



## Government Plan Review Panel

### Government Plan

## Witness: The Minister for Treasury and Resources

Monday, 19th 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:**

Deputy S. Pinel of St. Clement, The Minister for Treasury and Resources

Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources

Mr. R. Bell, Treasurer of the States

Ms. A. Rogers, Group Director, Strategic Finance

[15:06]

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

Good afternoon to the Treasury team. Welcome to this hearing of the Government Plan Review Panel. Thank you for attending today and apologies for the late start. We had a slight technical hitch, so apologies to any members of the public who are wondering whether we were going to appear this afternoon or not. We will start with the usual introductions if we could, for the record. I am Senator Kristina Moore, chair of this panel.

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

Constable Mike Jackson, member of the panel.

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

Deputy Robert Ward, a member of the panel.

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

Deputy Kirsten Morel, a member of the panel.

**The Minister for Treasury and Resources:**

Susie Pinel, the Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Lindsay Ash, Assistant Minister for Treasury and Resources.

**Treasure of the States:**

Richard Bell, Treasurer.

**Group Director, Strategic Finance:**

Alison Rogers, group director, Strategic Finance.

**Senator K.L. Moore:**

There is a duty under the Public Finances Law last year for the Council of Ministers, when they prepare the Government Plan, to take into account the medium term and long-term sustainability of the States finances as well as the outlook for the economy in Jersey, and also to take into account the sustainable well-being, including economic, societal, environmental and cultural well-being, of the inhabitants of the Island over successive generations. In the introduction to this year's Government Plan, Minister, you state that you seek to keep Jersey on a responsible and stable course; in your view, is running such a deficit that you are planning responsible and stable?

**The Minister for Treasury and Resources:**

In my view, yes. Inasmuch as we would not be in this position had it not been for the COVID pandemic. It was not forecast. It is a global situation and we have to provide for the well-being and health and as sustainable an economy as we can manage for the future, as far as we can see it. So running the deficit is the only way we can do it at the moment because of the cost that it has incurred already.

**Senator K.L. Moore:**

Many of those costs are through your own decision such as, for example, the £100 voucher scheme, which of course the arguments are well-rehearsed between ourselves. Would you publicly state your commitment to all of the decisions that you and the Council of Ministers have taken with regards to the spending on COVID so far?

**The Minister for Treasury and Resources:**

I would because we have reacted very quickly, which is exemplified by the lack of cases. I understand they have gone up a little bit recently but then we opened the borders. But the track and tracing that we have done and the testing, which has cost quite a considerable amount of money but has resulted in very few cases, and the ones that we have now are from in-bound passengers, not people who have communicated the disease necessarily over here. As for the economic stimulus, it was absolutely the right thing to do because places, especially hospitality and retail, have suffered hugely over this. I think the economic stimulus that we have done with the £100 card scheme has been immensely popular with the hospitality industry and retail.

**The Connétable of St. Brelade:**

I am interested to know how our per capita spend on COVID compares with other jurisdictions. Clearly everybody is in a similar situation, whether it be the other Crown colonies or other countries. Have you got any information on that? Guernsey, for instance, Isle of Man, Gibraltar?

**Treasurer of the States:**

I do not think we have put together any information that is on a per capita spend. Most of the places, the U.K. (United Kingdom) for example, talk in terms of billions. We talk in terms of millions. Roughly in terms of multiplying numbers up is usually in the ballpark, as we come towards the end of the year we can do some of that analysis. I would have to say also though that different countries have started on different responses at different points in time, depending on where they are with the COVID pandemic in their particular country.

**The Connétable of St. Brelade:**

I am not being critical, it is just I would not want to be behind everybody else, if you like. So there are 2 ways of looking at it. I think it would be interesting information.

**The Minister for Treasury and Resources:**

I do not think it is comparable necessarily because Guernsey have done a very different approach from us, as have the Isle of Man, and then to find comparable jurisdictions globally is probably quite different. As the Treasurer said, we reacted very quickly. We opened up our borders on 3rd July. Guernsey did not. So it is very difficult to do comparisons.

**Assistant Minister for Treasury and Resources:**

Certainly it would be true to say that some of the spends that we have done other people have not. The U.K., for instance, have not had a testing system in place at airports and ports that we have, so there are different spends and is dependent as a Government where you want to put your stress

levels, if you like. We have put quite an amount into our airport testing and our track and trace, which perhaps other countries ... in Guernsey's case they have not let anyone in so they have not needed to do that.

**Senator K.L. Moore:**

They have had a testing and a track and trace system.

**Assistant Minister for Treasury and Resources:**

It is on a much smaller scale than ours.

**Senator K.L. Moore:**

Yes. Thank you. Returning to the Government Plan and looking forward. Obviously, you have had recommendations from the F.P.P. (Fiscal Policy Panel) but the Income Forecasting Group did not publish its latest views until the middle of last week. If you could just give us a bit of a background in a high-level way as to how the Council of Ministers took their decisions and decided in what is a very uncertain scenario how to pitch both their look forward and also their commitment to growth because there is considerable growth within the Government Plan this year, which is interesting at a time like this.

**The Minister for Treasury and Resources:**

There are growth bids, less than we anticipated inasmuch as it has to be contained because we do not have the wherewithal to supply growth bids. The I.F.G. (Income Forecasting Group) report I think was published on Friday last week and an F.P.P. one will be done on the Government Plan, so we have not yet got their latest forecasts.

**Treasurer of the States:**

We have the latest forecasts from August.

**The Minister for Treasury and Resources:**

Sorry, from August, yes, but not after that.

**Senator K.L. Moore:**

Which assumptions did you base your decisions upon?

**Treasurer of the States:**

The forecasts for the Government Plan are based upon the income forecasts that were published last week. That is not to say it has not been available to Ministers in terms of guiding them in putting together the final stages of the Government Plan.

**Senator K.L. Moore:**

When were they provided to Ministers in that case?

**Treasurer of the States:**

The outcomes of the income forecast were provided to Ministers, there is a lot more in the income forecast than just those high-level tables. Indeed, I have a copy with me, you will see quite a number of pages deep in terms of the analysis that has been undertaken. That is informed partly by the spring forecast, also by further updated information from the Revenue Jersey Tax Office, in addition to which informed by the latest F.P.P. economic assumptions, which of course were published in August, if I remember rightly.

[15:15]

**Senator K.L. Moore:**

When did they give you that central scenario or give the Council of Ministers that central scenario for them to base their assumptions on?

**Treasurer of the States:**

In terms of the Fiscal Policy Panel, that was received by Ministers at the same point that it was received by all of the States Members and was made public.

**Senator K.L. Moore:**

Were you a bit surprised then to see that it was predicting income down 18.6 per cent or was that what was ...

**Treasurer of the States:**

The Fiscal Policy Panel?

**Senator K.L. Moore:**

The I.F.G. report.

**Treasurer of the States:**

Is it surprising that it was down? It is not surprising it was down given the Fiscal Policy Panel's forecast is also down from the forecast that they delivered in spring. I think we covered some of this on Friday.

**Deputy K.F. Morel:**

I think the question was were you surprised by the size of the predicted fall not whether there would be a fall or not?

**Treasurer of the States:**

No, once you looked into the Fiscal Policy Panel results not so much, but some of it is also led by the updated outturn figures for 2019 as well. So some of it is attributable to that and some of it is attributable to the protracted recovery in the latest forecast.

**Deputy K.F. Morel:**

Did we have less at the end of 2019 than expected?

**Treasurer of the States:**

In terms of the actual forecast, I think there was a bit less. Not significant amounts but it is important within the forecast, yes.

**Senator K.L. Moore:**

The Government Plan presents itself as returning to balancing the books within its life. Given the uncertainty that the Income Forecasting Group acknowledges, how confident can you be, as Minister, that the books will be balanced in the near future?

**The Minister for Treasury and Resources:**

Having spent an enormous amount of time on using these forecasts and trying to work out the figures, one can only be as confident as we can at the moment on the predictions because we do not know what is going to happen next year. As it stands at the moment, we think we can balance the books by 2024.

**Senator K.L. Moore:**

What level of flexibility and contingency have you built into this plan?

**The Minister for Treasury and Resources:**

Quite a considerable amount of flexibility and contingency. We have had to.

**Senator K.L. Moore:**

Can you give us some examples of how you anticipate that would be achieved?

**Treasurer of the States:**

If I might, it is probably a technical area. Firstly, of course we have moved from the medium-term financial planning to the Government Plan process. That means there is the opportunity every year,

as exemplified by the fact we have moved this year, we are able to adjust forecasts on an annual basis, nevertheless it covers a 4-year period. There is the opportunity to do that. That would not have been there under the Medium Term Financial Plan other than to come back and amend the Medium Term Financial Plan. That is the first aspect of that. Secondly, this is a plan that is based upon and not set hard and fast in stone, and no doubt we are going to come on to the borrowing proposals, not setting those into an inflexible position in the medium term but instead using short-term facilities so that that can be flexible if need be. Another aspect of flexibility is that there are reserves in place, more than you would normally see in a Government Plan, linked in particular to the expenditure that might arise, should we have increased health restriction measures on business and economic activity in that first quarter, in particular, next year.

**Deputy R.J. Ward:**

The reserves that you are talking about, what sort of level of reserves? So these may not be spent, they are in the background in case they are necessary.

**The Minister for Treasury and Resources:**

There is the Social Security Reserve Fund, the Strategic Reserve, both of which put us in a very good place as far as possible future borrowing goes.

**Deputy R.J. Ward:**

They are not particularly different reserves, they are there every time.

**Assistant Minister for Treasury and Resources:**

They are. That is a very good point. I think it is why we were very keen, particularly when they had moved down due to the stock markets moving down, but we did not touch them at that time, and I think I am right, they pretty much recouped to where they were. That is why we were very keen to keep them in place because, as the Minister said, we do not know where this goes yet. So if we can keep the reserves in place as they are, we have not touched the Strategic Reserve, and that was a major effort to make sure that is still there.

**Senator K.L. Moore:**

But of course you are also keen to keep those reserves in place in order to plan for the additional borrowing that has been planned for to pay for the hospital and other major capital projects.

**The Minister for Treasury and Resources:**

It has put us, from a credit rating situation, in quite a good place. Who knows where that is going to go but at the moment we remain very strong in that. I have the figures as to the audit, in answer to Rob's question. It was £1.907 billion in the Social Security Reserve as of the end of August, when

it was last audited. In the Strategic Reserve there was £906.5 million. That has fluctuated quite considerably over the last 6 months or so.

**Deputy R.J. Ward:**

I may have got the wrong end of the stick there, because I thought you were suggesting that there were particular reserves for this year because of the current situation that we are in, that have been set aside above and beyond the normal reserves that would exist in the Strategic Reserve and in the Social Security Fund. I may have just interpreted that wrongly.

