



Government Plan Review Panel

Government Plan

Witness: The Minister for Treasury and Resources

Monday, 23rd November 2020

Panel:

Senator K.L. Moore (Chair)
Deputy R.J. Ward of St. Helier
Deputy M.R. Le Hegarat of St. Helier
Connétable M.K. Jackson of St. Brelade

Witnesses:

Deputy S.J. Pinel of St. Clement, The Minister for Treasury and Resources
Senator I.J. Gorst, Assistant Minister for Treasury and Resources 1
Deputy L.B.E. Ash of St. Clement, Assistant Minister for Treasury and Resources 2
Mr. R. Bell, Treasurer of the States
Mr. N. Vaughan, Chief Economic Adviser
Ms. A. Rogers, Group Director, Strategic Finance

[15:40]

Senator K.L. Moore (Chair):

Good afternoon and welcome to this Government Plan Review Panel hearing with the Minister for Treasury and Resources and the team. We are sorry for the slightly late start this afternoon. It was due to some technical issues, but hopefully we will now be able to see and hear from all of the people who are due to be questioned this afternoon. So, what I will do is introduce the members that I have on this team, and then I will ask the Minister if she could introduce everybody from her side. It is easier just if one person makes the introductions as we are meeting virtually, sadly, today. So, I am Senator Kristina Moore and I am the Chair of this panel. Today we have Deputy Rob Ward

and Deputy Mary Le Hegarat in attendance, and we have apologies from the other members of the panel. Minister, would you like to introduce your team?

The Minister for Treasury and Resources:

Thank you, Chair. With me is the Assistant Minister, Senator Gorst, the Treasurer, Richard Bell, the Director General, Alison Rogers, and myself, Susie Pinel, Minister for Treasury and Resources, and hopefully online we have Lindsay Ash. He has just texted me to say he had a message that the meeting had not started, so hopefully he will join us as quickly as possible.

Senator K.L. Moore:

Thank you. So, to start the questioning, we are going to pass now to Deputy Ward.

Deputy R.J. Ward of St. Helier:

I hope you can see me. The Government Plan is described as a recovery plan. How does it achieve this?

The Minister for Treasury and Resources:

I am sorry, Rob, could you repeat the question, please? Our speakers were off.

Deputy R.J. Ward:

Okay. The Government Plan has been described as a recovery plan. How does it achieve this?

The Minister for Treasury and Resources:

Well, we are looking for all sorts of recovery, obviously health recovery, education recovery, and financial recovery. We are hoping to achieve it, certainly financial recovery, by the end of 2024, which is what the Fiscal Policy Panel have agreed that we should be able to achieve. But, of course, there is a huge amount of uncertainty over everything, as everybody will be aware. This is a plan that takes us forward with all those parts taken into consideration and we will be monitoring it very, very closely. Of course, it is a massive document so it is all broken down within the plan, but that is an outline of how we want to move forward.

Deputy R.J. Ward:

So can you give some concrete details, some examples of which parts of the Government Plan aid recovery, which is so obviously needed?

The Minister for Treasury and Resources:

The concrete details? Well, the economic recovery, of course, we have already seen a huge amount of financial stimulus that we have put into the economy in the form of the payroll scheme, the deferral

of G.S.T. (goods and services tax) and social security contributions, the Spend Local cards, the Fiscal Stimulus Fund, which was agreed last week, the loan disruption scheme, to name just but a few. We are also, as you will be aware, extending the payroll scheme until possibly the end of next March, next April, to help hospitality; well, mainly hospitality but retail as well. Those are financial ways of stimulating the economy and keeping it going through what is a very difficult time for all business. There have also been many efforts with the schools, with education, when we knew that there was going to be an increase in cases with half-term and Halloween coinciding, and also expectation of a spike in cases when students start coming back from university. To ease with the students getting back so they can have Christmas with their parents, Blue Island are putting on extra flights. So we are really tackling this from every single angle to try and make it as ... well, it is not going to be easy but the transition through the rest of this year and the beginning of next year as resourceful and helpful as possible.

Deputy R.J. Ward:

Yes. I think we have merged a couple of things there. When we talk about a recovery plan for the economy, I would have seen it as impacts now that would mean the recovery not only maintains where it is, such as the furlough scheme or whatever it is called here, but also things that will recover the economy to build later. I do not think the student infections are to do with that. So what specifics which support the Common Strategic Policies, which are longer term, are part of this Government Plan that will aid both recovery and support those Common Strategic Policies?

[15:45]

The Minister for Treasury and Resources:

When you say that the students are not part of it, they very much are because that is part of the C.S.P. (Common Strategic Policy) is putting our children first, and obviously looking after schools and education and making sure that students are not denied their education is very much an important part of this economic plan.

Deputy R.J. Ward:

Yes, but that was about infections. So, in terms of the Government Plan and how does it support Common Strategic Policies, I will give you an example perhaps that might help. It might be better. One of the key Common Strategic Policies is reducing income inequality, but when you look at the spend compared to 2020 and 2021, there is a 26 per cent reduction in the C.S.P. area of reducing income inequality. So which of the Common Strategic Policies can we be seeing as part of the recovery plan?

The Minister for Treasury and Resources:

We have already done quite a bit this year, let alone in the Government Plan, to reduce or address income inequality. We have agreed with the previous Minister for Housing that we would reduce the social housing rentals from 90 per cent to 80 per cent. We put £100 into every account of low income families, in addition to the Spend Local cards. There is £10 million put aside as a reserve in the Government Plan to address the Housing Development Plan. So that is just 3 that I can think of to answer that question.

Deputy R.J. Ward:

Okay. There has been a large rise in investment improving well-being and creating a vibrant economy, mainly due to COVID actions, but again, conversely, protection of our environment has decreased by 16 per cent. Is that not a Common Strategic Policy that is linked to the recovery at all?

The Minister for Treasury and Resources:

Yes, it is, Deputy, inasmuch as we have increased the duty on petrol as we did last time. It will be about 2.3p, 2p of which will go into the climate fund to boost that, which, of course, because of the lockdown in April, May and June there was not much petrol sold, so not as much went into the climate fund as we anticipated. So we are doing that again to obviously try and restructure the climate fund.

Deputy R.J. Ward:

Yes, okay. It is very difficult ... right, okay. Over 50 per cent stated in the Government Plan survey that modernising government was either less important, slightly less important or stayed the same than last year, but expenditure in this area has increased. Why is that the case that there is a continuing increase in spending on readjusting government structure, which does not really seem to interest the public as much as it used to, but still more money is being spent on that?

The Minister for Treasury and Resources:

It was always going to be a 3 to 5-year plan for restructuring of government and finance transformation, for instance. That was all part of it, the target operating model. That was always going to be over a period of years and, of course, we have practically ... not completely lost but practically lost a year as people's attention has been diverted from that transformation into all the other issues associated with COVID. So there will be an extension of the time it takes to modernise the Government.

Deputy R.J. Ward:

Okay. So part of that modernisation was to have a leaner workforce. Is that the case in terms of more efficiency in the workforce itself?

