



## Corporate Services Scrutiny Panel

### Government Plan

## Witness: The Minister for Treasury and Resources

Tuesday, 12th October 2021

**Panel:**

Senator K.L. Moore (Chair)

Senator T.A Vallois

Deputy S.M. Ahier of St. Helier

Mr. W. Lightfoot - Panel Adviser

**Witnesses:**

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

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

Mr. R. Bell - Treasurer of the States

Mr. R. Summersgill - Comptroller of Revenue

Ms. H. Cunningham - Group Director, Finance Business Partnering and Analytics

Mr. A. Hacquoil - Group Director, Strategic Finance

[12:59]

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

Welcome to this hearing of the Corporate Services Scrutiny Panel. This is our first hearing in relation to the latest Government Plan for 2022-25. We will start with our usual introductions, if we could. I am Senator Kristina Moore and I am the Chair of the panel.

**Deputy S.M. Ahier of St. Helier:**

Deputy Steve Ahier, Vice Chair.

**Senator T.A. Vallois:**

Senator Tracey Vallois, member of the panel.

[13:00]

**Senator K.L. Moore:**

If I could just ask those who introduce themselves on that side of the table if you could first of all give your title? Make sure you give your title as well as your name. But also we have our adviser joining us. Warwick, if I could ask you to introduce yourself.

**Panel Adviser:**

My name is Warwick Lightfoot and I have been appointed as an adviser to the panel. I am an economist and I have quite a lot of experience in financial markets, government bonds and so on.

**Senator K.L. Moore:**

Right, now for your side of the table.

**The Minister for Treasury and Resources:**

Thank you. Susie Pinel, Minister for Treasury and Resources.

**Treasurer of the States:**

Richard Bell, Treasurer of the States.

**Comptroller of Revenue:**

Comptroller of Revenue, Richard Summersgill.

**Group Director, Strategic Finance:**

Group Director, Strategic Finance, Andy Hacquoil.

**Group Director, Finance Business Partnering and Analytics:**

Group Director, Finance Business Partnering and Analytics, Hazel Cunningham.

**Senator K.L. Moore:**

Thank you. I think the Assistant Minister as joined now, so would he like to introduce himself?

**Assistant Minister for Treasury and Resources:**

Yes, certainly. Lindsay Ash, Assistant Minister for Treasury and Resources.

**Senator K.L. Moore:**

Thank you. Minister, could you start first by outlining for us the extent to which the zero-based budget approach has been used when constructing this budget, please?

**The Minister for Treasury and Resources:**

How long do you have, Chair? It is quite a complicated question. Zero-based budgets, we have gone through previous budgets and looking to future budgets in the Government Plan. I think the Treasurer is best to answer where we are with that particular one for this year but it does intend to forecast for the next 4 years.

**Treasurer of the States:**

I might get corrected by one of my colleagues on the extent to which departments have gone through the zero-based budgeting. The zero-based budgeting programme has been impacted by COVID in terms of its original intent, however we have, if I remember rightly and I do remember this one rightly, looked at Treasury and Exchequer, J.H.A. (Justice and Home Affairs) and last year - and I think we are continuing this year, we had been focusing the zero-based budget around the delivery of the rebalancing target within Health and Community Services. Then we will have a programme over the coming year to move over the other departments.

**Senator K.L. Moore:**

It is a process that has begun in some areas and not complete?

**Treasurer of the States:**

Yes.

**Senator K.L. Moore:**

Why was that? Why have all departments not gone through this process?

**Treasurer of the States:**

Partly, as it says in the Government Plan, we were interrupted as we started to implement COVID by ... sorry, we did not implement COVID, did we? We implement zero-based budgeting interrupted by COVID coming along. That is why the programme suffered to a degree in terms of delays as it works very well bringing teams together rather than remotely.

**Senator K.L. Moore:**

What would the Minister say is the benefit of the zero-based budgeting approach? How has it helped you and your team to develop those budgets that have gone through the process?

**The Minister for Treasury and Resources:**

I think it has helped inasmuch as we have a clearer idea of where we are going with future developments, be it capital or whatever, whereas we did not before. I think it has been very helpful but, as the Treasurer has just said, it has been interrupted by the COVID situation and the complications of the expenditure in that area.

**Senator K.L. Moore:**

Could you outline, perhaps, the monetary benefit? Have there been any budget savings as a result of the process?

**Group Director, Finance Business Partnering and Analytics:**

I will take that question for you. If we revisit the principles of the programme, so in the first instance it is about aligning to the strategic priorities and objectives of the department as well as the Government Plan overall. It is assessing the resources that are set aside and allocated in the achievement of those outcomes. Then in terms of the specific work that we have done, as the Treasurer pointed out, we have been working with the Health and Community Services leadership team to help them to identify the means to achieve the target that was in the plan for the current year, which was a £5 million target and we have seen in the recent monitoring updates that they have now changed their forecast to show full delivery of their efficiency and rebalancing targets. That work has continued through this year. In other areas, smaller areas, as the Treasurer pointed out, we started the programme initially with Treasury and Exchequer. That was a pilot part to the programme so that we could assess how we could embed the approach in the organisation as well as identifying specific targets. Again, the targets have been set in the Government Plan already so it was ensuring that we had the measures to deliver those.

**Senator K.L. Moore:**

Is that in terms of the performance framework and those targets?

**Group Director, Finance Business Partnering and Analytics:**

They are financial targets set within the Government Plan, so part of the original plan was to deliver 100 million in the period of the Government Plan, that was subsequently updated, as I am sure the panel are aware, to 120 million. So when we first initiated the programme it was under the initial 100 million target. That was the scope of the programme, it was to help deliver that overall target, to work with departments. As the Treasurer pointed out, we started the programme with one of the relatively small areas to assess how the programme would roll out and lesson learnt and then how we would take that forward in the organisation. Another example would be J.H.A., so Justice and Home Affairs Department. We have done an exercise there. What we identified was both a means to achieve the efficiencies but also if there were structural issues within the financing of those

departments and then working with the respective director general to identify what mitigating actions or corrective actions would be to bring the budget back within balance. Again, that was part of the programme that was delivered at the end of the last financial year running into this financial year.

**Senator K.L. Moore:**

In previous C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy) reports when we have looked at the Government Plan, previous panels to this one as well have commented that the budget construction lacked evidence of “granular or detailed process and that efficiency savings were identified as they arose from a process of salami slicing.” Are you saying that you feel that you have responded to those recommendations now by improving this process and does it meet ...

**Group Director, Finance Business Partnering and Analytics:**

Well, I think, as the Treasurer has pointed out, the programme was impacted by the pandemic. So we started the programme and then had to halt the programme for a period of time. We are now in a position where we have a full team to recommence the programme. So while we have embarked on some areas of review, we are not revisiting the programme of delivery for the remainder of this financial year running into next year. Our ambition is to complete a full review of all the departments across government within the next financial year and to take forward the lessons we have learnt this year, both in terms of running of that programme but also how that feeds into our budget planning processes to respond specifically to some of the recommendations that came out of C.I.P.F.A. and the financial maturity model. We have some areas that we need to work on and we are working through at the moment. There is the plan in place to improve some of those processes and, as you commented, to look at that granularity in planning. The other point that I want to make in that respect is taking forward some of the challenges that we have in looking at these programmes. They do require a significant amount of attention, both from the departments concerned as well as support from the enabling functions, but also the availability of data and different datasets. We are building that into the learning process as well. It is not just about financial data but it is also about some of the operational data that is needed to support the outcome. As I mentioned earlier, the real focus is around the strategic objectives as well as the financial outcomes that are required.