**Treasurer of the States:**

In addition to the flexibility that the existence of those reserves provides for within the context of the Government Plan, and the approvals that are being sought by Ministers therein, there is a sum of £40 million set aside. In addition to the £87 million of approved expenditure in the plan that covers costs associated with a fairly low level of infection and restrictions on Island life to cover, for example, the cost of Nightingale, the borrowing facility costs, in particular the largest item of expenditure, £30 million in respect of the testing and tracing regime. But on top of that there is a reserve under the Minister's control, should the Assembly agree, for up to £40 million to be able to respond rapidly and effectively to any increased measures that might need to be put in, in that first quarter.

**Deputy R.J. Ward:**

So if it goes well we could have that £40 million left over, is what I am getting at.

**Treasurer of the States:**

Yes, if everything goes well.

**Deputy R.J. Ward:**

Just for clarity.

**Deputy K.F. Morel:**

With regard to the Social Security Fund and the Social Security Reserve Fund, while I can appreciate they could play into a credit rating because they can be taken into account as ensuring that there will be no need for social security to call on other finances within the Government, can you confirm that the Social Security Fund and the Social Security Reserve Fund would never be used as any sort of security for any borrowing?

**The Minister for Treasury and Resources:**

The Social Security Reserve Fund, which is I think easier to refer to as the pension fund, was set up and has been boosted quite considerably as a 5-year plan to pay for pensions, were there to be no

further contributions. It now stands at 7 years. So there is a bit of flexibility in that, which is why we have said that the taxpayer funded grant that goes towards the - called the supplementation grant, as you will know - Social Security Reserve Fund, that that will be held in reserve. It is taxpayers' money, it is not contribution money. So that is the proposal in this plan, that for 2021 that would not be paid into that to give us again some flexibility.

**Deputy K.F. Morel:**

That is right, thank you, but that was not my question. My question was: would the reserve fund ever be used directly as security for borrowing?

**The Minister for Treasury and Resources:**

I do not anticipate it happening at the moment but I can only go on what is ...

**Deputy K.F. Morel:**

Surely there should be a rule against that as they are ring-fenced funds.

**The Minister for Treasury and Resources:**

They are ring-fenced funds, yes.

**Assistant Minister for Treasury and Resources:**

I do not think it would be used exactly as a security but when a rating agency comes to ...

**Deputy K.F. Morel:**

That is why I premised my question saying it can be used in the credit rating.

**Assistant Minister for Treasury and Resources:**

They would not look at it as a security. They would look at it as an overall of the Island's pension fund.

**Deputy K.F. Morel:**

That is correct, and that is how I premised my question.

**Assistant Minister for Treasury and Resources:**

Definitely, they would look at how you are set up.

**Deputy K.F. Morel:**

But not as security. I am just checking that we would never put at risk those funds.

**Assistant Minister for Treasury and Resources:**

Not as far as I am concerned.

**The Minister for Treasury and Resources:**

No.

**Deputy K.F. Morel:**

Can I also ask with regard to forecasting? The States are being asked to make decisions on this Government Plan with regard to a Government Plan, which various elements sit very tightly side by side. So if there is a greater deficit next year than is predicted then obviously 2022 will struggle, the finance we put out for that, and so on. The States are being asked to make decisions very much without all the information at hand, partly because it is very difficult to have that as it is future information. But how, as the Minister for Treasury and Resources, are you satisfied or how much are you satisfied that this is as good as you can get in terms of forecasting?

**The Minister for Treasury and Resources:**

I am very satisfied that if one can use that word - that is to quote you - I do not think one can be satisfied at all in the current situation but certainly from the information I have been given and the facts that we have produced and publicised, then I am totally aware and content that they are the correct ones that we have got at the moment. But obviously everything changes every 24 hours. So we have just got to make sure that we keep up with the changes and adjust the figures in accordance with that.

**Treasurer of the States:**

If I can share an insight into that. We keep the income forecast under constant review in terms of how effective it is. For example, 18 months, 2 years ago there was a review in respect of the analysis as to how employment income and the forecast of employment income affecting income tax forecasts is built up. Some came and did an analysis, that led us to do some changes to the income forecast. The chief economic adviser in the last year has improved the forecasting model for G.S.T. (goods and services tax), for example. So it is kept under constant process of evaluating how effective the forecast has been based upon once we have actuals. Yes, there is an unprecedented level of uncertainty at this point but we have a forecast that reflects that uncertainty. We have maintained a lower boundary to what we see that forecast, being off the back of the downside scenario for the spring forecast that quantifies to a degree where we would expect if the economic recovery was not as predicted, which is a further protraction from where we were in spring. You would have some quantification of what that downside forecast might look like.

**The Connétable of St. Brelade:**

Just harking back to my previous point about benchmarking with other jurisdictions; social security cover, if you like, 5/7 years, is that similar to other places of a similar nature to us?

**Treasurer of the States:**

My experience is there are not that many places that have a social security reserve to this sort of size. The U.K., for example, use another fund - I think the comparable fund - it has been a while since I have been on this particular issue in detail, but that was back ... in my memory it has about 6 months' money in it. I might need to come back and confirm that. But not everywhere grows funds to this extent. This is a measure taken in the late 1990s, early 2000s to go above the breakeven rate of contributions to build a buffer for the future in terms of variations in income into the fund, but also to deal with the ageing demographic over the next 20, 30 years.

**The Connétable of St. Brelade:**

That was a wise decision, I am pleased to hear it.

**Deputy R.J. Ward:**

Sorry to go back, the £40 million extra in the Government Plan, as a sort of safety net, is that the item that is itemised as "general reserve"?

**Treasurer of the States:**

Yes.

**Deputy R.J. Ward:**

It says it is £64 million.

**Group Director, Strategic Finance:**

Yes, it is part of that.

**Deputy R.J. Ward:**

So it is part of that. Is that detailed somewhere else in this annexe that I will be able to find?

**Group Director, Strategic Finance:**

In the main plan on page 128, it gives you the total and general reserve, as you have described it, but also explains that £40 million of that is set aside for COVID.

**Deputy R.J. Ward:**

Thank you.

**Senator K.L. Moore:**

If I go back to part of my original question, which was about the need to monitor and take into account sustainable well-being and societal impact, how will your department, Minister, be involved in measuring the overall effectiveness and impact of the Government Plan?

**The Minister for Treasury and Resources:**

Sorry, Chair, was that in regards to well-being, did you say?

**Senator K.L. Moore:**

I listed initially a list of the measures such as sustainable well-being, which the Assembly committed to, but also that societal, cultural, environmental impacts as well. In the main body of the Government Plan there are these lists of what we will measure but they do not have any measures against them because they are to be found elsewhere, I think in the performance framework, which is on the website somewhere. But people have been cross-referenced ...

**Treasurer of the States:**

Yes, I think this question came up with the Chief Minister as well on Friday. You are right. The measures are set out in the document against each of the common strategic policies and they are and will continue to be measured through the Jersey Performance Framework, which as you have said is published on the gov.je site. So that is how Ministers set out are they going to be accountable of the long run in terms of achieving the outcomes that are inherent in each of the common strategic policies, as opposed to recording performance in a Government Plan. So that is the performance is covered elsewhere.

[15:30]

**Senator K.L. Moore:**

How often do individual Ministers and the Council of Ministers collectively look at that data that has been collected and consider whether you feel that you are achieving what you set out to achieve and how performance is progressing?

**The Minister for Treasury and Resources:**

It is part of every Council of Ministers' meetings. It is part of the agenda to ascertain how well we are dealing with the current situation, which of course has taken precedence over a lot of other things, it has to be said.

**Senator K.L. Moore:**

I have never noticed any such data being presented in the Council of Ministers' papers and obviously we do see them.

**The Minister for Treasury and Resources:**

It is discussed, it might not be necessarily on the agenda and as such minuted, but it is ...

**Senator K.L. Moore:**

So how do they share that data with you? Obviously it is data driven, one would imagine.

**The Minister for Treasury and Resources:**

I think that is probably more a question for Health because they are the ones that are monitoring this.

**Senator K.L. Moore:**

There are a variety of measures across all of the departments.

**The Minister for Treasury and Resources:**

And Education.

**Senator K.L. Moore:**

What is it, word of mouth? Are you just taking the word of the officer for granted when they tell you it is all fine or are you referring to a specific set of data?

**The Minister for Treasury and Resources:**

I would not say that any officer would say it was all fine. It is obviously during the conversation that we have at the Council of Ministers, which happens quite a lot, then there are adjustments and feed-in from all departments as to how progress is being made or not or where it could be better. I do not know quite ...

**Senator K.L. Moore:**

Against what data? I am just puzzled, and that is why I am looking to you to describe exactly what you are presenting because we have seen no evidence of those figures being presented to the Council of Ministers on a regular basis. I am just wanting to understand how that is presented to you and how you feel you are holding your officers to account in terms of achieving what you set out to achieve?

**The Minister for Treasury and Resources:**

It is a difficult question to answer because everything changes by the week. It may well be that the schools or Education take a different view of when children should go back to school and for how long and into what bubbles.

**Senator K.L. Moore:**

But we are talking about measurable items that you set out in the Government Plan, that you are going to measure sustainable well-being. Examples of the Island outcomes is priority, aims to address further so there are a set of measures here in relation to education. You turn to another page of measures and that will provide a specific set of measures, and so I am just asking: are you presented with a dashboard this is how we are doing in comparison with last week, if that is how regularly you are all checking in on your achievements?

**The Minister for Treasury and Resources:**

Not a set of measures as such but, as I say, from the feed-in from the officers from the various departments then we can set what we need to do to change something if it is not working. It is very difficult to ...

**Senator K.L. Moore:**

But how do you know it is not working if you are not measuring it against ...

**The Minister for Treasury and Resources:**

How would we have known that 2 schools would have a child with COVID in their class last week? That is what I am trying to say. It is a constant change in scenario.

**Senator K.L. Moore:**

What I am talking to you about is what you are setting out in your Government Plan, as you did last year as well, to achieve against certain measures. So what I am asking you to describe is how often you refer to those measures and check in as to how the Government is progressing against them and how you mark that progress and how you, as Minister, hold your officers to account in terms of their performance against those measures. Because that is why they are there. It is all about accountability, is it not, and being able to prove that you are achieving for the public what you set out to achieve?

**Treasurer of the States:**

In terms of progress against the framework, if I might offer that, is monitored. I could not give you the date when the last monitoring was done by the Council of Ministers but it is monitored. It is also published. So it is available publicly, not just for Ministers.

**Senator K.L. Moore:**

What is puzzling me is that the Minister cannot recall when she last looked at it, thought about it, asked you about it. That is a key part of your job, holding your officers to account and checking that they are achieving what they set out to achieve.

**The Minister for Treasury and Resources:**

It is not a matter of not being able to recall. It is a matter that it is so consistently changing that it is very difficult to ...

**Senator K.L. Moore:**

But these measures in here are not consistently changing, Minister. They are measures that you agreed in last year's Government Plan.

**The Minister for Treasury and Resources:**

Circumstances are changing all the time.

**Senator K.L. Moore:**

But still, does that mean that you disregarded the measures that you set out in last year's Government Plan? Is there any value to having these measures here?