The Minister for Treasury and Resources:

That is certainly the aim. If I can refer to, for instance, the taxes department, Revenue Jersey, there is a huge increase in efficiency there. As I think I have answered in previous panel hearings, there was a complete lack of recruitment, so we had many vacancies there and not enough people to do the transition from the new I.T. (information technology) after 35 years of old computers and the training that took, and to deal with all of the tax issues. So, we have managed now to recruit. I think we are just down to 4 places left and it was agreed last Friday that the Comptroller would have more resources in order to go out and recruit those further staff that we will need to be able to help with the P.Y.B./C.Y.B. (previous year basis/current year basis) and make the transition to independent taxation in 2022 much more facilitated and smoother.

Deputy R.J. Ward:

Is that one of the reasons why the number of people employed in Government has grown by 530 from June 2019 to 2020 period at a time when there has been pressure on efficiencies through the public service?

The Minister for Treasury and Resources:

I do not have the figure of the 520 that you have, but there certainly has been an increase because a lot of it is in interim staff who have to be brought over because we do not have the necessary qualifications in people here, in the very large transformation that is taking place. So a lot of that has been interim staff who then train up staff here to take over. So it is 3 to 6-month contracts, but if you take all those into the equation then you may reach that number, but I have not seen that number.

Deputy R.J. Ward:

It is 530, actually. You talk about interim staff. There were still a number of vacancies, for example, in Health, so are we going to see once those vacancies are filled an increasing number again? Why are we having the problem with qualified staff in Jersey? Is that not one of the things that should be targeted in the recovery?

The Minister for Treasury and Resources:

As I said, it would be and in Health there is a constant shortage of staff because, again, we have been dealing with a pandemic, which has been incredibly difficult, which has been distracting staff from routine procedures. So now that routine procedures are back on but we still have the threat of COVID, of course, we need to increase the staff levels. It is quite difficult with having to bring people in, essential workers, care workers, nursing staff, and them having to isolate. So it is quite a big management structure, it is not easy to run a situation like that with all the difficulties that are being

thrown at us. I am not excusing the situation, I am just saying that it is more than just bringing a few nurses in. It is a far bigger problem than just that. That goes the same across the board with all sorts of essential workers, teachers included.

Deputy R.J. Ward:

Where in the recovery in the government planning is the training that will need to be provided to aid the Island economy to have exactly those sorts of skilled people so that we do not have to import interim staff, which are often more expensive, let us be straight about it? Where in the Government Plan is that training element to what is necessary?

The Minister for Treasury and Resources:

Yes, I agree, they often are more expensive because they have their travel and moving costs and accommodation costs to include. But the whole idea is succession planning and the staff that come here, the consultants that come here, train our own people. This is exactly what is happening in tax at the moment. There are nurse training courses up at Highlands. There are plenty of facilities to do this sort of thing, so we are advancing that and there are resources in the Government Plan to pursue that.

Deputy R.J. Ward:

Okay. To go back to the survey in regards to the Government Plan, 15 per cent stated the same for protecting our environment and 48 per cent believe it is significantly more important. But funding in this area again has dropped by - and I can give you a figure - 26 per cent from 2020-21. Why is that the case? Would that not be a real target for recovery seeing as, if you like, there is an open goal there with people's support for that area of our economy?

The Minister for Treasury and Resources:

I am just clarifying, Rob: did you say the environment?

Deputy R.J. Ward:

Protecting and valuing our environment.

The Minister for Treasury and Resources:

Okay. The Assistant Minister is going to answer that.

Assistant Minister for Treasury and Resources 1:

Hello, everyone. I am not sure if you can see me and hear me. So, Deputy, the reality is, of course, that the money being put aside for the environmental fund, as the Minister just indicated, was predicated on some original seed funding put in - if memory serves it was about £5 million - and then

the money from the use of fuels. As the Minister indicated, the money raised by a fuel levy or tax or duty, whatever you want to call it, because of COVID and Islanders using their cars and transport less has not raised the money that was expected. But you will note - and I also want to point to a number of other questions that you asked the Minister right at the start about recovery - there is money in there for next year and the year after and the year after to think about whether you call it the new economy ... I have heard very controversial things said about the "great reset" over the weekend that the World Economic Forum have been working on. But the reality is there is money in this Government Plan for the Environment Department to come forward with schemes and Senator Farnham and his team to come forward with bids into that money to deliver on some of the priorities of the Common Strategic Policy. So there is money set aside. There is not yet the detail of what that will be spent on, but we felt that it was the right thing to do to put substantial sums of money over those 3 years that could be used to deliver recovery and, of course, could be used for those green recovery initiatives as well once specific Ministers and departments have brought their proposals forward.

Deputy R.J. Ward:

So can I ask you, then, do you feel that the opportunity for a recovery - and we will call it that - along those lines is being taken enough in the Government Plan in those areas and enough is being invested, given that there is a significant drop from ... around the area of Common Strategic Policy and protection of our environment, a spend from £57 million to £42 million this year is a significant difference. Do you believe that we have taken that opportunity and do you think this is sufficient and that it is the right direction of travel?

Assistant Minister for Treasury and Resources 1:

Of course, Treasury acts as facilitators. We have put in the bids that have been agreed by the Council of Ministers. We have put extra money aside as well, as we have just indicated, to enable facilitation of other Ministers to come forward with suitable projects. You take a department like Education. The Minister for Education has fought hard for extra money for education. I would argue that that really gets to the heart of recovery as well and your income inequality question that you asked the Minister earlier, because it will be targeted at improving standards and support to young people in school. That will be critical to our medium and long-term economic success. The other thing I would say, of course, is that if you look at the departmental budgets, there is not a reduction in budget. What the Council of Ministers asked every Minister to do was reduce its growth requests. So we have reduced the growth requests rather than a cut in budget. You would not make this case, Deputy, but I would make this case. I think you could make a case that departments should have been asked to reduce their growth further because it is not cutting their budget, it is just simply asking the question: are you really going to be able to spend all that growth money in 2021? Only time will tell. I personally do not think that departments will be because I think we will still have the tail end

of COVID, but there is money there in budgets and also in that reserve for economic growth projects. As I say, that can be green growth projects as well. I think that right across Government Ministers will be able to deliver on their priorities and the priorities of the States Assembly, and I really do not think that all that money will be spent. I would go harder, and this is a personal view. I hope it is not spent because if we spend it, it means we have to borrow up to the limit that is currently in the Government Plan. But a commitment was given by Ministers that anything that was unspent could be rolled into ensuring we did not need to borrow to that limit that we have set in the Government Plan of I think £385 million.

[16:00]

Deputy R.J. Ward:

Well, okay, there are a couple of things there. First ...

Assistant Minister for Treasury and Resources 1:

£385 million, remember, so it is not a little bit of money and departments cannot come saying they do not have any money. This is an unprecedented amount of money that departments have to deliver on the priorities that you are concerned they might not be delivering on.

