



## Corporate Services Scrutiny Panel

### Government Plan

## Witness: The Minister for Treasury and Resources

Friday, 13th November 2020

**Panel:**

Senator K.L. Moore (Chair)

Connétable R. Vibert of St. Peter (Vice-Chair)

Deputy S.M. Ahier of St. Helier

Connétable K. Shenton-Stone of St. Martin

**Witnesses:**

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

Senator I.J. Gorst, Assistant Minister for Treasury and Resources

Mr. R. Bell, Treasurer of the States

Mr. R. Summersgill, Comptroller of Revenue

Ms. A. Rogers, Group Director, Strategic Finance

[11:41]

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

... in relation to the Government Plan. I am very sorry for the late start due to some technical issues.

So, we will kick off with introductions. I am Senator Moore and I am the chair of this panel.

**Deputy S.M. Ahier of St. Helier (Vice-Chair):**

Deputy Steve Ahier, Vice-Chair.

**Connétable K. Shenton-Stone of St. Martin:**

Constable Karen Shenton-Stone, member of the Corporate Services Scrutiny Panel.

**Connétable R. Vibert of St. Peter:**

Constable Richard Vibert.

**Senator K.L. Moore:**

Minister, you do not need to turn on your microphone. It is just the camera, but please do not touch the microphone. We are using a central microphone so if everyone could just try to speak as clearly as they can.

**Treasurer of the States:**

Richard Bell, Treasurer.

**The Minister for Treasury and Resources:**

Susie Pinel, Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Ian Gorst, Assistant Minister.

**Group Director, Strategic Finance:**

Alison Rogers, Group Director, Strategic Finance.

**Senator K.L. Moore:**

Good. Well, thank you all. So, if we could just start by looking at the restructure of commercial services initially. The section I am particularly looking at is on page 101 - feels a bit like room 101 - of the main document. So, if you could just confirm for us, Minister, why an additional £8 million of investment is required for the financial service restructure when the Government Plan for this period accounted for a £7 million investment to the department?

**The Minister for Treasury and Resources:**

As people who complete a Government Plan will know, this has set up a framework, and clearly it has taken a lot of time to get this Government Plan together, 6 months, and changes have fluctuated over that period. So I will hand it over to the Treasurer but you are asking why it has changed from £8 million to £7 million?

**Senator K.L. Moore:**

No, it was £7 million, now it is £8 million. Yes, so an additional £1 million of investment.

**Treasurer of the States:**

So there is a piece of work going on during the year to further look at what we needed within the function called fit-for-purpose commercial services function. That led to a business case by reduction and some work done by a consultancy that led to the conclusion that in order to further this function with other, from my perspective, certainly address and improve controls around procurement, having processes there. In addition to which part of the need to deliver or rebalancing our efficiencies out to 2023 and then the additional 120 are opportunities to provide a more commercial focus to much of what we do in terms of procurement rather than just simply through the governance perspective.

**Senator K.L. Moore:**

What exactly do you mean by more commercial focus on procurement?

**Treasurer of the States:**

So it is fair just to point out that we have not delivered as much social value (inaudible) commercial corporations that have tendered contracts but we have been focusing on recent times in respect of more going out to tender, seeing some tenders that come about, what they will do to give back to the economy and apprenticeships. For example, on the bigger projects. So through more active contract management throughout a particular project we can go for those that do services as well.

[11:45]

**Senator K.L. Moore:**

So is the investment in this framework largely focused around additional staff and recruitment or is it I.T. (information technology) and ...?

**Treasurer of the States:**

Mostly around ... I was just trying to find the details in the annexe. Mostly around people. They will be using consultants in the immediate, while we find the people to put in place.

**Senator K.L. Moore:**

Have they been identified yet, those consultants?

**Group Director, Strategic Finance:**

So we have started that work already in 2020. Obviously, resources have been moved to other matters in 2020, but we have already got some consultants on board. The numbers will be increased early in 2021. The idea is that we can make use of consultants to help grow our own. So we have people who worked in procurement previously and we are hoping to use the consultants to broaden their knowledge and their way of working. So you will see in the annexe that the ask reduces over

the plan and that is as we see the people getting that knowledge, gaining that knowledge, and then we can release the outside consultants from that point.

**Senator K.L. Moore:**

Is there any estimated saving derived from improved procurement?

**Group Director, Strategic Finance:**

Yes, there is. In fact, if I can point you to pages 80 and 81 of the annexe, it talks about the £5.4 million savings by 2024 that we are anticipating if the programme is delivered as expected.

**Senator K.L. Moore:**

In the main body of the report under this section, it does talk about user pays charges they have introduced in this area of work. They have not previously been a very popular feature of previous Government Plans and Medium Term Financial Plans and they have not made it through the Assembly. So, why, Minister, are you going down that road, please?

**Treasurer of the States:**

The framework itself is not directly for the financial services area. The requirement of the framework itself is to provide a consistent framework across government and guidance to departments and Ministers with respect to raising fees and charges as opposed to ... or reviewing fees and charges rather than definitively identifying ... I presume you are talking about in the past waste charges, for example. So this provides a framework for Ministers and in particular ...

**Senator K.L. Moore:**

So if I could just read this section, under the fees and charges framework it says: "Fees and charges are not only an important source of income, providing vital funds to deliver essential public services and assist in achieving our objectives for better outcomes for Islanders, but also an important driver of efficiencies."

**Treasurer of the States:**

No, what I was saying was not specifically about commercial services. This fees and charges framework stands alone. That is what it would mean, as opposed to whether it be a part of efficiencies. So we said I think in the last Government Plan that reviewing fees and charges forms part of all the efficiencies of identifying where there are services used by some users. This provides a framework by which, and a window therefore, to looking and reviewing fees and charges to identify where the Ministers were on the scale between full cost recovery and full subsidy, their services should be provided by a team. I am not starting to talk about income services, education; just services that are usually to a more restricted group of Islanders.

**Senator K.L. Moore:**

Yes, it says here ... it talks about discretionary services so I was going to ask if you could give an example of what discretionary services means. Obviously, there are some individuals with specific care needs who would form a small group but obviously have very little choice over whether they need those additional interventions because of their personal circumstances.

**Group Director, Strategic Finance:**

I think when we were looking to draw the framework together we were looking at larger examples which, at the moment, we do not think are very transparent because we do not have a list of the services that government provides to the public, whether that is to the whole public or whether that is to a discrete group within the public. We felt that if we did that we then could help Ministers to make decisions about whether we should be subsidising, like I said, or whether it should be partly funded by those users of those services. One of the matters that we were talking about was the abattoir, for example. Lots of people do not understand the cost of building the abattoir. At the moment there is a decision that it is heavily subsidised, but unless Ministers are aware of what we are providing and how much they are subsidising currently, they cannot make decisions about whether they are happy with that.

**Senator K.L. Moore:**

Okay. That is very helpful. Thank you. Right, so we had better progress and Constable Vibert is going to ask the next question.

**The Connétable of St. Peter:**

Thank you. Minister, the Building Revenue Jersey Team finance has dropped substantially for the period 2021 through to 2024. Where have these savings come from? I think that is page 197 of the plan. It is towards the lower part of page 197. It starts with a figure of 2,685 that drops to 1,466 in the next year and drops again over the next 2 years.

**The Minister for Treasury and Resources:**

So at the bottom of 197?