**Deputy K.F. Morel:**

Minister, have you ever looked at the Jersey Performance Framework as it is presented online in gov.je? Would you know then how many Islanders are struggling to afford rent or the percentage of Islanders?

**The Minister for Treasury and Resources:**

Without it in front of me ...

**Deputy K.F. Morel:**

This is what I mean, because these are the sorts of stats ... we are not talking about COVID-related stats. The Senator is asking you about the overall high-level statistics and the trends and how often you are informed of those trends, with regard to the well-being of Islanders. Not necessarily COVID-related at all.

**Treasurer of the States:**

I would just ...

**Deputy K.F. Morel:**

I can tell you, for instance, the percentage of Islanders living in relative low-income households has not been updated since 2015. The percentage of a mortgage that an average mortgage can afford has not been updated since last year. Most of these stats have not been updated since 2015. That is the public site. That is why I ask if you have looked at the website because you will see, if you do, that most stats have not been updated for 5 years.

**The Minister for Treasury and Resources:**

The Statistics Unit produce a review every Friday on unemployment, rentals ...

**Deputy K.F. Morel:**

With regard to COVID, yes, and they have done for the last 6 months with regard to COVID. But that is only a certain selection of statistics and they do not necessarily all fall within the performance framework.

**The Minister for Treasury and Resources:**

It is quite a comprehensive set of statistics I think that they produce every week.

**Assistant Minister for Treasury and Resources:**

I would fully agree that that should be much more up to date, so I take that on board. But on something like housing, that really falls within the remit of the Minister for Children and Housing.

**Deputy K.F. Morel:**

I appreciate that.

**Assistant Minister for Treasury and Resources:**

So the Minister for Treasury and Resources would not necessarily know how many people have rent problems or whatever, that is the Minister for Children and Housing. The same in there, many of those tests would come under Education or whatever. So it is very difficult, I think, for Treasury to say, yes, we need to control departmental budgets and make sure people stay within them but after that, the running of those come down to the respective Ministers, I think, and the well-being that comes from that.

**Senator K.L. Moore:**

Thank you, that is helpful. I think why we are interested in this line of questioning is the measures are set out in the Government Plan for a reason. One assumes that the Government wishes to measure those and improve their performance over the year. Therefore we are wanting to understand how that assessment continues throughout the year among Ministers and how they

independently hold the relevant officers to account and ensure that they are achieving what is set out in this Government Plan, otherwise it is not really worth the paper it is written on.

**Treasurer of the States:**

I challenge slightly in terms of responding to that, rather than be talked over while I was speaking to it. In terms of projects, in terms of specific measures identified in the Government Plan as opposed to the longer-term outcomes, to which you are talking to, of course much of that was included within the 6-monthly report. I am sure that was not as perfect as everyone would like it to be but nevertheless it was in a 6-monthly report. In addition to which the financial performance of Government and States of Jersey was also in that half-yearly report. That half-yearly report was not, if I remember rightly, ever published by a previous Government in a public fashion, in terms of improving transparency and added to which, colleagues have put together the Jersey Performance Framework. I am sure that COVID has moved attention away from it given that resources have been deployed to COVID-19 over the period, but nevertheless I do recall when it was launched, and I think, if I remember rightly, it was launched at the very start of this year ahead of moving into the COVID-19 pandemic later in the year. Nevertheless, you are right. There are measures here that are not necessarily previously set out by previous Governments. But we have set out in a half-yearly report progress against those projects that were - and by that I mean the projects, not necessarily the outcomes - included in the Government Plan last year. You have seen from a financial perspective the cost of everything, if nothing, you do not need to do it from that perspective, but then there were £60 million of those projects that were due to have been spent by the end of the year as opposed to the £80 million that was provided for in the Government Plan. That is an indication that there is some deferral or some delay in some of those projects. But nevertheless, progress towards the specific measures in the Government Plan last year were recorded in the 6-monthly report. There will also be at the end of the year, as we develop the departmental operational business plans that go alongside of this, it would be nice to do some reporting on a departmental level of progress against initiatives for the end of the year. Obviously, some of that will have to be finalised as we move to the end of the year. But that reporting will also be provided. Admittedly that is a shorter term to medium term horizon on projects as opposed to the outcomes. So some of the outcomes are inevitably not always updated on an annual basis. I think, if I remember rightly, the measures on the household on relatively low income is not updated on an annual basis. Some of that is updated on a periodic basis. But some of these outcomes are longer-term outcomes against which Ministers will undoubtedly be held to account and which there will be shorter-term measures or indicators that would monitor the progression along the period.

**Deputy K.F. Morel:**

As Treasurer, sorry I do not have the Public Finances Law in front of me, but is it the Treasurer who is bound by the Public Finances Law to take sustainable well-being into account?

**Treasurer of the States:**

I will have to remind myself, but it is the Council of Ministers that has to take into account the sustainable well-being and put in the Government Plan. The move between the last Public Finances Law and the current Public Finances Law is to widen that ownership. So previously it was all about what the Minister for Treasury and Resources puts in the Medium Term Financial Plan. The Medium Term Financial Plan was a plan of the Minister. The Government Plan is a plan of the Council of Ministers. So it takes that wider perspective in and the Ministers were keen to have that sustainable well-being measure in there, alongside the one that is probably more definitely the Minister for Treasury and Resources specifically, being the sustainability of finances. But again, it does apply and the Council of Ministers is responsible for that. But obviously it is within the Minister's portfolio specifically.

**Deputy R.J. Ward:**

Can I just ask in regard, and it came from the process of keeping a track of what has been achieved or not in financing? In terms of the reserve funds, there is the £87 million and £40 million, what fund are they allocated to or are they just an extra fund? So the Consolidated Fund, Strategic Fund, Stabilisation Fund, they are none of those 3?

**Treasurer of the States:**

The £87 million is provided as a head of expenditure. So that is like a departmental budget.

**Deputy R.J. Ward:**

It is like a slush fund?

**Treasurer of the States:**

No.

**Deputy R.J. Ward:**

Sorry, that was the wrong term.

**Treasurer of the States:**

Given that we may have a bit of fun in this hearing ... It is not a slush fund. It is a head of expenditure. What we have done, which is something that the new edition of the Public Finances Law allows for, is head of expenditure that does not necessarily follow rigidly a departmental structure. In this case, we have put a separate head of expenditure which separate ... we have given it line by line, as Ministers expect to spend it, and separate accountable officers will be responsible for that spend. So testing and tracing may be different to ... in fact I will have the responsibility for the revolving

credit facility. Rather than spread it across all the different departmental heads of expenditure we have tried to give visibility and transparency to saying this is the £87 million head of expenditure that we believe will be spent next year in respect of the ongoing response to COVID and the ongoing measures that are in the Government Plan as opposed to the £40 million. The £40 million is also not a slush fund but is a reserve in the way that we would have the general reserve there for more remotely possible items of expenditure in this sense. There are no firm plans around the £40 million. The hope would be, I think as you said earlier, that the £40 million would not be spent but it is there as a reserve - an exceptional reserve in this case - to address the risk that might arise if the pandemic were to kick up in Jersey and Ministers, maybe the States Assembly as well, thought it was necessary to impose further measures.

**Deputy R.J. Ward:**

But there is a clear line of accountability in both those funds for the decision-making process to spend that money in next year's Government Plan?

**Treasurer of the States:**

Yes.

**Deputy R.J. Ward:**

Including the £40 million?

**Treasurer of the States:**

The £40 million is a reserve that will be under control of the Minister.

**Deputy R.J. Ward:**

I just ask because then there must be a mechanism for the decision as the way to trigger it, which I think is the important thing and we would ask about in next year's Government Plan, seeing as it is a yearly Government Plan.

[15:45]

**The Minister for Treasury and Resources:**

I think what we are doing with that is to give exactly what you are saying, permission to go forward with a reserve fund because the Minister for Treasury and Resources' ability for the use of the emergency fund, which the States Assembly agreed to, expired at the end of September. So this is a contingency level should we require further expenditure because of circumstances.

**Deputy R.J. Ward:**

It just occurs to me that if any amendments are made to the Government Plan then we have to account for where that money is coming from but we do have this money that is not directly allocated necessarily that is there, and I just need to understand the spending structure of that part of the budget; that is where those questions come from, so that you know.

**Treasurer of the States:**

The £87 million sits there as a head of expenditure, rather like you would see a head of expenditure ... Treasury and Exchequer has a head of expenditure for the things that Treasury and Exchequer is responsible for. This sits outside of a specific department but accountable officers will be appointed for each line as and when it would be approved. But it sets out clearly, rather like if you were to say Treasury and Exchequer ... if you go to the annexe to the Government Plan it would say where we expect Treasury and Exchequer to spend the total amount of money that would be voted for the Treasury and Exchequer, in this case it was a total amount of money that is £87 million that is set aside specifically for costs expected as a result of COVID. In respect of the reserve, usually that would carry funds for inflation, pay award, and a reserve for anticipated items, which typically we have £5 million to £7 million that would carry the same sort of level. This time, in addition to that, there is the sum of £40 million in 2021 alone to deal with any issues that Ministers may have a requirement for.

**Deputy R.J. Ward:**

I do not mean to labour the point here but I just need to understand, it is my analytical mind. So the allocation of that money goes to officers once it has been decided on how to allocate it?

**Treasurer of the States:**

Not the £40 million. The £40 million sits under the control of the Minister for Treasury and Resources.

**Deputy R.J. Ward:**

The £87 million does?

**Treasurer of the States:**

Expect that ahead of making decisions on any particular aspect of the spend within the £87 million, the Council of Ministers would continue to receive papers, and the competent authority Ministers receive proposals ahead of embarking on those measures. A good example here would be testing and tracing. Testing and tracing has already been set up but the continuation of testing and tracing beyond 31st December is dependent upon the Assembly agreeing within the COVID-19 head of expenditure of £87 million, £30 million for testing and tracing.

**Deputy R.J. Ward:**

For example ... sorry, do you want me to stop?

**Senator K.L. Moore:**

No, you go ahead.

**Deputy R.J. Ward:**

For example, if it was decided to give another £100 to every member of the public, that would perhaps be allocated from that as an economic stimulus? So economic stimulus could come from that fund as well, is what I was trying to get at. I should have started with that.

**Treasurer of the States:**

The £87 million provides for in 2021, £15.5 million set aside for economic recovery and renewal as opposed to fiscal stimulus. Yes, if Ministers were to go down that path they could ask the Minister for Treasury and Resources whether ...

**Deputy R.J. Ward:**

There would be a bidding process to do that?

**Treasurer of the States:**

Yes.

**Deputy R.J. Ward:**

Okay. I am not sure I entirely understand. I still have the words "slush fund" in my head but I will move away from that.

**Deputy K.F. Morel:**

It is just the way you operate, Rob. Sitting on that though, we have £87 million for next year, we have also in the COVID department, so to speak, got £26 million for 2022, £25 million for 2023, and £12 million for 2024. Just give me an example of what you think those funds will be for.