Deputy R.J. Ward:

Well, I think there are a number of concerns from that. One is the notion that ... well, okay, first of all a lot of that growth money that you are talking about in Education, for example, is making up for the deficit that already exists. So we need to look carefully at those figures. I would be concerned that some of the projects will not happen because of a lack of ability to implement them and, therefore, there will be money left over. So if that money is not spent, are you saying it simply will not be borrowed, or will it be directed elsewhere?

Assistant Minister for Treasury and Resources 1:

No, Ministers were quite clear that monies that were not spent, that is this year, would be and could be used to offset the need for borrowing next year. That is right because a lot of the monies that we have are budgeted monies for unforeseen events during the course of next year. None of us can put our hand on our hearts and say how much we are going to need to spend on COVID, for example, but there are many tens of millions of pounds been allocated and budgeted for next year. So it is not quite the binary way that it might be perceived.

Deputy R.J. Ward:

Okay. Let us move on. There has been an increase in the unemployment rate that may continue over the lifetime of the Government Plan and this will likely impact on the economy, revenue and

budgets. What is the plan to mitigate against more unemployment next year and beyond through the use of public finances?

The Minister for Treasury and Resources:

There has been an increase in unemployment and as always a lot of work is being done, as it always has been, with Back to Work and Actively Seeking Work. Then part of the fiscal stimulus which was agreed by the Assembly last week for £50 million can be applied for, bids can be made for training and education and skills in ... well, in anybody, it is across the board, really. So we are hoping that that sort of introduction with fiscal stimulus and continual training from Back to Work and Actively Seeking Work will be able to help maintain unemployment at low levels. Also, of course, the payroll scheme, which keeps people in work, which is different from the furlough scheme in the U.K. (United Kingdom), where they are paid to stay at home, if you like. The difference in our scheme is it pays to keep them in work. So all that is really helping with the unemployment situation. I think the Assistant Minister for Treasury and Resources wants to say something as well.

Assistant Minister for Treasury and Resources 1:

No, Minister, I think you have picked it up entirely. We would expect the fiscal stimulus to support jobs. We know that there is the announced extension to the co-payroll funding scheme. So it is not a furlough scheme here. We were quite clear from day 1 that we wanted Islanders' jobs to be protected. That could be in the workplace or it could be while they are at home. When it comes to Income Support, of course, they have done their projections and budgeted for an increased number of unemployed people, therefore, claiming on Income Support. As you would expect, that is just the way the budget works. So they will have that money available. As the Minister said, the work that Back to Work does is first class and Ministers stand ready to support them with those contingency budgets, as we used to call them - I am not sure what we would quite call them now - in any way that we can because, like you, we are very concerned about the looming or current recession, whichever way you look at it, and the effect that it will have on Islanders' jobs. That will mean, in my view, that the health effects of this pandemic will have seemed little compared to the economic effect and the effect on Islanders' jobs in the medium term.

The Minister for Treasury and Resources:

Also, Deputy, for the people listening, there is the figures for the ... well, it is the end of October, but those actively seeking work was 1,470 and this is 110 lower than a month earlier. So although it is higher than last year, it is dropping so the system is picking up.

Deputy R.J. Ward:

Do you see the recovery plan is creating new jobs or just sustaining the jobs that already existed? Is this an opportunity to create a more skilled, better paid, secure workforce as opposed to perhaps some of the jobs that may have been less secure that would have been affected by COVID?

The Minister for Treasury and Resources:

Yes, I think the fiscal stimulus plan, as I mentioned earlier, where bids for teaching, educating, increasing skills or even changing skills ... if somebody has possibly lost their job, then there might be the opportunity for them to train in something completely different. So, yes, that is all part of the fund that was released last week.

Deputy R.J. Ward:

Okay. Just one final thing. Citizens Advice Jersey have highlighted those who have been impacted by the pandemic having never encountered financial stresses before. How does this plan help them adapt to these new circumstances?

The Minister for Treasury and Resources:

Sorry, did you say ...?

Deputy R.J. Ward:

For those who have encountered financial stresses that have not encountered them before. There are many who felt they were in very stable jobs, for example, and have discovered that they are not. How does this plan help them adapt to the circumstances that they face now?

Assistant Minister for Treasury and Resources 1:

Officials have been in contact with Citizens Advice throughout this pandemic and they will continue to do so, so that they can respond to individual cases through C.L.S. (Customer and Local Services). They have done great work in the way that they could, but we fundamentally believe that what we need is stability of jobs into the economy. Going back to your first question, we believe that stabilising the current jobs in the economy has to be a priority and has had to be a priority during the health pandemic. Then we can make those decisions and policy interventions that can transfer or transform parts of the economy into having the attributes that you have just indicated. That is the work that Senator Farnham was leading on the Economic Council. They will be shortly - I am not sure what the timeline is for that if they have not already - publishing a high-level working document looking at some of those issues about where our economy can move to. It would and needs to include the attributes that you have indicated but there is no quick overnight fix. The current role is to maintain and preserve people in jobs where we can. We have the safety net interventions in place that can respond if things get extremely difficult. As you well know, we can increase components, we can shift components around. That is one of the very good things about Income

Support. But at the same time we have put money aside to transition those sectors of the economy that we know are going to be challenged in the medium term. That is right across our economy. So working from home has meant that there is going to be in some areas changes to where people need to be to provide services and be employed by Jersey firms. We know that the disruptive nature of technology ... and so right across our economy, like everywhere else in the world, we are facing those challenges and we are starting to think about them and address them. But it is not just Government intervention that addresses them. We have to work together, Government, businesses, the third sector as well, very importantly, in dealing with these challenges.

Deputy R.J. Ward:

Okay, thank you. We have taken quite a bit of time on that so I will finish there and I will pass on to Senator Moore.

Senator K.L. Moore:

Thank you. In the next section we would just like to discuss revenue-raising measures if we could. The Government Plan estimates increased revenue over the forthcoming years following what is, I think, a central scenario, not the downside scenario. Firstly, obviously we understand that this is due to the advice that you have received, Minister, from the F.P.P. (Fiscal Policy Panel), but could you talk us through how and why you felt assured to stick with and follow a central scenario for increasing revenue over the forthcoming years?

The Minister for Treasury and Resources:

Well, of course, it was a considerable drop in revenue from tax take because people are clearly earning less, some very unfortunately not at all, so that has to be tackled. There is going to be, in answer to your question, revenue raised which was instigated before COVID with tighter tax compliance, and that is supposed to raise about £7.4 million, I think, over the life of the Government Plan. There is obviously the impôt duties which are standard with fuel. Stamp duty we are looking at. We are doing a review of that, as you know. We have already agreed to help assisted purchasing schemes for some affordable housing, social housing schemes. It is just recognising it is not an ambitious budget, because we recognise the fragility of the situation. So we are also introducing an increase in international service entities, I.S.E.s, from the finance sector, which is their equivalent of paying G.S.T. I am sure that Senator Gorst can enlighten you more on that. We have not decided to change child-related allowances because obviously it is not a good time to start changing that with the fragility of the situation. What else do we have? I think that is about as far as we are going. There is not a question at the moment in the current situation of increase in taxes. There is going to be possible tax on medicinal cannabis in the future, but that is not in effect as yet. I do not know, Ian, if you want to say any more on the I.S.E.s.

