just provide the panel with an update as to where you are with this work?

**The Minister for Treasury and Resources:**

I am slightly behind - well, I am not entirely up to date - I had a discussion with the Minister for Housing and Communities 2 or 3 weeks ago to look at a policy paper on a kind of ... well, it was an internal thinking on what that policy may include. We had quite a long discussion about it and I think a revised policy was presented to C.O.M this week. I was not there and I have not been able to read the papers yet, although I believe that policy will be published very soon in line with the timescale. So there is a policy coming but I do not yet know how ... from what I saw in terms of thinking and possibilities of what might have been in the policy to what will actually be in the policy, I am not sure.

**Deputy M.B. Andrews:**

Okay, so within the contents of the report Deputy Coles alludes to potentially exempting transactions from any stamp duty being made payable and, of course, this would be an income loss to the Treasury. How significant do you believe this loss will be and how are you going to mitigate the revenue loss from this policy being brought forward?

**The Minister for Treasury and Resources:**

I am not sure if that is part of the policy. We have discussed it; I think the reality is that any loss of revenue would be relatively small. It would potentially be balanced by stamp duty. If you have someone selling a house for, let us say, £1 million, the purchaser will pay stamp duty on that. If you give someone a stamp duty reduction, if they buy a flat for £400,000, say, there is more stamp duty being paid here than is being lost on the purchase. I personally do not think that stamp duty is what stops people moving from their homes. I personally do not think it is valuable and if somebody is selling their house for £1 million and buying a flat for 400,000, they have the money to pay the stamp duty. So I do not think that is effective.

**Deputy M.B. Andrews:**

I was going to say, Minister, if you look at the stamp duty rates in the U.K. compared to those set in Jersey, Jersey has slightly lower rates and I guess the question has to be asked is it really feasible

to then be exempting stamp duty on transactions when potentially we are speaking of people who have got proceeds in excess of £100,000 or even in excess of £1 million?

**The Minister for Treasury and Resources:**

Exactly, exactly. But, as I say, there is a policy going to be published and I am not sure if stamp duty ... I simply have not read the final paper I am sorry because I was late.

**Deputy M.B. Andrews:**

That is no problem.

**The Minister for Treasury and Resources:**

So it may or may not be there, but I think any loss would be minor and would be potentially balanced by the stamp duty achieved on sale of the larger property.

**Deputy M.B. Andrews:**

Okay, thank you very much, Minister. I just wanted to also follow on with Deputy Kovacs' proposition P.14 that was debated last year in the Assembly to introduce a land development tax. However, the panel is now aware that no funding has been made available, so I was wondering will there be something that will be forthcoming in the Government Plan to provide a funding allocation so this can be delivered?

**The Minister for Treasury and Resources:**

The land development tax, again I am at a slight disadvantage, I think that was that was allocated to the Minister for the Environment. The Minister for the Environment is working on developing that particular tax. I am not sure that you would need significant funding to introduce a tax because you think the tax would pay for itself. I am not sure of that point, I have not spoken to the Minister for the Environment as to how that is developing but it is with Environment and I am sure we will have a role at some point, because it is tax driven.

**Deputy M.B. Andrews:**

I have just become aware really, just speaking to people, that there are concerns about how the tax is going to be introduced and implemented and nothing has really been articulated so far, so maybe could you just elucidate to the panel as to how the tax ...

**The Minister for Treasury and Resources:**

As I say, I cannot because it was allocated to the Minister of the Environment to develop a scheme for the proposal and I am not aware yet ... again, the Minister of the Environment has been in post

for a relatively short time and has possibly had other priorities to consider. So, I do not know how he or his team have developed that as yet. I think that is a question for him.

**Deputy M.B. Andrews:**

Lastly, you touched on the A.G.M. that is happening on Monday with the Jersey Development Company. What exactly would you like to see the Jersey Development Company do in the last 2 years of this term of office?