**The Connétable of St. Peter:**

Yes, the final part and we have "Building Revenue Jersey".

**Treasurer of the States:**

It is not the full budget for Revenue Jersey. If I remember rightly this table is annexed to additional funding for Revenue Jersey just to ... this is not a reduction in the current level of funding for Revenue Jersey. As part of the process of ... have I got the right table?

**Senator K.L. Moore:**

Yes, so this is ...

**Treasurer of the States:**

As part of the process, given the impact of COVID on both our revenues over a period of time but also the costs incurred, obviously we were asked by the Minister to look where future additional work identified in the last Government Plan could be trimmed back, refinished or removed. So these are additional amounts but they are less than ... to a degree less than the amounts that were in the previous Government Plan. So they are growth, let us say, in supporting the particular amount in Revenue Jersey and we will keep it under review to make sure that all the savings we can deliver; we can deliver to these sums but that is part of reducing the level of growth in the financial services, reducing the expenditure ... reducing the current ...

**Assistant Minister for Treasury and Resources:**

It is important just to give the context that last year's Government Plan had departmental growth numbers in and they were obviously provisional because we were really only agreeing one year, and then when we come to bring in what happened when we came to deliver this year's Government Plan is 2 things. One is some Ministers wanted additional money on top of the growth that had been in the plan last year, and therefore Ministers agreed that we also just need to go back and see if we cannot trim back the additional money that you had said initially you wanted. So, we then had a combination in additional money for this year of what was previously asked for, some trimmed back, and in some cases additional money that had been asked for.

**Senator K.L. Moore:**

So what will be the impact on that department in the trimming back? What is being trimmed back? If I could ask you, when answering, could you switch the camera on, please?

**Assistant Minister for Treasury and Resources:**

Yes. So, I am not going to go into each individual one, those individual Ministers can, but I would contend it is the other way round, of course, that if your services that are being provided today are being provided within the budgets that are allocated today, Ministers and departments might have had plans to increase a particular service or give a service differently with additional monies. So they are not cutting back anything that is currently provided but their plans for a change or a new service is amended now. My understanding is that all Ministers and departments said that they

could continue with their amended plans but they would do it either more cost effectively or on a slower basis. It would need to go back to each individual Minister for how their plans would deliver what they are wanting.

**Senator K.L. Moore:**

So this is Revenue Jersey, which is part of your department, Minister?

**The Minister for Treasury and Resources:**

Yes. As Senator Gorst said, everybody was asked to come forward, every department, to produce a way, as the Senator said, to either defer active expenditure, which had been expected in the previous and current Government Plan, or reduce the services, and everybody was asked to do that in order to meet the projected savings. Obviously, it was very difficult for some departments; more difficult for some departments than others.

**Senator K.L. Moore:**

Could you explain how Revenue Jersey is trimming back its growth spending, please?

**The Minister for Treasury and Resources:**

Well, Revenue Jersey, of course, is ... it is a good question because it is in a situation where having brought in a very new computer system to replace the 35 year-old one, which we have discussed before, and the training that has taken, so it was caught in the middle of having to come up with savings and also now with the acceptance and change of P.Y.B. (prior year basis) to C.Y.B. (current year basis), I cannot remember exactly what the figure was because we have used up practically all bar 4, I think from memory, of the vacancies that we have had in order to address the situation over the last couple of years and the future situation of not having enough people to do the job. But that has been addressed. I cannot remember ... does it say in here what the actual savings or ...

**Treasurer of the States:**

Ultimately, particularly in terms of Revenue Jersey, it will probably lead to some further phasing of some of the aspirations to achieve the Revenue Jersey (several inaudible words) from the perspective of, for example, how quickly we will bring on future revenues into the Revenue Jersey team with a plan already directed towards the main contributions. There are plans to bring on impôt duty, for example, there will be an impact from that and how quickly we will achieve that. We obviously have prioritised funding into commercial obligations and it is worthwhile saying I have asked the Comptroller to identify any additional funding in the near future that is needing to address customer service as we go through the move from P.Y.B. to C.Y.B. - not the other way round - and he is working on that as we speak, but that is just to see us through this particularly ... what will be a challenging time from a customer service perspective as we move from P.Y.B. to C.Y.B.

**The Connétable of St. Peter:**

Okay. We have spoken about this in the past but there are concerns raised, which include lack of customer care for emails, phone calls not being answered to letters being inappropriately sent or assessments being incorrectly calculated, so seeing a reduction in the allocation is of concern. I am sure you are aware of these concerns, but what is being done to address customer care issues?

**Treasurer of the States:**

I can describe one of the things that is being done and that relates to providing ... reviewing the resources available. It is not as straightforward as it may seem initially because what we need to be able to do, of course, is recruit people and deliver things online so that they can answer queries. Of course, that is not something we can do very quickly. The Comptroller and I have been discussing this and he considers that we need to address those customer concerns so we can get through this transition period with the firm incentive of helping customers on to the new system and the new way of working.

[12:00]

It is worthwhile reiterating that the new system does provide information that the old, very dated system did not provide. It provides more transparency in a way that perhaps has not always been available in the past of governance; one question for the team. So it is under review, looking to do the best with the resources and putting that to a new site.

**The Minister for Treasury and Resources:**

Also, just to expand, an app has been produced - I think it was mentioned at the last meeting - a Be Heard survey, which is as much for staff as it is for customers. So there is a lot of backup for staff, and with a transformation such as this has been, it is demanding, but now that we are almost up to capacity with the staffing levels, it is easing off. But I am very aware that a lot of people have spent a lot of time getting an answer, but equally quite a lot of that is because with a new computer system people are expecting an answer fairly quickly within 2 or 3 days. Well, it cannot happen, it has to be on a first-come, first-served basis. So people have many questions and if they email them the questions will be answered, but we do appreciate that it is taking longer perhaps in certain circumstances.

**Senator K.L. Moore:**

In some cases you have seen the same correspondence that I have, and part of that is because of the loss of experienced staff, some who had been there for decades. Is months an acceptable waiting period for members of the public who are trying to pay their taxes?

**The Minister for Treasury and Resources:**

I think the Comptroller has issued a statement that because of the overwhelming amount of queries, and again, of course, it is November when it would be the last payments on account, so November is always incredibly busy and that can ...

**Senator K.L. Moore:**

We have had a letter this week from somebody who has expressed to you their frustration that they have been writing to you since August and have not ... you have only responded to them this week.

**The Minister for Treasury and Resources:**

We do have 64,000 taxpayers, so it is a lot, as I say, when it comes to November, with the change in the system. You say a loss of experienced staff who have been there for a very long time. It is not a loss in that people have retired, which is why we had so many vacancies, but equally some left because they did not want to be part of a new technical computer system.

**Treasurer of the States:**

Lots of the vacancies arise from the additional resources that the Assembly approved. There have been some critical leavings in the department, about 10 per cent. As the Minister said, we had 4½ vacancies, but high levels of vacancies have been driven primarily by the additional investment that the Assembly approved in the Government Plan ...

**Senator K.L. Moore:**

Yes, but there is also ...

**Treasurer of the States:**

... which is not the same as the turnover.

**Senator K.L. Moore:**

But in February this year we went through the turnover issue quite extensively with the Comptroller.