**Senator K.L. Moore:**

In terms of the financial outcome, though, that headline of 120 million has not been met?

**Group Director, Finance Business Partnering and Analytics:**

I think we have updated the panel previously in terms of our progress. I can update today that in terms of our monthly monitoring, we are showing further increases in forecast delivery of our objective. Currently we are around 55 million in total out of the 60 that was put in the plan for the 2 years of 2020 and 2021. We have previously reported to this panel and also in the corporate

reporting in terms of that progress movement towards that final outcome. We can see that even in the last couple of months we have made significant progress or departments have made significant progress in meeting that forecast figure.

**Senator T.A. Vallois:**

Could I just follow up on that amount? Could you identify how much of that 55 million is one off and how much is recurring, if at all?

**Group Director, Finance Business Partnering and Analytics:**

Yes, we have reported previously that in 2020 the target was partially met and so we carried forward some of that outstanding amount. We have made progress in moving that forward, so that would have been reported as a one-off achievement in 2020. The 15.5 million that was carried forward into the 2021 financial is incorporated into ... so this year's target is a total 35.5 million. At the moment the variants that we are reporting is now 3.5 million against that overall target. There is a small amount of that, the remainder of which will be on a one-off basis. Again, I think we have reported to this panel previously that that target will once again carry forward into 2022, so approximately 3.5 million. We have already set out in the Government Plan that 1.7 million of the 21.7, which is in the 2022 Government Plan, is intended to be one off and therefore will be carried forward into 2023. We already know that from the plan and it is detailed in the annexe that accompanies the Government Plan.

**Senator K.L. Moore:**

Thanks. Returning back to previous recommendations, I think one of the previous recommendations we made was that when tables are presented in the Government Plan it would be helpful to have the current year's projections. That does not appear to have happened. We wonder why that is the case?

**Treasurer of the States:**

I think we have applied that in some cases.

**Senator K.L. Moore:**

Very few.

**Treasurer of the States:**

But not universally. The issue we are doing now often is whether you present the budgets or whether you present the forecast. Obviously by the time we have finished the plan the forecasts have moved considerably so it is another administratively demanding process putting together these 2 documents and making sure that it is all in place. We can provide the most up to date forecast of

spend for each of those areas where it would be most helpful but we are specifically looking forward ... I think we have used 2021 in a few cases but it would be by exception.

**Senator K.L. Moore:**

I could have been done in terms of presenting the actual spend or revenue for 2020, for example, as a point of reference, simply so that people can track where we have been and where we are going and get some sense of the differential between the 2.

**Treasurer of the States:**

If we use 2020 that would have been an exceptional year in respect of COVID, which would have then required you to make the reconciliations between the 2.

**Senator K.L. Moore:**

Often jurisdictions compare G.V.A. (Gross Value Added) versus taxation and borrowing ratios in their accounting and presentation of their figures, why is that we do not provide that level of detail.

**Treasurer of the States:**

I would probably say it is something we could in the future, it is something we have addressed in the ... or given an indication of in the debt strategy. It is not something we are specifically saying: "Let us not do." There is an ever moving agenda of improvements in terms of what we put into the Government Plan and we can provide data and have done within the debt framework, although that would need to be revised off the back of the latest G.V.A. figures from the F.P.P. (Fiscal Policy Panel).

[13:15]

**Senator K.L. Moore:**

Which, of course, the latest from Statistics Jersey shows a decline last year of 10 per cent, which is obviously significant but mostly due to COVID perhaps but I wonder what the Minister's view is of the balance of the finances in terms of revenue compared to the position in G.V.A.?

**The Minister for Treasury and Resources:**

I am quite a positive person and I think the way that we have dealt with the entire COVID situation has been very expedient and efficient. We have done extremely well. Yes, we have to pay for it, of course we do but I think we have benefited from the U.K.'s (United Kingdom) quick reaction to the COVID scenario inasmuch as they provided us with the vaccines, we had to administer them, which of course costs money. I think it is about £209 million to date for the whole COVID scenario of the

vaccinations and the test and tracing. Yes, it has been a considerable input that we had not expected but then that is the global situation, it is not just us, and I think Jersey reacted very well.

**Senator K.L. Moore:**

Have you set yourself or the Island a goal in terms of returning to a particular level of G.V.A. next year? How quickly do you think the Island will come back?

**The Minister for Treasury and Resources:**

We do not anticipate that by next year. We anticipate it being a level playing field, for want of a better word, by 2024.

**Senator K.L. Moore:**

Thank you. Deputy Ahier.

**Deputy S. M. Ahier:**

What actions do you undertake, Minister, to ensure the comparison or benchmarking exercises are undertaken between government and private sector projects to inform political choice when considering the plan?

**The Minister for Treasury and Resources:**

Sorry, considering the plan?

**Deputy S. M. Ahier:**

When considering the Government Plan.

**The Minister for Treasury and Resources:**

Right, well, of course, again it keeps going back to the COVID scenario. Sorry about that but it does. The capital expenditure is laid out in the Government Plan. Obviously quite a lot of it is being retained, which would have gone forward because of the situation but I think we are doing quite well on the point of capital expenditure because it needs to be extended from what it has been. I think there has been a lack of capital expenditure in infrastructure, for instance, possibly heritage. So all of these things must go forward but it is a matter of how one plays the finances as to how we can see it through.

**Senator T.A. Vallois:**

If I can follow that question up, Minister? Asking about the comparisons and benchmarking with private sector. If I gave you an example, your own department in terms of having accountants or financial expertise, it comes at a cost when you are comparing or benchmarking to a private bank

or a private finance company. That is the premise of the question: how do you take those types of scenarios into account when budgeting for the Government Plan. So trying to make a comparison against I suppose the quality of not just people but the resources to provide the public service?

**The Minister for Treasury and Resources:**

Is the question based on the import of consultants or ...

**Senator T.A. Vallois:**

No, no, it is very much there is a market out there and you are going to pay to have financial expertise in Treasury to deliver a Treasury role and public service. What I am saying is when putting together the plan, how do you benchmark or compare those costings when determining the appropriate budget, I suppose, for 2022 to ensure that you are going to get the outcomes that the public service express.

**The Minister for Treasury and Resources:**

I will refer to the Treasurer because I do not do the employment factor.

**Treasurer of the States:**

The matters relating to pay are matters for the employer, the States Employment Board, these ...

**Senator K.L. Moore:**

Sorry, I would like to just throw that back to the Minister because ultimately Ministers are responsible for ensuring the effective and efficient running of their departments. Therefore that is a matter for you, Minister, because the question here is about seeking value for money at the end of the day and that is why there is a question about benchmarking.

**Senator T.A. Vallois:**

I gave the employment just purely as an example. You might want to benchmark something else within the public sector against something that has been provided in the private sector to identify whether you have the appropriate budget in the Government Plan.

**Treasurer of the States:**

Can I finish the pay question? In response to the point you have just made, of course I am the accountable officer for Treasury and the Exchequer.

**Senator K.L. Moore:**

Yes, but the Minister is responsible for the ...

**Treasurer of the States:**

Economy, efficiency and effectiveness is in the Public Finances Law, but, you are right, from a political perspective that is the Minister's and States Employment Board role and indeed the Senator will point to the slight inconsistencies that need to be addressed within legislation between the States Employees (Jersey) Law where there is a requirement upon the States Employment Board in respect of pay for economy and efficiency. To answer the question in terms of this plan being put together. This plan is put together based upon the current pay levels as they are set up by the States Employment Board as the employer. The States Employment Board does regularly review salaries. If I were to point in respect of the salaries and in respect of this department, there is a great deal of comparison of salaries elsewhere and what we have to pay to get, in particular, very highly qualified tax people into our organisation. We have to have signoff through the States Employment Board for some of the arrangements we have to enter into in order to secure the right financial level of advice. Putting that at a Treasury perspective in terms of looking at pay, we look at pay often within Treasury because we often find that we struggle to recruit.