**Treasurer of the States:**

In future years, the 3 main areas of cost are - Alison will correct me if I get this wrong. The money for economic recovery for the first 3 years of the plan, there is money in respect of borrowing, should the Assembly agree to the borrowing that relates to COVID-19 over the period of the plan, which moves from being a finance cost re revolving credit facility and the medium term debt that we would envisage replaces the revolving credit facility, added to which the increased cost of income support that would arise according to current forecasts over the period of COVID-19.

**Deputy K.F. Morel:**

In your mind as Treasurer, what is the difference between money for economic recovery and money for fiscal stimulus?

**Treasurer of the States:**

Fiscal stimulus we see very much as the immediate future. In the coming months, I think we have said in the fiscal stimulus in terms of reference in the proposition that that money should be expected to be spent by the end of 2021. Economic recovery is very much more moving into renewal, it is more about measures to generate change in the economy, the future of how the economy should be structured. People have talked about the greening of the economy going forward. There could be other measures that relate to productivity having gone through ...

**Deputy K.F. Morel:**

Do you think Governments do a good job of structuring economies?

**Treasurer of the States:**

Do Government or should Government?

**Deputy K.F. Morel:**

Do they often do a good job of structuring economies? I am just thinking of 5-year plans and things like this and how successful they have been in the past.

**Treasurer of the States:**

I think that we have, to a degree, had a period of medium term of low economic growth. I think nevertheless the measures that were put in by Government as a response to the challenges that arose from the financial crisis and, in particular, in respect of financial services. But some of the measures that we are starting to see, some of the benefits in terms of the digital sector, that were steps that were made that I think if were not made in terms of providing funding and being side by side with the financial services industry, saw that financial services was not impacted to the degree it might have otherwise being a financial crisis. It was nevertheless a hit but the early forecasts in terms of the hit were nothing compared to where we ... sorry, we found ourselves in a much better position than we might have done as a result of the financial crisis. So there are examples of good intervention by Government, more often than not hand in hand with a particular sector.

**Deputy K.F. Morel:**

It has to be hand in hand with a particular sector. Looking ahead still, we have touched on contingencies but if there is a prolonged economic downturn, which lasts 3 years for the period that

is planned, how is the Government Plan going to deal with that? What contingencies do you have in place to deal with prolonged economic downturn?

**Treasurer of the States:**

First and foremost, back to an answer I gave earlier that of course we revisit this annually. The Assembly revisits this annually. We will have 2 forecasts at least next year as well, so we will have a spring forecast which shall informed but perhaps the forecast in a year's time will be more informative as to where we see we are. If that allows for the possibility to adjust to those changing circumstances, and that will have to be done against both the advice of the Fiscal Policy Panel, but also Members and Ministers will have to address the affordability of that on a long-term basis if it were down. If it were up, then I think equally the plans could be amended accordingly. So there is flexibility there. There is flexibility at this point in terms of we have a revolving credit facility, short-term facility of up to 500. So there is some flexibility there for the Assembly.

**Deputy K.F. Morel:**

It is not a form of slush fund, I hear.

**Deputy R.J. Ward:**

Wish I had not mentioned that now.

**Deputy K.F. Morel:**

Sorry, revolving credit facility.

**Treasurer of the States:**

Added to that, I suppose, the other point would be that this is the very reason why we go for borrowing at this point rather than take money from reserves at this point, or the Strategic Reserve in particular, given that it is the reserve that has been held against those risks to the economy or the environment, if there is a sudden shock. That would be that you would have the flexibility once you borrowed to then think about needing to use a reserve further down the line. If there was an aftershock or a shock that came further down the line in respect of any financial crisis that may follow further down the line. So that would give you the flexibility to then use the reserves. If you were to do it the other way around, you are to use the Strategic Reserve firstly, it would make it more difficult to borrow further down the line. Indeed, you would be more uncertain as to where credit markets would be further down the line. That broadly speaks to the borrowing first, use of reserves further down the line.

**Deputy K.F. Morel:**

I understand. As Treasurer, you have a particularly interesting position because you have responsibilities under the Public Finances Law. Obviously, you have also got the Minister for Treasury and Resources who is political lead. But in terms of borrowing, while it could be argued that the level of borrowing that any Government would find acceptable in terms of the level of borrowing against the scale of the economy, so we are looking at £1.5 billion of borrowing, including all the Andium stuff and all the rest of it. That is about a third of the size of the economy as a stat. A politician may turn to you and say: "We can borrow twice the size of the economy." That is fine in the current interest rate environment. But as Treasurer, you have a responsibility to say yes or no or: "I agree with that" or: "I do not agree with that", et cetera. You have to make those sorts of judgment calls as well. In your view, what would be an acceptable maximum level of borrowing in terms of against the scale of the economy in the current interest rate environment?

**Treasurer of the States:**

I think it is fair to say that I have had a position which I probably look at many hearings; it was said that there is plenty of capacity above and beyond the current level of borrowing for the Government of Jersey in respect of, in particular, the previous proposals for funding of the hospital. I think we are in exceptional times in terms of the appetite for borrowing. The borrowing that is proposed here, and in the likely scenario for future funding of the hospital within the capacity of Jersey, provided that there are measures in place and agreement and a plan in place to repay debts, I think they sit within that. That is informed by measurements that you can see from the various credit ratings agency as to whether downgrades may come further down the line and indeed we have had advice in terms of where those prospects are downgraded. Downgrades are not the be all and end all, they are just an indicator so you do not do something ...

**Deputy K.F. Morel:**

They tend to push up interest rates if nothing else.

**Treasurer of the States:**

If you do not do something to get an upgrade or get a downgrade but they are a universal set of indicators as to the credit worthiness of Government and they of course would agree the resilience of our balance sheet. It is fair to say we have got a low level of borrowing compared to some similar jurisdictions, or some larger or smaller jurisdictions. So there is capacity there. I am not going to be drawn into a specific number that is the cap because the cap will be, in my view, dependent upon the particular economic circumstances at any point in time.

**Deputy K.F. Morel:**

I was just wondering if you would have an appetite to go to 100 per cent of the economy, that sort of thing, in terms of the amount we borrow.

**Treasurer of the States:**

An appetite in that regard is for Ministers. I have a job in making sure that Ministers have the advice in place. These are changing circumstances. I never thought we would get to this level of debt or proposing to get to this level of debt, but that is informed by those changing circumstances. I support the proposal to go to borrowing first rather than reserves, rather than the other way round. The importance is being able to spend the money in the economy to support livelihoods in the recent months and to continue to do that in the immediate future as well.

**Deputy K.F. Morel:**

Jersey is not a sovereign nation that does not print its own currency, so what restrictions does that place on our borrowing, from your perspective?

**Treasurer of the States:**

In terms of restrictions, not specifically restrictions but it does not have some of the opportunities that other places do. So while we have our own currencies tied essentially to the U.K., we do not have those controls over money, the quantity of easing that other places might do, so that is the restriction that brings with it. Given that we have not got those abilities we live mostly by the size of our reserves and a credit ratings assessment or an investors' assessment as to whether we would be in a position to ... whether we are good for it. Whether we will be able to have plans and under shock still be able to meet the debt repayments.

**Assistant Minister for Treasury and Resources:**

Could I just add on the hospital issue that you have raised, which is a very good one that will become more and more salient in the coming weeks? The ultimate decision obviously will still rest with the States Assembly. Any funding that is brought forward for the hospital in whichever way is chosen by the hospital panel, and Treasury will go to the States Assembly so they will have the final decision as to whether we borrow or whatever other methods.

**Deputy K.F. Morel:**

Absolutely. No, I was thinking more in terms of prolonged economic downturn, so just, as the Treasurer said, borrowing being your first cause of action and I get that. I understand that. I was just wondering at what point we say we have to make cuts. I know Deputy Ward will often say austerity is a political choice but at some point you have to make the cuts rather than do the borrowing. I was just trying to get a sense of ...

**The Connétable of St. Brelade:**

Just picking up on the hospital issue, can I just ask: we are talking about a 7-year project thereabouts, would you expect to have that funding plan in place for 7 years?

[16:00]

So that we are actually planning upfront for this 7-year spend?

**Treasurer of the States:**

They are 2 separate things. I would expect the Assembly to agree both the budget and how something is to be funded. So in this particular case, the hospital, and how it is to be funded and form part of the proposition. In terms of how you would issue that debt, so historically I suppose we would take an attitude of we are going to get all of the money in one go. If I see patterns that you would stagger that over a period of time rather than having all the funding upfront and bear some of the costs of holding all of that funding upfront you would issue debt of over a short to medium term to match up to as and when you might need some of that cash. Obviously, that brings some uncertainty into the equation, so you have to balance those 2 things up. But you would look not to have all of those funds upfront. In terms of a further clarification of course, there are some statutory responsibilities of the Fiscal Policy Panel in commenting in respect of our amount of financing or our set position as well in the Public Finances Law.

**The Connétable of St. Brelade:**

Talking about further borrowing, you have explained the approach and rationale to external borrowing but what evidence do you have that a cost of debt is less than the return of lessons received through reserves?

**Treasurer of the States:**

I think I have been critical of Scrutiny Panels over recent years talking about how low the cost of debt has been, and every time I then turn up to a subsequent one it has got to ... now there are very low levels compared to where it has been and the expectation is that it will be there in the coming months, certainly for 2 or 3 years. That is what the expectation is. There is a lot of risk to that. It could go up. I think we have said that on many occasions. Historically, and as you would expect, debt is usually, certainly in the credit rating perspective of Jersey, we are a relatively low risk for that debt and that is reflected in the price. Investments typically are still a relatively low risk but not investments without risk. We have a diverse portfolio against equities, emerging markets, but also other investments as well that over a long term generate and outperform the costs that you would expect ... the other price of debt that you would expect given our credit rating.

**The Connétable of St. Brelade:**

I know you are not a fortune teller but are you basing your thoughts on the assumption that the markets will return to a normal behaviour or pre-COVID behaviour? Is that a realistic ...?

**Treasurer of the States:**

I take that based upon there has often been many shocks, so I suppose the most recent pre-COVID would have been the financial crisis, and those shocks are built into the long-term forecasts for investment returns. While you will hit a period from time to time where you get low investment returns or even dramatic losses, as we have seen immediately post-COVID, but you know what I mean when it first started a financial crisis in the past, but there have been others such as when they announced Brexit came through we saw stocks go down and then recover. So what we are basing our forecasts on and the plan on is the medium to long-term recovery as historically has been demonstrated within that, quite some volatility in any one particular year.

**The Connétable of St. Brelade:**

Have you had any detailed advice on potential increases in inflation as a result of Brexit?

**Treasurer of the States:**

The economic assumptions come through in the view of the Fiscal Policy Panel. They set out in there how they have come to their assessment of inflation. They, in making their economic assumptions, will have a view as to where ... will know Brexit is going to happen and that will be built into their economic assumption.

**The Connétable of St. Brelade:**

Given that is almost changing day by day, and we have seen decisions coming forth from the U.K. Parliament, is the advice flowing from the F.P.P. sufficiently quick, do you think, for us to make our decisions at this end?

