



## Government Plan Review Panel

### Government Plan

### Witness: The Chief Minister

Friday, 16th October 2020

**Panel:**

Senator K.L. Moore (Chair)  
Deputy K.F. Morel of St. Lawrence  
Deputy R.J. Ward of St. Helier  
Connétable M.K. Jackson of St. Brelade

**Witnesses:**

Senator J.A.N. Le Fondré, The Chief Minister  
Mr. C. Parker, Chief Executive  
Mr. R. Bell, Treasurer of the States

[15:02]

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

Good afternoon and welcome to a Government Plan Review Panel hearing looking at the subjects for the Government Plan. We have this afternoon the Chief Minister. We will just start with the introductions for the record. I am the chair of the panel, Senator Kristina Moore.

**Deputy K.F. Morel of St. Lawrence:**

Deputy Kirsten Morel, member of the panel.

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

Deputy Robert Ward, a member of the panel.

**Connétable M.K. Jackson of St. Brelade:**

Constable Mike Jackson, member of the panel.

**The Chief Minister:**

Senator John Le Fondré, Chief Minister.

**Chief Executive:**

Charlie Parker, chief executive.

**Treasurer of the States:**

Richard Bell, treasurer.

**Senator K.L. Moore:**

Thank you. Last year the Government Plan Review Panel made 16 overarching recommendations to improve the Government Plan for this year. At the time 12 of those recommendations were rejected; 2 outright and a further 2 recommendations were neither accepted nor rejected in the ministerial responses. Could you explain briefly the actions that have been taken to improve the Government Plan this year?

**The Chief Minister:**

On the list I have got in front of me, so recommendation 1.1, which is information on the structure and presentation of the Government Plan to be shared at an earlier stage. I hope with things like the M.O.U. (memorandum of understanding) that we had in place, and obviously the agreements that we all had, to get it lodged earlier. You have got a lot more information earlier and/or on time.

**Senator K.L. Moore:**

Albeit that this is a truncated process compared to last year due to the COVID scenario.

**The Chief Minister:**

Yes, exactly. Sorry, I am just going down the list here. I think we have made an observation around the issues around major policies around time of lodging but I do not think we have lodged anything major at time of recess, thinking off the top of my head. I think, hopefully, most things would come in either before or after: "Make themselves available for a hearing between the entire period of Scrutiny and the Government Plan." I believe all Scrutiny hearings have been scheduled well in advance hopefully, so hopefully everybody is in the diary and obviously it did not take place during the summer recess. 1.4: "Full business cases on the background material should be provided to Scrutiny upfront and in full at the time that the Government Plan is lodged". Charlie or Richard can talk to that but I believe we have done more information again at the time of lodging and obviously

it is all incorporated in the main document where appropriate. The business case is obviously that we had a ministerial response at the time.

**Senator K.L. Moore:**

If I could just pick you up on the business case, so we have obviously had the annexe, which has the outlined business cases but we do not have any of the underlying information which was, I think, one of the delaying issues last time. I am not aware of any panel receiving those as yet.

**Treasurer of the States:**

I think they are available. I think we will see they are available, so if there are any in particular, because each individual panel will obviously have their attention on each of the individual areas, then they can be made available.

**Senator K.L. Moore:**

Thank you, good.

**The Chief Minister:**

“More detailed information should be available to the public.” Scott has republished a financial annexe as a separate document, which combines a greater level of financial information, so we will talk to that; that is what it says.

**Treasurer of the States:**

Annexe, yes.

**The Chief Minister:**

Yes, there we go, thank you: “Greater emphasis on the Government Plan as a budget document rather than a policy document.” That is interesting, I do not think we agreed with that from overall. Obviously, the efficiencies in the budget items are in the document but I know there was equally some positivity around the style previously, so we will see what the feedback is from your adviser on this time round. I am just looking down, 1.8: “The Government should not make unilateral decisions on broad policy direction without the approval of the Assembly.” This is the point about the sixth C.S.P. (Common Strategic Policy), which, essentially, we do not consider it to be a sixth C.S.P., we consider it to be an ongoing initiative.

**Senator K.L. Moore:**

I think we can agree to disagree still on that ...

**The Chief Minister:**

I think we have had that discussion too, there is not much point pursuing that one.

**Senator K.L. Moore:**

No.

**The Chief Minister:**

“New programmes are to link to specific Actions which, in turn, are to be outcomes focussed, fully costed and measurable.” I think we are looking to achieve and we include a reference number for each initiative to make clear the link with the financial information set out at appendix 3 of the Government Plan and hopefully you can use the reference numbers to track it through. 1.10: “Detail on efficiencies should be released at the same time as the Government Plan is lodged.” I think we have done that. 1.11: “Should only be defined that genuine saving measures ...” We had that decision in the past. We have referred to them as rebalancing this time round and we have tried to make the distinction between a one-off capital receipt, recurring income, one-off spending measure or saving measure and recurring efficiencies essentially. There is just trying to do a breakdown in a slightly better way. I think there are a couple of areas where there was some ambiguity last year: “Full efficiencies programme should form part of the Government Plan and be approved by the Assembly” and I think that is all included, including the proposition, because it is specifically referred to. 1.13: “Detailed analysis required on how efficiencies have been scoped and calculated.” As per the response in January around business cases, perhaps, Richard, you might want to talk to this: “Additional information on each of the efficiencies and other rebalancing proposals valued at greater than or equal to £100,000 have been included.” Obviously with some analysis behind it. Do you want to talk to that a little bit more or ...

**Treasurer of the States:**

Yes. There is more detail provided in the annexe on the efficiencies programme that had previously been in the efficiencies plan, the report itself, so they are all contained within the 2 documents.

**The Chief Minister:**

I am just skipping through, again, about business plans, I think this is motivations around methodology, if you want to make those. It is about Treasury Green Book.

**Treasurer of the States:**

Yes, the Treasury final case model has been used and has been ruled out, consistent with last year, in particular for the larger scale projects that we would move to a final business case; good examples being the hospital project and I.T.S. (integrated technology solution).

**The Chief Minister:**

Recommendation 1.15: "Performance framework for Government Plan actions needs to include details on how the sustainable well-being of Islanders have been taken into account in the Government Plan proposals." Obviously, that was launched in 2020, as part 2, and each C.S.P. priority in the plan does now include a section entitled how we will measure sustainable well-being.

**Senator K.L. Moore:**

Yes, but I was just going to pick you up on that and if I can ask you to look at page 67, if you would, as by means of example. One of the issues that we were trying to highlight last year was the lack of measurement of those outcomes that the Government is aiming to fulfil. Neither at the time was it described clearly in which direction the Government was aiming to send that information. While I accept fully that the performance framework is now in place and there is still no indication of where you are on the measurement chart within the Government Plan, as a working document it seems rather unusual that we have the list of measures but no indication of whether you have performed well this year or poorly or which direction you intend to head next year without causing the reader to go look at a website and cross-refer, which seems slightly clunky.

**The Chief Minister:**

I suspect and I will hand it ... I think probably Charlie. I suspect part of the answer is, is that the whole point of the performance framework is that it is, yes, subject to whenever the measures are updated but it is an ongoing thing that gets updated on a periodic basis. As soon as you put it into a document that is lodged in ...

**Senator K.L. Moore:**

But you could provide data as of X date surely.

**The Chief Minister:**

You can but it is only valid at that point. Depending on which measure it is, potentially lodged in October, debated in December, it will have moved on. I think the point is, is that it is meant ... also I suspect, having said all that, with COVID as well I suspect we are going to see some quite distorted ... there will be some one-off impacts in there, which will significantly be out of kilter to where we would normally be. That is not an issue one way or another because that will be the fact. But I think it is more about it is a point in time in the document and it will rapidly then go out of date.

**Senator K.L. Moore:**

Generally, if I asked you as Chief Minister, how content you are on a scale of 1 to 5 with your Government's achievement of the various outcomes and measures that you have set yourselves last year, where would you sit on the scale?

**The Chief Minister:**

I would not want to give a number today. I have to say my focus has been on dealing with COVID particularly and, therefore, I am probably in the 3½ to 4, in fact probably 4 territory out of 5 in how we dealt with COVID because I am sure it can always have been done better, but I think we have done pretty well. If you look at where we are in terms of the big-ticket items like the hospital, like, hopefully the office strategy and things like that, I will give an evaluation, I think, after Christmas because hopefully by that point we will know whether the Assembly have gone for the site and whether we are in the position and the office strategy is moving forward. Because if we have done that, then I will be really happy.

**Senator K.L. Moore:**

Yes.

**The Chief Minister:**

I am happy from the perspective at this stage I can see lots of progress in a whole range of areas in these things; I am using those 2 as an example. But until you get that next bit of approval that, for me, is one of the measures and we will see if the Assembly go with it.

**Senator K.L. Moore:**

Yes. One of the measures here on the page that I have referred you to previously was Jersey's overall well-being score using the Better Life Index, for example; are you content with where the Island is now sitting on that well-being score?

**The Chief Minister:**

I think I would have to go back and remind myself on the well-being side. I do seem to remember that overall people were happier but, equally, they were ... I think that was relative to the year before but it was still relatively low, compared to a whole range of other areas. I seem to remember as well that I think it was politicians and the media were held in relatively low standing and things like that. In terms of perception, there are some issues in there, I think there were some issues around the well-being survey in terms of just understanding it in the context of a number of other jurisdictions as well. But that is something because it was some time ago, I think, when it was brought out.

**Treasurer of the States:**

I think if I were to translate that through on finances, from a financial perspective I do not see that this is the document in which we are laying out the position in the year to date or the 2020 accounts; we have got a half-yearly report in place and we have also got the full-year report. This document is to the plan ahead as that matures and as to performance framework, a missing link there. I think that same scenario for the performance framework but that is elsewhere and should be elsewhere

in terms of performance to date. As this matures it might be something that will go on for the performance framework and we just might remind ourselves of the targets. What we have been conscious of though in creating and putting together these documents is we put everything that I put, for example, that I might want in here in accounting and it gets deeper and deeper and deeper and loses, as previous M.T.F.P.s (Medium Term Financial Plans) did, that accessibility and that information that is key to the Government Plan process, as opposed to becoming a compendium of all measures.

[15:15]

**Chief Executive:**

But on top of that, picking up on Richard's point, this is about the plan ahead but the current year, the areas that you look at where you get more granular detail is the business plans for departmental/ministerial responsibilities. They have outcomes but they also have K.P.I.s (key performance indicators). In the performance framework for this year coming up, yes, they are in the business plans for the departments.

**Senator K.L. Moore:**

Yes, I just do not recall seeing any business plan for any department.

**Chief Executive:**

They were all sent to every single Member at the end of last year in accordance with what the arrangements were and will be this year as well. Part of that work, which is where P.A.C. (Public Accounts Committee) focuses its interest, is looking at whether we have in the preceding year dealt with the targets that have been set. Because you drill down into ... often the delivery of the Government Plan sits within certain ministerial or departmental operational briefs.

**Senator K.L. Moore:**

Okay, thank you. If we look at this year's Government Plan, Chief Minister, would you like to sum up for us briefly, tell me what the underlying principles for the revised Government Plan are?

**The Chief Minister:**

I think it is what it says on the front, to be honest, which is responding to COVID, it is protecting the Island, it is protecting the health services, it is managing the economy and renewal, rebalancing our public finances, as we all know, and particularly investing in future health care and education.

**Senator K.L. Moore:**

Yes, the rebalancing of finances is an interesting one, is it not? You are intending to borrow at present £336 million next year from the revolving credit facility but that will be turned into a medium-term facility, we understand, at a later date. Then there are plans also to further borrow at least, I think, an additional £600 million for other projects but that is a £100 million bill for growth in the life of this Government Plan. If you could describe how you see the rebalancing of finances.

**Chief Executive:**

Sorry, did you say a further £600 million borrowing?

**Senator K.L. Moore:**

We have had the figure of £1 billion, yes, in ...

**Chief Executive:**

But that is not in the Government Plan.

**Senator K.L. Moore:**

No, but we hear that that is on the cards.

**Chief Executive:**

But that is where the borrowing is, it is identified in the Government Plan, so I mean I ...

**Senator K.L. Moore:**

Yes, but there is still an intention to borrow further, as far as we understand, from what we have heard from the Government.