**Treasurer of the States:**

Yes, so having a lot of vacancies does not mean to say that in all cases that people left on ... what you are identifying is something that is a very real issue but becoming a particular way in Jersey and across government, but particularly in Jersey. We had a discussion this morning from further around, that age profile says that over the coming year or so there are more senior individuals who are reaching the age that they retire and that will be a challenge that the Comptroller is facing in terms of some training plans. Some of the investment he is doing towards training, so investment

in training but also to open up the world of professional qualifications more widely to our team in Revenue Jersey so that we can start to plan for later on.

**The Connétable of St. Peter:**

Thank you. Over to Steve now.

**Deputy S.M. Ahier:**

Thank you, Constable. Domestic compliance, Spend to Raise. The Spend to Raise project was delayed during 2020 but the Government Plan 6-month progress review informs the satisfactory return on investment. The original business case confirmed that it would pay for itself. What tangible evidence do you have to substantiate these statements?

**The Minister for Treasury and Resources:**

Is that within this Government Plan?

**Treasurer of the States:**

No, it is the usual investment. It was established by the original. So the estimates for this year are largely as a result of what else has happened this year, has meant that the estimates provided from the Comptroller have been less than £7.5 million off the top of my head, and the new profile reflects that. The Comptroller has devised a ... which we review in the Finance Act, it provides a methodology by which those are calculated from the cases that are found from the investment in people who are undertaking the compliance work. So we have a framework through which we can measure progress towards, based on that framework the progress is, from the Comptroller, (Inaudible).

**Deputy S.M. Ahier:**

Those who are taking part in that compliance, do you have a full contingency that was allocated in 2020 of the £1.4 million, of employees?

**Treasurer of the States:**

We have resources in here to ... I am not quite sure I understand the question.

**Deputy S.M. Ahier:**

Richard Summersgill mentioned earlier in the year that he was struggling get enough employees for the spend to raise at that time during the COVID, because of the COVID problem. So what I wonder is whether it has now been filled and we have a full contingent for that department.

**Treasurer of the States:**

We are down to across Revenue Jersey specifically just about 4½ vacancies.

**Deputy S.M. Ahier:**

But 4½ vacancies out of how many?

**Treasurer of the States:**

Across the whole of Revenue Jersey.

**Deputy S.M. Ahier:**

Out of 14 for that department. So any of those savings, will those savings be carried forward from the 2020 plan for the next year?

**Treasurer of the States:**

Sorry, as the table, it has been very full for next year.

**Deputy S.M. Ahier:**

No, obviously the targets.

**Treasurer of the States:**

The targets. The targets going forward, the future targets are initially down for the reduced delivery this year but it is not the core factor, it is staggering across all the departments.

**Deputy S.M. Ahier:**

Okay, fine, thanks very much. Effective financial management. Delivering effective financial management has been allocated £1.1 million less over the 2021-2023 period with £1 million of this in 2023. Why is this?

**Treasurer of the States:**

So that profile recognises, particularly in the latter years, the reduction in initial money that will arise, or rather the efficiencies that will arise from the investment in the integrated technology space, principally the new finance system, the system that is integrated into the H.R. (human resources), the asset management and the procurement systems.

**Deputy S.M. Ahier:**

The panel notes that the delivering effective financial management project was delayed in 2020. Will this further increase timescales for completion?

**Treasurer of the States:**

Yes, we are going to revisit next year our maturity assessment, financial maturity assessment. From the piece of work we originally did when we set up our finance transformation key element, in terms of what is still ... the key element of what is still intended to be delivered is delivered through the investment in the integrated technology system that we have invested, for example, at the back of the work that was done in the risk function. We have moved from 6 finance functions to a single finance function. We have investment in training. Last year it was 8 or 9 in training, this year as well, we have got moving through the modules; so it is the latter part of this year modules in respect of trade and finance but also for the budget over this part, as the capital support, transformation work undergoing within the finance function within the team.

**Deputy S.M. Ahier:**

Fine, thanks very much. I am going to pass over to the Constable of St. Martin.

**The Connétable of St. Martin:**

With relation to expenditure, departments such as the Office of the Chief Executive have seen an increase in the estimated head of expenditure of 118 per cent during 2020 and 2021. Can you provide this panel with an update on this expenditure and why it is increasing and do you really feel that this is deliberate?

**The Minister for Treasury and Resources:**

I missed the beginning of your question, sorry.

**The Connétable of St. Martin:**

Sorry, I will repeat the question. Departments such as the Office of the Chief Executive have seen an increase in the estimated head of expenditure of 118 per cent between 2020 to 2021. Can you provide the panel with an update on this expenditure and why it is increasing? Do you really feel that this is deliberate?

**Assistant Minister for Treasury and Resources:**

Perhaps I could start off, if that is okay.

**The Minister for Treasury and Resources:**

Yes, I would appreciate that.

**Assistant Minister for Treasury and Resources:**

The Office of the Chief Executive covers my day job, so External Relations. Our budget is in there and, as you know, some of the money that was initially put in via contingencies was then created and put into the core budget. You have the financial services section, plus you have the economy

section being accounted for correctly now, which is moving across from what was G.H.E. (Growth, Housing and Environment). It now becomes an economy function currently sitting within the Office of the Chief Executive, although it is the intention of myself and the Minister for Economic Development, Tourism, Sport and Culture to have these things changed. So that is part of the increase, and then we, of course, have communications, they saw an increased budget, and you have the ministerial support unit seeing growth in budgets as well. I do not have the individual line details but that is broadly where those changes have come from.

**Senator K.L. Moore:**

If I could just ask a question about that, from recollection the ministerial support unit, the additional £1.3 million annually, which is quite a considerable increase given that Ministers have a much higher level of support than they did prior to 2018. Could you describe what exactly is planned for that additional £1.3 million?

**Treasurer of the States:**

Basically just before the Minister speaks, what is provided with that budget is almost entirely something that is currently provided by a series of (inaudible) through these years. We need to be regularising that so that there is funding in place rather than being an increase in spend from where it has been this year into 2024. So this is the budget that previously was provided through good old-fashioned clericals.

**Assistant Minister for Treasury and Resources:**

I can confirm the Treasurer is correct so, rather than taking bits of money from here, there and everywhere at the end of the year to deal with budget, it says at the start of the year this is the budget that is required, so it looks like an increase in the budget, as you have said, and as the Treasurer has said. But I think also I supported a new one. It is made up of what - from the U.K. (United Kingdom) Government system - you would think of as private secretaries and they work directly with Ministers to manage papers, manage diaries, manage appointments, take notes when Ministers are in meetings. Then as you know from elsewhere, the idea is to allow smooth operation of government, to make sure things are recorded, to make sure things are acted upon. That is currently done as a central unit and what I would hope to see during the course of the coming year, now that the budget has been formally brought together in the Office of the Chief Executive, is that there were a number of enhancements that could be delivered. It will be delivered on the existing budget, to how they operate. Private secretaries, and thereafter the traditional P.A. (personal assistant) support functions as well. Private secretaries need to, not only have a seat in the central unit, but they also need to have a seat in the department so that they can ensure that Ministers are better - and we heard some of this during the debate this week - connected and have a better relationship with their department as well as the central function.

[12:15]

So there was a desire when they were created to make sure that Ministers were connected with the central function. You could say that has worked, but there has been, for a number of Ministers, a disconnect between themselves and the department and we have heard some of that frustration during the course of this week. That really does need to be challenged because private secretaries work for Ministers even though they have a line manager through the civil service structure.