**Treasurer of the States:**

I think there is a danger in reacting on a daily basis and changing your forecast on a daily basis. Indeed, we would never reach a point. So we have, as things stand, 2 sets of economic assumptions. From time to time the Minister asks the Fiscal Policy Panel for up-to-date advice in light of what is happening, and that occurred with COVID-19 as well, to get some pointers as to what to be doing in response to COVID-19. That is not dissimilar to when the Brexit decision was made in the U.K. I think you should take a decision on whether you ask for a new set of assumptions based upon what new information there is for those that make the assumptions or those that make the forecasts have any more data with which to make an informed decision in giving a new forecast. So day to day there are some rather peculiar outcomes and indeed we would not get the job done.

**Assistant Minister for Treasury and Resources:**

I think in inflationary terms the danger may well be, and they are talking about it now, I think they will resist it as long as possible, is the U.K. go to negative interest rates. If they go to negative interest rates people are going to have to go out and spend money, whether it is put it back into the stock market or whether it is to buy property or whatever, they will not be able to just sit with money in the bank. The indications are if Brexit gets particularly sticky, which I know Deputy Morel feels it may well do, then they will have little option but to go negative, as they have in Europe, to try to boost the economy. I think that is always a danger.

**The Minister for Treasury and Resources:**

They have warned that they might.

**Deputy K.F. Morel:**

Of course that will have a terrible impact on Jersey's banking sector.

**Assistant Minister for Treasury and Resources:**

Yes and no. It makes it very difficult to hold funds because what happened with the euro, the bank started to charge you to keep euros on other things like the investment side, where people started to have to put their money into stocks it helps. So it is swings and roundabouts but it will make it difficult for people to sit on sterling, yes, because banks will have no choice but to charge you to keep money in your bank account.

**The Connétable of St. Brelade:**

By running such an enormous borrowing package into the next 5 years or more are you burdening further generations - this is a nutshell which is going to come up I am sure - and tying the hands of the next Government, given that the elections are coming in 2022? How do you view that; the concept of this heavy borrowing at the moment on future generations?

**Treasurer of the States:**

How do I view it? Whatever measures Governments take often have an impact beyond the short period - particularly a Government in place - so any decision that would affect ... I think we are wandering into the political sphere, but any decision that perhaps reduces the amount of reserves equally has a knock-on effect to future generations. Equally any decision to borrow can have an implication on future generations. The Government Plan has set out the plan of Ministers as to how it would set out to repay that by prioritising cash flow arising from a prior year basis, which is predominantly people of the current generations, to the payment of that COVID cost. The other point I would say is if Governments were to take a decision that it would not spend so much money in response to COVID-19 that would also have ramifications for future generations and the economy.

All of these decisions require funding to one degree or another and where you choose to fund those decisions will have consequences further down the line, but there is a plan in place that says what the approach is. Lots of them come from the decisions to spend the money in the first place.

**The Connétable of St. Brelade:**

I was going to ask what the Minister's view might be on that; you will be the one standing at the ballot box.

**The Minister for Treasury and Resources:**

Yes. From your point of view of future generations, the revolving credit facility which the Treasurer has talked about, is for 2 years with an option to extend for a year and then an option to extend for another year; so that is not going to have an influence on future generations. If you are talking about longer-term borrowing to fund the hospital, which has got to be the case, then that hospital - I think you said would be 7 years before completion - is for the use of future generations so the future generations will be paying for their own asset, if you like, over a 30 or 40-year bond, whatever happens to be chosen at the time.

**The Connétable of St. Brelade:**

Do you think that further borrowing could take place if there is a prolonged impact from the pandemic; an increased figure of what we are talking about at the moment?

**Treasurer of the States:**

That depends on how the pandemic proceeds from this point. In a scenario where we reach a point of vaccination or further down the line, which then this plan allows for costs that are into certainly the first half of next year with some costs on top of that for economic recovery, and some of the consequences that may be felt with a protracted recovery. If the Island were to experience higher levels of health restrictions or business restrictions as a result of higher numbers then the costs may grow from that point. We put what we think is a reasonable first line of defence in terms of the reserve after the amounts that have been allocated; so it could go up. These are informed by what is, after all, not a very long experience of living with the COVID-19 pandemic but the costs could go up and the Government would have to respond at that point. But equally these might be an upper end, so the £40 million, we are expecting a low level of infection on-Island and a low level of business interruption, not to be spent.

**The Connétable of St. Brelade:**

What is the Treasury link into the S.T.A.C. (Scientific Technical Advisory Cell)? Has anybody in Treasury got a seat on the S.T.A.C.?

**Treasurer of the States:**

In S.T.A.C., no. I think the chief economist attends so lots of the questions you have been asking me are about the economy and about economics as opposed to necessarily just accountancy. I always know I am going to get lots of questions on the economy when I do not invite the Chief Economist along. So he sits on that as opposed to someone from Treasury advising purely on cost.

**The Connétable of St. Brelade:**

Taking us back to accountancy matters perhaps, apart from borrowing or taking from the Strategic Reserve what research has been conducted on alternative funding schemes and would Scrutiny be privy to why any alternatives have been rejected to date? I mean, have you considered such funding as community bonds or a bond scheme or suchlike?

**Treasurer of the States:**

So we have looked at community bonds in the past; this related to the hospital. I think the quantum of funding that is required - so, for example, in the medium to long term in relation to the hospital - my view and certainly informed recommendations in the past was that a community bond would not raise that level of borrowing. So the advice that we have is further to advice that we have had over a period of time as to what debt instruments are most appropriate for Jersey given its balance sheet and given the amount of money being sought either as a result of COVID-19 or as we come to finalise recommendations as it might relate to the hospital. So there has certainly been quite a lot of advice over the years in respect to those instruments that are most suited to the circumstances and the amount of money that we would be looking to raise.

**The Connétable of St. Brelade:**

Would the Minister agree that forming local bonds would allow Islanders to invest and have a stake in Government? Would you agree with that concept?

**The Minister for Treasury and Resources:**

It is a broad concept and, as the Treasurer said, it would not distribute the amount of borrowing that we would require in the hospital situation. But what has been looked into prior to the current situation - so in a previous incarnation Assembly - is to have private investment into say a wing of the hospital. So that has been discussed and looked at but whether that would come forward in the current situation when we have not even agreed the location yet, let alone the cost of it, is a difficult one to say.

**Deputy K.F. Morel:**

Could I just ask, with regard to some sort of bond as the Connétable has suggested, it would not raise the necessary funds if it was the only offer out there but you do not have to go to just one place

to get your borrowing, you could do part fundraising through a community bond and the rest of it through a more normal raising a bond. From what I have seen, Treasury did not look at combinations of options, it just seemed to look at one option or another option or another option. I am wondering why you did not look at the possibility of combining options.

**The Minister for Treasury and Resources:**

Well previously we have. Before I was in Treasury we looked at various combinations of options but then of course we were looking at a very different amount of borrowing at that stage in the game. So we do not know quite what we are going to have to do now, but nothing would be ruled out because obviously if you have to borrow the entire cost of the development then that is going to be quite considerable.

[16:15]

**Deputy K.F. Morel:**

The O.E.C.D. (Organisation for Economic Co-operation and Development) issued a report where they said that the significant growth in government debt during 2020 will at some future date effect the ability to pay benefits and provide social protection programmes. Are you concerned? Because we have not even got to the beginning of Jersey's demographic bulge; by the time I am 65 is when a third of the Island will be pensioners and so we have got another 20 or so years before we get to the big problem that Jersey faces in terms of the impact of population age. So are you at all concerned at this, Minister, that the amount of debt we are getting now is going to severely harm the ability to pay pensions, severely harm the ability to run a decent health care system through the new hospital and also other social protection measures?

**The Minister for Treasury and Resources:**

I understood - depending on which figures you look at of course - that the demographic bulge to which you refer was a lot sooner than 20 years. I thought it was going to be, from what I understood, in about 10 years.

**Deputy K.F. Morel:**

It begins, yes; I think it peaks in about 20 years.

**The Minister for Treasury and Resources:**

Yes, we have obviously looked at that. We referred to the Social Security Reserve Fund beforehand which has the capacity to deal with that at the moment. The other thing that we will have to look at, and it is not going to be next year it will be necessarily the year after, but again it has been talked about considerably over a long period of time, is the social security contribution payments into the

fund will have to be reviewed. Because at the moment what is being paid in, which is 6.5 per cent for the employer and 6 per cent of the employee, is half for instance of what the U.K. is paying. So I think that will have to be reviewed as to whether we escalate that to deal with what you are talking about, a future demand on benefits and many pensions.

**Deputy K.F. Morel:**

Yet we are told that there is enough in the reserve fund for us to be able to take out £65 million a year.

**The Minister for Treasury and Resources:**

At the moment.

**Deputy K.F. Morel:**

It seems that there is a contradiction in the arguments there.

**The Minister for Treasury and Resources:**

Well as I say, the £65 million that is proposed is for 2021. This review of contributions ...

**Deputy K.F. Morel:**

Yes, but it affects the reserve fund for ever.

**Senator K.L. Moore:**

And it continues throughout the life of this Government Plan. So you are proposing in this Government Plan to stop supplementation over a 4-year period, which will have a significant impact into the long term ...

**The Minister for Treasury and Resources:**

But the legislation, from what I understand, if agreed with the Government Plan purely allows for 2021. There might be the proposal in there to extend it but obviously it is so dependent on the circumstances we find ourselves in.

**Senator K.L. Moore:**

So you do not agree with the proposal as published in the Government Plan then to stop supplementation over 4 years, or do you?

**The Minister for Treasury and Resources:**

I do agree with this, I think that is the way we can go forward because we can support it at the moment, but I think the legislation ...

**Senator K.L. Moore:**

For 4 years?

**The Minister for Treasury and Resources:**

... only applies to next year.

**Senator K.L. Moore:**

But you have just outlined the long-term impact that this could have on future generations, so which is it? Do you believe in continuing to protect the Social Security Fund for future generations or do you believe in preventing the supplementation for the next 4 years?

**The Minister for Treasury and Resources:**

Well there are different ways of doing it, as I think I just explained. You could increase the contribution which would make up for that lack of the supplementation of the fund.

**Senator K.L. Moore:**

That is an interesting point because last Monday in the press conference when the Government Plan was announced the Chief Minister alluded to increases of social security contributions from about 2023, which is of course going to time well for people who will have to pay increased taxation to cover the prior year tax debt that they will have incurred for 2019. Could you explain your rationale and what message you would like to give to middle Jersey people who are concerned about having to pay back the 2019 tax in addition to their current year tax for a 5 to 10-year period, and then additional social security contributions on top of that?

**The Minister for Treasury and Resources:**

The 2023 that you mentioned has recently ... well not that recently but over 2 weeks ago or something has been extended to 2025, which is going to be the proposal put forward in the draft regulations. So that is a 4.5-year freeze, if you like, on not having to pay it back, so an interest free loan on your liability, and then after that you would have between 5 and 10 years to repay it at whatever is a suitable package for you to repay it. So it is not sort of double taxation as such, it is ...