**The Minister for Treasury and Resources:**

If I can elaborate on what the Treasurer has just said. It is across the board, it is not just Treasury, as to finding the appropriate people with the appropriate experience and knowledge is quite difficult. I am a great proponent of if people do come in as consultants that they train the people under their employment to take over from them. Which is happening in a much better sense than it used to be before, especially in Revenue Jersey. It is working but there has been a bit of a discrepancy with the amount of consultants being brought in, if that is what you were asking.

**Senator T.A. Vallois:**

It is not what I was aiming at but thank you very much.

**Senator K.L. Moore:**

If I could just remind you, it is the role of the Public Accounts Committee to ultimately question officers and it is our role to question the policy, the Ministers and their directions. We would like to focus on that going forward. We simply made that reference as an example. We could ask you, Minister, how, as a member of the States Employment Board also, you feel that 0.9 per cent pay increase for nurses and midwives is an effective and efficient way of ensuring good employment levels in our core services in the Island. Rather than labouring the point, I think we will move on. Deputy Ahier would like to continue with his questioning.

**Deputy S. M. Ahier:**

Thank you, Chair. How have the costs and consequences of the COVID health emergency affected the construction of the budget?

**The Minister for Treasury and Resources:**

The construction of the budget?

**Deputy S. M. Ahier:**

Yes.

**The Minister for Treasury and Resources:**

That is a big question. It is changing by the minute basically because construction ... all import and export situations are very difficult at the moment. We do not really know from one minute to the next what is going to be the end context of the budget but we have had to estimate it with advisers, very strong fiscal advisers, as to how we go forward. It is an estimate.

**Treasurer of the States:**

Could you repeat the question, please?

**Deputy S. M. Ahier:**

The first question was how have the costs and consequences of the COVID health emergency affected the construction of the budget?

**Treasurer of the States:**

In terms of putting together the budget we have used the experience that we have seen through 2 phases of the COVID pandemic this time and we are trying to anticipate a range of scenarios as we go into next year and particularly through this winter as to levels of funding that may be required. Some of that has been provided for within COVID head of expenditure but the majority of that has been provided for within a reserve head of expenditure, given the uncertainty surrounding it. Far less uncertainty than we have in the past but there is still a degree of uncertainty as to what might be required over the course of next year and that reserve is at £53 million.

**Deputy S. M. Ahier:**

Thank you. Have you sourced opportunities to save money in the budget due to changes in working practices due to the COVID health emergency?

**The Minister for Treasury and Resources:**

When we readdress ... it is not on the agenda at the moment but readdress the test and tracing situation, that will affect staffing and consequent payment. When the levels are lifted therefore we do not have to have the necessary P.C.R. (polymerase chain reaction). I presume still referring to COVID?

**Deputy S. M. Ahier:**

Yes.

**The Minister for Treasury and Resources:**

Then the ongoing effects of the relaxation of the entrance and exit rules will have a big effect on hospitality. Yes, we wait and see. At the moment I think it is fairly clear inasmuch as we are at the end of the summer, about to go into the winter, which will be a negative hospitality result as far as hotels go, then it will probably equal out.

**Deputy S. M. Ahier:**

But working practices ... in essence, the amount of employees that we have, can we now not need to import so many advisers and such like to the Island when they can be working online through Teams and such like? Are there any savings to be made in that department?

**The Minister for Treasury and Resources:**

That is something that we have been in discussion with Jersey Finance about as to much, exactly what you are saying, that implication will have on us in the future as to how is going to work from home and from where. It is an ongoing discussion.

**Senator T.A. Vallois:**

Just briefly if I can follow up again, Minister. Just on the premise of the question around, is there any learning that has been taken from what has happened during COVID in terms of how the public sector works in general that could be utilised to achieve any savings going forward outside of the COVID emergency scenario?

**The Minister for Treasury and Resources:**

I think with the great gift of hindsight, of course, and this has just come out with the U.K. review, of course you can always learn from what you could have done better probably. As I said before, I think that Jersey reacted very quickly and very well.

**Senator T.A. Vallois:**

I am not criticising, what I am trying to understand is, is there anything that happened during COVID in terms of working practices, whether that is drawing up budgets very quickly, like more quickly than we usually would with governance being maybe a bit more efficient ... I am just trying to think of certain examples. Things that happened during COVID that you could take forward in more long-term working practices for the public sector which we could identify savings through?

**The Minister for Treasury and Resources:**

I think Hazel wants to come in with some facts and figures here.

**Group Director, Finance Business Partnering and Analytics:**

I was going to give you some examples, if that would help the panel in answering the question. It goes back to the rebalancing agenda. What we have seen in discussions with departments, when they are looking at the targets and the measures that they might put in place, there has definitely been some learning from the experience through the pandemic period. We have had projects in progress which are built on both the experience from a managerial perspective but also what we have heard through the Be Heard surveys, from our staff survey about the things that staff particularly have enjoyed - if that is the right word to use - through that experience of ... staff would like the ability to both work at home and work in the office if the work environment enables them to do that. That is something that we have been taking forward. We have a number of pilots that are in progress around agile working, so that gives staff the flexibility of different working environments. That is something that has a longer term outcome. We will build that into our planning around the new office project.

**Senator T.A. Vallois:**

Has this been built into this project in here?

[13:30]

**Group Director, Finance Business Partnering and Analytics:**

What you will see in the departmental responses is, for example, they might be quite small elements, particularly we have had conversations around training provision for example. Previously departments may have sent their staff overseas, they might have gone to the U.K. for training courses, now those providers themselves are standing up different forms of technology, which means that they can provide those courses online. That means we do not have to incur travel costs. You will see elements of that being built into the efficiency savings. I think you will see some reductions in travel expenditure but we also obviously need to see if organisations change their charging around some of these because they have invested in new technology. Whether the course fees remain at the same level or not is yet to be seen. There are some examples that you will see if you look at the departmental responses. They are not necessarily going to be the big ticket items but you can see elements of that in the rebalancing.

**Senator T.A. Vallois:**

That is very helpful, thank you.

**Deputy S. M. Ahier:**

Thank you, Senator. Do the budget plans within the Government Plan take account of post-pandemic interruptions of supply chains that may involve higher costs and may warrant future spending to ensure that the Island has greater resilience?

**The Minister for Treasury and Resources:**

Inasmuch as there is a COVID reserve fund, if you like, then, yes, we still have the wherewithal to do that. There is £209 million in that fund but it will only draw down on it when it is required.

**Deputy S. M. Ahier:**

Has provision been made in the budget to protect Islanders and provide financial provision for other emergency situations, such as a future pandemic or costs arising from an interruption in power supply from France and the use of local generating capacity?

**The Minister for Treasury and Resources:**

We have enough local generating capacity to keep us going for a while. So if France were to switch off the connection, which I do not think they will, but that is my opinion, we do have enough capacity here to supply ourselves. But we are looking at a situation where we would possibly invest in the future not in the next week or so to supply ourselves and Guernsey with possibly hydroelectricity but in the immediate future we can cope with a lack of supply.

**Deputy S. M. Ahier:**

Is there provision within the budget to cover such a scenario?

**The Minister for Treasury and Resources:**

Yes, the provision is there. We can do it with our own plant, our own generating plant.

**Deputy S. M. Ahier:**

Thank you. What evaluation has been undertaken to match outputs against inputs in expenditure programmes and ascertain how productivity is measured, and how it has changed over time?