**The Connétable of St. Martin:**

There has been a drop of 15 per cent between 2020 and 2021 for investments allocation to reduce inequality. Can you explain the reprioritisation of funding away from this serious piece?

**The Minister for Treasury and Resources:**

There has been, certainly in the recent few months, quite an investment to address income inequality with notable examples possibly being the voucher card scheme where £100 goes into the bank accounts, in addition to the cards of people on income support and some pension people. There has also been the agreement with Housing that we would reduce the market rents of social housing rents by 10 per cent. So I think those points need to be made because income inequality is not being ignored by any stretch.

**Senator K.L. Moore:**

However, the budget has been, as the Constable pointed out, reduced, therefore. Frankly, Minister, the voucher, one payment, that was an announcement, a decision, it was in response to COVID and was not part of your planned expenditure on reducing income inequality. Perhaps you can describe why the budget in this area has been reduced.

**The Minister for Treasury and Resources:**

Over the whole course of the Government Plan, it is very difficult to put forward things that are not affected by COVID, I have to say. We did have to work very quickly, as you say, Chair, and put in measures to help people who were very affected by this pandemic. So it does not necessarily tie in with what was a projected 4-year plan because we have had to change it as we go along.

**Assistant Minister for Treasury and Resources:**

It is the fact of the issue that will be addressed when you ask the question where Ministers were asked to consider profiling of their growth funding and whether, in some instances, and if you look at what is allocated under income inequality you can see the changes. The Ministers and departments have given assurances that they will continue with that work but it might take longer.

If you bear in mind that we were approving 2021 and where the other Members are on the question of what the spend might be in the future years, there are of course some issues in here that Ministers will rightly need to keep a review of. But they might, some of them, need to be steamed up in 2023. But Ministers have looked at what we can spend in 2021 in addition to the money that had extra in 2022, which is what ... in 2020, which is what we are talking about, and look at the effect of COVID will be continuing in 2021. None of those numbers seem unreasonable. But I would argue, and I did argue, that Ministers are probably not going to spend the money that they have had allocated in 2020 and therefore are very unlikely to be able to spend any additional on top of that in 2021.

**The Connétable of St. Martin:**

Moving on to my next question. There has been a staggering 26 per cent reduction of investments to protect our environment. Has this also been deprioritised for funding applications? The second part of this question is: the Minister for the Environment has voiced his displeasure at the under-resourcing of his portfolio, so is this reduction approved by him?

**The Minister for Treasury and Resources:**

The Minister for the Environment has a very varied portfolio and, on the whole, as before mentioned, is to ask people to reduce their growth expectations or capital expenditures. No Minister was very happy about having to do that understandably and Environment, especially seeing as we are in the current circumstances. But there are capital budgets involved in that percentage decrease that have not been removed but have had to be deferred in the current circumstances. We have got to, I think as the Treasurer mentioned earlier, as part of the commercial services review, look at again at waste charges, look again at how we fund the Climate Emergency Fund, for instance, which was going to be largely funded through fuel duty increases. Of course for 4 or 5 months of this year fuel was not being consumed. So you have to take into account all the variables. I do apologise we keep coming back to COVID, but we are reacting on a sort of day-to-day, week-to-week, hour-to-hour basis with this. Of course it is going to affect what was predicted last year.

**Assistant Minister for Treasury and Resources:**

As we have now heard, we can see from the numbers, the growth number had potentially been thought what we would have spent in 2022 on protecting our line numbers through £3 million and now it is £3 million, just over. Largely the Climate Emergency Fund has remained intact, £2.7 million, and it was expected to be £3 million, and we come back to the other points. So this is a slight reduction in growth funding. So these projects are still going to continue. Some are good for the period of greater reduction and still delivered on a number of those projects.

**Treasurer of the States:**

As the Minister said, that reduction in the Climate Emergency Fund arising from the reduced forecast in fuel duties to be paid into things like the Climate Emergency Fund, so one-for-one the Government Plan uses the same rise in fuel duty per litre but our current forecast compared to a year ago, how much fuel will be sold is less than a year ago, and therefore that reduction funded into the Climate Emergency Fund will be less.

**Senator K.L. Moore:**

In contrast to the reductions of 26 per cent in Environment and 15 per cent in reducing inequality, there is a 6 per cent increase in modernising government being predicted in 2021. During a public hearing with the Chief Minister on 13th October, it was stated that a large chunk of modernising government is I.T. (information technology) investment. So will the large investment in I.T. continue throughout the Government Plan or will money run out to keep those systems up to date?

**The Minister for Treasury and Resources:**

There is about, if I remember correctly, about £30 million projected to be invested in I.T. This is intended to continue on the basis that a lot of it, for instance in the Jersey Care Model, which was approved by the Assembly, is planned to reduce costs in the future, as I.T. does. We have found that to be exactly the point with Revenue Jersey. So there will continue to be investments in I.T. and especially on the basis of how people are operating at the moment. So this is unusual being in a room, but so many people, especially Education, need to upgrade their I.T. systems and have access to faster broadband services. We need to provide that, and you can't necessarily ... perhaps in the future things could change but at the moment there are a lot of situations with schools, with people working from home, officers working from home. So that I.T. project does need to continue. Of course it will not be done in 2020-21, it is a 4-year programme.

**Senator K.L. Moore:**

So you feel content to justify the reduction that you have described in previous answers against the common strategic priorities of reducing income inequality and protecting the environment versus increasing expenditure against the modernisation of government?

**The Minister for Treasury and Resources:**

Well I.T. would cost a lot more than £30 million and it is just a matter of trying to arrive at something that is sustainable. So they have had to reduce their expectations, as have all the others. But, as it is an ongoing programme, as I have just explained, so entirely necessary. It is not something that can be put off.

**Senator K.L. Moore:**

But an increase in the budget of 6%; it does not look like a department that is reducing its expectations against other departments where they are up.

**Treasurer of the States:**

In terms of modernising government, modernising does not really relate to per se a department. Modernising government is a thing that is in the Government Plan, currently, if we are referring page 191 in the appendix 3 to the main report. Some of those measures with this, you asked questions just now on financial services, Assistant Minister talked about the importance of communications. There is also a line there that relates to correctly the relevant Digital Jersey ground; there was an area in the last plan. There is the main kind colour grey (inaudible) previously and then, in particular, for instance, when we have the costs of the revolving credit facility and the insurance premiums. So some of those costs are in the current Government Plan, they cannot be avoided, the insurance premiums, there is no choice. Insurance premiums have got them, they are opening in the market cheaply. Those insurance premiums have gone up and those are in there. So they are not confined just to a last guess of the programme, rather than people just grabbing revenue policies. Those provide for the Island in programme and in organising people in last year's climate where I think you asked questions extensively on this area, with a profile of the revenue consequences if that happened.

**Senator K.L. Moore:**

So COVID costs, which we have already talked about a little, are stated as a separate department provided expenditure. Can you provide reassurance that departments have been attributing expenditure accordingly and will continue to do so and not be able to absorb any unused COVID funding into general expenditure?