The Minister for Treasury and Resources:

Could I just come in and have a couple of follow-up questions there? Sorry. What I was asking to understand was ...

Assistant Minister for Treasury and Resources 1:

I do not really have much to add to what the Minister said. There will be an increase in I.S.E. fees. We have carried out a consultation with those industries affected by it and, as ever, no one likes an increase in fees or charges or taxes but they recognise that they are helping to play their part in supporting Government spend.

Senator K.L. Moore:

Could I ask my question now? What we were asking was why, given the circumstances that you have both outlined in your answers, a more pessimistic, restrained downside scenario was not followed when predicting increased revenue. As we have pointed out, and I have tried to point out in my questioning, the revenue is predicted to increase gradually over the forthcoming years.

[16:15]

If I could pick up on the Minister's initial ... one of her examples of the increased revenue from the additional work of the Income Tax Department, that last year was a factor in the Government Plan. It was identified to be a bit of a wing and a prayer, had absolutely no evidence base as to the figures and, indeed, it did not achieve the figures that it set out to achieve. It was at least £1 million short of, if I recall correctly, where it predicted it would be. So if you could answer the original question, which was to explain to us your reasons for ...

The Minister for Treasury and Resources:

Okay. I mentioned the Income Tax Department because obviously it is part of Treasury and we know the operational side of it. So the revenue is ...

Senator K.L. Moore:

Sorry, if we could pick that up then ...

The Minister for Treasury and Resources:

... I cannot remember the term you used, Chair, but it is not negative but it is not entirely positive. I think you questioned whether it was too positive. But with a recovering, hopefully, economy with the injections that I mentioned earlier to Deputy Ward, we will see a recovering economy when it comes to February or March and, therefore, we are fairly optimistic and need to give confidence to the public and to business.

Senator K.L. Moore:

So if we could just go back to the Jersey point, as I pointed out to you, the increased collections in Revenue Jersey were not met last year and that was in obviously a period of financial normality. Therefore, it seems quite implausible that in this current situation it can be expected that there would be further increases in revenue collection through those efforts. Could you just describe to us what the rationale is there?

The Minister for Treasury and Resources:

Yes. The income forecast was for 2020 and, of course, I keep blaming COVID again but that is what took us over from February. So this was a forecast made in 2019, so it was unlikely to be achieved in a year so badly affected by the pandemic.

Senator K.L. Moore:

Okay. So could you describe the measures available through taxation to encourage business start-ups and investment to stimulate enterprise and encourage a faster recovery?

Assistant Minister for Treasury and Resources 1:

Chair, you have hit on a very good question and it is something that certainly in Jersey it is ever since we moved to Zero/Ten, of course, the mechanisms available to other countries who do such things like you have indicated have not been available to the Jersey Government because the basic corporation tax rate is zero. I think in the past previous Ministers have wondered about whether you could use income tax, but when it has been reviewed it does not look to be a suitable or fair approach. So the biggest incentive we would argue is that profits from zero-rated tax companies will be charged at zero. So it is a good investment in that respect but I understand the reason for the question.

Senator K.L. Moore:

The corporation tax that is raised in the Island is from a very small pool of companies. If I recall correctly, I think half of corporate tax is paid by 10 companies, or it was a couple of years ago; therefore, putting the eggs somewhat in one basket.

Assistant Minister for Treasury and Resources 1:

That is correct. I do not have the actual numbers of whether it is still 10 paying 50 per cent of the corporate tax. You have the utilities making up a small proportion. You have some very big financial services institutions who are extremely profitable, and then, of course, you now have the small number of those who meet the criteria for paying the retail tax. Again, previous Ministers have endeavoured to broaden that corporate tax base. There have been some excellent ideas put forward

but none of them have quite come to fruition. In this Government Plan we do allocate a number that we put under the heading of base-broadening measures, which really alludes to what you are alluding to. I think as we said to one of your panels a couple of weeks ago, we would expect in Treasury that some of the measures that will need to be considered which would continue to deliver tax neutrality but in refined ways arising out of international tax work might help us go some way to address that issue that you have just raised again, but it is too early to give any certainty to that.

Senator K.L. Moore:

Thank you. Obviously, the majority of our taxation is derived through income tax and then G.S.T. to a certain extent. In questioning last week the Chief Minister stated that everything was still on the table and there was no defined route for continued revenue raising or seeking new ways to increase it. The feedback that we have received has indicated that to increase confidence and stimulate the economy that could be done through clearly directed communication plans and also greater clarity and certainty with regards to taxation. So when does this Government plan to propose its blueprint for the way forward and any revenue-raising measures that it is considering?

The Minister for Treasury and Resources:

Yes, there are several ways that we have mentioned. There is a lot of work going on with pillar 2, which is the O.E.C.D.'s (Organisation for Economic Co-operation and Development) review. There is draft legislation regarding enveloped property, i.e. property that is bought within a company. As Senator Gorst mentioned, there is the ongoing review of tax deductibility for business and a personal income tax review for residency. So there is a lot of work going on in the background plus the P.Y.B. to C.Y.B., the prior year basis to current year basis, plus the move to independent taxation. There is a huge amount going on on the taxation front and so we would expect we would have a clearer view, as you mentioned yourself, Chair, that the confidence in the economy is very, very important. So there is no point in being too optimistic; equally, we have to be practical.

Senator K.L. Moore:

So when, Minister, are the business community and residents of the Island to receive that certainty and clarity that they so desire?

The Minister for Treasury and Resources:

I think they are inasmuch as certainly myself and the Council of Ministers strongly believe in consistency. So there is no point in putting something out into the business or personal community that you cannot fulfil. There has to be a consistent level of the information we put out.

Assistant Minister for Treasury and Resources 1:

Could I just add to that, Chair, as well, please? So if we take, for example, the O.E.C.D. work, any refinements coming out of that will be forthcoming next year, during the course of next year. I would expect any consultation to be undertaken during the course of next year. My personal view is that there will be no tax rises or social security rises this side of the election. It is, of course, a political matter but I do not think it is necessary. I think the focus should be, and rightly should be, on certainty, as you are challenging us on, and on stimulating the economy, not taxing it.

Senator K.L. Moore:

Thank you for that, Assistant Minister. However, it would be helpful, I guess, to know that your Minister shares the same views. Perhaps I should ask your Minister if she would share that view.

The Minister for Treasury and Resources:

As I said, I believe in consistency and I have always said that there is no immediate necessity to regard any increase in personal income tax or G.S.T. It will have to be kept there as a possibility for the future but it is not imminent.

Senator K.L. Moore:

Thank you both. I am now going to pass over to Deputy Le Hegarat, who is going to ask some questions about borrowing.

Deputy M.R. Le Hegarat of St. Helier:

Good afternoon. Hopefully you can see me because it is a little bit dark where I am. I am going to ask some questions about borrowing. What is the rationale for using borrowing instead of the Strategic Reserve?