**Treasurer of the States:**

I wish I had brought an economist.

**Deputy S. M. Ahier:**

We have one.

**Treasurer of the States:**

Thank you. Productivity over term is measured in G.V.A.s and of course published through the Office for Statistics. Productivity in terms of efficiency is obviously underpinning the delivery of the efficiency programme within the plan. As far as previous recommendations of the Fiscal Policy Panel as they relate to innovation, both within and outside of public service, of course, they have underpinned previous Government Plans. In terms of those economic measures within here, we do not record them as such within the Government Plan.

**Deputy S. M. Ahier:**

Thank you, I will pass over Senator Vallois now.

**Senator T.A. Vallois:**

The Treasurer mentioned that we have efficiency, effectiveness and economy in the law. Can I just ask if all spending decisions are assessed against the 3 Es, as we like to refer to them? If so, how?

**Treasurer of the States:**

Just picking up on an area of questioning from earlier, and it will be relevant, is that - to answer the Chair's question in respect of previous recommendations - of course a criticism has often been that any spending plans back in the days of previous Ministers, and to a degree now, has been predicated and focused on the incremental budget, the growth, if you like, the investment rather than getting out the whole of the budget, which is what Z.B.B. (zero-based budgeting) aims to do to validate. The question has been: how can A.O.s (accountable officers) look at their budgets and be clear that that is most economic or efficient way of delivering the objectives they have? That is what Z.B.B. is aiming to achieve, firstly to validate budgets based on what happens now as opposed to just a series of increments in annual Government Plans of what came before. In terms of the investment that is proposed in this plan, there are business cases underpinning them, signed off by accountable officers who are accountable for economy, efficiency and effectiveness, to look at the alternative means of delivering those things and part of the responsibility there is to say that this is ultimately the most economic way of doing so and if we move all the way through they are required in governance statements to state that they are deploying resources in accordance with those 3 Es.

**Senator T.A. Vallois:**

When you refer to economic - just so I understand this clearly - economic in terms of what? Is it the economy of Jersey the way that Jersey does or does not work in terms of the public sector and the G.V.A. that we mentioned before, or is it economic in the sense of the budget for the Government of Jersey or the States Assembly?

**Treasurer of the States:**

More the latter in terms of delivering the objectives.

**Senator T.A. Vallois:**

How does outcomes-based accountability factor into that type of criteria, so outcomes-based accountability?

**Treasurer of the States:**

I suppose if we go back in time the criticism of what came before Government Plans would be that it was merely the finances. It just allocated the budget, it did not set the objectives or make it clear what their long-term outcomes and aims are through spending that money. That is where that is built in. It is not just about whether you live within your budget anymore, it is about whether, given the long-term outcomes as set out in Future Jersey, the shorter term aims over the medium term in the C.S.P.s (Common Strategic Policy) and the indicators and performance indicators are being delivered with the budgets that are put in place in the Government Plan.

**Senator T.A. Vallois:**

Do you think that is clear? You can follow the money through from, say, an area of your department all the way through to the outcome in Future Jersey, or do you believe there is more work?

**Treasurer of the States:**

I would say that invariably there are a number of factors that will contribute to those outcomes and the importance of identifying what those factors are is important. It is a very good challenge and the challenge that we are trying to address is to say: "The established business case is ..." with a whole set of K.P.I. (key performance indicators) and benefits to be realised at the end of those, or if it is a recurring theme of work we should be assessing against and looking to see whether those benefits have been realised. If you compare us to where we were, I would say that that performance framework has leapt us on considerably in demonstrating whether we are or are not delivering those and what we would hope to be able to do is to indicate where any of the growth or the investment is assisting in delivering that. There will always be a number of factors that you have to try to identify that contribute to that outcome.

**Senator T.A. Vallois:**

Thank you. Following Senator Gorst's amendment, there was a prioritisation of unspent funds to lowering the required borrowing. It is identified in the Government Plan that this will continue in 2021 and beyond. The Treasurer at our last quarterly hearing highlighted that subject to discussions with departments Treasury would look to see whether there are opportunities in accordance with the Assembly's decision. Minister, what have you done to ensure that there is adherence to the Assembly's decision?

**The Minister for Treasury and Resources:**

Senator Gorst has always been very clear in his wish to not increase borrowing and I have to say I have the same opinion but on the hospital borrowing there was not any question of not going forward with it because we have to get on with it, it has to be done and Senator Gorst approved that situation because it needs to move forward. But that is another subject which I am sure will come up. As regards future borrowing, then there is the paying off the pension debt, which is 2 debts, the P.E.C.R.S. (Public Employees Contributory Retirement Scheme) one and the teachers' superannuation fund. As to the amount of money that if we paid it off we borrowed to pay it off and, again, it is going back to borrowing. It is a very, very low interest rate at the moment. As a government we do secure a low interest rate, probably lower than other establishments, that it would be worthwhile going forward with that and paying off the debt which would secure ... which Senator Gorst and the Chair of the scrutiny panel has also said, the debt landed on the future generations, which is what the 1987 pension debt does. It is a huge amount of money to pay out each year. It would be quite a time before that was realised but if we were to borrow to pay it off then I feel it would be a good way forward but I understand Senator Gorst's reluctance.

**Senator T.A. Vallois:**

Are we paying any interest on the debt for the pensions at present? We have a debt for the pension, do we not, so I am asking whether there is any interest on that at present? I am just trying to compare and contrast.

**Group Director, Strategic Finance:**

The 2 debts, as the Minister said, are different. The P.E.C.R.S. pre-87 debt, the original agreement was that an amount is paid is every year and that goes up in line with increases in staff costs for the organisation. The actual payments that go out have been agreed in the original States agreement. What the actuaries do when we are bringing the liability on to the balance sheet is value it by not including cash amounts in 50 years' times, they bring it back to today's money. They do use an interest rate to do that. It is based around scheme actuary assumptions in terms of investment returns so that does ... that is the number, which, in effect, contributes to it. Because of the nature of the calculation, while it is not alone with an amount that an interest is applied to ... sorry, I am going to go slightly technical, you unwind that with this as you move forward so the liability does increase. While there is not an interest charge, there is not a cost as such, it is almost like a computed one from an accounting point of view. That is for the P.E.C.R.S.'s debt. The J.T.S.F. (Jersey Teachers Superannuation Fund) has a slightly different arrangement but there are also notional interest charges being applied in the same way or a similar way.

**Senator T.A. Vallois:**

No, that is helpful. I just wanted to make that clear. In terms of going forward, Minister, what systems or processes or practices will be put in place to ensure any future Minister or future Council of Ministers can be kept informed of unspent allocations and the premise of what the amendment was there to do?

**Treasurer of the States:**

We record that in quarterly monitor reports to the Council of Ministers and talk more regularly with the Minister about that. It is a focus of the Treasury that there was an amendment to the Government Plan and that is what we are working to. That being the case carry forwards are no longer the default position, the default position is that underspends against budgets that are agreed by the Assembly are to be returned at the end of the year. There may be circumstances under which you would need to or consider to carry those forward. What that will be, in particular on the capital programme, is a conversation with departments as to what the capacity is to deliver the programme that is in the plan as well as any underspent amounts arising at the end of this plan and whether that ... that is a particularly important aspect, which is what is the capacity within the economy to deliver against those constructions projects in particular? We do monitor and generally there are no carry forwards on revenue expenditure any longer. The most significant areas of underspend will be unutilised reserves and the default position would be to return them to the Consolidated Fund. We did not do that in its entirety last year because of the ongoing uncertainties surrounding the pandemic and, in particular, at that point in time, if you remember where we were at the end of last year, we felt that it was a cautious approach to put some more money into reserve should we need it this year for COVID. We would expect a leaner process in terms of unspent reserves being returned to the Consolidated Fund and then the discussion off the back of the queue, 3 reports as to progress against spend on capital programme.