**The Minister for Treasury and Resources:**

We have, as you will be aware, changed the whole budgeting system from having allocated lump-sum budgets at the beginning of the year. It is now a sort of pay on demand - I think there is probably a better way of saying it, but to ease cash flow problems. When departments require further money they apply for it as opposed to having it there. Where in a lot of cases it sits unused at the end of the year possibly because a capital project has not happened or maybe it was considered to be over-budgeted. The way that we are doing it now is the departments, when they require the funding, they apply, and obviously Health being the main one for the COVID situation. So the officers work out quite what it is that is being applied for, is it absolutely essential, how it is going to be paid for. To use test and tracing as an example, how quickly that changes, what are our options? Investigating all the different test-and-tracing options that we could have, working out which is the best. It is not something that is a kneejerk reaction made overnight. There is a huge amount of work that goes into this. From a funding point of view, then we have to make the finances available.

**Senator K.L. Moore:**

As Minister, you are ultimately accountable for all those expenditures. Are you confident and reassured of the controls that are in place around the COVID spend, in particular, and any leakage into general expenditure or use of other items?

**The Minister for Treasury and Resources:**

I am very assured. I think the team will know because I do nothing but question because I think people have to be challenged on these things for exactly the reason you are saying. Not that there would be leakage, but to make sure that any budget allocated is used for the purpose for which it was allocated.

[12:30]

**Senator K.L. Moore:**

As you describe, paying on demand is for now, and it is quite an unknown situation and who knows what is going to happen next. Therefore, how confident are you that the financials produced in 2021 will be sufficient to meet any forthcoming demands in this area?

**The Minister for Treasury and Resources:**

This is why we have been, again, very prompt in our actions to instigate and have in operation, if we need it, the revolving credit facility, which is one of the earlier things we did. As you quite rightly say, Chair, not knowing what the demands were going to be, we have not yet had to use it. The first drawdown on it will be, if the Assembly approve the Fiscal Stimulus Fund next week, because that is an input into the economy which is much needed at the moment, but I will save that for next week. So, if there were to be another - I do not like using the word "second wave - but if there is another...

**Senator K.L. Moore:**

The Chief Minister has said we have not had the first one.

**The Minister for Treasury and Resources:**

Well that is not quite what they are saying in the U.K., but anyway. It depends on turnover I suppose but if we were to have another very difficult situation then, yes, I am very well-assured that we have the wherewithal to deal with it. We have to. We are talking about people's lives and livelihoods so we cannot be in a position where we have not made the preparations to be able to come up with an answer.

**Assistant Minister for Treasury and Resources:**

Could I just add to that? There is of course lots of flexibility in the COVID budget that the Minister has just referred to. The biggest unknown factor of course is (several inaudible words) might need to be taken, if there is at some point in the future, a need for a type of lockdown, a circuit breaker as we have seen elsewhere across Europe. Because that would have a direct effect upon COVID from the payroll scheme and the credit scheme and all of those things, which would need to then kick back into having maximum effect. We have seen elsewhere that they can produce those measures for a short period of time. We as a Government, will be actively committed to going back to having those direct funds and pensions if they are necessary. But as you also know, we are doing everything we possibly can measure-wise to mitigate the need to do that. That will mean that there are some more spend that needs to take place this year around increasing employment and track and tracing and things like that, that we will be talking about during the course of next year. The budget is our best guesstimate. There is, as the Minister has just said, flexibility in there. If, on top of that, we see that departments do not spend their allocations this year, which is what I would expect and what Treasury have been trying to encourage them to not spend up to their allocations, so that there is sufficient flexibility. Because you were absolutely right, we do need to have that sufficient flexibility.

**Senator K.L. Moore:**

Quickly, before I pass on to the Constable of St. Peter, obviously the vaccine is a current issue at the moment. Could you remind us what levels are allocated to the provision of vaccines?

**The Minister for Treasury and Resources:**

There is a budget allocated, on the top of my head, it was just under £5 million allocated. But I think the U.K. have ordered £90 million at the last count of vaccines when they become tested and available. Some of those are allocated to the Crown Dependencies. I do not know the proportion yet.

**Senator K.L. Moore:**

Thank you. So I am now going to pass on to the Constable of St. Peter who is going to ask a couple of questions quickly about efficiencies.

**The Connétable of St. Peter:**

Efficiencies, we understand that departmental budgets have been reduced to accommodate approximately £20 million efficiencies required within 2021. How confident are you that departments can readily accommodate this level of budget reduction without a negative effect on service delivery?

**The Minister for Treasury and Resources:**

I will start off on this one, Treasurer. We have asked for, a couple of years before, about £80 million across the Government Plan and the first £40 million of that will not be until the end of 2021. Those are in line to be achieved at the present time. I do not know if you want to ...

**Assistant Minister for Treasury and Resources:**

It depends what your question really was.

**The Connétable of St. Peter:**

Yes, it is about the net effect on service delivery. The reason I asked that is that if we look at page 131 of the annexe under the section of the States of Jersey Police, we will see that it says, after the part that there should not be any negative impact, it says under "Customer services": "There may be some impact on the services received by customers dependent on where a vacancy is held." Under "Workforce" it does not just say there may be, it says: "There will be some impact on the workforce." So these cuts must have some effect on service delivery and the workforce in certain cases.

**The Minister for Treasury and Resources:**

The cuts, it is why it is entitled "efficiencies". Each department has had to go back to their workforce and, as we mentioned before, Revenue Jersey, which was brought up initially, when you are not having to employ a huge amount of people to manually input data, you then have efficiencies. I think we mentioned the police force. They have gone back to their area to see where they can make efficiencies. Every single part of every department has had to do that, where they have not been tasked with that necessarily before, so they are being asked to do that again. It will have some impact obviously if you are reducing possibly members of staff or the service delivery, cars, vans; it could have an impact.

**The Connétable of St. Peter:**

So we are saying that you accept there will be a negative impact on service delivery and the workforce in some cases?

**The Minister for Treasury and Resources:**

There will be an impact. It might not always be negative.

**Assistant Minister for Treasury and Resources:**

We have to remember, Constable, that we are used to departments telling us that they cannot make any savings and they cannot make any efficiencies. We know that the budgeted demand of efficiencies for this year was £40 million. That has not been achieved. as you will know from your other panel. Departments try and make all sorts of ... tell us why they cannot do it and we have to

go back and say: “No, you have had extra money in your budget.” Let us remember the situation the departments find themselves in. They have been asked to make efficiencies on the one hand over here of a certain amount; £40 million, over £100 million to the end of this plan. But they have been given a jolly lot more other money to spend as well. I very much expect departments and Ministers to deliver their efficiencies because they have the money available to be able to de-spend. So it is not unusual for departments to come and tell us 101 reasons why they cannot. So that is, while that is not what your question was, because can the efficiencies be delivered? Well, with the right political will and the good aim at the start of the efficiencies, I believe they can be delivered. But we are still to see them being delivered.

**The Connétable of St. Peter:**

Perhaps one last question on efficiencies, certainly 2020, I believe where departments could not achieve the original efficiencies, they were asked in effect to achieve them by any means. Will that carry through to this year and is that a good policy?

**Assistant Minister for Treasury and Resources:**

I think it is a very good policy. I well remember former Senator Le Marquand sitting around a previous Council of Ministers table saying he would agree to an amount after he had conversations with his officials and we would say: “This is how we think we are going to deliver it but do not commit us to that methodology. We will commit. We will make the saving to our budget.” That is the right way to empower Ministers and departments to make the efficiencies and the savings to their budget rather than us hold them to exactly the line item that may or may not quite deliver in the way that they had initially thought. I recognise that is an argument for you.