The Minister for Treasury and Resources:

The rationale is that the Strategic Reserve has been built up considerably over a number of years and the interest we receive at the moment - this could all change because the markets are very volatile - on £900 million, I think it was at the last count, is considerably more than we would be spending on borrowing. We decided to use the revolving credit facility, which allows us to borrow up to £500 million. We have not done it yet. We will, as was made clear in the States debate last week, borrow the £50 million for the Fiscal Stimulus Fund from there and then we have to see what is going to be required. So far the Stabilisation Fund and the Consolidation Fund have stood us in good stead in dealing with COVID but the forecast for dealing with it, which of course is the main drain on resources at the moment, is that by the end of 2021 - and it is a forecast - it would be about £400 million, so we may have to use a lot more of the borrowing facility. That then leaves the Strategic Reserve untouched and it was part of that and the strength of the Social Security Reserve

that gave us the borrowing facility of the revolving credit in the first place. Perhaps the Treasurer would like to add something.

Treasurer of the States:

Yes, just to confirm what the Minister is saying, the strategy primarily in respect of borrowing, as opposed to seeking the reserves, is that we live in very uncertain times. If we were to use reserves now and further down the line found ourselves needing more funding, it would be far more difficult at that point to borrow. The Council of Ministers has approved and decided that it would rather, consistent with advice, borrow now and leave the reserves in place given the uncertainties into the future, in particular the short to medium term.

Deputy M.R. Le Hegarat:

Do you have any evidence other than the advice of the F.P.P. in relation to taking this particular course of action?

Treasurer of the States:

I wonder if I could hand over to the Chief Economist who is also on the call.

Chief Economic Adviser:

Thank you. Hopefully my picture will come up. As secretariat for the Fiscal Policy Panel, we did discuss this extensively; also the economics unit headed by myself does provide advice itself directly to Treasury. The view, for instance, that I share with the Fiscal Policy Panel is that it is not quite the right argument to say that we are borrowing because the cost of borrowing is cheaper than the foregone investment returns in the Strategic Reserve. Now, that is true but it would be a more risky position. As the Treasurer has put out, my advice is that it would be better to borrow now ... in simple terms it is a sort of bird in the hand versus 2 in the bush. If further down the road the situation either for Jersey or the global economy was much more difficult, then the borrowing terms that are available to us now could be a lot worse. I would also point out that it gives more flexibility. If we have the option to borrow, we could always go back to the position of using the reserves later. In this sense the borrowing gives you the choice, or still leaves open the choice of using the reserve but in addition it gives you more "financial assets" to see you through.

[16:30]

My advice would be absolutely to borrow now. There is a cost of finance, but for Jersey, given its strong balance sheet, the cost of finance for that borrowing and having that option about how you deal with the next phase of this crisis, should it arise, pays for the government financing. That is the best way forward in my view unambiguously. If things turn out to be much better, then there is no

problem in retiring the borrowing early. In one scenario you could not exercise your option to borrow or if you had borrowed you can use that to see you through difficult times. It is about having the option, about having the flexibility, and having a commitment to a revolving credit facility does not commit you to borrowing all of it. It gives you that option to borrow to deal with shocks. No, I am unambiguous on a personal basis that borrowing is the right option. The Strategic Reserve is really there for very large structural shocks, and I know COVID is a terrible and devastating public health crisis. It is going to have a severe economic consequence, but I can foresee scenarios which would be even more difficult for Jersey. In that case, at that point, should those risks crystallise, then to be without the Strategic Reserve would leave Jersey in a much weaker position for financing and the options available to it then.

Deputy M.R. Le Hegarat:

In relation to your answers, is there any evidence that can be viewed by the public so that they can have an understanding of the reasons why we are making the decisions that we are?

Chief Economic Adviser:

I think the F.P.P. have tried to set it out in their advice. Government could make the case, perhaps in the public forums and communications that is available to them. I think part of the skill or the value of being a good official ... you do not have to be an economist to see that it makes sense. So part of the challenge perhaps for the Government is to, as you say, communicate to the public why this is the best way forward. I guess the long and short of it is we can always spend the Strategic Reserve later but we can come to that if we need to. If we borrow £100 now, in due course, next year, we could always take £100 out of the Strategic Reserve to repay it, but it is basically that option value, keeping our choices open and having the option to borrow now while you can, not spending the Strategic Reserve too quickly before you need to.

Deputy M.R. Le Hegarat:

Somebody has already said that we are paying less for the borrowing. What does it say about the risk of market recession and reducing value of the investments? Effectively, I suppose, what I am saying is that if the value of our investments were to reduce that would mean, therefore, that we would have to potentially find the money from elsewhere. What are those risks?

Chief Economic Adviser:

You make a very valuable point about investment in the stock markets that we know often are risky. On average those investments pay more or make more money than investing in, say, low-risk options like cash. Earlier this year, in March, when financial markets fell very sharply ... and to be open, there is a challenge, is there not? You could say: "Well, they could fall further so we had better sell now" but on balance I think the investment advice is not to try to chop and change too

quickly with financial markets, which tend to go up and down, sometimes very quickly. Jersey is a long-term investor and because it has such a strong balance sheet it can play the long game and hold on to those assets. Rather than sell those assets earlier in the year when they had already lost a lot of their value, the advice - which I think is correct - was to say hold on, we are investing over years and decades so we should hold on to those assets rather than chop and change. Subsequently, financial markets recovered many of their losses but I absolutely accept that there is always a risk in holding financial assets. So if between now and next year financial markets were to fall, yes, we must be open, there could be losses on those assets. But unless we were forced to sell them, we would hold on to them for the long term, which comes back to the borrowing point. Having a strong balance sheet, keeping your options open and not having to buy and sell with the ups and downs of shocks to financial markets is a very valuable option that Jersey has available to it. We should keep hold of that option. The long and short of it is we should not try to play financial markets, we should invest for the long term and have a long-term strategy to grow the Strategic Reserve and the other financial assets that the Government of Jersey has available to it so the Social Security Fund for social security obligations would stretch over into the future for decades.

Deputy M.R. Le Hegarat:

Thank you. The States of Jersey owns about £1 billion of property. What is being done to maximise the portfolio? That might be back to the Minister or the Assistant Minister.

The Minister for Treasury and Resources:

We have an estate strategy where we are doing a review of all the properties that the States of Jersey own. That is ongoing and that is part of the Government Plan to possibly realise some of the assets in order to defray expenditure and borrowing. That is an ongoing project.

Deputy M.R. Le Hegarat:

Why have you not combined selling off some assets, such as Cyril Le Marquand House or other unused properties, to offset the amount you are borrowing?

The Minister for Treasury and Resources:

We have. That is all part of it. It has been long overdue. Take South Hill, for instance, that has been on the cards for a very long time and that is coming up to an answer. The Ports of Jersey Ports Development Plan for the harbours is ... I think there has been a States briefing on that, but it is certainly very impressive as to what can be done with the area around there to increase the ease of the passenger and freight travel, to mention but a few, plus building of accommodation. There is the West of St. Helier as well, which I know there has been a States briefing on. We are doing a lot on what can be done in the future. In order to fund all of this we are going to have to realise some of the assets.