**The Chief Minister:**

For what? It is just for the hospital. You said for future projects, plural.

**Senator K.L. Moore:**

Other projects that we have heard. I am asking you, you are here to give us answers.

**Chief Executive:**

It does not say that in the Government Plan, does it?

**The Chief Minister:**

No.

**Senator K.L. Moore:**

No.

**The Chief Minister:**

Essentially, at this stage the borrowing that we have talked about, which is the borrowing that is referred to in the plan ...

**Senator K.L. Moore:**

But it is important because we have now moved to annual plans but there are still several measures in here, and we have heard several indications from yourself as well, that may tie the hands in the future, talking about social security contributions increasing and the additional borrowing that is underway. When considering this plan it is important to understand what else is potentially being considered in coming down the track.

**The Chief Minister:**

I accept you want to look ahead but I think we were just slightly thrown by the £600 million reference. It sounded like “projects” plural.

**Senator K.L. Moore:**

That is what we understand, so you are here to put us right if that is incorrect.

**The Chief Minister:**

Okay. The context is that in the plan we have talked about, say, £385 million, £336 million plus the fiscal stimulus, and that is what is in the plan. We have talked about, potentially, what that impact might be in the year after. We have referenced the fact that it is likely but we have not made any decisions on that, that the hospital project will be funded through borrowing. I do not think after that there is an intention that I am aware of, unless we are talking about infrastructure of funds, which I would not describe as borrowing, to borrow any further. What we are clear on is obviously the impact of COVID, which we have discussed previously, which is the drop in income, the increase in COVID expenditure and the overall impact that has had, which has required us to borrow.

**Senator K.L. Moore:**

Okay, yes.

**The Chief Minister:**

That is what we are talking about, making sure we have got rules around debt in terms of capital receipts identified in the plan and if they come in or when, that will go into the sinking fund that we are talking about creating to contribute towards the repayment of the debt. As I recall, if the income estimates improve, that improvement would go into the sinking fund, as would, potentially, any new

efficiencies that we identify that we have not previously identified. In other words, so you have got a very clear and I would hope a fairly ... we do have to write these up, okay; these are the principles we are talking about and which I alluded to in the plan. You have got some very robust guidelines around that we have had to borrow. It is not in the psyche of the Island. It is not wrong to borrow at this time but we need to make sure that we have things in place to make sure that it is repaid without threatening future generations. The hospital has always been a slightly different beast. It is a massive infrastructure project, always has been but it always has been a massive infrastructure project.

**Senator K.L. Moore:**

Yes, but now it is almost double the cost that it was previously. But we will not go into that here.

**The Chief Minister:**

If you say that ...

**Senator K.L. Moore:**

If I could just ask about the hospital, are you saying that you are intending purely to borrow to fund that project?

**The Chief Minister:**

No, I said we have not determined the final funding because that will all be sorted out. I think it is July, for what the Assembly decides, so we will put those measures in place over the next few months. Do not forget the hospital, the size has got bigger and it includes mental health, which it did not used to and inflation in the time period. It will be on that basis. There is going to be more, I think Senator Farnham has alluded to that already. What we have got to make sure is that we are happy that we have got something that is fit for the future, which I am sat here today and so I have got absolutely every confidence in and, I have to say, I proved that he did not improve the schemes. I think the measure there is to accept ... from our perspective we have got the advice that says do not dial into the reserves in terms of into the debt; borrowing is presently cheap. Your alternative is some form of taxation increases, which certainly from the F.P.P. (Fiscal Policy Panel) advice is really not to do at the moment.

**Senator K.L. Moore:**

Would you just like to outline why you do not believe now is the time to use the reserves that the Island had for a rainy day?

**The Chief Minister:**

I think there are 2 to 3 arguments, one around the March/April time, we would have been crystallising losses when we did not need to. I think now, as I said, borrowing is cheap but, more importantly, certainly from my perspective and trying to keep it really simple - Richard can add all the technical stuff on to it - is that you need something in your back pocket, i.e. as a contingency for, I would say, 2 or 3 years' time. If we do go through an economic shock equivalent to the 2008 financial crisis, you are going to want some flexibility there; as it refers to, it is about flexibility. At the moment you can borrow and at the moment the funding is available and, therefore, it is a bird in the hand, get that funding in, keep the reserves intact and then you know you have got the maximum flexibility for something. There is a probability that something is going to happen in a couple of years' time but you have got no certainty as to what that might look like and that is why we want to be prepared.

**The Connétable of St. Brelade:**

Are the F.P.P. giving any long projections or are they limiting themselves fairly short?

**Treasurer of the States:**

For the economy or for ...

**The Connétable of St. Brelade:**

I am thinking probably towards the cost of borrowing, have they a revolving arrangement, if you like, but is that likely to increase as time goes on, due to after COVID effects, shall we say?

**Treasurer of the States:**

If I knew exactly where the markets would go in interest and I was able to give this caveat; that would make me the only person around. But at the moment the expectation was forecasted, they are talking about interest rates staying low for the foreseeable future ... not for the foreseeable future but certainly for the coming months, if not years. There is always a risk that interest rates will go one way or the other. I think I have sat in front of a Scrutiny Panel thinking that interest rates of previous times were at historic lows and they carried on going down, particularly as it arises from COVID. The key risk area is between using short-term borrowing, which is what we are proposing in this plan until certainty around the hospital is in place, but also to allow some of those plans in terms of reducing some of the debt before you enter into longer-term facilities to be worked through. In addition to which if you go around the time of next spring we will certainly have more certainty as to how COVID has progressed, which will allow between here and there the flexibility before you enter into more medium and longer-term debt. At the point you enter into the medium to long-term debt, you are then usually fixing your interest costs into that medium and long term.

**The Connétable of St. Brelade:**

Given that interest rates may go up, we would prefer them not to, but clearly the interest on our funds would increase as well. Would you consider dipping into our savings should the interest rates go up to avoid us paying more than necessary?

**Treasurer of the States:**

That has been a proposal in respect to previous versions of the hospital. It is in our mind in terms of giving consideration for the ongoing costs that will be associated with the hospital. But, as the Chief Minister says, no final plans are in place until we get to the stage where we have got more certainty on the cost and, at that time, more certainty on forecasts. It was always considered. We have taken some advice in terms of how we might structure medium to longer-term debt but it is also one of the options. Of course we do not hold all of our investments in interest-bearing investments and if we did we would not have earned as much from those reserves over the period as we have.

**The Connétable of St. Brelade:**

If I may quickly pick up on that one. Would you consider looking at the investment strategy in the light of what we are doing or reviewing the investment strategy?

**Chief Executive:**

We are doing that.

**The Chief Minister:**

Yes.

**Treasurer of the States:**

There is a requirement that at least annually we review the investment strategies of all funds; we do that. But over this period of volatility and if, for example, you were using any of the funds for particular reasons or there was a fund that we reduced in value, we would look at that as well. In particular, should there be a change in the use of a fund or the purpose of the fund we will also change the strategies. The strategies are under intense scrutiny in terms of looking at whether the strategies were, given market expectations, performance of managers but also the purposes of the funds.

**The Connétable of St. Brelade:**

Thank you.

**The Chief Minister:**

I think the key message for me is flexibility. We are in the biggest time of uncertainty in terms of the global uncertainty and, therefore, the more flexibility you have got to get you through, giving you options that you can decide on over the next 2 to 3 years, and I cannot say if this is factually correct but my understanding of the principle is that the 2008 financial crisis really only hit here probably in 2011-ish, in other words there was a delay. If you say we are in that position now you are trying to predict for 3 years ahead, which you obviously cannot do, but that is where flexibility is important. When you hand over to the next Council of Ministers, hopefully you have got things in their toolbox that if they do need to deal with things they can do, whereas if you run the reserves down, for example, there is one option and all options are gone and that is the fundamental. If you look at time periods of debt, what we are saying about the COVID site, and I think a number of you have had hearings on it with Richard earlier this afternoon on what we are proposing to fund that and to clear that as a sort of medium-term method, and that, for me, we have got to address. Probably the biggest infrastructure project or capital project we have had for a long time, if ever, on the hospital is a different measure if at, say, 30, 35, 40-year payback type of thing. I was looking back at other non-political things I have been involved in where it was a 25-year payback. I have lived through that, i.e. we have paid it back and phase 2 I have just been down to look at in the last few days. It is a big capital programme and it is something that as long as you know there is a finite period and it is a reasonable period of time, if that makes sense, it is not 80 years - I am exaggerating here - but then from that perspective I am comfortable that debt is a way of doing it. But that is a decision that the Assembly has to make and it is a decision once we have got more information over the next 6 or 7 months. But then you might use some of those extra terms, I think we talked about, from the Strategic Reserve, which was one of the original proposals, to clear that debt over time. The rules I alluded to earlier I would say you would want to see that wrapped around, in my view, any debt.

**Deputy K.F. Morel:**

If I could just ask as well, one of the questions I have been asked by plenty of Islanders has been why are they not using the Strategic Reserve?

[15:30]

I have answered using some of your own words today and you have added to that as well, flexibilities, which I have not mentioned and I will start using that in my answers in the future. But one of the things that I have wondered about myself and is related to that question is, given the forecasts, and I appreciate their forecasts are uncertain for the return on investment on the Strategic Reserve, why are you not considering using the return on investments, not the capital but just some of the return on investment to help pay down some of the debt?

**The Chief Minister:**

Part of it goes back and, of course, the point about looking ahead is that you can only use them once, if you see what I mean, because I think we are, effectively, keeping them for the hospital kind of projects, the main one, but you might want to elaborate on that.

**Treasurer of the States:**

As you identified, Deputy, there they are just forecasts. They are at a very high level. They are discounted initially for this coming year or so in a way that we would not do. We typically just use the long-term return on those. One thing you have to bear in mind there is if we say the return on the fund next year pays the interest, if in that year we have a loss on the funds from an investment perspective then you either have to eat into the capital to pay that or you have to go elsewhere to pay that. While these are to give an indicative position of where the funds will be, they are inevitably forecasts over what we say is the short term and so need to be viewed in that context. We are using the medium term, the long term, return on those. To get any more complex on that would be looking to do some ...

**Deputy K.F. Morel:**

But of course in the meantime all it is doing is rolling up back into the Strategic Reserves and there are lots of Islanders wondering why we ... Islanders over the many years and Senator Le Fondré will know this.

**The Chief Minister:**

Is it raining?

**Deputy K.F. Morel:**

I have often wondered when is a rainy day a rainy day? Clearly no day has been as rainy as the ones we have recently had this year and yet whether it is a return on investment or whether it is the capital itself, the only thing that seems certain is that no one is touching the Strategic Reserve, even in the rainiest of days.

**Treasurer of the States:**

We did modelling when we were doing earlier propositions and proposals for the hospital to see whether the Strategic Reserve could bear the cost of the repayments in the long term, as well as the servicing of the debt; obviously, the more debt you have, there is a missing link there. The Fiscal Policy Panel had advised that the reserve is not big enough, in their view, and that we should find ways to grow it, which obviously, therefore, if we do use it to fund those, then obviously it has an impact. However, changed circumstances have not changed, and that is one of the options for the funding of the hospital when we get further down the line, if that is indeed the option we choose. You have got to be cognisant of that cumulative position and whether the Strategic Reserve could

do all of that and maintain or grow its value. It is pushing towards less likely but still, potentially, possible, depending upon the future returns.

**Deputy K.F. Morel:**

Of course the only reason why I ask this is because the imposition on prior-basis taxpayers for that 10-year period, where they have been paying extra tax, it seems that one subsection of taxpayers has been targeted with paying off a debt incurred by everybody, when there is potentially a source of income there that could be used for doing that without imposing ... at the end of the day we also know one of the reasons that the prior-year tax may change is because the Government just does not like running 2 systems and finds it inconvenient; that is an awfully large price people are paying for the Government's inconvenience.

**Treasurer of the States:**

The prime motivation for addressing prior-basis taxation is not to raise revenue for the States; that is not where that initiated. It is not where ...

**Deputy K.F. Morel:**

It is where it is now though.

**Treasurer of the States:**

No, it is not. The prime motivation from the Treasury in considering that, it is an awful lot of work for Revenue Jersey and for colleagues. The prime motivation for it originates, firstly, it is in the plan last year, so that we would look at that because people ...