**Senator T.A. Vallois:**

In terms of underspend, just go get my head around why we have got certain estimates in this Government Plan, what was the unspent allocation from 2020 for 2021?

[13:45]

**Treasurer of the States:**

I will have to come back to you with the actual number, even as it comes to me halfway through but if I remember rightly we returned approximately £50 million back to the Consolidated Fund off the back of the ...

**Senator T.A. Vallois:**

£15 million or £50 million?

**The Minister for Treasury and Resources:**

£50 million.

**Treasurer of the States:**

£50 million.

**Senator T.A. Vallois:**

£50 million. In terms of the general reserves that I can see in here, so you have got 2 different reserves, they talk about centrally held and one that is a general reserve but we see an increase in the general reserve from, I think, £56 million right up to £80 million proposed for next year. Why would that be the case? I get the certainty argument but surely the certainty is slightly not as ...

**Treasurer of the States:**

Can I firstly deal with centrally held and then I will ask Andy to answer that question in respect to the rise of the reserve? That centrally held, we have a number of proposals that we would like to see a bit more certainty to or some more of a case being made. They are being held against specific pressures within departments, so it might not at the time of setting the Government Plan B certain are needed but we thought that there was sufficient need demonstrated to allow for them in some shape or form and, therefore, we formed this, the centrally-held reserve. It is about those items that I am sure you will scrutinise, that are not being put directly into cash limits at this stage but could be accessible by those departments in the event that the need is demonstrated.

**Senator T.A. Vallois:**

They have to make the case to Treasury to do so.

**Treasurer of the States:**

Yes.

**Senator T.A. Vallois:**

Okay.

**Group Director, Strategic Finance:**

In terms of sort of the scale of the £80 million, which you referred to as well, I think it is worth noting that £53 million of that is relating to COVID, so that is putting in place a reserve to deal with any ongoing uncertainties around the impact of COVID on the Government. There is also provisions in there for the assisted house ownership scheme, that is £10 million and there is also provision in

there for the restructuring of the £5 million. When you look at the overall amount of the £80 million, a lot of that is up for specific purposes, which is included in the Government Plan.

**Senator K.L. Moore:**

Thank you. When you say restructuring you mean restructuring of the Government of Jersey.

**Group Director, Strategic Finance:**

Indeed, so it is for the cost of ... I believe we refer to it in the plan but, for example, if there was a need to make voluntary redundancies, et cetera, that is where it could go, however, it is not restricted to that, it could be other costs of restructuring the Government to deliver efficiencies.

**Senator T.A. Vallois:**

Because that used to be recognised as a separate line in the M.T.F.P. (Medium Term Financial Plan), did it not, with voluntary redundancies and areas like that, did it not? I am just trying to clarify. It is quite hard to compare and contrast historic budgets.

**Treasurer of the States:**

I will bow to your superior memory on that particular one. We have set up last year and the various elements within the reserve and can do again, yes.

**Senator K.L. Moore:**

There is only £12 million that is unallocated in the general reserve.

**Group Director, Strategic Finance:**

Yes, that is correct. At page 125 of the plan has got more details if you would like to look at them.

**Senator K.L. Moore:**

Thanks.

**Senator T.A. Vallois:**

Great, thank you. Just moving swiftly on to ministerial decisions that have been made throughout 2021, which relate to heads of expenditure, so transferring between departments and Treasury and all those bits and pieces, what is being done to ensure the amendments to the budget as outlined and agreed in the Government Plan do not take place in 2022? As an example, R105 £17.9 million I think there was, I think £12.7 million of that is moving back in to cover the money that was taken out. There is a proportion there that was not. It is just understanding how you take all of those heads of expenditure, all those ministerial decisions that have been made over 2021 and are

encapsulated within, I suppose, I do not like using the phrase base budget, to ensure that there is no need to constantly do more heads of expenditure in 2022.

**Group Director, Strategic Finance:**

If I may answer that one, so what we would do through the Government Plan process and you can see if you look through some of the departmental submissions is reflect the service transfers which have been agreed by a ministerial decision in the year and reflect those through into future budgets. However, obviously we are drafting the Government Plan, there is a cut off at the point at which if there are any decisions made subsequently there will be a need to reflect them also in 2022 before they can go into the next year's Government Plan. We do try and get as many as we can into the budgets to get the base budgets, for want of a better term, as correct as possible but just due to the timing of when the Government Plan is being drafted there is a necessity to continue to do some in 2022.

**Senator T.A. Vallois:**

Okay, thank you.

**Senator K.L. Moore:**

Minister, it is forecast that by 2025 annual net revenue near-cash expenditure will have increased by nearly £150 million from 2019. Will expenditure, in your view, by the Government of Jersey continue to be increased perpetually?

**The Minister for Treasury and Resources:**

It is an impossible question to answer because had you asked that pre-COVID in 2020 we would have been able to say, yes, that the whole situation was completely stable and G.V.A. backed up G.D.P. (Gross Domestic Product) and revenue and expenditure was equalised but at the moment it is very difficult to forecast. The Fiscal Policy Panel have given a very positive forecast on the basis of Jersey, inasmuch as going forward, that we are doing well but who knows when we have to sort of wait and see what happens? Nobody can predict, worldwide nobody can predict where we are going to be.

**Senator K.L. Moore:**

Do you think waiting to see what happens is a sustainable position?

**The Minister for Treasury and Resources:**

No, no, we do not wait to see what happens. We have got, as the Treasurer has said, the advice from the forecasting group and the Fiscal Policy Panel, so the forecast is good. We are basing our projections on that but I could not sit here and guarantee because nobody can.

**Senator K.L. Moore:**

Did you not feel it was necessary to have to restrain spending across the Government, given the hit that is being taken by COVID?

**The Minister for Treasury and Resources:**

We have. A lot of the capital projects that were going to go forward have not, therefore, we have not had the expenditure in that. But, equally, we have had a massive amount of expenditure in dealing with the COVID situation. It is not quite balancing out but we do have the resources to do it without turning on the reserves.

**Senator K.L. Moore:**

Okay. The Island's fiscal rules emphasise only borrowing for investment and a desire to maintain public sector stocks of assets, yet there appears to be no rule that would contain expenditure. Is this a significant gap in the fiscal rules, in your view?

**The Minister for Treasury and Resources:**

I think that is a question following on from the last one, inasmuch as nobody had expected the situation that we find ourselves in and we have not had this gap before and obviously are addressing it now.

**Senator K.L. Moore:**

What capability do departments have to absorb a higher sustained rate of inflation than that predicted by the Fiscal Policy Panel without it resulting in a reduction in service? If inflation rises at a higher rate than the Fiscal Policy Panel have predicted, what is the plan B or would we be facing reductions in services?

**The Minister for Treasury and Resources:**

I do not see there would be a reduction in services but I do not quite understand what you mean by reduction in services.

**Senator K.L. Moore:**

The Government provides services, which is a considerable part of expenditure, therefore, if inflation was at a higher level than predicted, how would you contain expenditure? Would it be a cut in services?

**Treasurer of the States:**

Of course a Government Plan is an annual process, so were you to find that at some point during this year, we carry, as we highlighted, a degree of reserves and indeed opportunities where we might find that there is underspend elsewhere. We have updated expenditure forecasts to take into account the forecasts of the Fiscal Policy Panel that you are talking about, presumably a risk that there may be more sustained inflation forecast. We took the step off the back of the increased inflation forecast very late in the day of developing the Government Plan to adjust for that expenditure but also to adjust for the income that that would also likely result in as well into the coffers. Within a year we think there is sufficient flexibility to adjust to that and of course it would then form part of a Government Plan in the following year to address the balance between income and expenditure at that point.