Deputy M.R. Le Hegarat:

The final part from me in relation to borrowing: why has spending not been reduced further to reduce the necessity to borrow? Total net revenue expenditure, excluding depreciation, is projected to be £930 million next year, whereas in the Budget Statement of 2017 the same figure was £734 million, a £200 million increase in 3 years.

The Minister for Treasury and Resources:

Sorry, it was a combination of questions there, Deputy. As we said in an answer to an earlier question, we have asked all departments to reduce their expenditure; however, we still have to look at capital expenditure, which we cannot keep throwing down the road or kicking the can down the road, whatever the phrase is, such as clearly the hospital - but we do not want to go there - Fort Regent and Government headquarters for all of government in one place. There is a lot of capital expenditure that we have to look at but it is not going to be done next year, it is spread over a few years in order to facilitate the reviews and reports into this. The same as the estate strategy I just mentioned, it is going to take a while to come up with some answers. I do not know if the Treasurer wants to add any more to that.

Treasurer of the States:

As this conversation has probably illustrated, there are difficult decisions for Ministers to take in terms of the reductions in growth. There is reductions in growth as opposed to cuts to expenditure in the plan as it stands. Much of the growth in expenditure from 2017 has been agreed as part of the Government Plan in 2020. That envisaged further growth into 2021 and beyond. It is that that has been reduced proportionately by Ministers.

Deputy M.R. Le Hegarat:

Thank you. I am now going to return you to Deputy Ward in relation to measuring success.

Connétable M.K. Jackson of St. Brelade:

Before you do that, Mary, can I just come in with a little bit further on borrowing, if I may? We have ventilated much the concept of whether we should borrow, raise funds locally by bond issues or whichever way was decided. Has any consideration been given to the economic benefit of so doing, rather than borrowing, shall we say, overseas and sending significant numbers of millions away to finance that borrowing over there, rather than get any local benefit? The question is: what is the economic benefit of raising a bond locally?

Assistant Minister for Treasury and Resources 1:

Thank you, Connétable. One of the issues that we have with regard to borrowing, of course, is the quantum that one is looking to borrow. The revolving credit facility ... let us just remind ourselves that when we were at the start of the global pandemic there was great uncertainty about income levels, about cost levels, about support for the economy, and I stand fully behind it. It was the right decision to put in place a revolving credit facility for all the reasons that the Chief Economic Adviser just outlined about the option to borrow. We, of course, needed a significant quantum. What we might have done in the past is go to, in your words, the external market. Of course, we went to the market external to Government, but what we very purposefully did is go to local banking institutions and we initially garnered thoughts on appetite. We were not sure at that point whether it would be possible or not, but we are very pleased to say that those local banking institutions were able to provide sufficient quantum for the R.C.F. (revolving credit facility) which, as the Minister said, is what we are using or will use for the Fiscal Stimulus Fund and next year use up to £385 million. That is including the £50 million Fiscal Stimulus Fund. That is using on-Island institutions and those local banking institutions we hope will see some benefit from that R.C.F., albeit, of course, they will have Treasury operations in the UK or elsewhere as well. So, that was our decision in that regard. I think you are really also asking, though, about a local bond issuance. The policy issues that need to be addressed there are again the quantum. We would be looking at thinking about a longer-term facility to cover whatever we do need to borrow in the R.C.F., and that is still a political debate because we will have other requirements to draw it down further the following year if you look at those numbers, and then you have the sheer massive quantum of borrowing required for the hospital of anywhere between £700 million and £800 million.

[16:45]

You could, I think, expect a local issuance to perhaps have sufficient appetite for anywhere between £20 million and £50 million. We have watched with great interest this idea in Guernsey and I think if they can make it a success - and it is still a very big if because I think they are already asking themselves whether there is sufficient interest - then we can, but it is too early to say whether they can or not. I have no doubt that there will be further consideration given to that during the course of the year as we look to see how we think about what we have drawn down from the R.C.F. in the medium term and how we fund it.

The Connétable of St. Brelade:

At this point I will pass on to Deputy Ward. Thank you.

Deputy R.J. Ward:

I am going to talk to you about how you measure the success of the Government Plan. The performance framework is being used to track ... it is a nice tool that is available online. How is it being used to track the correct allocation of public finances?

The Minister for Treasury and Resources:

You are asking how the performance framework is being used to attract ...?

Deputy R.J. Ward:

To track the correct allocation of public finances.

The Minister for Treasury and Resources:

Tracking the outcomes?

Deputy R.J. Ward:

Yes. Basically you have a performance framework ...

The Minister for Treasury and Resources:

There are both indicators and outcomes and so we are doing that but on top of everything else, of course, it is quite a lot of work to put to the forefront with the current situation, and I am sorry to keep mentioning that but everybody is very well aware that the COVID situation has taken over a lot of the work being done by officers at the moment. But, yes, the review of outcomes is behind the times, admittedly, but it will be done.

Deputy R.J. Ward:

Sorry, I do not understand, a review of outcomes as regards the performance framework?

The Minister for Treasury and Resources:

Yes.

Deputy R.J. Ward:

Are you talking about some of the areas where the last input was, for example, in 2015?

The Minister for Treasury and Resources:

I missed that, I am sorry.

Deputy R.J. Ward:

There is a speaker on, which makes it totally untenable as a way of communicating, to be honest. Is that better now? I will assume that is a yes. The performance framework in some areas such as

in reducing income inequality the last ... sorry, I do not know what you are hearing and what you are not now. Do you want to move on to something else?

Assistant Minister for Treasury and Resources 1:

Deputy, we were struggling to hear you. I think we have now sorted the speaker system out. Could you repeat your question, please?

Deputy R.J. Ward:

I will start again, fair enough. The performance framework is being used to track correct allocation of public finances but many of the areas are out of date. How can you use that to illustrate the success or not of the use of public finances? What are you using to illustrate the successful use of public finances?

Treasurer of the States:

Perhaps if I start as my camera is on, the performance framework falls out of the work that was previously done with regard to Future Jersey and the long-term outcomes, aims and objectives for the Island. What that then leads to in the C.S.P. and in the previous Government Plan is measures that are aimed at improving those longer-term outcomes. What the performance framework will allow us to do - and admittedly, as the Minister said, the full rollout of that has been delayed this year as a result of COVID but will be put in place - is it will allow us to see the extent to which the measures that are in place will improve outcomes in terms of delivering those longer-term objectives. In terms of, for example, the income distribution survey, income distribution will only really improve over a medium-term situation. What was put in place in this Government Plan in respect of the income distribution was funds for that to be undertaken and delivered in 2020, if I recall. That work has been impacted through COVID but is back on track and will come forward. The emphasis there is that the Minister has put in place funding so that can be done on a more regular basis than was previously the case.

Deputy R.J. Ward:

What are you going to use to demonstrate the successful use of public finances? How will you do that without an up-to-date performance framework, which is something that has been designed to do exactly that?

Treasurer of the States:

The point would be that now that we are progressing back on with putting a performance framework in place, the indicators of progress against those longer-term outcomes that have been put in place as a result of implementing a performance framework will provide the data necessary to say whether the initiatives that have been put in place by the Government Plan are delivering the improved

outcomes. The point there is that prior to putting in place the performance framework that has not been achievable.