**The Minister for Treasury and Resources:**

Well, it was clear from the debates we had recently that people do have concerns about what S.o.J.D.C. are doing.

[12:15]

I have met the new Chair and I have suggested that we do need at some point to sit down together and look at what S.o.J.D.C.'s remit currently is, how they are delivering against that? Are they delivering it in the way everybody wants? Just to discuss that further. I think they are working on ... I think South Hill has planning permission? So they will be working on that and they will be discussing, I believe, with the Minister for Infrastructure about the waterfront development, then we will have some discussions with them.

**Deputy M.B. Andrews:**

Thank you very much, Minister. Thank you, Chair.

**Deputy A.F. Curtis:**

I am hoping we can have some focused really quick answers because of time. Looking at the Central Reserve, would it be possible Minister to explain the methodology used to determine the amount of funding allocated from the Central Reserve in 2024 for the pay awards of teachers, particularly in relation to the rates of inflation and other economic indicators that were available at the time of the decision?

**The Minister for Treasury and Resources:**

Well, I have written to the panel on this and I do not think I have got a huge amount more to say. The Central Reserve was created for this year's Government Plan. It is ahead of expenditure; it brings together 2 other reserves for items that are paid for centrally and for contingencies. So the Central Reserve for 2024 would have had assumptions in there about inflation. We know that inflation is going down so we will get some benefits, but the pay award for teachers is 0.1 per cent

more than the award that was offered by the previous Government. I think the additional cost is £1.5 million and that can be met from that reserve, and will be met from that reserve.

**Deputy A.F. Curtis:**

Was there specific evidence used to ensure that is a sustainable use of the reserve, given we are thinking perhaps about the reserve's capacity to meet end-of-year flexibility?

**The Minister for Treasury and Resources:**

I am not sure that end of year ... can you remind me, Treasurer, I am not sure end-of-year flexibility necessarily comes from that reserve?

**Deputy A.F. Curtis:**

Well, perhaps the flexibility with regard to unforeseen financial pressures, would that not come from the Central Reserve?

**The Minister for Treasury and Resources:**

It would come partly from the Central Reserve but there may be other ways in which unexpected costs would be met. For example, if it is an insurable risk, it would be met from insurance but the pay awards can be met from the Central Reserve.

**Deputy A.F. Curtis:**

Okay, I have no other questions on that.

**Deputy L.K.F. Stephenson:**

Okay. So, cost of living, again. I will be quite short with it. Obviously, we have seen inflation is reducing somewhat but we know that people are still struggling under cost of living. Can we expect any targeted support from Government, particularly in relation to pensioners and those on low incomes, any new targeted support to come through?

**The Minister for Treasury and Resources:**

Well, that really sits primarily with other Ministers. The Minister for Social Security will be looking at that. The Cost of Living Ministerial Group, which existed under the previous Government, has been re-established under the current Government. That group met relatively recently to look at forecasts for inflation and what we can do further to help. The previous Government did quite a lot in terms of support for pensioners, for those on low incomes. Some of those initiatives, for example, the cold weather payment, will just have stopped from the end of March. The Minister for Social Security has just increased a further £10 subsidy to G.P. (general practitioner) costs. She has reduced the cost for those on health access schemes. Pension Plus was expanded last year for pensioners.



But I cannot talk for the Minister for Social Security's immediate priorities because what we do know in Jersey is that while we do have a group of pensioners who will be struggling, we have a quite big group of pensioners who are not struggling and actually are finding it easier to get by. So, we have the cost of living group and we will consider measures going forward, but in terms of specific aspects that the Minister for Social Security is looking at now, I am not aware of that other than the ones that she has already announced and that we are all aware of.

**Deputy L.K.F. Stephenson:**

Is it still a priority for the Government going forward?

**The Minister for Treasury and Resources:**

Yes, absolutely. I think that is clear from the C.S.P.

**Deputy L.K.F. Stephenson:**

There is a school of thought that suggests that the public sector pay rises that we have seen with the teachers and then any that will follow from there with people demanding the same kind of rates, that they can have an inflationary impact. Is that something that you agree with? Do you have thoughts on that?