**Senator K.L. Moore:**

Thank you. Have the costs of decarbonisation been sufficiently captured in the scoring of the expenditure programme?

**Treasurer of the States:**

In the scoring, I will have to remember what the business cases cover.

**Group Director, Strategic Finance:**

I know it is an ongoing conversation with officers is how we incorporate the Government's aim to decarbonise as part of business cases explicitly. We do consider how it contributes to C.S.P. priorities. Obviously there is the C.S.P. priority relating to the environment, which it could be captured in. But we are looking and working with colleagues to make sure that that is captured more explicitly in the process.

**Senator K.L. Moore:**

Meeting the carbon-neutral aim of 2030 is supposed to be a standing item on the Council of Ministers' agenda, is it not?

**The Minister for Treasury and Resources:**

It is and it is reflected in the budget of the increase in fuel duty, as putting another 3p on fuel into the carbon fund. It is reflected that we are doing that.

**Senator K.L. Moore:**

Yes, but that does not meet the rising cost of decarbonisation potentially.

**The Minister for Treasury and Resources:**

It does quite well in small territory terms that we do have quite a high target to fill by 2030.

**Senator K.L. Moore:**

Do you, as a Minister who sits in those meetings, consider that it is achievable?

**The Minister for Treasury and Resources:**

By achieving carbon-neutrality by 2030?

**Senator K.L. Moore:**

Yes.

**The Minister for Treasury and Resources:**

I think it is going to be exceptionally difficult.

**Senator K.L. Moore:**

Thank you. Deputy.

**Deputy S.M. Ahier:**

Thank you, Chair. It would appear that spending under the reduced inequality Common Strategic Policy is expected to fall by 39 per cent, yet the overarching agenda of the budget has an ambition to reduce inequality. Why does it appear counterproductive to the intention?

**The Minister for Treasury and Resources:**

That is quite a complicated question. Can you explain, please ...

**Deputy S.M. Ahier:**

The reduced inequality was estimated at £161 million and it has been reduced to £98 million, so there is a reduction of 39 per cent and obviously the ambition is to reduce inequality, so there seems to be a contradiction between the figure and the action.

**Treasurer of the States:**

We will have to follow up on answering the question. This is purely off the top of my head, I think that will relate to the amount of expenditure that came through COVID-19 over the last 2 years but we will confirm.

**Senator K.L. Moore:**

Sorry, I do not quite follow that. The effects of COVID-19 have clearly shown a greater division in terms of inequality ...

**The Minister for Treasury and Resources:**

Inequality where?

**Senator K.L. Moore:**

In the community, I should imagine that you would understand one of your own common strategic priorities, Minister, that being reducing inequality.

**Treasurer of the States:**

If I could answer that question with the caveat that we will come back and confirm on the actual number, of course a huge amount of the COVID-funded payroll scheme limited pay up to £2,500 per month and it focused predominantly in lower-paid sectors of the economy and, therefore, will have contributed in that regard to ensuring those on lower pays continue to get paid, rather than losing their jobs through the pandemic.

**Senator K.L. Moore:**

It goes back to the use of our comms-based accountability I guess and how you are measuring that and ensuring that it is effective. If a decision has been taken to not spend money under that investment stream, I think that is what you are using as the term at the moment, and instead justifying that by spending it on co-funded payroll or other items, then surely there is a rationale for that in some ...

**Treasurer of the States:**

The availability of COVID funding was an emergency measure to respond to the pandemic. It would not be sustainable on an annual basis to repeat that expenditure. It would fall foul of the Public Finances Law, eventually leading to overdrawn of the Consolidated Fund unless we were to propose further revenue increases. I think that broadly my answer relates to COVID being exceptional expenditure; that is the cause of the reduction.

**Group Director, Strategic Finance:**

Yes, we will come back.

**Senator K.L. Moore:**

Thank you.

**Deputy S.M. Ahier:**

Thank you. That is where the inclusion of the 2020 figures might have helped to evaluate that.

[14:00]

**Treasurer of the States:**

I will agree with you on that case, directly to the table, yes.

**Deputy S.M. Ahier:**

The modernising government spend is said to fall, to what extent does that represent the completion of a programme of work against a reduction in programme spending?

**Treasurer of the States:**

I am going to have to follow up in more detail in respect of that. That investment, if I recall rightly, had some upfront spend against which some of the benefits were due to be spent in some cases. I know some of those instances reflected the need to start work that could not be done because we did not have the teams available. There was some consultancy work perhaps with some of those work streams upfront and then a more steady States spend as we go through the future years.

**Deputy S.M. Ahier:**

Thank you. Is any consideration given to assessing the dead weight costs of spending in Jersey?

**Treasurer of the States:**

I would say that it is a theme that featured heavily, in particular, through business cases as they were put forward for spend during the COVID period. The risks of dead-weight loss, if you like, that says what we talk about in terms of comparison against the counterfactual what would otherwise have happened. Those risks are acknowledged and in case of some of that COVID expenditure the considerably increased risk of dead-weight loss was indeed understood by Ministers and formed part of their agreement to that spend.

**Deputy S.M. Ahier:**

Thank you. I will pass over to Senator Vallois.

**Senator T.A. Vallois:**

Thank you. In response to recommendation 1 of last year's report by the panel, it was suggested that the Comptroller planned for Revenue Jersey to work to the principles of the European Taxpayers' Code and introduce a Jersey taxpayers' charter. Can this still be expected by 31st December 2022?

**Comptroller of Revenue:**

We have in fact accelerated the work. I think within the last week we have published on our website a Revenue Jersey customers' charter, which is indeed based on the key principles of the European

Taxpayers' Code and, yes, we have done quite a lot of comparison with other tax jurisdictions of similar sizes. That, effectively, sets out the rights and responsibilities of our customers, who are both taxpayers, people making contributions and so on. It links to the service standards we are able to offer at the moment. Our service standards are still not where we would like them to be in an ideal world. We are still reducing backlogs but over the next year or 2 we expect to offer increasingly improved service standards.

**Senator T.A. Vallois:**

Just on that basis so I can understand it, it is good news that you have accelerated that project, so well done for doing that but in terms of customer service standards and things like that, we have areas like the one front door and we had the target operating model to create efficiencies within departments, how come Revenue Jersey or Treasury itself is not part of that kind of customer one front door? Is there a reasoning for that?

**Comptroller of Revenue:**

It is. There are taxes officers at that one front door who continue to offer face-to-face services. When COVID hit us and the front door was ...

**Senator T.A. Vallois:**

Closed.

**Comptroller of Revenue:**

In the first instance shut altogether, then we obviously had to rely on telephony and to a larger extent email, which can be problematic. We have been offering a face-to-face service on an appointment basis and we are increasing, I think, in accepting people who do turn up at the door. There is still a wider Government reluctance at the moment fully to fling open the front door, I think, but where people really do need face-to-face service it is being provided. For the longer run for taxes I am very keen that we largely transact with people online, self-service, by telephone, which is far quicker for people than writing or face-to-face. But wherever people really do need a face-to-face intervention we will provide it. Indeed, we are even considering the option of visiting people at their homes where they are not able to meet elsewhere.

**Senator T.A. Vallois:**

Okay, thank you very much. On the capital programme side of things, Minister, would you be able to give us the context between what is required for a major project and what is required for the capital programme, so in terms of how that works under the Public Finances Law and the processes for such capital expenditure?