**Deputy K.F. Morel:**

No, it said we would present options, we have not been presented with options; that is what the last year's plan said, options plural.

**Treasurer of the States:**

Okay.

**Deputy K.F. Morel:**

This year you have not presented us with any options, just given us ...

**Senator K.L. Moore:**

The revenue has a dedicated purpose, which is repaying COVID debt, so ...

**Treasurer of the States:**

That was just setting out ... we have just done an hour and a half on this, Chair.

**Senator K.L. Moore:**

Yes, we have.

**Deputy K.F. Morel:**

I was at another hearing, I am very sorry, I have no idea what was in that hearing.

**Treasurer of the States:**

It was not for that, in that it just relates to the fact that if we go and do that, that is one sum of money, which is not an additional sum of money over the lifetime of either the States or the individuals in addition to what would otherwise be received. It just looked as though if you wanted to crystallise you could point at that, rather than use it for other revenue expenditure or the capital expenditure to say we will ring-fence it for those purposes. It was never meant initially to be for that purpose, it was to try and address the issues arising for Islanders and the longstanding issues, in particular also the pressures we could see coming through for Islanders arising from the prior year basis tax system. It does not arise if you are a current year basis tax but I am sure this will come up in various Scrutiny sessions.

**Deputy K.F. Morel:**

I am sure it will be coming up. Thank you very much.

**Senator K.L. Moore:**

We all look forward to the in-committee debate next week.

**The Chief Minister:**

I am sure we do.

**Deputy K.F. Morel:**

Do we?

**Senator K.L. Moore:**

I think Deputy Ward has ...

**Deputy R.J. Ward:**

I just had a general question on that area. Is there a point that you have in mind of the maximum borrowing that you would undertake as either a figure or a percentage of the Strategic Reserve so that in the long term we are not left in a position where borrowing has totally outstripped the total

reserves of the Island, for example? Is that a consideration that you have in the back of your mind in terms of that level as regards the reserve as a percentage, i.e. we would only ever borrow 50 per cent? I am just making this figure up, just ...

**The Chief Minister:**

I will let Richard talk to what you might call the percentage idea. For me, I look at how long it takes to pay it back, if you see what I mean, and what the nature of the borrowing is. I am very comfortable with that we have been proposing from the point of view that COVID, I do not know how long it will be for but I think I can address as a one-off. We very much hope we are not going to get a hit in the income like we have had or the spend that we have had. Again, hopefully, it is not a recurring matter and, therefore, for borrowing for that I can cope with. The infrastructure, the hospital is a one-off big project, it is a one-off spend and within the context of that, again, provided we know that whatever methodology we use to fund it, so I have used 30 to 40 years type of thing length of time for that sort of thing. That, for me, is something for me personally I think is justified; that is in the context of sort of other projects I have been involved in where we have used about a 25 to 30-year basis. You also take into account, in my view, in my thinking, some of the longer-term liabilities that we have that we are also doing a piece of work on, which we may be able to reduce and that will also then come back into the ability to, essentially, address some of that debt in the longer term as well. But in terms of overall capacity, I would say part of that was governed around advice, part of that will be governed around, I think, the F.P.P., et cetera, and I suspect around credit ratings.

**Treasurer of the States:**

There are a number of frameworks we can look to in 2020. You will remember the scores that that would give but in particular so S. and P. (Standard and Poor's), our ratings agency, point to different triggers. We have taken advice as to when particular triggers will need to be triggered and more than likely this level of borrowing outlining the Government Plan not guaranteed not to trigger but that is a matter for the ratings agency. We will need to brief them on our plan as well. We have briefed them previously in the year. There is a metrics use there, in addition to which we have commissioned when we took to looking at medium to long term, given our balance sheet, there was no question that the scale of reserves assists in securing borrowing; the higher your borrowing goes relative to those reserves, that gets more difficult. But also look at metrics as they apply to the size of the economy; can the economy generate the incomes to be able to repay? At the end of the day we are looking at people who are looking to lend money to you, it all comes down to are they satisfied with the ratings agency or their own assessment of the ability to repay, rather than a hard and fast rule that in some cases can be an arbitrary one?

**Deputy R.J. Ward:**

Sorry, I was just going to say, the concept of borrowing while money is cheap, again, is just the long-term security of that impact I think, which is the questions that have been asked ...

**The Chief Minister:**

That has got to be in the context of the ability to pay is to repay.

**Deputy R.J. Ward:**

Yes.

**Treasurer of the States:**

But it is also in the context of repay, which establish principles in the plan; they are on various pages.

**Deputy R.J. Ward:**

Yes. I just wondered if you have a percentage in mind and you would be happy with or about total borrowing in regards our Strategic Reserve. If you have not then that is fine, well it is not fine but that is the answer, yes.

**Chief Executive:**

There are some rules about what you should not do and I think we just articulate those. But I think the other bit that I would draw to the panel's attention is of course we have been advised consistently that we have not got enough in the Strategic Reserve by the F.P.P. and that in fact whether we like it, successive governments have not put money back into the Strategic Reserves for well over probably 3 terms of office, which gives you an indication that the only reason why the Strategic Reserve got to where it is was because there was a boom in investment returns and not because anybody has been replenishing at the levels. When I arrived I said we were £600 million, I thought, light. If you take it out now you are only compounding that problem and one of the things that I think we have got to remember is global economic impacts, whether it is a pandemic or whether it is a fiscal crisis of one or other descriptions, are not going to get less; they are potentially going to get more. You need to be able to have some wool on your back in those situations. We are faced with a really difficult catch-22 scenario and I do think that we could talk about this in an academic way but we have also got to remember the advice that has been consistent from F.P.P. for some time.

**Deputy K.F. Morel:**

Absolutely. I accept you are correct about F.P.P. You also, in my view, are correct about the Strategic Reserve not being replenished.

**Chief Executive:**

Yes.

**Deputy K.F. Morel:**

But one of the questions I would like to ask is you are talking about the ability to repay and you mentioned academic, Charlie. When formulating and thinking about borrowing for whatever reasons, and an emergency is a very good reason, so do not get me wrong there, do you think in terms of every pound, every £100, every £1 million spent paying back a debt, particularly in the interest element of paying back that debt, is £1, £100, £1 million not being spent on public services in Jersey? Because while it is quite possible that you could repay a debt which is 100 per cent the size of the economy in terms of the actual overall quantum of the debt, not the interest on it, obviously the interest would be eating, let us say, 30 per cent of tax receipts in doing so. Do you think of it in those terms as well? Yes, this is affordable, we can repay it but that is 5 teachers we are not ...

**The Chief Minister:**

What is the impact? Yes.

**Senator K.L. Moore:**

Because previously the principles around borrowing that have been implemented in Jersey for the one borrowing that has been undertaken was that there was an income generated by borrowing.

**Chief Executive:**

Yes.

**Senator K.L. Moore:**

But in this case that is most certainly not the case.

**Chief Executive:**

But that is because you are dealing with a double whammy because of the pandemic's impact on income. If you were in a fiscal crisis you would not necessarily see the drying up of your income streams in the way that we have because of businesses being curtailed and the spend on everyday activity, which you can collect through whatever fees and charges mechanism drying up in a way. What we have got here is not ... and this is why I do not wish to be critical when I use the word "academic", we are faced with a unique set of circumstances which we would not normally get if you were faced with an economic downturn, for example. You might have no earn income but you would not see it drying up at the same levels. You would still have footfall going into businesses, so, therefore, your economic stimulus and recovery money might be there for certain sectors but it would not be at the scale that we have had to undertake in the last 6 months, and the list will go on in that sense. I do not wish to denigrate the point that you make but I think the rules of engagement have changed and, therefore, we have to be flexible and agile in understanding that in dealing with it.

**The Chief Minister:**

I think this is one of the biggest financial puzzles, if you like, for want of a better expression, in terms of pulling all the various pieces together and that I think anybody has had to face ...

**Chief Executive:**

We do not have the luxury, which I guess in other jurisdictions where we can create a sovereign debt, put it out to the market for 60, 70 years because we do not print our own money in the same way that you do.

**Deputy K.F. Morel:**

That is the point I dislike. Just very quickly, speaking to Deputy Ward's question about at what point do you say this is enough debt, no more debt, thank you very much? I think that yesterday the I.M.F. (International Monetary Fund) advised that governments should borrow as much as they can in order to deal with the COVID crisis, as long as that is affordable and noted that for industrial countries or developed countries such as the U.K. (United Kingdom) or France or wherever, they counted their money, they have got strong economies, they can keep borrowing almost in perpetuity. But for other less-developed economies that is not the case and they do need to think that there is a cap on the amount of borrowing that they should take.

[15:45]

We do not fit into the first U.K. style because we do not print our own money. We are much more like the developing economies in that we have restrictions on what we can do. I am not going to ask the same question as Rob did but I think there has to be a sense of where we should not go with that. There is a level at which we have to think that is too much debt.

**The Chief Minister:**

Which takes us back to the combination of the ability to pay, to repay over what period of time - I agree by the way - and what is the impact of that ability to pay? Because, as you say, if you took out 30 per cent of your future tax revenue or something, I am not going to pick a number but there is a judgment call and ...

**The Connétable of St. Brelade:**

In simple terms then the *raison d'être* for the fund is really to provide collateral for the Island.

**Treasurer of the States:**

That is how some may put it; that is not how I put it. When securing that borrowing on those funds, then the actual security and what they give to those people who are lending the money is some comfort and assurance that is assessed through a credit rating agency but also you look at our audited accounts and such like, that the Island is good for it, that there is a reasonable expectation that in times of a crisis we would still be able to service our debt.

**The Chief Minister:**

You have got to look at it at each point in time you are looking at these things. You do a set, you have to go through that judgment call, okay, do you use the reserves or do you ... on the point we are at, the advice we have taken is do you borrow?

**Senator K.L. Moore:**

The chief executive mentioned the failure to replenish the Strategic Reserve over recent years but this Government Plan neither offers to replenish the Strategic Reserve, for obvious reasons, but it also proposes the discontinuation of supplementation grants to the Social Security Fund, and we will get on to that again a bit later probably. But it does somewhat have the same impact because it appears the purpose of that endeavour is to erode the Social Security Fund because there is a feeling in the Government that the provision of 7 years' worth of pension payments is more than the Island needs and that they only need 5 - I think it is what we have been told previously - therefore, it can be eroded. However, as the chief executive has mentioned, other things could be done that would have a greater benefit to the Island, such as creating a sovereign wealth fund with that excess money, if it was deemed to be excess, rather than eroding it.

**The Chief Minister:**

I am just going to clarify one point, and Richard Bell may tell me I am completely wrong, but we are not eroding the Social Security Fund; we are not paying into the Social Security Reserve Fund, is that fair?

**Treasurer of the States:**

Yes, but the effect ...

**Senator K.L. Moore:**

But the impact of not making the payments means that it is eroded because it still has to pay out.

**The Chief Minister:**

No, the Reserve Fund does not grow by the supplementation grant, effectively.

**Treasurer of the States:**

The Reserve Fund, yes, a supplementation grant goes into the Social Security Fund, rather than the Reserve Fund. Not putting money into the Social Security Fund, as you are suggesting, leads to having to use the Social Security Reserve Fund to make up the difference. But the difference being between the 2, between the Strategic Reserve and the Social Security Reserve Fund, the Social Security Reserve Fund is there specifically for the payment of benefits and contributory benefits, not income support and pensions that are paid out of the Social Security Fund under legislation. The purpose of the fund, we are not saying whether 5 years is right; that was the initial target in agreeing to increase contributions over, enough to break even, to grow a fund that acts as a buffer in the first instance but also as something to ease the rate increase that would be necessary from an ageing population. It has out-performed. It has out-performed largely because of investments but also fed initially by those contributions, which is slightly different in terms of purposes of the funds. The Strategic Reserve is there to address the risks. The Security Reserve Fund is there to pay pensions.

**Senator K.L. Moore:**

I think that answers my question, thank you.

**The Chief Minister:**

I think the point is we were told, yes, the advice again is if you continue making the payments and, as we have said, it has been done, and I am not saying it was wrong by the way, in previous times as well by the relevant Council of Ministers. It did not make sense to continue the payments into a fund that had roughly £1.7 billion on it and, effectively, borrow to pay into that ...