**Deputy S.M. Ahier:**

Funds in reserves, will the Fiscal Stimulus Fund receive further funds and be used to stabilise the economy, if needed?

**The Minister for Treasury and Resources:**

The Fiscal Stimulus Fund is purely for projects to stimulate the local economy. The projects, bidders if you like, will apply to a Fiscal Stimulus Oversight Group, if this is approved - I do not want to jump ahead - but if it is approved next week. It will take expressions of interest and then those will be looked at and then the bidders, for want of a better word, will be asked to provide a business plan if their initial expression of interest is considered reasonable for acceptance by the oversight group for funding from the Stimulus Fund. But it is purely for that and is only for projects for 2021.

**Deputy S.M. Ahier:**

So the fund, the £25 million now, and there will not be any more Fiscal Stimulus Fund after that?

**The Minister for Treasury and Resources:**

We will have to, as we have done with sending out the cards, we have said right at the beginning to over-16: “Hang on to your cards”, but what we have to do is analyse the data that comes back from where those cards were spent. Obviously not on an individual basis, because you would not do that, but whether the large spend was retail, hospitality, sports shops. So we analyse that spend and then work out whether we do anything further. With the Fiscal Stimulus Fund we will be doing the same. We have to see what the take-up will be first before we can say whether we will extend it at all.

**Deputy S.M. Ahier:**

So you mentioned the cards, the possibility of refunding the cards, could that money come out of the Fiscal Stimulus Fund?

**The Minister for Treasury and Resources:**

We would not know until we have worked out the data, because they have only just finished being used, as you know. So it is going to take a while, probably until the end of the year, to analyse quite how they have been spent. Also what the situation is at the end of the year, whether another input of that sort of money is required or the economy is recovering. So we cannot turn around and say: “Yes, we are going to do it” when we do not have the data from the previous one.

**Treasurer of the States:**

The effect of the Fiscal Stimulus Fund on that effectively (Inaudible) something with the Assembly’s agreement to determine reference to the fund, they are not written that way. If in the event there was not a take-up that we are expecting to that level of the funds within the Fiscal Stimulus Fund or the Assembly did agree to take it back and use it elsewhere. The Fiscal Stimulus Fund is primarily put in place by the Assembly and it seems to be would require composition back to the Assembly.

**Assistant Minister for Treasury and Resources:**

Just to be clear, I think this is what you were asking, there are no plans currently to increase that £50 million. That is it and we will see what effect it has upon the economy during the course of next year.

**Deputy S.M. Ahier:**

The £11.3 million is allocated from the Health Insurance Fund in 2021 to enable the implementation of the Jersey Care Model and Health digital programme. Is this fund sustainable and why is the reserve that was initially designed to facilitate the current revenue expenditure being used to fund what is essentially a capital project?

**The Minister for Treasury and Resources:**

It is being used because it is essentially a fund for the subsidisation of doctors' visits and pharmaceutical drugs essentially. So the healthcare model from which we will be drawing on the Health Insurance Fund seemed a reasonable project on the basis that the Jersey Care Model is going to reduce costs in the long run. So it might be a capital project initially but then the payback ... I think it is 2024 we are expecting it to start paying back and we are anticipating the payback will be about £4.4 million a year, or something like that. So I see where you are saying a capital project, but it is expected to bring back revenue and the fund can sustain it at this point.

[12:45]

**Deputy S.M. Ahier:**

The return on investments of the long-term care fund, which is pre-COVID predictive levels, by 2022. Is this correctly shown? That is on page 167.

**The Minister for Treasury and Resources:**

The long-term care fund had quite ...

**Deputy S.M. Ahier:**

Or 162.

**Assistant Minister for Treasury and Resources:**

I am just wondering, Minister, what we are going to be asked.

**Deputy S.M. Ahier:**

The return on investments, it was reaching £400,000 in 2022. Is that correct?

**The Minister for Treasury and Resources:**

It was correct when it came to press, yes. There have been constant fluctuations in the market but that was correct going to press. But did you ask about its sustainability as well?

**Deputy S.M. Ahier:**

Sustainability, yes.

**The Minister for Treasury and Resources:**

That has to be constantly looked at when we asked for an increase of 1 per cent. It is okay at the moment but who knows where the COVID situation again is going to leave us. The Assembly only

agreed to 0.5 per cent so we will have to come back again, not in the immediate foreseeable future, but certainly in a few years, to ask for another increase to maintain that sustainability.

**Deputy S.M. Ahier:**

Was that increase considered for this Government Plan, the 0.5 per cent?

**Assistant Minister for Treasury and Resources:**

0.5 per cent is, but not any increase further than that.

**Deputy S.M. Ahier:**

It was not considered for this Government Plan?

**Assistant Minister for Treasury and Resources:**

It was considered when we considered the 0.5 per cent change and looking at the modelling that was undertaken by I think the majority, and this was just take the 0.5 per cent and therefore that the net gains would be sustainable until at least the next Government.

**Treasurer of the States:**

You centred your question on return on investment, but that fund is predominantly held very deep in funds. It has significant funds on it, comparatively relatively to the Social Security Reserve and the Strategic Reserve, (Inaudible) are reflecting the instruments that we are holding.

**Deputy S.M. Ahier:**

Thank you. The last one is the predicted benefits and other expenditure if the long-term care fund is reduced. On what basis is this forecast? It is a negative figure, is it not?

**Treasurer of the States:**

That is the actual amount of expenditure. It has brackets around it because it is expenditure and these are (Inaudible) for one of the big balances; it rises.

**Deputy S.M. Ahier:**

Thanks very much.

**The Connétable of St. Peter:**

The 2020 plan increased standard income tax exemption thresholds by £500 per single person and £750 for married couples or civil partnerships, with an additional £250 for a second earner. It is proposed in the plan for 2021 that these will rise by £100, £150 and £350 in 2021. Can you explain how these figures were arrived at and what financial data did you look at to arrive at those?

**The Minister for Treasury and Resources:**

Yes. I was just saying that we do have an increase, an incredibly high threshold in Jersey - I think it is £11,000 in the U.K. in comparison - so it is a very high threshold. But, equally, we felt it was appropriate to increase it by £500 for the first and second couple. It does go up quite regularly and, as you pointed out, it is going up over the next 4 years. How that is forecast ...?

**Treasurer of the States:**

Other than pensions, it goes up by the lower of the relevant increase in the cost of living and/or the average earnings index, so last year R.P.I. (retail price index) was the higher number, this has been calculated up, the most recent available R.P.I., which we were using, and it increased better than 1,000; that is in the June R.P.I. being the lower of the first 2 measures.

**The Minister for Treasury and Resources:**

Pensions are also calculated in the same way.

**The Connétable of St. Peter:**

So looking at stamp duty. There will be no change to stamp duty for 2021. Will this continue throughout the plan or will individuals at some stage see stamp duty increasing? Will this be focused on individuals or corporate transactions?

**The Minister for Treasury and Resources:**

There was an increase in individual stamp duty 2 years ago I think, so it was deemed appropriate not to do that again. We are looking at possible increases in stamp duty on commercial property.

**The Connétable of St. Peter:**

That would be post 2021 though?

**The Minister for Treasury and Resources:**

Yes.

**The Connétable of St. Peter:**

Duty on alcohol has been frozen; can you explain the reasoning for this?