**Senator K.L. Moore:**

Well it is because it is additional taxation, is it not? That taxpayer will have to pay their current year tax plus a percentage, so it will be 10 or 20 per cent, of their debt from 2019, and plus now you are telling us that there will be social contributions going up as well so that is yet more money out of their disposable income.

**The Minister for Treasury and Resources:**

No, I am not. I said there is going to be a review which has been discussed - goodness me - when I was Minister for Social Security that was being talked about, so it has got to be looked at.

**Senator K.L. Moore:**

A review is not the terms that you just described and it certainly is not the term that the Chief Minister described in his press conference last week either. It certainly has made it very clear from everything that both you have said today and the Chief Minister said last week that it is highly likely that social security contributions will be going up from 2023. So my question was ...

**The Minister for Treasury and Resources:**

Well I have not said a date, I have just said that it is being looked at.

**Senator K.L. Moore:**

Well the Chief Minister said 2023 very clearly in a press conference and I believe you were there at the same time so I am sure you heard. So my question is, going back to that, what is your message to those people who are concerned about the impact that those additional payments will have on their monthly household budget?

**The Minister for Treasury and Resources:**

You cannot predict what somebody's budget is going to be. One would estimate that earnings would go up, as they do generally speaking, from year to year, and if social security contributions also go up slightly well then that will have to be accommodated. As for paying back the 2019 tax liability, it would have to be paid back anyway; if nothing changed it would still have to be paid back. If we do not move to a current year basis there would still be a previous year tax liability.

**Deputy K.F. Morel:**

I think one of the issues with the prior year basis on the current system is that those who will be paying back their tax in 2025, 2026, 2027 would tend to be those people who have come to the end of their working lives and so they tend to pay it back towards the end of their lives. The prior year basis moves that repayment into a whole demographic of people who until about 7 weeks were not thinking that they would have to pay back that tax in the middle of their working and high cost lives, so they are sending their kids to university, they are paying for their children's schools, they are paying their mortgages. All these things are going on and they did not think, until 7 weeks ago, they would have to pay that tax until they were nearer their retirement age. So what you are doing is you are putting that extra payment right in the middle of that higher cost element of their lives and that

was not the case until this proposal came on. Now you are also saying that we will be raising social security contributions, which brings me to another issue ...

**The Minister for Treasury and Resources:**

No, I said they may.

**Deputy K.F. Morel:**

... about this Government Plan is kicking the ball down the road in terms of rises in either taxation or social security contributions. We heard the Chief Minister - it may have been you, Minister, I cannot remember - proudly exclaiming this Government Plan has no tax rises. No, because they will be in 3 years' time when this Government is no longer in Government, and so to me it is kicking the ball down the road for a new Government to deal with and to put the rises then, not now.

**The Minister for Treasury and Resources:**

I do not agree with what you have just said. I do not think it is kicking the ball down the road at all, I mean, what we have said is the tax prior year liability would be frozen if people wish to, if they wish to pay it off then fine but if they do not wish to it can be frozen for 5 years, so that is a sort of interest free loan. If you turn it around from what you are saying ...

**Deputy K.F. Morel:**

But they do not want this interest free loan. Nobody that I have spoken to wants to be paying back an extra 10 per cent tax in the middle of their highest cost element of their lives.

**The Minister for Treasury and Resources:**

But what we are saying is they do not have to pay it back for 5 years when they should be paying it back the following year, and all ...

**Deputy K.F. Morel:**

But that is just part of their normal operational tax that they have already got in their heads. This has now changed and you are then saying for a period of 10 years or 5 years in the middle of their working lives they are going to be paying an extra 10 per cent or possibly 20 per cent tax if that is the route that they chose to go down. On top of that they will be probably having higher social security contributions. I disagree that wages will necessarily rise; that is an assumption that has been put in at the very beginning of an economic downturn.

**The Minister for Treasury and Resources:**

I want to make it very clear that I did not say that social security contributions would rise. I said that we have been looking at this for a number of rises as to how it may happen but not that it would.

The other thing is that if you are looking at 5 to 10 years to pay the previous year liability, and you mention people coming up to retirement who normally do save up to pay off their liability, the fact that this is extended for 5 or 10 years would help them as well.

**Deputy K.F. Morel:**

It is the people in the middle that the problem sits with, not the people at retirement age; it is the people whose children are at university and who are paying their mortgages; the people who are 30 and 40 years old today, they are the ones who will be negatively affected by the change to the prior year basis.

**The Minister for Treasury and Resources:**

Any change as big as this is not going to be 100 per cent positive. It cannot be. But we are the only jurisdiction that we know of that has got this dual tax system and it has been ...

**Deputy K.F. Morel:**

We know this but those are the decisions Ministers made in 2008 or thereabouts.

**The Minister for Treasury and Resources:**

It was 2006 when people moved because of this complication, and it has just taken a very long time to move everybody on to current year basis, which is what we are trying to do, which is fairer for everybody.

**Deputy K.F. Morel:**

As was entirely predictable in 2006.

**The Connétable of St. Brelade:**

Just a quick one really linked to borrowing. We have got an AA credit rating; what can Jersey support in terms of debt without having that rating affected? What are the figures?

**Treasurer of the States:**

That is pretty much really for the credit rating agency. We believe that this level of debt would not lead necessarily to a downgrade. I cannot give a guarantee of that, and indeed we have seen today that one credit rating agency has downgraded the U.K. I believe, so there is movement that will go on around it. Obviously moving to a higher level of debt leads to a potential for a downgrade; we think this is within the bounds of where we see the trigger points of that downgrade and so we believe this is on the safe side of that in terms of the amounts that have been proposed.

**The Connétable of St. Brelade:**

Do the trigger points come from the F.P.P., the advice on that?

**Treasurer of the States:**

No, the advice comes from our understanding of the trigger points on the rating and from advice we have received.

**Senator K.L. Moore:**

May I just refer back to a comment of the Treasurer a little while ago when we were talking about community bonds. I was just wondering, I think you said something along the lines of - and this is a loose paraphrase - that we do not think that we could raise anywhere near enough. But could you point us to some evidence or some market research that might have occurred to gauge how much the community might be able to achieve if a community bond was an offer.

**Treasurer of the States:**

So there is no necessarily local assessment of that. I do not believe, however, that it would raise the hundreds of millions being talked about here.

**Senator K.L. Moore:**

Would you think perhaps a sum between £50 million and £100 million was achievable?

**Treasurer of the States:**

Probably my own thoughts are it would be at the lower end of that and, to a degree, that might be determined by how much interest Islanders would expect for that investment against a backdrop of the Island being able to achieve fairly low rates of interest. It might be that the community would expect a higher rate of interest in that and they might also want to see an interest rate that is linked to inflation, so a very long-term bond in this regard, so say 30 or 40 years, you might find that Islanders further down the line who are therefore receiving interest on that bond that would be less than the rate of inflation. So there are aspects to it; I do think that when you are talking about perhaps specific projects community bonds may have a place but in terms of raising this level of debt that we are talking about here - be it the previous level of debt, it was \$400 million that we were proposing at one point in terms of the financing for the previous hospital project, or in terms of the amount of money that is here - and bearing in mind those are for costs that either have occurred or will occur in the coming year, I do not know whether you would get the appetite from Islanders. But you might well for specific projects further down the line and high aims of community bond issuance for such a project.

[16:30]

**The Connétable of St. Brelade:**

Deputy Ash referred to the potential of negative interest from the bank, so would that create a scenario which made community bonds more attractive perhaps?

**Treasurer of the States:**

It would in the short to medium term or actually the short term. The question then would be if you were to put a local bond at 2 to 2.5 per cent, whether over the medium term you would very likely be paying less than interest rates might be elsewhere because generally you fix in an interest rate at that point in time. You can have index-linked ones but certainly at this point you would want to lock into the low interest rates over the medium to long term for the Government and the Island rather than having one that would go up in the future as interest rates rose.

**Assistant Minister for Treasury and Resources:**

I think that Richard made a good point earlier, to be honest, that when we say what would the appetite be for a community bond it would very much depend on what interest rate we were going to pay. We could probably get a huge appetite for a community bond, because there are some very wealthy people in Jersey, if we pitched our interest rate 2 per cent above the market level for instance. But that would not be great business for us as a Government. I think Guernsey have launched some sort of community bond, did they not, and it got a reasonable take up but nothing that would be worth looking at so far as the hospital or anything like that was concerned I do not think.

**Deputy R.J. Ward:**

We talked about taxation; there are a couple of things. Given that the Government has a central priority of reducing income inequality, what is being done to support low income families and reduce poverty in the face of possible future tax rises?

**The Minister for Treasury and Resources:**

Gosh, that is a multifaceted question. I think people on low incomes are very well-supported, as it stands at the moment on a social security basis; 30 per cent of taxpayers do not pay tax because there is a very high threshold compared with other jurisdictions, and rent is accommodated for those on income support. So I am not quite sure what you wanted ...

**Deputy R.J. Ward:**

Well, for example, if there were increases in G.S.T. it would disproportionately affect those on low incomes because it is a regressive tax and because it is on the essentials like food and clothes and so on. If it was not on those then perhaps it would be less regressive but it is. So what support

would be in place to try and, if you like, defend families on low incomes from tax increases such as those?

**The Minister for Treasury and Resources:**

When G.S.T. was introduced and when it was raised from 3 per cent to 5 per cent, I think it was, then income support went up relatively to cover that, and I think there have been several attempts to have parts - for instance food - removed from G.S.T. which have not been successful because how do you define food. It is very difficult to remove any element from G.S.T. but I think it has been accommodated on people with lower incomes by increasing their income support.

**Deputy R.J. Ward:**

There are 2 things there; we managed to do it with V.A.T. (value-added tax), but the other thing is that if you are reliant upon income support you are on a very low income and you really are at the economic end of the scale even to qualify for income support, and if you have a family you have got children up to the age of 25 that are reliant upon that as well so it is really difficult. When you say they are well-catered for, I would question that given some of the policy that exists on the Island. I think we have spoken about it; we seem to be heading towards a number of tax rises just simply to accommodate where we are, and if they are regressive taxes like G.S.T. ... and just to give you context on those questions, last Monday the Chief Minister raised several uncertainties such as social security contribution increases, G.S.T. increase, income tax increase, corporate tax increase; which of those would you rule out because they have the greatest effect on the poorest in our society?

**The Minister for Treasury and Resources:**

We do not have here the fiscal levers that they do in the U.K. that is for sure. I mean, we have not got inheritance tax, we have not got capital gains tax just for example, so we are more limited in what we can do in order to raise revenue. What we are looking at - and it is mentioned in the Government Plan - is I.S.E. (international services entities) increases for finance companies, the potential tax on medicinal cannabis, to investigate enveloped properties and stamp duty, so we are looking at all the things that we have available to us. I have not mentioned a rise in G.S.T. but it is a possibility, but it has not been stated in the Government Plan. But we have to do something in order to keep the economy going at some stage in the game, so it is how we do it with the limited amount of levers that we have.