**Senator K.L. Moore:**

That is the same effect as not paying into the Strategic Reserve essentially. If we could just move on and go back slightly to the borrowing question, that we were having an interesting discussion around. Of course the final page of the Government Plan references the second wave of COVID-19, which I know we have had interesting discussions about the semantics around that.

**The Chief Minister:**

Yes.

**Senator K.L. Moore:**

But the resurgence of COVID-19 is certainly happening all around us and even here at the moment. There is spending for the continued track and trace next year of about £43 million, I think. But given the spend to date on dealing with COVID, what further spend or borrowing do you consider might come down and track and what other provision is there in the Government Plan?

**Treasurer of the States:**

But a very quick aside as well just on the Social Security Reserve, at the end of this period, compared to the start of where we anticipate at the start of this period, the fund will be in broadly the same situation. But moving on to this question, we have looked at some of the costs we might expect at, to use the old terminology, level 1 and level 2 infection rate and associated restrictions and provided for £87 million, which also includes some money for economic recovery measures. We anticipate, however, that ... we do not anticipate but we have allowed for in the event that there would be a step up in restrictions on individuals or businesses, that we may need to put more money in place. We have put £40 million in place, £40 million is intended based upon what we have seen and what measures you might use to be a 3 to 4-month buffer against in it. That is partly done on that basis, given that ultimately we would not envisage, given that the States Assembly and who has been seen to be able to set that clinically - not the right word - perpetually over the period. For any amendments beyond that the £40 million would give you enough latitude to deploy rapidly and effectively but then you would be able to come back to the States Assembly if more funds were needed. In terms of access to the borrowing facility, the borrowing facility that we currently have is up to £500 million. The proposal is not to use all of that in this year and that, therefore, there is sufficient flexibility within the plan to address expected costs that we might have in the first 3 months. They include tracking and tracing and they include other measures such as maintaining the Nightingale hospital and such that there is provision for the vaccine. If we get into even further measures that might be needed, then we have got access to the £40 million at the Council of Ministers, and they can report through to the States Assembly, but we can take rapid and effective measures. Beyond that the intention would be to come to the Assembly, for the Assembly to do so beyond that provision, as opposed to be reliant upon, as we did this year, the emergency powers up to 30th September. By emergency powers, sorry, to clarify, those are the ones under the Public Finance Law.

**Senator K.L. Moore:**

Right. But in comparison to the £300 million spent so far on COVID, £40 million is a mere drop in the ocean.

**Treasurer of the States:**

It is £250 million.

**Chief Executive:**

Yes. If you go to page 126 it gives you the indication of the amount that is built into the plan; that is a continuation of some of the key aspects of what we have incurred and will continue to do, plus some additional costs, which cover some of the new priorities, by way of example, schools' catch-up programmes, et cetera. The plan has 2 or 3 different components which support, in effect, the impact of COVID across the next financial year. We obviously do not know where that is going to end up but one of the assumptions that we planned on is that the biggest impact is probably going

to be through the winter. When you get to the spring period there will be a winding out of some of the health consequences following the pattern of this year. But at the same time you do hope that there will be a vaccine that will be available, subject to all of the caveats that come with that, which in turn means that you may be able to say something a little bit more optimistic about the economy and the impact on the types of restrictions that were put into play in the first part of COVID earlier this year. The plan does not confine itself to £40 million, that is, for want of a better expression, the unexpected piece. There is very clear demarcation between continuation projects, which are identified in the plan in that section of the report.

**Treasurer of the States:**

Just to clarify, the £336 million includes all of that, includes the £40 million reserve contingency and includes the expected spend of £87 million.

**Deputy K.F. Morel:**

Can I just ask: with the revolving credit facility you have charges continuing until 2024 and I think about £27 million in total?

**Treasurer of the States:**

Yes, so that is ...

**Deputy K.F. Morel:**

But with the view to moving to a kind of medium ... moving to basically a bond, I would have thought, in less time than 2024, so how come you are still pushing charges through?

**Treasurer of the States:**

Yes. On reflection I should have put revolving credit facility/medium-term facilities. It is priced up for the first 2 years based upon the profile of the borrowing as if it is coming from the ... of the best period and through to 2 years of the R.C.F. (revolving credit facility), using the revolving credit facility and beyond that what our expectation might be of what the medium-term debt would be and the pricing of that debt we would use. We used a blend across the years - R.C.F. for shorthand - but, yes, subject to each decision.

**Deputy K.F. Morel:**

Okay, that is fair enough, thank you.

**Senator K.L. Moore:**

Right. If we could just look at the income tax, income draw cards, they revert to normal type and there is a bit of growth predicted up until 2024. Could we just ask what that is based on? Obviously,

we have got the I.F.G. (Income Forecasting Group) report eventually this week, I think it came through yesterday but is this based on the premise of a growing population and, if so, what rates of growth?

**Treasurer of the States:**

Based upon the Fiscal Policy Panel's economic assumption, so within there there is growth in employment. It does not specifically look through the underlying population, it looks at growth of employment through the compensation of employees' aspect of the economic assumption. So the growth being forecast over the medium term is based upon those economic assumptions. We have reviewed the spring downside forecast and included that within the forecast and said it still broadly captures what you might expect from a downside forecast without needing to go through the numbers again. The growth responds or comes through from what we have from the economic assumptions.

**Deputy K.F. Morel:**

Are you not concerned that the Fiscal Policy Panel is taking a rather optimistic view? Because I think, if I am right, it is about 14.7 per cent growth in tax receipts on 2019, so that is a full year of non-pandemic 2019's tax receipts. By 2024 they are saying it will be roughly 15 per cent more than last year. I just find that quite optimistic.

**Treasurer of the States:**

We have gone into the income forecast, particularly in the earlier years, and discounted in those early years where that would not be captured through the Fiscal Policy Panel, so we have been looking at historically what you might have expected to get through financial services and bonuses and discounting the tax on that. The Economics Unit then, and it may even be in this report, look to see how the forecast of the F.P.P. compares to other forecasters and other commentators around the world; they do not look out of kilter in fact. The Fiscal Policy Panel before anyone else - or not anyone else to be definitive here - before some of the other forecasts we had that had predicted on a global level or elsewhere that there would be an instant rebound back up to the previously expected line; even in their March forecasts they were not predicted. It would come straight back up to where it previously was and absolutely discounted that in part off the back of reduced interest rates because their previous forecasts would be all the reduction interest rates. I think it is a reasonably prudent income forecast. The key word I will use at this point is a phrase I often use ... I will have to find a different way of adding the further strength, but these are times of more uncertainty than we previously had on income forecasts but it still included the downside, so the scenario of planning could be put in place if we start to see that the downside would ...

**Deputy K.F. Morel:**

The 15 per cent growth in tax receipts, which again the Fiscal Policy Panel are not forecasting that because you are going to be raising taxes, particularly they are forecasting now, I assume, on the current tax base.

**Treasurer of the States:**

It is on the current tax base, yes.

[16:00]

**Deputy K.F. Morel:**

Given the economic struggles that are likely still ahead of us and also falling productivity across almost every sector in Jersey, I cannot see how that can be achieved without growing the population quite significantly.

**Treasurer of the States:**

There is growth in there - I would have to go back to the forecasts - there is growth in employment. You have missed out the down bit, you have gone from 2019 across and there is plenty of graphical representation ...

**Deputy K.F. Morel:**

That is what I mean, this is based on last year's, I do not have to worry about this year's unemployment in that at all.

**Treasurer of the States:**

Yes. I do not find it to be an overly optimistic forecast, compared to forecasts elsewhere of the economy but I will come back to a great deal of uncertainty out there. The Income Forecasting Group then looked at it and said other areas where we should be tearing up. We have discounted against some of that in the March forecast and in the most recent forecast. The most recent forecast is less than the spring forecast; over the period which mirrors the more protracted recovery forecast by the F.P.P.

**Deputy K.F. Morel:**

Thank you. I was not sure what question we were on, I am just asking questions regardless.

**Chief Executive:**

That is a good thing; that is good scrutiny.

**Senator K.L. Moore:**

Yes, it has been a very interesting question.

**Deputy K.F. Morel:**

Chief Minister, one of Jersey's unique selling points and, in fact, you might argue Jersey's unique selling point is its economic stability, how do you think this borrowing will play into that narrative of economic stability?

**The Chief Minister:**

My view is it will be consistent with because I think there will be very, very few jurisdictions that have not had a huge impact, will not have taken a huge hit, as a result of the whole pandemic side, I think anywhere globally. On the fact that we still retain strong reserves, the fact that, yes, borrowing will have gone up but we will have a plan, we have got our planning and hopefully it stays intact. It will come down to the Assembly but we will have a plan to make sure it is repaid on, hopefully, a prudent basis. For me, that is consistent with that prudence that we have stood by. We are doing it on the basis of all the advice that we receive. We are not doing it because of necessarily political views one way or another. We will try and do it in an objective manner. I think as long as we keep it calm and measured and balanced, and all those type of things, that that prudence will carry on. Therefore, from an economic stability point of view, hopefully people will still regard that in a good way. As I said, the fact that we do retain strong reserves for me is a plus.

**Deputy K.F. Morel:**

Sticking to the idea of economic stability and certainty, some of the comments you made I think when presenting the Government Plan publicly, were about the possibility of social security contribution increases, G.S.T. (goods and services tax) increases, income tax increases, possible call for tax increases. In my mind at least that creates uncertainty, rather than certainty because while you were saying these may be necessary in the future, that creates uncertainty basically and people now do not know or could next year bring some tax increases. Could the year after bring some tax increases? How do you think that is ...

**The Chief Minister:**

I think we have, hopefully, made it pretty clear that anything significant, and by that I would refer to the ... by significant I mean if you were doing a change in social security rates, for example ... I am not talking about the increase, I am talking about the fact that you are dealing with something that is quite a structural way we raise revenues in areas. We have said that is a number of years out, you cannot do that at short notice. People will have plenty of warning and you will have to do all the usual consultation and things that go with that. What we have also flagged, I mean the reference to G.S.T., I was really using that as an analogy that if we do not go down the line that we have suggested that the money has to come from somewhere; that would be, therefore, an alternative.

Basically use the reserves, you put taxes up, we cut expenditure. My view is a slightly different approach, that there is not a permanent increase in taxation. I do not want to set that argument going again, if you see what I mean. But if you do not do it then I was trying to give some illustrations of and our illustrations of what potentially it might do in some shape or form. That is not our intention at all but that is then down, I imagine, with the Assembly. In terms of changes on corporate tax and things like that, all we have really floated is I think it is within ... I am going to look at Richard and say £10 million, which, in itself, is not a massive increase in the context of what we are dealing with. Does part of that include the cannabis?

**Treasurer of the States:**

Yes.

**The Chief Minister:**

Yes. You see, I was just checking I was not double counting; it has been a long day. Cannabis is, if you like, a new ... I have got to choose my words carefully, I suspect.

**Deputy K.F. Morel:**

It is a new product, yes.

**The Chief Minister:**

Yes, the medicinal cannabis is a new product, therefore it is not so that we are going to be taxing existing businesses more, we are hopefully taxing a new business and just making sure that we do tax them and that we do that, we will get a financial benefit out of that particular crop on the Island. Is that the context? Does that make sense?

**Deputy K.F. Morel:**

Yes. Thank you. One of the interesting things I think about this whole pandemic situation and Brexit, but that is an aside, is the intergenerational nature of ...

**Chief Executive:**

Or the interlinking.

**Deputy K.F. Morel:**

Exactly. It is interesting speaking to young people and their thoughts about why we are spending so much money while we are locking down the economy, measures which in the main are enormous, which principally has a much greater effect on older people, rather than younger people of course. With the prior year basis as a way of raising money to pay off this debt, but also having a debt which

will last long into the future, do you think there is an issue with the fact that younger people will be paying off a large debt, which in many ways has been incurred in order to protect older people?

**The Chief Minister:**

I think the summary point is no. I think at the end of the day, as a community, we have had to face the consequences of the pandemic. The argument runs ... it goes both ways I think but if we say it is to protect the parents and grandparents of the younger generation, and that is what we have done. It has also been around because the consequences of that are protecting everybody's jobs and that is not age discriminatory; that is what we try to do. We have given funding to many people, we have given money to all Islanders, so it is not age discriminatory. Then it is around in terms of the measures - without going back to the hour and a half that Richard has had on the P.Y.B. (prior year basis) obviously, and the chair has had - I just raise your point from my perspective, what we are proposing is not a permanent increase in tax. Anything alternative, unless it reserves or cut expenditure, is likely to be a permanent increase in tax, which affects everybody for ever.