**The Minister for Treasury and Resources:**

There is always that possibility, yes, I expect. But we had teachers on strike.

**Deputy L.K.F. Stephenson:**

The rest of the public sector is not on strike.

**The Minister for Treasury and Resources:**

Well, the rest of the public sector ...

**Assistant Minister for Treasury and Resources:**

Thankfully not, Minister. We are grateful that they are not.

**The Minister for Treasury and Resources:**

Thankfully not. We are very pleased they are not on strike. We are very grateful to our public servants for all the work they do for the Island. I think we have to reflect that public servants, they have had a pay rise but they are not always as well paid as those in the private sector, and we are constantly competing with the private sector for staff in many areas. It is right that public servants are adequately rewarded for the job they do providing services to Islanders.

**Deputy H. Miles:**

Thank you. Coming to the end now, we are doing pretty well. The Fiscal Policy Panel has persistently raised concerns around the Strategic Reserve's current insufficiency for major crises, of which we have had a couple. How are you planning to address those concerns and specifically in terms of maintaining a public sector surplus and possibly reducing government expenditure?

**The Minister for Treasury and Resources:**

That is certainly something we will be looking at as part of the Government Plan. The F.P.P. (Fiscal Policy Panel), as you say, have been clear that we need to top up the Strategic Reserve. I can bring forward a plan saying here is a plan to top up the Strategic Reserve but if there is a need for money from elsewhere, whether that is from ministerial priorities, whether it is building a school, whether it is developing infrastructure, whether it is supporting members of the public, there are demands for funds. It is not just Ministers; any States Member can bring forward a proposition seeking more funds. So we all have a part to play in that.

**Deputy J. Renouf:**

Can I just ask whether you think it is a function of the Minister for Treasury and Resources to take a stand and say: "No, we should be putting money into the Strategic Reserve"?

**The Minister for Treasury and Resources:**

Yes, I think we should be doing that, we should be topping up the Strategic Reserve, the F.P.P. advice was clear but it is very easy for me to say: "Do not spend money" when other people say: "Ah, but we have to spend money over here" or we have to do this. We do it when we know there are things that we need to spend money on.

**Deputy A.F. Curtis:**

Are you confident then with the early lodging of the Government Plan that you will be able to see your aspirations as the Minister for Treasury and Resources reflected in that plan alongside other Ministers, or do you think perhaps there is a risk or are there risks that your Ministry, that ultimately has a huge power and sway over the long-term finances of the Island, could be sidelined given the aspirations you have just stated?

**The Minister for Treasury and Resources:**

No. I think we do need to focus on the Strategic Reserve and that there may be other ways of doing that. We do have a focus on, as I have said, curbing the growth in the public sector and if we can do that, if we can spend well ... you will know we are trying to reduce the capital programme so that may release funds by reprioritising, and that is not necessarily not spending, it is just looking at how we spend realistically and not tying money up in budgets that are never going to be spent

because we do not have the capacity to spend. Yes, I think it is important that I bring that forward, and I will be bringing that forward, but there are challenges. There will always be challenges as to what the Council of Ministers thinks has to be prioritised.

**Deputy A.F. Curtis:**

On that touch of reprioritisation and reducing the capital programme, as you mentioned you are 4 months into a government now, have you been able to see the initial fruits of any work to achieve that? That is, in essence, paying dividends back to Treasury?

**The Minister for Treasury and Resources:**

Well, I think what is happening is that people are looking at the reprioritisation exercise. Departments and chief officers will be being asked: "Well, look, you have this whole list of projects, realistically what are the ones that are important that you have to focus on and deliver and then once you have delivered those ...", so they should all be going through that exercise. I think it is probably too early to say what we would be saving as a result of it. The reprioritisation of the capital programme is about better use of money. It is also about being realistic about what we can achieve as a government. If we tie up £200 million for capital projects and we know that historically we have never spent more than £60 million, that is money that is just sat there. What we need to deal with is the general apprehension, shall we say, that people have a nervousness that if the money is not there and bolted down, they will not get it when they need it. We have to just keep carrying on persuading people that the money will be there when they need it, but we do not necessarily have to lock it up for the purpose.