**Treasurer of the States:**

Sorry, could you ...

**Senator T.A. Vallois:**

You have 2 different elements in the Government Plan, you have got major projects and you have got capital programme; they are both capital spend, as I understand it. I am asking you to explain the differences between the 2 and why they are treated differently.

**Treasurer of the States:**

Because part of that piece of work is relevant to our previous questions, looked towards how we make more efficient use of taxpayer funds. What you will probably recall from the past is that we had a number of quite significant projects which were voted in a particular year but would span over a number of years, yet all of that funding had to be agreed and set aside on this before the project started. What we look to do is to move the budgeting for capital-low projects to a cash-flow basis. We draw the distinction between major projects that are typically more than £5 million, if I remember rightly and/or over more than one year. If you move to a cash-flow basis only for such projects, A.O.s do not have certainty that the budget will be in place, which is why the Assembly approves the total budget for those that will last many years. In the case of the hospital, quite an extreme example of a project over many years and for that reason major projects not only agree the expenditure in the coming year but also agree the total budget for that project because it spans more than one year.

**Senator T.A. Vallois:**

Okay. From the capital programme element, will there be borrowing for the capital programme or is it just for major projects?

**Treasurer of the States:**

The borrowing is in 3 tranches, either for the hospital, for COVID-related expenditure or for the refinancing of pension fund liabilities in the event that the Assembly agrees that.

**Senator T.A. Vallois:**

It was mentioned before part of the general reserve is for the housing element, can I just check that there is a requirement for money for housing to be moved into the housing fund or is that changed?

**Treasurer of the States:**

I think it depends upon the particular scheme that is finally agreed on and the shape in which that support takes.

**Senator T.A. Vallois:**

That is why it is staying in the general reserve at the moment.

**Treasurer of the States:**

Yes.

**Senator T.A. Vallois:**

Okay. In response to the panel's report on last year's Government Plan it was noted that the change in terminology to rebalancing reflected the increased financial challenge to Government expenditure created by COVID and the consequent requirement for greater flexibility in developing and delivering measures. Why has there not been a reversion to pure efficiencies?

**The Minister for Treasury and Resources:**

There has, inasmuch as there has been several meetings with individual Ministers of departments to bring down their expenditure to create efficiencies. We have achieved, I think it is £32 million out of the £40 million that we had anticipated.

**Senator T.A. Vallois:**

If I was to take the efficiencies plan that was in the Government Plan for 2020 that was set out in there quite clearly, a clear efficiencies plan expectation in there and then I could compare and contrast but rebalancing was basically efficiencies or is that just the context in which we are describing it?

**The Minister for Treasury and Resources:**

From what I understand it is just a new word for efficiencies.

**Senator T.A. Vallois:**

Okay, helpful, thank you. In the expenditure tables, apart from COVID spend, the majority of spending appears to be increasing, why is the evidence of any form of strategic rebalancing not clear in these tables?

**Treasurer of the States:**

Sorry, can you repeat the question?

**Senator T.A. Vallois:**

In the expenditure tables, apart from COVID spend, the majority of spending appears to be increasing, why is the evidence of any form of strategic rebalancing not clear in these tables?

**Treasurer of the States:**

We run against ... back to previous questions about fiscal rules, following Fiscal Policy Panel advice and in this case that would be to balance the books by 2024, based upon the income forecast and expenditure plans do balance the books, in fact run a surplus by 2024. In that regards the principle relates to balancing the books. But, Andy ...

**Group Director, Strategic Finance:**

Yes, I am not sure if this is what you are referring to but we are also reinstating the States grant to the Social Security Fund from 2024. Some of the increase you see in the expenditure is that grant coming back into play. We are balancing the budgets once that has been reinstated. It was paused while we were going through COVID, as one of the measures agreed by the Assembly to help meet those costs. That does make it look like expenditure is going up by more but that is a part of that, I think there is about £80 million returning in 2024.

**Senator T.A. Vallois:**

I get the point about balancing budgets over a period of time. What the States Assembly are agreeing is what is to be spent next year. If I was to change the rebalancing word to efficiencies and kind of saying if I could identify that spending increase and the savings set against it in the tables for 2022 because that is what the States Assembly are being asked for.

**Treasurer of the States:**

Okay. We can provide that and I think we have provided that in some graphical-borne tracks, the growth that came about from 2020, 2021 and 2022 and show that against the profile, the efficiencies and/or rebalancing, of course lots of that growth was in the priority areas arising from reviews and I am sure you will remember.

**Senator K.L. Moore:**

Just to remind me, is that the graph that shows £500 million, £511 million of growth over a period of 4 years, is that the one?

**Treasurer of the States:**

Yes, adding the 4 years together and I have not got the number in front of me but it is that ...

**Senator K.L. Moore:**

Yes. It is quite a memorable graph.

**Treasurer of the States:**

I am talking about the annual growth that goes up in the tracking of the efficiency or rebalancing target against that.

**Group Director, Strategic Finance:**

It might also be helpful, in the annex to the Government Plan we do include in table 8 sort of how departmental heads of expenditure have changed, so it tracks through both amounts for inflation, for investments that are being made but also the rebalancing coming back out again. You can see the shape of the spending changing through the years of the plan as well.

**Senator T.A. Vallois:**

Okay, thank you. We will move on to Senator Moore.

**Senator K.L. Moore:**

All right. The panel notes that it is suggested that the States grant to the Social Security Fund will start again in 2024 but we were slightly puzzled that that would not start sooner. Could you perhaps explain, please, Minister?

**The Minister for Treasury and Resources:**

It is going back to Senator Vallois' question really of rebalancing the books and we estimate that by 2024 to start repaying that, which was £63 million but of course by the time it gets to 2024 will have increased somewhat. To start repaying it we feel that we can do that on a rebalancing situation. I do not feel that we can necessarily do it before because of the costs of COVID, which is why it was stopped in the first place. It was called the supplementation grant to Social Security and it was all agreed that we would, as Government, put that towards the COVID scenario.

**Senator K.L. Moore:**

Okay, thank you. The Government Plan of last year estimated that the Strategic Reserve Fund would hold £904.9 million in 2022. The new Government Plan estimates opening balance to be closer to £1.8 billion.

[14:15]

When the estimates have varied by £103 million within a year, what certainty can be placed upon the true value of the reserve?

**The Minister for Treasury and Resources:**

Quite a lot, inasmuch as it was, as you quite rightly state, about £900 million, then with the advent of COVID there was a 30 per cent drop, which because we did not have to draw on the reserve then it went up again and it is now at about £1.1 billion.

**Senator K.L. Moore:**

It obviously fluctuates, as in nature of the investments.

**The Minister for Treasury and Resources:**

Of course it does, anything does, as you will be well aware.

**Senator K.L. Moore:**

Yes.

**The Minister for Treasury and Resources:**

It is a very volatile situation at the moment but because we do not have to draw on it, it has been allowed to come up and increase.

**Treasurer of the States:**

We endeavour to use prudent estimates of what the balance sheet and values of the reserves will be over the coming years. But, as the Minister says and as you reflected, over the short term that can be volatile. Indeed, I was asked a question about 2018 the other day, 11 months of the year we had strong performance, over the last round of November and December was the markets took quite a hit, which then meant that we were in a negative position by the end of the year. But by the end of January the following year it had recovered, which is why we tend to look to the medium and long term in respect of those reserves that are held for the long term.

**Senator K.L. Moore:**

Yes. Following on from that, the Strategic Reserve is predicted to fund the payments of the Our Hospital Project, so would these payments not be impacted by those fluctuations that you have just very eloquently described?