**Deputy K.F. Morel:**

Talk about tax increases, with the level of borrowing wherever it ends up, obviously that will be paid off by future generations, do you think that is, essentially, tying the hands of further governments to raise taxes?

**The Chief Minister:**

I would say the hands of future governments around ...

**Deputy K.F. Morel:**

Or kicking the can down the road in terms of raising taxes.

**The Chief Minister:**

I hope it is not about kicking the can down the road. I think one thing that I would hope people take, because I do not pay too much attention to P.R. (public relations) or politics in terms of I am trying to do it for long term sorting things out, rather than short terms and all popularity. But I would say that the ability of future governments to raise or change taxes, or whatever is usually governed by whatever their priorities are vis-à-vis the state of the economy. Yes, it is in the context of wherever we are but, again, it comes down to what are the options you have? We have talked about not using the reserves. Yes, you can do further efficiencies and all that type of stuff but that is about magnitude deliverability and all that sort of thing versus what is your alternative; is some form of revenue-raising measure? I obviously do support the option we are going for. I regard it as a neat solution for addressing some of the issues, as I have said previously, around people who are affected this year because they have had lower income. Those people, when they get to retirement, have not thought

about they should have made provision or have only suddenly realised they should have made provision for a full year of tax after they retire, tax charge. It addresses those but also then allows, as Richard was starting to allude to, about modernising the tax system; that is very much about structural changes. But then it does have a benefit. Yes, it has a benefit to Government but the benefit to Government is of repaying the debt, the debt being used to try and protect Islanders during all the months we have had and the months to come.

**Deputy K.F. Morel:**

Obviously Brexit, you have mentioned the interlinking, but Brexit, with recent reports, have been suggesting that if there is not a deal struck then inflation or the tariffs alone could create inflation of 5 per cent - in the U.K. that is - so it would seem it would be the same, if not slightly more, over here; that is coming next year. If that is going to have effects on Islanders to pay for things, it could also have effects of businesses' ability to stay afloat, given the tough year that is 2020. If this economic downturn lasts 3 or 4 years, do you think this Government Plan can adjust and can cope with that?

**The Chief Minister:**

The short answer is yes because in terms of the structure of the Government Plan the idea is that you can adjust it each year and that is wise. You will adapt as circumstances change; that is the idea. You are not constrained, as we all had in our first 18 months or 12 months, whatever it was, up to 30th December last year anyway, when, effectively, you had that rigidity of the old M.T.F.P., and that was why the Government Plan structure was put in place. Obviously, it is only early days relatively and it is just seeing how much structure goes. It is probably going through its toughest test that was ever envisaged; that then comes back down to the point about flexibility. Again, and to be honest, we will only get some certainty, I suspect, on the impact of Brexit in the next few weeks.

**Deputy K.F. Morel:**

Yes, sadly.

**The Chief Minister:**

We know we are in that wonderful storm of uncertainty. However, the point is that this can adapt and we have got contingency and flexibility ...

**Chief Executive:**

Yes, and I think you are right, the ramifications of the Brexit scenario does add complexity to your ability to forecast what the impact will be, whether it is inflation and/or any other aspects of what might create a further lag in the economy or a downturn that is of a greater impact. What the plan does do though is it has created some capacity to deploy resources around economic recovery to suit the circumstances. We know that the Economic Council's report is due out and rather than pre-

empt that with a set of initiatives, we have created a fund that will allow us to support short, medium and longer-term activity, which could create more opportunities for new businesses, business innovation, business extensions, whatever is needed. Secondly, I think the economic stimulus component of the plan is critical to keep businesses in a place where they can, even if it is only treading water, survive through the next period of uncertainty.

**Deputy K.F. Morel:**

Do you mean the whole package or just the £50 million fiscal stimulus or ...

**Chief Executive:**

You have got the £50 million stimulus on one hand but you have also got a further £40 million in the plan for economic recovery. In addition to that, you have got investment going into some key longer-term areas, which whatever you do in an economic cycle you have to attack the economy at a number of multiple levels. If you are not looking, for example, to invest in skills and in longer-term training and education of the workforce now, then that is a foolhardy position to be, so there is money in the plan for that as well. What I think the plan does do is it recognises that there is uncertainty, has created some flexibility to deal with that uncertainty without constraining from a project-by-project basis spend, but it is not saying it is this or it is that because of our understanding that there will be, potentially, a double whammy. You have got COVID and you have got Brexit but in addition to that you have got all the other issues that we have been discussing this afternoon. I am not saying you are wrong about the wider ramifications but I do think the plan does a reasonable job in giving the Government and, ultimately, the Assembly as well through whatever mechanism we may have to come back if we need to create additional expenditure to meet demand options. All of that is constrained though within the fact that the plan also, by 2024, looks to create a balanced budget, it looks to create a scenario which deals with the debt and longer term starts to replenish the social security funds.

[16:15]

Which means that the governments of tomorrow will not be in a place because we have not gone for the Strategic Reserve, where they do not have any headroom and flexibility to deliver what they think is appropriate for the Island.

**The Chief Minister:**

Yes, I suppose if you turn it round, if we had spent the Strategic Reserve, the ability for a future government in different economic circumstances to borrow is probably constrained.

**Deputy R.J. Ward:**

Can I just ask, sorry, really a point? I have always tried to understand the role of the Economic Council that you have set up, so is the funding for economic recovery that is in the Government Plan going to be directed by the report that they produce?

**Chief Executive:**

No, it will be influenced, potentially.

**The Chief Minister:**

Influenced, I think, is the right ...

**Chief Executive:**

But it will not be fully directed. It is not like there is £40 million for the Economic Council's recommendations but there will be recommendations that will have short, medium and longer-term impacts, of which there is some headroom in the plan to be able to meet those, subject to those recommendations. We have not seen the report.

**Deputy R.J. Ward:**

That is what I was going to ask.

**The Chief Minister:**

This is a provision basically.

**Deputy R.J. Ward:**

Yes, because that other report is sort of the end of October really.

**The Chief Minister:**

Yes.

**Deputy R.J. Ward:**

Publish the Government Plan with that figure in for economic recovery, so I want to know how that fits in together.

**The Chief Minister:**

Yes. There is a provision in there that then will be influenced by whatever the advice is that comes out of that council.

**Deputy K.F. Morel:**

Just picking up on what I have mentioned about inflation as well. Obviously, inflation is not too bad at the moment, so to speak, but Jersey has suffered from high inflation over a number of years and affordability in the Island is a problem. It could be worse next year and it could be better next year but it is likely to be worse, I would suggest. How is the Government Plan helping people deal with those rises in inflation and affordability? How is it helping Islanders deal with affordability issues?

**The Chief Minister:**

In terms of your definition of the affordability, there is still work going on, for example, around the whole housing side of things. As I said, there are various estimates in there for economic support and fiscal stimulus, that all helps within the economic side of matters. If you are talking about what happens within price rises, and there are extra measures in there for extra income support costs. There are measures in place and that is kind of what they call the automatic stabilisers, is what it is referred to. There is some provision in there at the lower end of people if they need assistance and that is budgeted for.

**Senator K.L. Moore:**

Can I just pick up on your comment there that there is something in train for costs of housing? Because we are aware, having looked at the Policy Development Board's minutes, that they had their report ready to go in January of this year, obviously it is a question for that particular Minister. But since COVID there has been an exponential growth in the cost of housing to purchase. I am not sure what the rental market is doing at the moment. What exactly is it that is coming this way to help alleviate the cost of housing?

**The Chief Minister:**

All I can say on the board is I think they have started meeting again or they are about to.

**Chief Executive:**

No, I think they are reconvened but the likelihood is probably early next month that they are expecting to finalise their recommendations. But what the plan has is some budget lines to be able to start to meet whatever comes out of it.

**Senator K.L. Moore:**

But I think, if I remember correctly, they had £13 million to allocate to projects this year, so they have not used any of that, I imagine.

**The Chief Minister:**

Some has been shifted.

**Chief Executive:**

They have not used all of it and some of it has been, in effect, deferred into 2021, which is ...

**Senator K.L. Moore:**

Small comfort for anyone who struggles with the cost of housing in the Island.

**Chief Executive:**

No, sorry, that is not what the money ... the money was identified for the outcomes of the Policy Development Board and there will be recommendations that will deal some of those issues that you have raised. Let us be clear, that money is not going anywhere else, it is still being earmarked for the Policy Development Board's recommendations. But inevitably COVID has created a challenge to be able to complete all of the work around not only that Policy Development Board but others as well, all of which will be reporting, such as the Migration Policy Board, et cetera, this side of the end of year period. Inevitably, there are going to be ramifications for spend. I think there is a need to be realistic about that because what the plan now has is resources available to then start to deal with some of those inequalities. Going back to your earlier point, as the Chief Minister says, again in that section around 126 and 127, there are some items there for people who would be at the lower end of the economic strata. There are some safety nets that have been built in as a recognition that income support costs will go up, and that has been built into the plan. We have done that based on a series of assumptions at the moment, notwithstanding your earlier point, which is a very valid point, we just do not know where we will be with the impact of, potentially, wider global recession and/or Brexit.

**The Chief Minister:**

Looking again to the co-funding payroll at stage 3, it has some provision in 2021. Obviously, you have still got on top of that £40 million contingency that we have got in there if we needed to extend into other matters. Again, there is a blend of lines, if you like, that then go to dealing with your question.

**Deputy K.F. Morel:**

Thank you.

**Deputy R.J. Ward:**

One of the common strategic priorities is to reduce income inequality, so which specific actions in this Government Plan are going to actively reduce income inequality and reduce poverty?

**The Chief Minister:**

Do you want to address that first ...

**Chief Executive:**

One of things, I think, we perhaps need to recall is while the Government Plan every year is a Government Plan which deals with expenditure, the overriding principles of the Government Plan are set in the first year for 4 years. Some of the drivers for activity do not necessarily have to appear year on year. Last year ...

**Deputy R.J. Ward:**

It has got £20 million put aside in 2021 to reduce income inequality, page 127.

**Chief Executive:**

Yes.

**Deputy R.J. Ward:**

That is a significant amount of money for 2021, which must be funding some specific actions.

**Chief Executive:**

Yes. The point I was about to say though, was last year there was money for 2020 and for the lifetime of the programme of this Government and within it there are a number of initiatives. In this year there are a variety of new initiatives, some of which we have just been touching on, which is including benefit support and, I think, some of the economic activity that the Chief Minister talked about, for example, for people in low income. I would need to just go into the fine detail. Have you got it there?

**The Chief Minister:**

It is page 69, I think, is the headlines.

**Deputy R.J. Ward:**

Perhaps if I can ask a general question, which I was going to ask earlier when Kirsten was talking about taxation. It does strike me that every time you talk about an increase in taxation and you focus on regressive taxation, such as G.S.T., you do not address the non-regressive taxation and G.S.T. will increase income inequality. Just in that context and the Government Plan and what we are going to do, can we reassure that those actions will not be regressive in that way because it disproportionately affects the lowest incomes?

**The Chief Minister:**

I am just going to challenge you slightly.

**Deputy R.J. Ward:**

That is okay, I would quite enjoy that.

**The Chief Minister:**

Only because I have had this ongoing discussion with your party colleagues as well, and Richard can correct me. But the point is that G.S.T., I believe is the word we use, is marginally regressive by itself. But when income support was brought in and including things like the food cost bonus, it then is not a regressive package as a whole and you have got to look at the package. Because the income support measures that were put in place were designed specifically to neutralise at worst the impacts of G.S.T. on those at the lower end.

**Deputy R.J. Ward:**

Yes, okay. We are going to disagree on this, but ...

**The Chief Minister:**

Therefore, yes, you are right, G.S.T. by itself is marginally regressive but you have got to look at the elements that were put in place in 2008, from memory, but either side of that and later as well, which then dealt with that regressive element. Therefore, the package is what one has got to look at. Okay, I will just put that down. Is that roughly right?

**Treasurer of the States:**

Yes. The other thing I would say is we are not looking to increase taxes. The measure that we are using to repay the COVID debt is not that ...