**The Minister for Treasury and Resources:**

Yes. Again, the figures for increases are largely ... the base of it, as the Treasurer said, are largely the ... and June is the highest as the increase in (Inaudible) for Germans. That was the starter for 10. Then the reason for not increasing alcohol duty - it has increased year on year - was because

of the potential at the time, but actual hits now on hospitality. We felt that it would help hospitality if there was no increase in duty on alcohol. It was a more COVID-related decision to help the industry.

**The Connétable of St. Peter:**

But we could see an increase in 2022?

**The Minister for Treasury and Resources:**

We will still get every year.

**The Connétable of St. Peter:**

Finally, the plan highlights approximately £10 million in additional tax revenue for 2024 through measures put forward in the Government Plan 2022. Why are these measures not being brought forward sooner?

**The Minister for Treasury and Resources:**

We are looking, as I said, at increasing stamp duty. There is also I.S.E. (International Services Entities) fees, which will also increase. So that is part of that. I think that brings in about £3.5 million. I do not have the figures in front of me. But there are other areas, there is tax compliance as well, but that is separate.

**Assistant Minister for Treasury and Resources:**

Of course this ties in with we often have corporate tax under review to see if we can extend its remit or do more through it. But of course we are now working very closely in regard to papers and the agreement that might come out of the O.E.C.D. (Organisation for Economic Co-operation and Development) on neutral taxation and we are going to need to respond to that. It would seem that some of the response to that was tax neutrality would mean some broadening of the base. So we have put in what we think is a very reasonable number at this stage while all that work is ongoing. We will know more about what that looks like, what our response to it will need to be, later next year. So it will be sometimes next year that we have any ideas about what that will look like.

**Treasurer of the States:**

In addition, even if it was positive advice, the Council of Ministers earn the I.S.E. giving them the uprating on matters, we say with professional answers in their capacities. The rest is (Inaudible) but there are cuts, i.e. reducing it from (several inaudible words) somewhere between growth that is not in departmental spend already or to drastically increase taxes to boost the economy, but instead to have plans and start to draw together those plans to use them by 2024. But how practical it would be to delay or bring those forward depends on the state of the economy at that time.

**Deputy S.M. Ahier:**

The revolving credit facility. Interestingly, the revolving credit facility costs are challenged in its earlier calculations. Can you explain this?

**Treasurer of the States:**

Yes, that was explained to the panel in another hearing; but you are a new panel. That was on the basis that unfortunately there was an error, and I apologised to this panel, but I apologise to the panel again for that error in the then draft document. While we were putting together earlier forecasts, we did forecasting at that point higher and the figures were calculated on this higher point. By that time we had finalised the plan. That is why ... we have not changed the document itself we published, but the document between that one that was given to you in draft form 2 weeks before it was published, in that period we realised that we needed to change the calculation as they were predicated on higher performance.

**Deputy S.M. Ahier:**

Are the projected costs likely to vary over 2021 and the rest of the term's plan, obviously depending on how much is borrowed?

**Treasurer of the States:**

It will vary according to how much we borrow.

**Deputy S.M. Ahier:**

Income tax yields and investment returns are pivotal to the ability to repay borrowing. Given the unparalleled uncertainty over the trajectory of both, is the Minister assured that this strategy is affordable and achievable? The income tax yields, do you believe the trajectory of those is correct and you are confident that they would be achieved?

**Treasurer of the States:**

Are you referring to the P.Y.B. issue or to the ...

**Deputy S.M. Ahier:**

No, sorry.

**Treasurer of the States:**

So income tax, well the Minister can say whether she is comfortable whether the income forecasting group has done what it set out to do. We have the chief economist online who can deal with that, to clear that point. So the income forecast is driven by primarily the economic forecast and our latest understanding of the outturn of current year or previous year for tax data, on that basis. It is our

best forecast to oversee that, based upon that economic forecast obviously. At this point in time uncertainty is larger than it has been in recent times and then we will continue to review the forecasts twice a year. It could be brutal there, it could be less than that, if anyone has a crack to guess what the recoveries were at the end.

**Deputy S.M. Ahier:**

Thanks very much.

**The Connétable of St. Martin:**

Would the strategy of external borrowing be different if the new hospital project was not within contemplation? If we did not have to deal with a new hospital, would you feel differently about external borrowing?

**The Minister for Treasury and Resources:**

The new hospital, of course we do not know what the cost is yet. But there will almost inevitably have to be external borrowing, as always has been.

**The Connétable of St. Martin:**

I am just saying, if you took the new hospital project out of the equation, would the strategy of external borrowing be different?

**Assistant Minister for Treasury and Resources:**

My view is that it would not. I am well-known to have concerns about the level of borrowing and the way that we are going to repay that over the medium term. I said it before, I think anybody that stands for election in 2022 and does not have a credit or debt reduction policy is not a credible candidate in that election. Because this Government Plan will move us from our historic economic model into a model of borrowing for the costs of COVID, in effect. The Government has tried to mitigate what it can of those costs, but if you work out all the numbers there are greater costs, not just the direct costs, but also the reduction in the income line arising from the recession. There was always going to need to be some borrowing and that is why I made the comments I did to the Constable about pressing down on growth in expenditure, because the Fiscal Policy Panel clearly said that we should not reduce current levels of expenditure. But there is still a question going forward in future years about how we press down the growth on expenditure and how we come up with a plan, which Treasury are absolutely committed to, during the course of next year to repay that borrowing.

[13:00]

That will not be easy and that will not be straightforward. There are concerns about how we fund that borrowing because we know that we have this large capital project in the pipeline and that we will need to borrow for the hospital. So I think that it is the other way around. I, for one, would be more relaxed about borrowing for the cost of COVID if we did not have that large capital item coming down the line staring us in the face. We are going to have to manage those 2 issues very carefully.

**Treasurer of the States:**

The strategy of using short-term debt is the best that ... estimate a number and put that is dependent upon costs for the decision, but also if you are using short-term debt, officers clearly assist in this in terms of ensuring that what we put in place in the medium term is not borrowing more than we need to. Also, given the uncertainty of what might happen in the coming months in respect of COVID, so is it short term and that will be pinned down for the actual longer-term debt policy.

**Senator K.L. Moore:**

If I could just follow up on the points about the hospital and potential payments there, extending on that point. What interaction have the Treasury team had to date with the Our Hospital ministerial team? We know the Scrutiny Panel report have identified today there is very little financial restraint evident in the plans and even the projected cost of £800 million could well be exceeded. So how do you see trying to impose a restraint on this project, which is completely out of control?

**The Minister for Treasury and Resources:**

The other Assistant Minister for Treasury and Resources, Deputy Ash, sits on the Our Hospital project group, so relays back to Treasury. I do not think anything is out of control yet because the only money that has been allocated is for the group to use the consultants, surveyors, whatever. Until we know or have the States Assembly's possible agreement next week as to this site, then there has only been an estimated costs for comparison. If it is agreed, then the surveyors and consultants will drill down into the site to give a clear idea of what might be the price.

**Senator K.L. Moore:**

So you think it is reasonable to ask Assembly Members to sign up for something, which is an open-ended cheque perhaps with no real spend limits, restraint in terms of the final cost?

**The Minister for Treasury and Resources:**

I agree it is very difficult. It is very difficult, having been involved with this, Chair, for 8 or 9 years, whatever it is now. It has taken this long to get to one location on the table. As I say, until it is agreed, then the costs will be narrowed down, this broad projection of about £800 million, which is, in my view, a bit of a stab in the dark. But obviously people have done an analysis of what it potentially could be and what the outline areas of ...