**Deputy K.F. Morel:**

Can I just quickly make a statement? You mentioned medicinal cannabis taxation and this is referring to a headline in the media recently where they said medicinal cannabis taxation to help plug the deficit. The amount of money, as I understand that we are talking about, is negligible in

terms of the size of the government spending and income. The whole package of medicinal cannabis plus 3 or 4 others came to £10 million so medicinal cannabis is less than £10 million. So while I accept it is something there to be taxed it is small change.

**The Minister for Treasury and Resources:**

It is, but an accumulated list of things that I have just mentioned would help towards this without, as the Deputy said, necessarily increasing G.S.T. and certainly not income tax.

**Deputy R.J. Ward:**

Would one of those be removal of the cap on social security contributions?

**The Minister for Treasury and Resources:**

That is also part of the whole social security ... I know everybody hates the word "review", and so do I, but it is part of that whole ball game that we are looking at.

**Deputy R.J. Ward:**

It is good that is being looked at.

**Senator K.L. Moore:**

When is that review likely to conclude because if I recall correctly it has been ongoing for some time?

**The Minister for Treasury and Resources:**

It has been talked about for several years.

**Senator K.L. Moore:**

So it has not begun then?

**Treasurer of the States:**

Some parts of the review in terms of the future and sustainability of social security has taken place over a number of years. In terms of this review and consultation with Islanders that will be completed ahead of the next Government Plan.

**Senator K.L. Moore:**

The Minister mentioned we must keep the economy going but that was in relation to a number of proposals that would be taking money out of taxpayers' hands and putting it into the Government coffers. So obviously when the Council of Ministers considers keeping the economy going in the round how much of a balance does the Council of Ministers wish to strike between keeping the

internal economy going by keeping money in people's pockets so that they can buy goods and services in our local economy versus maintaining the balance of the public coffers?

**The Minister for Treasury and Resources:**

The whole thing is a balancing challenge to say the least. We had the conversation about opening the borders. I mean, what chance do you take with opening up the borders as to how many more cases of COVID you might get, weighted against or alongside the airlines disappearing. It is, as you say, a complete balancing act and that is what we are doing all the time.

**Deputy R.J. Ward:**

The changes to taxation for married couples, there are 8,300 married couples and civil partners and there may be some additional tax requirement with those changes; does this additional revenue include an income forecast?

**Treasurer of the States:**

The final package for delivering independent taxation has not been decided upon; that will be over the coming years so that will put us into the next Government Plan for those measures. We have been prioritising work on the prior year basis/current year basis, but work will proceed and we will deliver against the deadline to bring in by 2022 independent taxation. That is just one of the options but Ministers are keen that we mitigate against those so this forecast is done on the basis of the existing tax system, not with any changes to the tax system that would require the Assembly approval I suppose is the actual direct answer to the question. So it is not included, yes.

**Deputy R.J. Ward:**

Okay, it is nice to have a direct answer. We have talked about prior year tax and I had some questions on that. The implementation of zero-based budgeting and perhaps a brief description of what that means for any members of the public because it will become another terminology. Although not yet complete it has generated substantial insight into departments and the opportunity to deliver efficiencies in the short term. What examples can you give of that happening with the advent of zero-based budgeting? I did not ask that question very well at all.

**Treasurer of the States:**

So zero-based budgeting we started to implement this year; it paused during the mid-part of the year for reasons that I just keep trotting out here. We have picked that up; they are currently in the Health Department and we will look at the final measures that come out of that piece of work. In its most simplest term what I would describe zero-based budgeting is it looks like a clean sheet. What tends to happen is you end up doing incremental budgeting, so slight changes are made and there is an addition to a budget in accordance with whatever that measure might be rather than going all the

way back down to the base, zero base, and saying: “Right, what are our activities and, therefore, what resources do we need to undertake those activities?” You do it on a section base or a department base and you go through delivering that. We are looking to implement that as a way of doing budgeting in the finance function on an ongoing basis rather than what tends to happen is just an incremental budgeting process that says: “My budget was this; I am now doing something on top of that which means I need more budget.” As opposed to reviewing what you do and whether it is the right thing to do, or whether your budget actually corresponds to what it is you do now as opposed to what you did when the budget was first put in place.

**Deputy R.J. Ward:**

So there have been examples of efficiencies in the short term from that?

**Treasurer of the States:**

There will be as we finish the piece of work this year, as we go through 3 or 4 departments by the end of the year.

**Deputy R.J. Ward:**

This year, okay. Will it be in all departments in the 2022 plan?

**Treasurer of the States:**

The outcomes of that will come through the efficiencies reporting that we are required to do.

**Senator K.L. Moore:**

We will move on now to existing and new projects.

**Deputy K.F. Morel:**

On page 128 of the Government Plan you list capital projects which ...

**Senator K.L. Moore:**

I think there might be a slight discrepancy between our numbers and the actual ...

**Deputy K.F. Morel:**

Yes, and I am looking online, I do apologise.

**Deputy R.J. Ward:**

It is about 2 pages out.

**Deputy K.F. Morel:**

Anyway, capital projects, next year we are looking at £117 million and the amount after that reaches an accumulative total of just shy of £400 million over the 4 years, £371 million. You have also though on my page 131 got major projects which are clearly also capital projects, they come to £92 million. Are they included in the capital? Is that all part and parcel of the same £371 million, that £92 million?

**Group Director, Strategic Finance:**

Yes, they are. So the Public Finances Law requires us to identify major projects so it has to be drawn out separately, but it is within the total.

**Deputy K.F. Morel:**

It is within that £371 million; that is good to know. It is still though a large amount of capital projects. It does not feel like there has been much prioritisation going on in terms of capital projects and it does not feel like people have really sought to cut any of these. Are you concerned that we are going to be spending an enormous amount on a range of capital projects; £117 million, I mean, is probably 13 per cent of the entire Government finances?

**The Minister for Treasury and Resources:**

There are a lot less than there were in the previous Government Plan, we had to reduce about 5 in this plan, and it is spread over a period of years. It does not mean to say that we are going to be spending £117 million in 2021 ...

**Deputy K.F. Morel:**

You are, according to this.

**The Minister for Treasury and Resources:**

... it is over a period of years, and then maybe for instance, with the hospital as an example, that will not even start until 2022 if it gets Assembly approval. So it is spread over a number of years but we do have to look at these things; we cannot just dismiss them all. Fort Regent, for instance, has been put aside for a very long time and it needs to be addressed. The investment in ...

**Deputy K.F. Morel:**

Fort Regent I think is a great example of one which, yes, people have overly talked about it is not the same as a school in terms of its essential nature; it is absolutely one of those projects which could be put on the backburner for another few years. As unfortunate as that is, it is definitely not an essential.

**Assistant Minister for Treasury and Resources:**

The only thing I would say about Fort Regent, it has really reached the sell-by date there. It is possible if we do not do something it would have to close.

[16:45]

**Deputy K.F. Morel:**

Yes, absolutely.

**Assistant Minister for Treasury and Resources:**

Then you end up with like the swimming pool, it just sits there for ...

**Deputy K.F. Morel:**

But so few people are using it now because of the restrictions.

**Assistant Minister for Treasury and Resources:**

Because of restrictions and all that, so ...

**Deputy K.F. Morel:**

Nonetheless, I am sure it would not be quite as noticed as it would have a year ago.

**The Minister for Treasury and Resources:**

But it is an asset that pays back money when it is up and running, I mean, not just as a health, active, fitness centre but as a concert venue and whatever. It did, when it was operational, pay back a lot of money into the economy, therefore it is possibly worth investing in but that does not negate the fact that the schools need investment as well.

**Deputy K.F. Morel:**

I appreciate that. There is also the concern about an overheated construction centre and the way I see it - and the Treasurer knows this, the poor man was in the hearing on Friday - is the fact that in order to build all this, in order to undertake all this, Jersey is going to have to bring a lot of people in from outside. So this is a Government Plan which encourages population growth and that can also be seen through the income forecasting statistics because the income forecasting in a weakened economy to go up by almost 15 per cent in 4 years suggest that is population growth that you are basing that on.

**The Minister for Treasury and Resources:**

We were talking about this earlier and Alison has got the figures there.

**Group Director, Strategic Finance:**

Yes, absolutely. What I would say is there is quite a considerable sum within that £117 million that is non-construction so ...

**Deputy K.F. Morel:**

That is correct but there is a considerable sum which is construction.

**Group Director, Strategic Finance:**

There is. I mean, £36 million of it is I.T. (information technology) so not relevant to the construction industry. I think what I would say is that Government does meet with the Construction Council to try and assess and to give them the comfort that they need in terms of pipeline, so that they are able to keep their books in the way that they need to in terms of having the right level of labour at the right times. But we are very acutely aware that this is a lot of money and there are things that we thought we would be further on this year than we are, and those have moved into next year. Some of that is because the construction industry was shut in the same way that everything else was and now you have got ...

**Deputy K.F. Morel:**

Not for very long compared to everyone else.

**Group Director, Strategic Finance:**

No, it did manage to get up and running quite quickly but with distancing, et cetera, it has slowed things down with trying to manage the potential extra costs of those requirements as well. So I think what I would say is it is something that we are aware of, it is something we are working with them to try and mitigate, and it is about half the amount of money that would be classed as construction in this year's plan.

**Deputy K.F. Morel:**

You mentioned that some projects have been cut. Do you know which projects have disappeared between last year's plan and this year's plan?

**Group Director, Strategic Finance:**

So there is one that was removed because it was double counted; it was in the revenue as well as capital and it was not capital, so that is the only thing that has been removed, but there are a number of schemes that have been shifted to the right - I think I would use - in terms of things will happen a bit slower, so it is more about a deferral as opposed to a removal.

**Deputy K.F. Morel:**

The 35 new revenue initiatives in the plan equated to £24.7 million additional spending outside of the COVID programmes. Would limiting the financing of new projects have reduced the deficits that the Government are now facing?

**Treasurer of the States:**

Reducing expenditure would in any one year reduce the size of any deficit, or if we were in a different circumstance would add to the size or a surplus.

**Deputy K.F. Morel:**

So why did the Minister choose not to reduce the deficit in those terms and just continue with spending as it was before?

**The Minister for Treasury and Resources:**

Well it is not quite as it was before but it is a matter now of priority really. I think we mentioned in here somewhere Victoria College Preparatory School building, I mean, that has been talked about for the last 20-odd years, so it is a matter of ...

**The Connétable of St. Brelade:**

I remember it being built. It cannot be that old.

**The Minister for Treasury and Resources:**

But as you say, do you put Fort Regent forward as a priority on the basis that it has been talked about for years? There have to be priorities in capital spend and ...

**Deputy K.F. Morel:**

It seems like everything is a priority, that is the point I am trying to make; it feels like no prioritisation has taken place because everything has become a priority.

**Senator K.L. Moore:**

Perhaps, Minister, you could describe how the Council of Ministers have gone through that prioritisation process and how you as Minister for Treasury and Resources, along I imagine with the Chief Minister, have had the final say in what made the cut and what did not. Because, as the Deputy said, it seems that everything has made the cut because there is considerable growth despite the circumstances.