**Deputy R.J. Ward:**

Yes, it was just a general comment on whenever we hear about increase in tax we tend to ...

**Treasurer of the States:**

Okay, but also in terms of balancing the books. There are other Social Security measures but I know the Chief Minister ...

**Deputy R.J. Ward:**

There are some other sacred cows you could touch, such as income tax, such as a cap on social security, such as all of these things that would be really quite regressive.

**The Chief Minister:**

Do not forget we have not mentioned income tax, so it is around stability and all the things we talked about, even economic stability. But we have mentioned that it is about a longer-term thing because

putting up taxes any time in the next couple of years, advice to date is that it is not a good idea because of the economic hit which damages everybody. But we have flagged up that we will look at what the measures are. We have not specified them because there could be components within how Social Security could calculate it, for example, rather than just a straight social security rate rise. But there will be measures in there you will have to look at ... sorry, I meant components and things, in the round. But what I am trying to say is we may not mention income tax because, again, it is about stability and messaging and economic stability. Economic stability is important to every Islander. The G.S.T. was illustrative because that is a choice. It is illustrative, it is always a matter for the Assembly to give an illustration of the consequences if one does not go down a particular route illustratively but there are other methods up to people ...

**Deputy K.F. Morel:**

Can I just ask, do you think we focus a little too much on income support to address income inequality ...

**The Chief Minister:**

Absolutely, so ...

**Deputy K.F. Morel:**

... as opposed to providing entrepreneurial opportunities for a living wage? It is not ...

**The Chief Minister:**

This is why I refer to page 69 because do not forget that is ... which I think you have got, by colour I think is the one you have got, there are measures in there which are the various quick summary headlines and also, bear in mind what Charlie was saying, is that the whole point of this is that if there were measures that we identified in last year's plan that are carrying on, we have not necessarily highlighted them in this year because that is, effectively, duplication. Some of the headlines are all right but some of the measures that were in there and agreed, they have not changed. They are still just carrying on. I think we need to emphasise that. The headlines there are not just around income support, is what I was trying to suggest.

**Deputy R.J. Ward:**

Okay. What are they?

**Chief Executive:**

The co-payroll scheme, which is absolutely critical, is a big additional extension of that going into 2021.

**Deputy R.J. Ward:**

That is to do with COVID, is it not? That has nothing to do with reducing income inequality in a long time.

**Chief Executive:**

But this plan deals with COVID and deals with the impact of COVID on each of the C.S.P.s. One of the areas that will inevitably and regrettably occur is in some areas of the economy where there are differentials in salary levels for the lower end of the economic strata, picking up my earlier point. If you take hospitality; that, inevitably, has a different level of entry-level wage going back to the living wage, it is important. There is a hospitality package that we are having to deal with putting in place to reinforce the support for that sector during what is, in effect, their third winter. In addition to that, you have got income support costs which will go up, which we have identified. But the other bit of this, and I say this without being prejudiced because you cannot predict it, subject to the debate, but if the economic stimulus programme is approved, a fiscal stimulus component of that can be used to support areas of inequality to be able to do exactly what the Deputy talked about. I agree with the Chief Minister and with you on that, the whole thing about how do you revitalise opportunity, rather than looking at deadweight, which is often just through income support, which is a safety net which we absolutely must have? But it is not the way in which you take people out of lower income.

**Deputy R.J. Ward:**

Okay. Part of that fiscal stimulus will be to promote a living wage. Are we going to be ...

**The Chief Minister:**

I think you will find somewhere publicly, maybe I am mixing it up but the Council of Ministers, I think, is 100 per cent behind the living wage. What we have said ...

**Deputy R.J. Ward:**

They voted against an increase to the minimum wage but that ...

**The Chief Minister:**

I think what you have got to bear in mind, the issue, it is a little bit around timing and that is all. It is fact that you are facing the unprecedented impact at the moment and that is ...

**Deputy R.J. Ward:**

Sorry, I must press on this, this is the time to do it, because we need this fiscal stimulus, we need security for people, we need to have businesses that are long-term sustainable and can survive. Part of that if you are spending £20 million, surely in this year alone, is to promote that. I just cannot see it in the Government Plan anywhere.

**The Chief Minister:**

In the context of an increase of living wage, I have literally forgotten, I think it was for this year, I cannot remember or was it for next year?

[16:30]

The point is that, no, we did not go for it because we did not think the timing was correct. However, we have not decreased employee contributions, social security contributions by 2 per cent; that will have a direct financial impact on anybody working. We have also given everybody £100 and stuff but we have also given anybody, particularly on income support and other elements, a further £100. You put all those measures together and we have done something to assist people who might be having difficulties, okay.

**Chief Executive:**

Just on the economic, just on the ... sorry, just to finish that point ...

**Deputy R.J. Ward:**

Does decreasing those social security contributions, sorry, disproportionately benefit those on ...

**Treasurer of the States:**

They are capped.

**The Chief Minister:**

It is capped.

**Deputy R.J. Ward:**

Okay, move on, yes.

**Chief Executive:**

The only other point I would make is ...

**Deputy R.J. Ward:**

Yes, it is capped.

**Chief Executive:**

... retraining and investment that is coming for that. Because going back to your point about inequality, we have to raise the level of skills within the economy and we also have to do something

about the education of our future workforce. The plan has provision in there at quite significant levels for that. On a longer-term basis the wind-out of that will, potentially, be really important if we can position that right. But the skills piece and the retraining piece is also part of our fiscal stimulus arrangement. Subject to the debate, there is an opportunity there to add to the overall package of support.

**Deputy R.J. Ward:**

Okay, I think, I might just sharpen up ...

**The Chief Minister:**

What I will just say, sorry, if you are ...

**Deputy K.F. Morel:**

No, as you took a pause I was going to ask you what ...

**Deputy R.J. Ward:**

Yes, please do.

**The Chief Minister:**

Just to finish off, if you look also on page 72, and this is what I was just looking for, there is specific reference in terms of that, progressing the priority further: "Examples of the Island indicators, this priority aims to progress further" and one of them is the change in value of income inequality indicators. Slightly in anticipation of the conversation we have just had, wanted something around the metrics of how we measure income inequality.

**Deputy R.J. Ward:**

It was my next question, I do not know if you see it from there.

**The Chief Minister:**

I do not know.

**Deputy K.F. Morel:**

Just very quickly on equality and certainly inequality, we can see that currently, and this has been the same for the other pandemic as well, 30 per cent more women than men, where it is registered as actively seeking work. There is no doubt that the pandemic has hit jobs held by women more than it has hit jobs held by men. Yet fiscal stimulus and, in fact, a great deal of the capital programme, et cetera, is focused on construction, which is clearly a very male-dominated industry. There is also technology, which is also a very male-dominated industry. Yes, there is some

retraining but technology is a very male-dominated industry, it is an extremely male-dominated industry. Yet the pandemic has hurt women more than it has hurt men so can you speak to why is fiscal stimulus focusing on men rather than women, given that women have suffered more through the pandemic?

**The Chief Minister:**

Fiscal stimulus is not specific at this stage so again it is a provision. So, in other words, the idea is the plans, assuming the Assembly agree to it. One of the reasons we have tried to do it early is then that allows the time between now and the end of the year for all the usual admin and stuff like that to be done. We can then hit the ground running relatively early in the next year, rather than approving it in December.

**Deputy K.F. Morel:**

Would you be happy to support an amendment to the fiscal stimulus proposition, which says that gender should be taken into account and women should be prioritised in that over men?

**The Chief Minister:**

Before I say yes on that I would want to understand it, if that makes sense. Because I would want to check that your assertion is reasonable, just to think it through.

**Deputy R.J. Ward:**

We know that income inequality disproportionately affects women to men.

**The Chief Minister:**

Yes, but I am talking about within the context of, for example, construction and all the rest of it. But I would certainly go away and look at it.

**Chief Executive:**

If you look at economic policy though you have to look at sectors, you have to look at activity that will have, as the Chief Minister says, an immediate impact if you are looking, for example, at stimulus projects, and you have to look at long term. Where I think the imbalance is, is about opportunity, and that does affect your training, your exposure to doing different things where you stimulate entrepreneurial activity, as you have said. The way in which the nature of that is targeted is that you have to pick winners as well. If you go on some sort of proportionality or you are taking a view, which, picking up your absolute valid point that certain sectors of the workforce or the community have been disadvantaged most, you need to try to address that. But that does not necessarily mean that you will automatically come through an economic period of downturn. So what you have to do

is look long and invest to create the right ingredients for there to be a more pluralist economic base, which deals with the inequalities that you have identified.

**Deputy K.F. Morel:**

I appreciate that. It just strikes me that women are very quick to lose their jobs but not very quick to be supported in regaining them.

**Chief Executive:**

But the thing for me is where are they in the job market? What is the strata of the job market?

**Deputy K.F. Morel:**

They are not in construction or technology.

**Chief Executive:**

But where are they? Are they in hospitality, low-paid jobs, question, I do not know? One of the worst things about this Island, which I have found from a public service point of view, is our failure to understand the number of women, by way of example, who have taken career breaks, had families, done something where they have stepped out of the employment market, who have massive skills, which we have not embraced and brought back in to mainstream employment. We need to do more of that. Now that is a different type of programme of activity to economic stimulus that might be required to do something very, very specific for the economy.

**Senator K.L. Moore:**

If I may, your own organisation is a prime example of that balloon in the middle ranks and that pyramid of the upper ranks where women virtually disappear.

**Chief Executive:**

No, they do not. In tier 3 we have more women than men. We have an increased programme of activity for woman leaders and we are doing much more about long-term investment in women's careers.

**The Chief Minister:**

We did have the specific thing in front of Scrutiny, or was it a briefing?

**Chief Executive:**

About "I Will".

**The Chief Minister:**

Yes, and that was specifically at the request of Charlie to set a gain.

**Deputy K.F. Morel:**

Tier 3 is not tier 2, is what I have said.

**The Chief Minister:**

But what I am trying to say is that measures have been taken to put a lot of structure behind it, behind the various women in the organisation, to encourage and develop that network. That is incredibly important. But, again, we have all been concerned that the culture of the organisation needs to change; it does not happen overnight but there have been measures put in place to try to achieve that change.

**Senator K.L. Moore:**

What I am just trying to ask is one way to start would be to even gather the information, and there is no measure here to quantify the impact of domestic work or the sharing of domestic duties and the impact that has on the economy. Where are those measures and metrics? We need sight of them.

**The Chief Minister:**

These are examples. If there are specific examples you would like to see, I would certainly be delighted to arrange a briefing or a conversation with the relevant person - I think it is still Anushka who is dealing with the performance framework - to see if there are extra metrics that need to go in.

**Deputy R.J. Ward:**

My concern is that you said in a public hearing about developing the metrics to start measuring it properly as well in regard to income inequality. My concern is we will develop good metrics to measure it but we have to do something about it.

**The Chief Minister:**

Yes, but the point is that at the very least, if you have something in there, which I do not think we have had previously, it starts demonstrating where it is, then it is a lot easier for people to put pressure on the Government of the day to turn around and say: "Look, this has been like this for 2 years, what have you done about it?" Rather than saying: "I think", you have an objective measure now that says "X". Now, in the meantime, the argument around the living wage was purely around timing, it is not about the principle, it is not about loss of it, it is purely around timing. Backed up by the point that we have already put measures, we have put temporary measures in place to help people at a real time of crisis. We have to get back to normal keel at some point and we have to get through the winter period. Then we can start working out properly how we do that. But there

are pieces of work, there have been practical measures put in place already, and if we need to during the winter we will put some other measures through. That is a case about as we go through, about assessing it, and we have the flexibility hopefully to be able to do that. You then will be in a position when you come out of winter of looking at where we are and stabilising matters. We want to stabilise matters and then hopefully we can get back on to the keel previously when we all agreed to put things around living wage, et cetera. Now there is a measure, off the top of my head, for example, in the fiscal stimulus package, I think that is alluded to, that says that if it is contracts for things it will only be people who are paying a living wage.

**Treasurer of the States:**

Yes, we said that we would put that in as a condition.

**Deputy K.F. Morel:**

It should be, because the States said it is a living wage payer, which also means our suppliers must be living wage.

**The Chief Minister:**

Yes, but we are making sure. So, in other words, we have not ignored it, is what I am trying to say.