**Senator K.L. Moore:**

I think the advisers have identified that it might be a stab in the dark as well. But what promises have been given to you about the timeframe that those costs would be nailed down if the Assembly were to approve this one site next week?

**The Minister for Treasury and Resources:**

I am not sure what the timeframe will be. I think we have to operate quite quickly, I think it is July.

**Treasurer of the States:**

Yes, the timeframe will be split in 2, not too dissimilar to the first step that was in place for previous versions of the project. It is difficult to narrow down the costs until you have decided on the location. Just in terms of finance involvement from an officer perspective, there is a dedicated senior officer from Treasury on the group, in addition to a director of risk who is also heavily involved and represented on the officer group, as am I. So the principle that there is adequate resource from a finance perspective in addition to external advisers who are scrutinising the costing of the project. There has been extensive work done on the costing of the project, given that the project is largely in its infancy until we get to the point of having moved to a single site position. I envisage that rather, as we referred to the Treasury previously of course, the project team, when it gets through to next spring, will still carry optimum advice as appropriate based upon schemes elsewhere and the model that we should use. But also there will be a level of contingency. In previous schemes, different versions of the scheme, the proposal was approved by the States that that contingency would come under the Minister for Treasury and Resources. So that is the plan to get ministerial agreement that the contingency would also fall under the control of the Minister for Treasury and Resources.

**Senator K.L. Moore:**

Thank you.

**The Connétable of St. Peter:**

I am just wondering; we are over-running.

**Senator K.L. Moore:**

We started 10 minutes late due to technical issues, so we can try and ... return to balance finances is rather an important part of the plan.

**The Connétable of St. Peter:**

We have covered stamp duty so can you confirm, will the long-term climate action tax measures review be completed in 2021 and what will the review entail?

**Treasurer of the States:**

Funds need to shift at officer level taking, scoping, all that work on terms of reference through to the Revenue Policy Development Board. That will, to an extent, a large extent, be determined by the outcomes of the citizens assembly in respect to how the shouting and the pace at which the Island will move to that position and whether Ministers are keen that fiscal measures are used to encourage different behaviour or whether they are used to fund the considerable tax, it is decided that the taxpayer will move quickly to cover that. In addition to which and also connected to that we also have a sustainable transport plan, also obviously it needs to be firstly allied to the carbon neutrality aims. So that work will look at various fiscal levers, be they charges as appropriate, but be they measures that you see elsewhere. We also have the issue whereby dependency on (Inaudible) become an issue over the next decade, it will not become a bigger issue if we move very quickly to carbon neutral and other (several inaudible words) options and it will bring the (several inaudible words).

**The Connétable of St. Peter:**

Balanced budgets by 2024 is stated as including a review of broadening the tax base, the taxation of medicinal cannabis growing and production, and stamp duty changes. What will broadening the tax base necessitate?

**The Minister for Treasury and Resources:**

This is something that has been suggested to us and supported from the Government Plan point of view, is that it is forecast to be able to balance the books by 2024. That is what the Government Plan and the current Government plans to do. So we put in a few measures, as you have just mentioned, a tax from cannabis, I.S.E., which the Assistant Minister mentioned earlier. That has to be balanced of course with some capital projects still going ahead, for instance, investment in Fort Regent. So what we are talking about is we hope we can achieve a balanced budget. But it is a forecast but supported by the F.P.P. (Fiscal Policy Panel).

**Assistant Minister for Treasury and Resources:**

So the broadening of the base is really connected with what was referred to earlier, the health work and an ageing out of the areas, the international tax work, and the continual working with other areas where we could broaden the 10 in financial services, for example, while maintaining tax neutrality in the same way that we did with the retail tax.

**The Connétable of St. Peter:**

When will the framework for a new business interest rules be available for review?

**Treasurer of the States:**

I think that is next year.

**The Connétable of St. Peter:**

Similarly, when is it expected the tax residency rules review will be completed?

**Treasurer of the States:**

Next year.

**Senator K.L. Moore:**

If I could just pick up on the comment of the Assistant Minister that previously you talked about some corporate tax and looking at that area. Is there a timeframe for that? Such questions have been very concerned among industry and businesses in the Island.

**Assistant Minister for Treasury and Resources:**

The first thing to say is that those who need to be concerned, the Government, myself, Treasury, are absolutely committed to tax neutrality. Tax neutrality is currently delivered through Zero/Ten and it is delivered, I believe, for the Island well over its lifetime. There has been, rightly so, the difficulties around companies that are operating here that currently avail themselves of the zero, but largely, in effect, are based or headquartered somewhere else. That has been the main difficulty. We have tried to address or previously have tried to address that with the retail tax. It is that issue, together with responding to the international agenda, which we are thinking about now. I cannot give you a timescale other than to say I would expect during the course of next year some corporate refinement changes that preserve tax neutrality to be being brought forward and consulted upon. These changes, I can give assurance, are as every corporate tax refinement has been undertaken with industry and in consultation to ensure that they are best fit for Jersey going forward.

**Senator K.L. Moore:**

Thank you. Finally, just to pick up on the point of stamp duty in relation to commercial property, there is clearly a lot of uncertainty at the moment in the commercial property world with perhaps some businesses feeling they needed less office space. So what is your thinking, Minister, for looking into this area at a time of such uncertainty?

**The Minister for Treasury and Resources:**

It has been talked about for years, but I will say it again, it has been interrupted by the current circumstances but it still needs to be reviewed. There is not going to be anything immediate, it is just that we have to look at it.

**Senator K.L. Moore:**

But the need is a power, generally, if applied or reigned in to suit the circumstances and if there is a particular area of commercial property where there is concern and a need to change into perhaps other uses, then normally a Minister would be considering offering incentives to assist that change rather than increase things like stamp duty, which would be a disincentive to change.

**The Minister for Treasury and Resources:**

I understand what you are saying and that is why it is a review to see what would be possible, as it was intended to happen before the influence of COVID. Obviously, on a lot of commercial properties, an increase in stamp duty would be very negative, so it is just a review how we can do it.

**Treasurer of the States:**

So previously, with respect to any property, it is a difficult area because of the ability to develop properties within company structures and therefore not have those properties, when they pass one to another, they transfer the property and therefore there is no stamp duty to be paid. Ministers are keen now that we are at a point of bringing forward the regulation to mean that the properties that are within the envelope within companies, the transfer of those companies, that they attract stamp duty so that most of the (Inaudible) that that would come forward, subject to being agreed by the Assembly, then we would review commercial stamp duty compared to where it is elsewhere.

[13:15]

**Senator K.L. Moore:**

Is there a timeframe?

**Treasurer of the States:**

Timeframe, coming in the coming year (several inaudible words).

**Assistant Minister for Treasury and Resources:**

But it is fair to say, again a very good point, so there is the issue of avoidance and whether that is correct and Ministers will have the information on that arising from this review. But the economic situation has changed so much, certainly in the commercial property sector, where it is now a renter's market rather than a landlord's market, from the evidence that is coming forward. Therefore, a review that might have been looking initially to raise extra funds, might end up being a review that goes the other way in order to ensure that there is fluidity and transactions in that market.

**Senator K.L. Moore:**

We will watch that review with interest for the next work programme for next year. Thank you all very much. I shall close the hearing.

[13:16]