Deputy R.J. Ward:

Okay. So, for example, the percentage of households who find it difficult to cope financially jumped from 18 per cent to 30 per cent between 2017 and 2019, so that indicator, then, would indicate that the measures taken to try and help those on the lowest incomes are not working. So we would aim for the Government Plan to address those issues. Is that what we are talking about in terms of the function of this performance framework?

Treasurer of the States:

That is one example of what you would be setting out to achieve, yes.

Deputy R.J. Ward:

We look forward to those coming back to us. What work has been undertaken to improve the quality of how spending is monitored? There is quite a lot in the Government Plan, as was mentioned by Senator Gorst, of ideas for spending that may not happen over the course of the year. What is in place to improve how that spending is monitored? Are there times through the year where you review each of these projects, for example?

Treasurer of the States:

Also as part of modernising government there has been, and will continue to be, investment and as well as investment a focus on monitoring discipline in compliance with a programme management office, against which the senior team and then Ministers can map whether projects have been delivered in accordance with the timescales set out. In terms of financial performance, we focus our attention also in respect of spending on growth items; for example, in last year's Government Plan, whether that spending is in accordance with the timeframes that were set out and is happening during the year.

Deputy R.J. Ward:

I think Constable Jackson might come on to some questions on that in a moment. I have one more. What is the difference between deferred and delayed projects?

Treasurer of the States:

Delayed is something that might mean the project is still progressing but that it is maybe one, 2, 3, 4 months behind where it would otherwise be. Deferred would be more of a decision before a programme was supposed to start that we are deferring the start of that project back out 3 or 4 months, for example.

Deputy R.J. Ward:

That is a clear answer. Thank you. I will pass on to Constable Jackson who is going to ask some questions on allocations or any monies left over, I believe.

The Connétable of St. Brelade:

That is it. Are department heads of expenditure used on a “spend it or lose it basis”? Maybe that is one for the Treasurer.

Treasurer of the States:

Do you want me to answer?

Senator K.L. Moore:

Do you want the Treasurer to reply, Connétable?

The Connétable of St. Brelade:

Well, I am quite happy for anybody who knows the answer to answer it.

Treasurer of the States:

I will do my best, Constable. I would not put it that way. The way that I would put it is that there is a responsibility on government to make sure it is making the most effective use of the funds that it has at its disposal. A very good example of this would be the previous way that we budgeted for a capital programme so that if you had a £20 million project that would be over 3 years, we had to put the whole of that £20 million in place ahead of the project commencing. Those funds would stay in the States coffers over that period rather being made the best use of. So what we have now under the Public Finances Law is the ability on an annual basis to budget for capital projects year by year on a cash flow basis which means, as one scheme maybe has been delayed, we get the opportunity to use those funds on a more effective basis during the year by allocating it to another project.

The Connétable of St. Brelade:

Thank you. So would extra measures be used to ensure any unspent allocation is returned to the Consolidated Fund throughout the year and can this be ring fenced funding, say, to repay COVID debts?

Treasurer of the States:

So within the Government Plan, part of the strategy is we move from the short-term position to a medium-term position as outlined in the Government Plan, which is that Ministers are keen to see that any unspent balances are indeed returned to the Consolidated Fund where funding has not

been already committed so that we can minimise the extent to which we need to use borrowing in the medium term.

The Connétable of St. Brelade:

Thank you. What about the revolving credit facility? That has not been used yet, I do not think, and people think it could raise something like £700 million plus. What is the status, shall we say, of the credit facility at the moment?

Treasurer of the States:

So the credit facility is just that. It is a facility as opposed to funds that have been drawn down into the States coffers. It was put in place on the basis of the uncertain times ahead to give Ministers the confidence to be able to spend money and to know that if tax receipts did not hold up, they would have a source for funding. As we move into the Government Plan, the strategy is to use the facility in the short term while we go through this particular period of uncertainty and, indeed, once a decision is made in respect of our hospital in either the spring or the months leading up to the summer recess next year.

The Connétable of St. Brelade:

So you are expecting to draw down on that during the course of the winter, I take it?

Treasurer of the States:

The plan is the Assembly has already made the decision that we would be drawing down on that to set up the Fiscal Stimulus Fund ahead of further spending next year, but the £50 million that is involved there is included in the £385 million forecast in the plan, all of which is drawdown from the revolving credit facility.

The Connétable of St. Brelade:

Thank you. I am going to pass on to Deputy Le Hegarat who will follow on.

Deputy M.R. Le Hegarat:

Thank you. I am going to move now on to consultation. Are you using the knowledge of the private sector to review government spending and receive suggested options possibly through better partnership of those working outside of government?

The Minister for Treasury and Resources:

Yes, we do. We have a lot of input from outside bodies. For instance, the Income Forecasting Group, the Fiscal Policy Panel who are completely independent and then there is the Financial

Services Advisory Board, so a lot of advice from a lot of experts to exchange views and help to come up with other ideas and steer us.

Deputy M.R. Le Hegarat:

Has any consultation taken place with other private businesses apart from those that you have mentioned that, as a Government, you are working with? Has any consultation taken place in relation to other private businesses?

[17:00]

The Minister for Treasury and Resources:

Well, we have a lot of consultation, of course, not with private business as such but with the Chamber of Commerce, with the Institute of Directors, with the Jersey Hospitality Association and with Jersey Business, so all sorts of fairly independent bodies that we consult with all the time who feed back, of course, the Chamber from business, the Hospitality Association from hospitality, so that is going on all the time.

Deputy M.R. Le Hegarat:

The final one from me: how were the results of the public survey into priorities for the Government Plan used?

The Minister for Treasury and Resources:

Sorry, the surveys about the Government Plan?

Deputy M.R. Le Hegarat:

Yes, how were the results of the public survey into priorities for the Government Plan used?

The Minister for Treasury and Resources:

They have been co-ordinated by S.P.P.P. (Strategic Policy, Planning and Performance) and, of course, the officers across the board.

Deputy M.R. Le Hegarat:

Thank you. I think I will hand you back to the Chair.

Senator K.L. Moore:

Thank you very much, Deputy. If we could just remain with that question please for a moment, Minister. I was just wondering whether you could perhaps give some examples of the information that you discovered during the consultation that the Government conducted in relation to the

Common Strategic Priorities and how the public wish to see those reflected in the Government Plan and tell us which elements of the Government Plan reflect those views of the public, please.

The Minister for Treasury and Resources:

Well, I think we touched on this somewhere near the beginning really with the investments in education in the case of putting children first, which of course is a Common Strategic Policy, and housing. So we have taken into account all of the C.S.P.'s in constructing the Government Plan and, of course, every single department have their own input into what they would like to see in expenditure, capital and growth, all of which was listened to by officers and clearly the Ministers. So that is how we came up with the plan by doing all of that consultation at a very early stage. It was not a plan that was constructed overnight. It has taken a very, very long time taking into account all the requirements of C.S.P. and all the departments.