**Deputy R.J. Ward:**

I am conscious of the time. I have lost track of where I am now. The process of prioritising projects, the methodology of halt, defer or reduce. How are you prioritising those? We can talk specifically about 2021 and I think as well that will knock on to other areas of the Government Plan. Because anything that is deferred is going to knock on to later years, is it not, it could have a concertina effect on coming plans.

**Treasurer of the States:**

The framework in terms of specifically the halt, defer, reduce, but the overall framework that we are looking in terms of growth into the Government Plan, how they contribute to the C.S.P. We use the Green Book as well to say what was the value for money in here, what was the strategic objectives, can it be delivered, what was the management case, financial case, and such like? So they are within there. A lot of the halt, defer, reduce, that occurred in 2020 was a consequence of COVID as opposed to deliberately going out saying: "We want you to stop this particular programme." It arose, we said: "If we needed to, could you?" Much of this subsequently occurred as a result of COVID reductions, COVID impacts upon our ability to deliver growth, in particular the ability to deliver capital programmes. So that is there. In terms of halt, defer, reduce, as it is going forward, or in terms of tailoring expenditure, it was across the piece. Most of the expenditure that is there relates to the C.S.P., they are in because they relate to the C.S.P. as opposed to picking on any one in particular

of those common strategic policies. So Ministers, in considering those, or considering the impacts against C.S.P. or considering where they could be met, more often in some of those cases it was that we were reprofiling as opposed to just removing, i.e. more in the defer than in the halt. But also looking at our capacity to be able to deliver, department by department, the initiatives. But bearing in mind also, as further growth or further investment coming through that relate to 2 in particular strategic objectives that were talked about in the last plan, and the numbers, there will be briefings today in respect of the education reform additional funding.

**Deputy R.J. Ward:**

Yes, we had that previously, plus the £200,000 to work out we needed more education funding. We did tell you that 2 years ago.

**Deputy K.F. Morel:**

There was not much in that presentation.

**Deputy R.J. Ward:**

Sorry, we should move on I think.

**Senator K.L. Moore:**

Stay on track, yes. So would you like to carry on or should we pick up ...

**Deputy R.J. Ward:**

I was going to ask about the policy development boards. There are a lot of policy development boards and we just wondered how they have contributed to an improved - and the key word is "improved" - Government Plan. There are a lot of them, Early Years, Hospital, Island Identity and Migration Development Board, Revenue Policy Development Board, Housing Policy Development Board, Assessment of Housing Need, I think the simple question is that is a new concept, how can we see their effect coming to fruition for the Government Plan?

**The Chief Minister:**

I would not have said there were lots of them, there are a few, and obviously the Hospital one, their job was the very first one and ceased. The Migration Control one is basically going to be lodged next week. I believe the C.S.S.P. (Corporate Services Scrutiny Panel) is going to get a briefing I think on Monday and Home Affairs is getting a briefing this afternoon. There is a States Members briefing scheduled, hopefully it has gone out for Tuesday morning.

**Deputy R.J. Ward:**

Home Affairs is not because I should be in it.

**The Chief Minister:**

Sorry, that was what was on my timetable. The intention was to brief but I will find out what the position is. So, in other words, some of them either have come to the end or are coming to the end, or at least in terms of their present form. Others, obviously we know that the Housing one got delayed, some have had impact with COVID. The Island Identity is going through some iterations on its work, I think that would be fair to say, in taking feedback from different points.

[16:45]

**Chief Executive:**

The Early Years is due to report in November, I think, the Minister is preparing.

**The Chief Minister:**

Yes, and as we said, we are hoping that Housing will be reporting in November as well. So obviously COVID was not in the plan and certainly the ones I have seen output from, as a different approach from me, it has been very useful. It has certainly been a way of getting some focus on to some particular areas for political oversight. Can we do better? I am sure we can. I am sure there will be improvements in there. But it was about trying to get a slightly better mix of people around the table when policy is being developed.

**Deputy R.J. Ward:**

Just generally, and very briefly, do you think they have been successful in contributing to an improved Government Plan? Their funding has been significant and that is why we ask the question.

**The Chief Minister:**

Certainly, Housing has had a chunk of funding, but I think it depends on your definition towards the Government Plan, because Hospital is outside to an extent. It depends how you relate the Hospital into the Government Plan and Migration the same principle. They were designed particularly to deal with areas that needed to be addressed and, in my view, needed a different mix of opinions as opposed to the same 3 people around the table when developing that policy.

**Chief Executive:**

I think if we are being honest a lot of the policies that are being looked at are long-term policies, so they will affect the Government Plans of this Government. The second point is a number of those policy boards would have reported earlier this year had we not had COVID. As a result, we would, in an ideal world, have had more information, which might have influenced this Government Plan more directly. I do not think it is anything other than circumstance and timing in that respect. But 2

or 3 policy boards, the effect of their outcomes will not be felt in one year's Government Plan, it will be in several iterations of Government Plans going forward. So Housing is a good example. Early Years, the investment in that will not be confined to a single year. Similarly, Migration and some of the revenue work that is in the other Policy Development Boards that is being looked at have far longer timelines attached to them. If you want to be really, really specific, 3 of those policy boards would have probably reported earlier this year. That would have impacted in this year's considerations. We would have had a thoroughly different fiscal position and therefore decisions would have been more directly impacted.

**The Chief Minister:**

So if you use Migration as the example; Migration was meant to report April/May and the idea then was that we would do Migration through the Council of Ministers at that point and then Housing would have come in the month after. Now obviously that all got delayed, principally because of COVID, because COVID has been the focus for a very long time.

**Senator K.L. Moore:**

Just before we go on to property, I have one further question. You have explained the rationale behind the greater investment in Education and Skills. But, despite all the talk of tightening belts, there is considerable growth within the Government Plan. Could you describe in that context of what we hear is the rebalancing programme aimed at cutting costs, so could you outline why there is such an increase in expenditure over the period?

**The Chief Minister:**

Sorry, is it the growth you are concerned about or is it the fact that one area might have growth but also our position is ...

**Senator K.L. Moore:**

The amount of growth in the Government Plan is rather surprising in that context, so if you could explain.

**Chief Executive:**

Some of this you dealt with on Tuesday, did you not?

**The Chief Minister:**

Yes.

**Chief Executive:**

We went through this argument on Tuesday about the level of money expended in the Government Plan year on year and there are different views. The amount of expenditure that is expected to come out of Government extended to 2024 is another £20 million. There is still £100 million of efficiencies. But there were commitments made, going back to the previous point about health and education in particular. Plus some areas, which were flagged last year, which would and do need investment over a longer period. So the issue about where investment and the prioritisation of that, I think we went through all of those numbers on Tuesday.

**Senator K.L. Moore:**

Fine, thank you.

**The Connétable of St. Brelade:**

Moving to property, Chief Minister, and in light of the site selection for the Hospital being finalised, will that now stimulate a property disposal cascade from the £1 billion property portfolio, which we have? If that is the case, which properties would you be looking to sell now?

**The Chief Minister:**

The short answer is: I hope so. The longer answer is obviously it is very much subject to 2 Assembly decisions and a planning decision. The 2 Assembly decisions, one in November and one will be roughly July for the site and the funding. Obviously, we need to make sure we have planning permission and it is a go. So we have a little bit of time left ahead but the point being, between the Hospital plan, the officer assigned and other matters, if we can free up basically brownfield sites for future development and then you bring that strategy together. But that has always been the ambition. Hopefully, we start giving certainty to certain sites that they are not required for Government purposes and that therefore we can then, in my view, at least some form of housing will be going on, because we know that is one of the biggest issues we are facing. I am hoping that the planning brief for South Hill has been signed off today. Then that will mean, for example, that we can start getting that out as a site.

**The Connétable of St. Brelade:**

Retrospect is always easy, do you think we ought to have had a better property strategy in place to enable the choosing of the site, because quite frankly it has been difficult for everyone?

**The Chief Minister:**

I think the short answer is yes. You cannot deny that. Property has always been a little bit of tussle over who wants to look after it and, to an extent, it has shifted around departments and ended up in different places. Sometimes that has possibly meant that the strategic eye has been taken off the ball. Obviously, again, that is one of the areas we are trying to address and we have said at Council

of Ministers that we do want to address. I think there are some proposals coming before the end of the year, am I correct?

**Chief Executive:**

Yes, so the Council of Ministers has made it clear that now they want everything to be in one place. It was something that was an ambition before and I do not think it is just this Government, I think the previous Government. But unfortunately people hung on to roles and responsibilities, they took a view about disposals, and we also regrettably entered into leases, which were either inappropriate, did not have the break clauses, et cetera. So the strategic oversight of all of that, now we have a better approach to it and we have some real rigour about how we then deal with that. So the plan does allow for and make the case that for property we need to bring forward a schedule of disposals that will support repayment of debt, because that is a key consideration. The criteria, as the Chief Minister said, will be forthcoming. But we have 2 or 3 key projects in the plan that will allow that to happen much more quickly. So, if we talk about the Government offices and the leases, we have 10 facilities that we could release if we get the agreement for concentrating in the single site plus 2 or 3 satellites. The Hospital obviously, which is slightly outside of the plan, but it has been referenced everywhere, will create another opportunity. Then there is, on the back of that, a variety of other things that we have in train. So the former Les Quennevais School and the other types of disposals that need to come about from that. Although some of those disposals will not just be for housing, they will be for community use or for secondary uses. So whatever goes on with Fort Regent, we have to decant activity out of there. There needs to be a place for those sporting activities to have a home and it may be that some of our facilities can be used in that way. The final bit for me, and it goes back to the Deputy's point about economic recovery. We need to be much more sophisticated in the use of our estate where we could and, if we so desired, use it to help intervene. So, by way of example, easy in-and-out rent structures to small businesses. What you could do for start-ups. How you could create flexible space, which will allow transition from market stalls into more structured retail outlets. Whatever it is, and I only give those as examples, we could use our estate more effectively. I do not think we have been doing that. So we are on with that overall assessment, how we can do that. We have a proliferation of agencies who are involved in it. We need to bring them together so they're more co-ordinated. And we have been in a bit of a tug-of-war with P.A.C. about some of that information but that is also being made available to P.A.C. this side of Christmas.

**The Connétable of St. Brelade:**

Good, I am pleased. I am going to move on to sustainable well-being. There is much talk in the plan about sustainable well-being. How is it being measured and over what timeframe? Can you point to where those measures are compared with last year please?

**The Chief Minister:**

Page 56. Very quickly, because it is a memory test here, it does say how we measure our sustainable well-being impact. Essentially, what we are saying there is what you would expect, which is a wide range of outcomes and metrics. Healthy population, percentage of Islanders looking out for their health by being physically active and I will not bother going down the rest of the list. But sustainable well-being, and in fact this has been alluded to in presentations to Members, but I think that was in either December last year or January this year. Around the fact that sustainable well-being is part of the law and a thing we have to consider as part of the Government Plan.

**The Connétable of St. Brelade:**

Implementation of care needs, it is on 137 of the annexe. This is been deferred, and yet it is surely an example of sustainable well-being, one of your core common strategy policies. Can you explain why that is? Is the deferral due to COVID?

**The Chief Minister:**

137, implementation of care needs at home project. From my understanding, I am not sighted on it directly, you might want to ask the Minister for Social Security, but my understanding from reading this is that it probably got delayed because of COVID issues. Therefore, it was just a practical realisation that by doing it in 2021, the ambition is still here, but it has been essentially shifted right.

**Senator K.L. Moore:**

Given the heightened need for people to shield, protect themselves, surely this is the perfect time to be focused on delivering care in the home.

**Chief Executive:**

But that is part of the problem with COVID, you could not get in to do it. So that is the reality. So the Chief Minister is absolutely right, you could not go and do some of those things because of the restrictions placed on the more vulnerable members of the community.

**The Connétable of St. Brelade:**

So that will stimulate the problem further I would imagine until we have ...

**Chief Executive:**

So that is why there is a reprofiling and a recognition in 2021 but that is not to say that the money, going back to the Deputy's earlier point that these are lost from the Government Plan over the lifetime, they are just reprofiled.

**The Connétable of St. Brelade:**

Does that apply to the Jersey Care Model as well to a degree?