**The Minister for Treasury and Resources:**

Well, there is, and we have asked each department to come forward with a way of ... I do not think we use the word "efficiencies" anymore, it is rebalancing, to come forward with a sum as to what

they can do. But then do you insist that Education cut their budget or Health cut their budget by X million? Infrastructure, as we will all know, has been neglected for quite a long time so that has to be addressed. You have got the Energy from Waste plant, the sewage works; all have to have some financial input. So it is a matter of how you address all those demands.

**Senator K.L. Moore:**

Going back again to the £24.7 million of additional spending, you talk about the rebalancing but in page 130 there is only £950,000 of rebalancing for 2021, which does not seem like a great amount of money in the scheme of things.

**Treasurer of the States:**

Can I perhaps talk to ... some, and in particular most of the larger items that have been added on in terms of additional revenue expenditure measures were items that were talked about in last year's Government Plan and said that we would return to those. So high up on the list there is, in particular, the education reform measures that were announced last week and the funding that will come alongside those proposals, added to which is the Jersey Care Model. So those 2 were first and foremost items within what we said last year. There were other measures as well, for example, insurance premiums at this point in time are unavoidable; we either are insured or we are not insured. So there are some of those that are unavoidable. Some of them fell out of decisions in last year's Government Plan that are added in this year, in particular. Against that, however, departments were asked to reprioritise, reprofile and remove in some cases expenditure plans that arose or further expenditure that arises on top of the £80 million growth for initiatives and projects that were in last year's Government Plan. So there has been some additional but then there has been some removal or reprofile, some of which is made by departments not being able to spend all of the growth this year, which means there is a knock-on effect of capacity to deliver growth further into the plan.

**Deputy K.F. Morel:**

Are you able to give sizes: so £80 million growth, how much has been reprofiled?

**Treasurer of the States:**

So over the sum of the 4 years of the plan that is about £80 million.

**Deputy K.F. Morel:**

And the first £80 million growth is for all 4 years as well or just ...

**Treasurer of the States:**

No, that £80 million stays there but then their growth is supposed to go up. It still goes up from those existing initiatives but it is on a reprofiled basis that removes over the 4 years £80 million.

**Deputy K.F. Morel:**

One thing that stands out for me as well, and it was mentioned in last year's plan, is this infrastructure fund, Minister. As with last year's plan there is almost nothing mentioned about what form that infrastructure fund will take. Are you able to give us some insight into how that is going to be constituted?

**Group Director, Strategic Finance:**

Yes, so that was an initiative we were hoping to develop during 2020. We went out to tender to ask for interested parties and then COVID happened, it got put on ice completely, so our plan is to pick that back up again next year and make some progress with it next year.

**Deputy K.F. Morel:**

Minister, we have bankers now able to partly at least tell us what to do because they have got a stake in Jersey like they never had before; they have got a £500 million stake in Jersey they did not have before. If we have an infrastructure fund with private investors paying in they are going to be able to have a big say in how Jersey is run as well. Do you see that this Government Plan is also part of the removal of democracy from this Island because you are bringing private interests deeply into the government finances by doing this?

**The Minister for Treasury and Resources:**

But there is a huge amount of private interest in the economy anyway.

**Deputy K.F. Morel:**

In the economy but not the government finances; this is government finances.

**The Minister for Treasury and Resources:**

But you are referring to the bank interest or ...

**Deputy K.F. Morel:**

No, I am referring to you now have borrowed £500 million from banks and so banks have a stake ...

**The Minister for Treasury and Resources:**

We have got the facility to borrow; we have not actually borrowed yet.

**Deputy K.F. Morel:**

That is fair enough; £335 million which you expect to have borrowed we will be in debt to the banks for. We will also be in debt to whoever is investing in this infrastructure fund, as yet we do not know who they are, we will also be in their debt as well and expected to pay them back in one way, shape or form or another. You are bringing in new non-democratically accountable stakeholders to the public finances of Jersey; that gives them a say in Jersey public finances. We already know that bankers have been involved in designing the recovery, so do you not think that this Government Plan is also taking democratic accountability further away from the public finances?

**The Minister for Treasury and Resources:**

No, I do not.

**Deputy K.F. Morel:**

How do you justify that, given the private interests that you have brought into Jersey's public finances?

**The Minister for Treasury and Resources:**

If you have got private interest or banking interest - as you have alluded to - then there is always going to be somebody with some investment in the economy. I do not see that that is non-democratic.

**Deputy K.F. Morel:**

Well I cannot speak to the banker and ask him to account for himself and why he has set this interest rate or that interest rate, I am not able to do that. I can ask you because you are democratically elected. When it comes to investors in an infrastructure fund this Scrutiny Panel will not be able to speak to them about why they are taking excessive returns and things like this.

**The Minister for Treasury and Resources:**

As Alison said, we have not gone any further with this infrastructure fund yet.

**Deputy K.F. Morel:**

But you intend to.

**The Minister for Treasury and Resources:**

When anybody has any time to do anything else other than speak about COVID, yes, we will move forward on it.

**Deputy K.F. Morel:**

It would be very interesting to see those plans.

**Treasurer of the States:**

The purposes of the infrastructure fund are to deliver further investment or to attract in partnership further investment into the Island that otherwise would not happen, as opposed to necessarily them investing in some of the core infrastructure ...

**Deputy K.F. Morel:**

Cue Deputy Ward.

**Deputy R.J. Ward:**

That sounds very much like public private finance which has been an unmitigated disaster in other areas.

**Deputy K.F. Morel:**

Absolutely.

**Treasurer of the States:**

I am not talking about; that is not what I am talking about. I am talking about assets that would be delivered, so for example often this is to deliver housing that would otherwise not be delivered. It is a means of the fund which would stand alongside, would fully obviously be a decision of the Assembly, not a decision of the Minister, but it would be to attract third party investment to assets that would otherwise not necessarily be built. It is not to build a school.

**Deputy K.F. Morel:**

But those third-party investors want a return on their investment, so we are in hock to them basically straight away.

**Treasurer of the States:**

I do not share that view.

**Deputy K.F. Morel:**

We have to pay them a return on their investment.

**Treasurer of the States:**

But you are having a political discussion so that is ...

**Deputy K.F. Morel:**

No, but we have to pay them a return on their investment. They do not just give us the money for no reason.

**Treasurer of the States:**

Yes, you do, but in terms of borrowing from a bank, which you have also said is counter to the democracy of the Island, that decision would be made and I was not aware of anything in the agreements with the banks that said any of the democratic rights of the Assembly were being given up at that point.

**Deputy K.F. Morel:**

No, but we know that the bankers have been involved in the political oversight group and people like this, and the Economic Council and the Economic Oversight Group, I believe there are bankers involved there.

**Treasurer of the States:**

I think banks are key employers in the Island who operate a financial services sector on the Island, and banks are at the heart of that with respect to employers wherever they are to be ...

**Assistant Minister for Treasury and Resources:**

I think in fairness there are a lot of things. We have accountants from PwC who are involved in Scrutiny work as well, so ...

**Deputy K.F. Morel:**

But that is us paying them to do a job; that is not the same as them expecting a return on their investment from our housing commitments.

**Deputy R.J. Ward:**

Is there not something distinctly different about any infrastructure when effectively if the infrastructure of this Island has been developed by private finance there will an ownership issue long term, a control issue long term of key infrastructure projects in the Island. I am horrified at the very idea that our hospital might be built by private companies and have access to a wing, the private company. But that is a different issue.

**Assistant Minister for Treasury and Resources:**

Now that is a different issue because I was just about to raise that same issue, and do not get me wrong, there are no plans at the moment to do this. But if someone stepped forward and said: "I am going to put £500 million into the hospital but I want a private wing called the whatever wing."

**The Minister for Treasury and Resources:**

Sainsbury Wing.

**Assistant Minister for Treasury and Resources:**

Sainsbury Wing, and other supermarkets are available.

**Deputy K.F. Morel:**

Other wealthy families are also available.

**Assistant Minister for Treasury and Resources:**

Would that be a good thing or a bad thing? Now, from my point of view, from my political persuasion, that would be good because it would save the Island £500 million and we would still have a great hospital. From your perspective you might think slightly differently.

[17:00]

**Deputy R.J. Ward:**

Well I think from either perspective you would want to know the long-term implications of that and the long-term implication of something that is a crucial public service. So I do not think that is a simple juxtaposition that you put there; I think that is the issue here.

**Treasurer of the States:**

Not all of the housing in this Island is Government.

**Deputy R.J. Ward:**

Yes, we know, and it is also entirely unlicensed, but let us not go down that rabbit hole.

**Senator K.L. Moore:**

We would definitely be here all night. This suggests that we might well have a very interesting debate in the Assembly going forward.

**The Connétable of St. Brelade:**

Can I just ask one quick figure question? On the efficiencies page on 130 the Treasury and Exchequer figure jumps up from £69,181,000 to £134,833,000. What is the significance of that?

**Treasurer of the States:**

Which one is that sorry?

**The Connétable of St. Brelade:**

Page 130 in the plan.

**Treasurer of the States:**

Page 130 is not the efficiencies, is it?

**The Connétable of St. Brelade:**

I am on the plan, page 130, this is on the efficiencies rebalancing. We have got the 3 figures in Treasury £2,167,105, £2,269,194, £2,369,181 and then £24,134,833. It just seems ...

**Treasurer of the States:**

Right, so this is not the table of efficiencies, this is the table of the heads of expenditures of department.

**The Connétable of St. Brelade:**

Right, okay, it does not say that at the top.

**Treasurer of the States:**

That reflects at this point in time ...

**Deputy K.F. Morel:**

Is this another labelling issue?

**Deputy R.J. Ward:**

Do not get me started on the labelling issue.

**Treasurer of the States:**

... the grants to the Social Security Fund would be held within the Treasury and Exchequer cash limit, or head of expenditure. So I would like to confirm that there is not £134,000 in a Treasury cash limit of efficiencies in 2024. That is the actual heads of expenditure.

**The Minister for Treasury and Resources:**

It does say heads of expenditure.

**Deputy R.J. Ward:**

Just one really quick thing, on page 128 it says that: "Spending from the general reserve can be advanced funding for urgent expenditure in the public interest." Can I ask, Minister, is it you who decides the public interest in that expenditure? Those are the actual words so you do not really

need to read it: "The reserve is held outside of operational expenditure limits and can be used to meet unforeseen pressures or to provide advanced funding for urgent expenditure in the public interest." So who defines the public interest in that case; is it the Minister, is it the chief executive who has got ...

**Treasurer of the States:**

All the funds within the general reserve, centrally-held reserves, are under the control of the Minister for Treasury and Resources. All decisions have to be made by the Minister for Treasury and Resources. You have just proved that 2 hours ... I have got my words the wrong way around.

**Senator K.L. Moore:**

You have done very well, thank you.

**Deputy R.J. Ward:**

Apart from labelling your axes correctly, but we will move on.

**Senator K.L. Moore:**

Thank you all very much for your time and your answers today, and I shall close the hearing.

[17:03]