Senator K.L. Moore:

I am just trying to find the relevant page on the Government of Jersey website. If you recall, Minister, you conducted a consultation over the summer, I believe, asking members of the public what they wish to see in the Government Plan and what their priorities were. If I recall correctly, members of the public stated clearly that their priorities lay with the environment and improving environmental measures. So I am just wondering what examples you can give as to how that feedback from the public has followed through into the Government Plan.

The Minister for Treasury and Resources:

Yes, of course, there was a huge amount of enthusiasm for the environment and quite rightly so, and the children situation, which obviously of course is education and health, but as I keep saying, there are demanding priorities across the whole of the Government departments and it has got to be what is accessible and doable, for want of a better word, in a very, very difficult situation.

Senator K.L. Moore:

So why did you conduct this consultation if the findings were not going to be feeding into the publication of your Government Plan and enhancing Government decision making? I have found the survey results here on the website. They were published on 8th October which, admittedly, did not give you a lot of time to adapt the Government Plan that I am sure was almost ready for publication at that time.

The Minister for Treasury and Resources:

Yes, it was very close. We did, I think, 2 States briefings from memory, I think one on 9th October and one on the 12th and the Government Plan was published on the 20th. Of course, publication means that it was with the printers about a week before so the briefings which would have explained

to States Members what was incorporated, what consultations will have been done - I do not, of course, have all those details in front of me but they are available as we have just searched on the website - so as much as could possibly be incorporated into the plan bearing in mind, as I said before, it takes a lot of time to compile a Government Plan of that order. As much of the consultation as possible was taken into account.

Senator K.L. Moore:

Sorry, could you just describe why you conducted a consultation then? So the results of that consultation were published on 8th October. What was the purpose of it if there was not time for the findings of that survey to be reflected in the Government Plan? I can read to you the survey of the results published on the Government website here if you wish: "Those who responded to the survey highlighted improving Islanders' well-being and mental and physical health, 68 per cent, and creating a sustainable vibrant economy and skilled workforce, 60 per cent, as being more important now than before the pandemic." As I mentioned previously: "Making Jersey carbon neutral was seen as almost 81 per cent of participants as either more important or just as important as before the pandemic."

Treasurer of the States:

Perhaps if I might offer a review, the findings of the survey confirm the priorities of the Government Plan in respect of the Common Strategic Priorities as we come through the COVID area. They, therefore, support the investment that has been made in the Government Plan, so the first Government Plan 2020 Mental Health Services, for example, but also would emphasise the concerns that seem to be in the survey in terms of the investment in education and that investment is also seen in this Government Plan as well.

Senator K.L. Moore:

I see, so as in confirming to yourselves that you had followed the right avenues. I think we have asked before but perhaps if I could just ask again if you could describe perhaps some of the environmental issues that are reflected and being pushed forward through the Government Plan process.

The Minister for Treasury and Resources:

Yes, talking about taking into consideration all those things, we are, as you know, planning to build a hospital with new mental health facilities. We have increased the duty on petrol in alignment with putting that money into the climate emergency fund, so we have taken a lot of notice of what the public think without referring to the percentages that you just mentioned. So we have, on the well-being side and the climate side that you mentioned, taken account of public opinion.

Senator K.L. Moore:

None of what you have just described are new measures. They have not arisen as a result of the consultation of the public. So I think that that has really highlighted the issue to us. Just a final question, if I could. I think in our previous hearing we touched on the one-third of people who feel that they are worse off financially so if you could just outline for us what measures there are in the Government Plan to assist those middle earners in Jersey who have experienced difficulties this year and have concerns about their economic security.

The Minister for Treasury and Resources:

You are talking about one-third of middle earners. Are you referring to the third paying current year basis tax or what third are you talking about?

Senator K.L. Moore:

No, the figures in the Lifestyle Survey. One-third of people in the community are worse off financially as a result of COVID and so I am asking particularly about any people in the middle earners bracket, because I think we have talked this afternoon about lower earners a little and perhaps people who are more middle Jersey. Could you outline any specific areas where they will benefit as a result of this Government Plan?

The Minister for Treasury and Resources:

I think that was outlined quite clearly in the debate on moving from prior year basis to current year basis so that it would level it all out with the extension of the time that we gave people who generally speaking - and it is a middle figure - tend to be over 35, because anybody paying tax after 2006 would have been automatically on a current year basis so they pay as they earn, as you well know. It was to alleviate the situation in a COVID-related crisis that people would have longer to pay their debt - that is the two-thirds of people on a prior year basis - than they would have had if they had been asked to pay the debt in a prior year basis. It was done specifically to extend the period to enable those people who would possibly have earned less in 2020 than they had in 2019 to pay that bill. So huge consideration was taken of people who were on lower salaries possibly in doing that and extending the time over a 20-year period.

Senator K.L. Moore:

We asked in the States debate last week if 51,000 notices were sent out to prior year basis taxpayers asking them to pay their 2019 tax by the end of this month and the notices for 2020 and the calculations for the amount that taxpayers earn for 2020 had not yet been published so they are not known. Many taxpayers who had been trying to deal with Revenue Jersey and talk about their 2020 returns are experiencing significant delays in receiving information or figures from them. So how

will taxpayers benefit if they do owe less tax in 2020 given that the department is still working on last year's figures?

The Minister for Treasury and Resources:

It has to work on last year's figures, obviously, because they are assessing 2019. The whole reason for this move being timed as it was that any tax paid in 2020 which are taxpayers' paying on account will have probably paid their May assessment and will now not have to pay the November balance, which is why we wanted to get the agreement through the States so that it gave people that option that they can pay it if they wish if they do not want the liability hanging over them. Equally, if they have had the worst year financially due to COVID, they can defer the payment in November to be paid at the first stage at about 2022 when the tax system will be set up to do it but they do not have to pay it until 2025. This was made quite clear in the debate and what has been sent out and had to be done by law was the assessment. It was not the letter which is going out this week - some went out last week - explaining the situation about deferring the payment if that is what people wish to do, how long they can do it and if they already have a repayment scheme setup, which a lot of people do to pay it off over a certain payment plan or when they retire, they will be able to take those options. So it is trying to be fair to absolutely everybody and the reason the extension was made to the repayment plan was because people in the bracket of, say, 35 to 55 who have a prior year liability because they are not paying as they earn might not have been able to plan for it or afford it, so that is why it was extended so it gives them a chance to make their own repayment plan.

[17:15]

Senator K.L. Moore:

When you say a lot of people have set up a retirement scheme for their move to a current year basis, do you know how many or what percentage of prior year taxpayers have been able to?

The Minister for Treasury and Resources:

That became apparent in a lot of the focus groups which we are updating our data on at the moment because that will fund into the regulations which obviously we will bring through to the Assembly at the end of January/beginning of February, so that information is helping to advise those. So that figure will become more apparent when we analyse the data that we have, but there is clearly a large quantity of people who have made their own plans and would rather stick with that than anything else and, of course, they are perfectly able to do so.

Senator K.L. Moore:

Well, thank you all very much for your participation this afternoon and I will close the hearing.

[17:16]