**Chief Executive:**

Less so on the Jersey Care Model because clearly that is much earlier in its inception and we do not yet have an agreement to it, so the agreement has to come first. These are practical inputs to help people in need, picking up the chair's point. But it has been difficult because of the restrictions to be able to do some of that activity. But we can provide more detail around that as a follow-up to you, Constable.

**The Chief Minister:**

But specifically to give an example, if for the sake of argument it was envisaged that you had to recruit a number of people into those posts to achieve the aim, being a hypothetical, that recruitment probably has not been able to take place. Therefore that project will have been delayed. It is not because we did not want to do it, it is because it has not been practical to do it.

**Treasurer of the States:**

The funding to start it, what would have happened in 2020 will now happen in 2021, it is funded. It is just the envisaged second year funding now moves a year while the project catches up post-COVID.

[17:00]

**The Connétable of St. Brelade:**

I accept that. But then we see £685 million being thrown at a skate park.

**Treasurer of the States:**

£685 million?

**The Chief Minister:**

Thousand, hopefully.

**Treasurer of the States:**

Even I would be very worried.

**The Connétable of St. Brelade:**

£685,000, I do apologise. So it is still half a million plus. It seems a significant amount of money for a very, very small proportion of the population at this stage of our proceedings. Are there no other areas, such as road projects, which affect a far greater proportion of the population? There seems to be such inconsistency in the way that is being dealt with. Simply put, it seems to be some make

it and some do not. Is it just a question of pet priorities making it or is there some underlying theology?

**The Chief Minister:**

Pet priorities, well basically the process on this was that every Minister went through their growth modelling essentially and was asked to make changes. So it would have been whichever Minister it was that made those priorities. I suppose it was a very good day from that point of view, we sat down with every Minister and we basically shifted £80 million sideways, right, in terms of reprofiling. We had every Minister come in before a small group of us who essentially challenged them on their spend and their priorities to essentially reduce some of that growth for the years that we are dealing with.

**The Connétable of St. Brelade:**

We have seen massive impetus on getting cycle networks in the Island, which is still in need, well not in the west, but certainly in the east, we all know there is a constant need for that. This seems once again to be pushed down in favour of something that is probably in the wrong place, which would be better in the centre of the Island for more to use. I have to say I am very sensitive to it being in my Parish, but I think it is the wrong place.

**The Chief Minister:**

I must try not to get involved in the decision for the skate park because I know how long it has been sought.

**The Connétable of St. Brelade:**

It just seems to be a disproportionate spend. Moving on from that, I would just like to sharpen up on road projects. It is really a question of prioritising projects and we need to consider how we deal with this better. Simply put, it is back to this question of some projects make it on to the list and others not. Perhaps that will come out of what, Charlie, you were suggesting earlier on, the department business plans we need to look closer at. I would like to move quickly. I know we are very, very short of time. Quickly on green deals or environment projects, page 32. We see, as part of the performance framework, there is a third of the diagram dedicated to the environment. But there does not appear to be a strategy regarding a green-centric recovery. Why is that?

**Treasurer of the States:**

We expect a key theme that comes through from the economic renewal work from the Economic Council, we expect to have a significant green theme to it. We are also, within the fiscal stimulus funding, calling out each of the C.S.P.s, income inequalities in there. Therefore that is where we were when we were drafting it because we spoke about the impacts upon gender inequality within

income. But also we expect there to be a number of green-themed fiscal stimulus projects. But in particular my understanding of the work that has been done by the Economic Council talks to some extent to the intention that there is a green theme or a green deal to the economic renewal that is envisaged.

**Deputy R.J. Ward:**

Can I just make a point about when you said £600-and-something million, it is partly because you produce your data in 2 different ways and it is by multiples of a thousand when you are spending and when it is a saving the whole number is given. Just a criticism, there are a couple of graphs and you do not label your axes and you really should. In terms of clarity that is important.

**Senator K.L. Moore:**

It is a really important point. Thank you, Deputy. In terms of clarity also I note that it is 5.05 p.m. and I appreciate that we have been here for 2 hours. It has been very interesting. We are almost at the end of our questions. We just have a section on efficiencies to go. So if we could crave your indulgence and keep you.

**Deputy R.J. Ward:**

I just wanted to ask the question: we are talking about rebalancing or efficiencies, are they the same thing? Is that a rebranding or is an efficiency now undertaken by an action in rebalancing? The terminology, I am not just being petty, it is really quite important because we have efficiencies as an invention last time and now we are talking about rebalancing.

**The Chief Minister:**

It is a phrase rather than an invention. Efficiencies have been around for quite a long time.

**Deputy R.J. Ward:**

All right, well invention of a phrase, yes. Can you just clarify why it is suddenly being called rebalancing? There is a point to the answer that you give in terms of how we understand what that means.

**The Chief Minister:**

For me, rebalancing is around the fact that you are trying to rebalance the finances after what has been a quite significant financial shock to our bottom line. Those measures can be a combination, so efficiencies is a subset. I am trying to lay my hand on the right diagram. But it does include, for example, there is a one-off capital receipt in there, which is obviously not an efficiency. It is a receipt of cash if it sells the item as projected. So the rebalancing phraseology is trying to encompass the whole lot, whereas the efficiencies, for example, is a subset of it.

**Deputy R.J. Ward:**

So then we have a table that talks about allocation by Minister. Is that of efficiencies or is that including rebalancing measures, which could be, as you say, capital project, capital receipt? I am looking at page 111 of the annexe, which talks about efficiencies measures and rebalancing expenditure. I was just looking for figures and where they fit in. There is a table then of spend reduction, which struck me as what you have classified as efficiencies.

**The Chief Minister:**

What I think you will find, it is included in the Government Plan, which is pages 96 and 97 onwards, but this is then broken down into more detail. So pages 111 and 112 broadly speaking are the same. But then that breaks down to the pages that go after it and give the descriptions.

**Deputy K.F. Morel:**

The Minister for External Relations is missing from that list. This morning he was telling us about some of the savings they had made.

**The Chief Minister:**

There is a point between what we are calling the rebalancing, which is the £20 million, versus what I alluded to as well, the £18 million, which is an item shifted sideways. The reduction in terms of this amount of the £20 million, there was not a great deal of room in the External Relations in the context of keeping the team in place for Brexit, for example.

**Deputy K.F. Morel:**

No, it was just he was telling us about some of the savings this morning.

**The Chief Minister:**

I suspect he was talking about what I was referring to, the interesting day we had of challenging people: "Can you take something out of your budget?" which is where there was some challenge.

**Deputy R.J. Ward:**

So that table does seem to merge efficiencies and rebalancing.

**The Chief Minister:**

Can I refer you to page 96 in the Government Plan, it is probably easier? It is the same table. What we are trying to do is that sort of dark blue bar, which has 16.9 in the middle of it, is trying to make sure this is as consistent as we could be with the previous bracket we used in the previous year. But, as you will see, you have a £450,000 one-off, which is a receipt. Then you have some £2.2

million of recurring income and then you have a £850,000 one-off, which is on the expenditure side, it has been a reduction, and then you have £16.9 million, which is recurring. That is then identified in the longer table on the right. Those 2 tables tie in by Minister and area on page 111 and 112 and that works back ...

**Deputy R.J. Ward:**

So can we say that one-offs are rebalancing and are they related to the recovery programme? Have they been merged into the recovery programme?

**Treasurer of the States:**

The economic recovery programme?

**Chief Executive:**

When you say recovery ...

**Deputy R.J. Ward:**

The economic recovery programme, which is linked to COVID impact.

**The Chief Minister:**

No.

**Chief Executive:**

No. There may be some activity that is defrayed somewhere occasionally that happens. That is not the same as deferred to, so that is an important consideration and you will always get that. But to answer your main point, I do not think that is the case.

**Deputy R.J. Ward:**

So, for example, I will just give you an example. I am just going on this efficiency thing so we know what we are talking about because we had efficiencies and now we have rebalancing and we need to be able to clarify which is which.

**Chief Executive:**

That is all in response to the challenge that was put to us last year, going back to your very first question where you asked for greater clarity, and we have sought to do that.

**Deputy R.J. Ward:**

But now we have that we need to understand it. That is what I am saying to you. If your intention is greater clarity that is a very good thing, so that is now understood. So, for example, when you

run a 1 per cent vacancy rate in the States of Jersey Police as a recurring saving, that is an efficiency. That is on page 97 and it is 13 rows down.

**Chief Executive:**

So it is 97 and £215,000, yes. The answer is yes.

**Deputy R.J. Ward:**

So that is an efficiency?

**Chief Executive:**

Yes.

**Deputy R.J. Ward:**

That is an example of an efficiency, so we can be very clear what we mean by efficiency. That is really important to point out.

**The Chief Minister:**

Yes, and that is why it is recurring.

**Deputy R.J. Ward:**

I am conscious of the time and I think we got some clarity there.

**The Chief Minister:**

Can I just say that was obviously done and the chief of police was quizzed to make sure he was very comfortable with that, which he is?

**Deputy R.J. Ward:**

I am sure we will be coming back to that on my panel, do not worry.

**Senator K.L. Moore:**

So, by means of a final question, when we look at the proposition itself, some of the subheadings are very dependent on each other. For example, endorsing the efficiencies in summary 6 reflected in each head of expenditure. If that is not approved, then there is a knock-on effect on (f), approving the amount in the consolidated fund for each head of expenditure. Would you just explain why it is set out in that fashion?

**Treasurer of the States:**

So we have used, as it is laid out, also because that would then impact the heads of expenditure rather than after, which you would have then agreed heads of expenditure that were assuming the delivery of the efficiencies, and you would have approved. So the idea is that the Assembly is approving those numbers. If the Assembly is not approving those numbers then that will amend the heads of expenditure. Or you could do it the other way around, you have agreed the heads of expenditure, which are net of the efficiencies. So we have worked through how it appropriately flows so you do not prejudge the outcome of a decision in agreeing something before you agree the efficiencies. Because the efficiencies will impact the heads of expenditure.

**Chief Executive:**

If you go to the Public Finances Law there is a very specific section in there, section 9, how you have to lay it out now. So that is why it flows in the way that has been identified. So that is trying to correct and deal with the changes as a consequence of the P.F.L. (Public Finances Law) coming in last year.

**Deputy R.J. Ward:**

If you wanted to amend that, say a person wanted to amend something?

**Chief Executive:**

I could not possibly imagine that, Deputy.

**Deputy R.J. Ward:**

An efficiency, you would amend part (e) then to change an efficiency, would you, and you would detail that there?

**Chief Executive:**

Yes, and then you would have to put in whatever the changes are to balance it.

**The Chief Minister:**

So the Greffe no doubt will advise you.

**Treasurer of the States:**

So between the Greffe and Treasury we will be able to assist in that hypothetical.

**Chief Executive:**

That is hypothetical, is it not?

**President, Jersey Landlords Association:**

Do you still think it is a good idea to defer the Public Service Ombudsman?

**The Connétable of St. Brelade:**

Just before the chairman wraps up, for my part I would just like to express appreciation at the fantastic amount of work that has gone in by your team in producing this in pretty short time.

[17:15]

**The Chief Minister:**

I will take that thanks back to them because it will be appreciated. There were some very tired people around, particularly when it came down to the wire. I guarantee there will be some errors in there because that is the nature of the document in terms of typos or whatever it is. But we have all tried to go through it very thoroughly. I am looking at the gentleman to my right.

**Senator K.L. Moore:**

Going back to the earlier point the Deputy was making about the clarity and accessibility of the information, just one of the questions that came to my mind was why in the tables that show financial positions the 2020 numbers are not included for ease of reference?

**Treasurer of the States:**

Just simply it is a 2021 to 2024 plan. It is not approving 2020 so that is just purely the reason. Well 2020 of course is only a forecast again in terms of what the outcome will be. I would say that the 2020 numbers that were agreed by the Assembly have been somewhat, in an unprecedented fashion, changed somewhat in light of COVID and in light of the emergency powers. In some ways on the expenditure it would not, in the way it normally would, provide a very good comparison.

**The Chief Minister:**

We did have that discussion at some point in the early days.

**Senator K.L. Moore:**

Thank you all. Apologies again for keeping you over the agreed time period, but we are grateful for your answers and look forward I am sure to further interactions as this process continues. So with that I close the hearing and wish you all a good weekend.

[17:17]