**Deputy H. Miles:**

How are you handling the revenue proposals for the Government Plan and specifically around growth bids? Are you allowing growth bids?

**The Minister for Treasury and Resources:**

Ideally not. Not unless they are within C.S.P.

**Deputy H. Miles:**

Okay.

**The Minister for Treasury and Resources:**

So that is our standing start that we are not expecting growth bids. We are expecting people to work within their existing budgets.

**Deputy H. Miles:**

So the usual process of developing business cases, going for growth bids and the like, is not going to happen this time?

**The Minister for Treasury and Resources:**

That is the plan.

**Deputy H. Miles:**

Okay, thank you. I have one final question that I will obviously ask at the end, but is there anything else from the panel that we have not been able to cover that you would like to address with the Minister for Treasury and Resources?

**Deputy J. Renouf:**

I would not mind pushing you on the growth bids. Has that been cleared with all Ministers?

**The Minister for Treasury and Resources:**

We have discussed it and we have agreed the principles, which are sustainable public finance, reprioritising, and spending money wisely.

**Deputy J. Renouf:**

All Ministers have signed up to that?

**The Minister for Treasury and Resources:**

They say they have.

**Deputy A.F. Curtis:**

Are they aware what that means to you as a Minister for Treasury and Resources is no growth bids or are there further conversations you will be having one-to-one with them?

**The Minister for Treasury and Resources:**

We have agreed to principles and we will be starting detailed work on the Government Plan very soon.

**Deputy H. Miles:**

So with no growth bids in terms of overall spending there will be no increase in government spending, are you aiming at reducing government spending or maintaining the flatline?

**The Minister for Treasury and Resources:**

I think the general C.S.P. - and I have just lost my quote - is to curb growth.

**Deputy H. Miles:**

So, to reduce government spending?

**The Minister for Treasury and Resources:**

Well, that would be the ultimate aim because I think the issue is the public do feel that we are spending too much. Now whether the reality is that we are spending too much ... while it looks like there has been a significant increase, there has also been a significant increase in inflation. Inflation has gone up by, what was it, 25 per cent, 26 per cent in the last 3 years. That will address some of the increased costs. We had some exceptional situations which will have increased our costs. As all those things begin to be contained, you would hope that spend certainly will not increase. If we can get a real focus on what is unnecessary expenditure, what exactly do we say to the public we are not going to do? What is unnecessary expenditure? That is more of the challenge.

**Deputy H. Miles:**

Thank you. My final question. We understand that the interim C.E.O. is on a planned period of absence for 8 weeks, which is obviously during the very busy preparation period for the Government Plan. The panel are just trying to understand what is in place to ensure appropriate co-ordination and oversight of the development process of the plan in his absence.

**The Minister for Treasury and Resources:**

Yes, the interim C.E.O. will be back at the beginning of July, I believe, and I think he has appointed Tom Walker who will be acting, he was previously deputy, in that capacity over the next few weeks.

**Deputy H. Miles:**

Okay. Thank you. That brings us very neatly to 29 minutes past 12. Thank you very much for your attendance today.

**The Minister for Treasury and Resources:**

Thank you very much.

**Deputy H. Miles:**

There were a couple of points that we have omitted, specifically around commercial service and some of the taxation issues. The plan really is for this panel to ask yourselves and some of your senior officers to have some shorter hearings to address specific topics in the coming months, because I do not think we do get the opportunity in a longer hearing to discuss everything. So, thank you very much for your contribution today. Thank you to the officers who have supported you and

thank you to members of the public who have watched the hearing. I can now ask the officers to stop recording and close the hearing.

[12:30]