**Treasurer of the States:**

That strategy is a long-term strategy, so you would absorb any particular impacts you might see in any one of those years, as we have done in a couple of the years in the last decade or so but that would be recovered in subsequent years.

**Senator K.L. Moore:**

But the construction project would be being paid out of that reserve fund as well and, therefore, subject to those fluctuations.

**Treasurer of the States:**

The construction project would be paid out of the borrowing that would be put into the reserve, held there until such a time as the construction project needed it, as opposed to drawing down on the existing size of the reserve or quantum more value of the reserve.

**Senator K.L. Moore:**

The Strategic Reserve but not investing the construction monies.

**Treasurer of the States:**

We will invest the construction money but on very conservative terms, as you would expect, given that we would be holding those funds for the short term. It would be near cash equivalent, we would not be putting the construction monies in equities, for example, because we know that we need them over the coming years.

**Senator K.L. Moore:**

Which is not medium to long term at all.

**Treasurer of the States:**

The rest of the reserve, as I have said, the existing £1.1 billion is directed towards that future position. The particular instance relating to the construction project, that element and that element alone, will be held in a more defensive for knowing that they will have those liabilities to pay out over the period of the build.

**Senator K.L. Moore:**

A previous hospital funding proposal suggested the creation of a separate fund for the hospital project construction.

**Treasurer of the States:**

Yes. That arose just to shine ... illuminate that in particular. That proposal arose out of the fact that we were in an M.T.F.P. and the decision was made not to amend an M.T.F.P. but to create a separate fund for that construction to be taken through. In this case we have got the Government Plan, we looked at what we did last time. That was not about the future funding of the debt and that related to, if you like, the control around the project. What we decided to do in this case, having looked at our experience of that in the past, had been to say, well, this could just be head of

expenditure and we would lodge an amendment to the Government Plan to deliver that. Yes, I hope that helps.

**Senator K.L. Moore:**

Thank you. Could you just remind us what the protected capital value of the Strategic Reserve is?

**Treasurer of the States:**

That decision of the Assembly was the balance - and colleagues will hopefully correct me - at the end of 31st December 2012 it was £651 million, if I recall, and that is upgraded on an annual basis or R.P.I. (Retail Price Index) wide in accordance with the decision of the Assembly and someone will tell me what that ... I know it is £768 million or £793 at the end of last year.

**Group Director, Strategic Finance:**

£765 million.

**Treasurer of the States:**

£765 million, sorry.

**Senator K.L. Moore:**

Yes, so that tallies with ours as well. The inflation rate that you are using, is that R.P.I.(Y) or R.P.I.(X)?

**Group Director, Strategic Finance:**

It is R.P.I.(Y) in line with the decision of the Assembly.

**Senator K.L. Moore:**

Thank you. Okay, so by the panel's calculations there is £203 million additional value in the Strategic Reserve past the protected amount. What is the intention that that will be used for, if anything?

**Treasurer of the States:**

If I remember rightly the policy says this is available to be used, it does not say it has to be used. I would probably say I would like to review the policy in light of the recommendations of the F.P.P., which we need to get and do some further work on as to the long-term value of the Strategic Reserve, compared to the G.V.A., I think it was. The position would be that it would be more advantageous to leave, certainly the planning is predicated on that reserve being held in place, rather being released for expenditure purposes.

**Senator K.L. Moore:**

Thank you. The panel has noted that there is no plan to re-establish the Stabilisation Fund, although the plan notes on page 119: "Over the long term the Government should make sure that the Stabilisation Fund and Strategic Reserve are of an appropriate size to manage risk and uncertainty." Are you leaving that risk and uncertainty to the next Government to come up with a plan, Minister?

**Treasurer of the States:**

Perhaps if I could ...

**The Minister for Treasury and Resources:**

I am just trying to find page 119.

**Senator K.L. Moore:**

Would you like my copy?

**Treasurer of the States:**

You see the priority over the period of this Government Plan to try and minimise the degree of borrowing to take out in the long term is a fair step.

**Senator K.L. Moore:**

Really?

**Treasurer of the States:**

Yes. Minimise the level of borrowing, as opposed to drawing down from the Strategic Reserve. Once we have reached the stage where we think that that COVID debt cannot be reduced further, we would look to see how we might replace the Stabilisation Fund.

**Senator K.L. Moore:**

Is there a date that we might expect to achieve that point again?

**Treasurer of the States:**

My preference, I think, is obviously subject to the next Council of Ministers' proposals in the Government Plan would be and, ultimately, for the States Assembly to a degree, would be the surpluses that you would in any other state divert towards the Stabilisation Fund and in true population. It would first and foremost be set on producing the level of COVID debt, so that you will see tables where we have made that assumption, that those surpluses would be applied against the COVID debt to try and draw down or reduce the amount of debt that we will take out in the long term. Thereafter, consider replenishing the Stabilisation Fund could give rise to a future decision to repay it for some of the Strategic Reserve. I think that is one of the pieces of learning we might take from

COVID to say, well, we did rely upon the Stabilisation Fund but we found the Stabilisation Fund to deal with the scale of the pandemic we faced and we needed to go further. There are provisions within the Public Finances Law to use overdraft during the year to bridge the gap between one Government Plan and another, which could be used as an alternative to the Stabilisation Fund in the meantime.

**Senator K.L. Moore:**

Thank you. Deputy.

**Deputy S.M. Ahier:**

Thank you, Chair. Why is there no information in the Government Plan to confirm how many people pay income tax and what ratio of receipts comes from the various deciles of the income distribution?

**The Minister for Treasury and Resources:**

There we go, we have got a tax question and we have got the Comptroller with us, which we did not have last time, so ...

**Comptroller of Revenue:**

I do not know what the pros and cons of having that in the Government Plan are, that is maybe for the Treasurer. But that is available in *Tax Statistical Digests*, so we publish those figures. The latest version of the *Tax Statistical Digest* is behind date for publication. There is one that will be published probably early next year. But if you do require up-to-date information on the so-called tax deciles, I am sure we can produce it for you. Indeed, you will probably find quite a lot of it is available in response to F.o.I.s (Freedom of Information) and States Members' written questions because it is something we get quite often, which is why I do try to get in the *Tax Statistical Digest*, so we can just directly refer to that.

**Deputy S.M. Ahier:**

Thank you. We understand that there are thousands of outstanding tax returns, even though there was an extension given. How does the additional late return impact the revenue calculations in the Government Plan?

**Comptroller of Revenue:**

The short answer is it does not because of the way that the accounting is done. If a taxpayer does not furnish their own tax return, we make an estimate of what we think they ought to pay; it is called a default assessment and those are what the accountants and the Treasury would take account of in any current year. Obviously forecasting for future years is a slightly different matter. It is quite right, normally every year we find that about 4,000 of the tax returns we issue are not returned to us

and this year it has been closer to 8,000. We are investigating the reasons for that but we suspect that it will be largely accounted for by people having left the Island in advance of COVID or during COVID. Also, this is a great piece of work every year, we always find every year that within the routine 4,000 there will be a large number of taxpayers who have left the Island without telling us or they have, for example, retired, are on much reduced income and have not bothered to file the return, even though they do need to and even if they are going to, effectively, stop being taxable. It is a big issue we have to manage every year. It is anomalously high this year, which, as I say, I have got work going on to try to understand that better. But intuitively it is likely to be heavily connected with quite a significant exodus of people from the Island, I think, in the run up to the lockdown.

**Deputy S.M. Ahier:**

Thank you. How confident are Jersey Revenue of income forecast projections, given the extraordinary uncertainty that all advanced economies presently encounter?

**Comptroller of Revenue:**

Again, that is possibly more for the Treasurer, as the Chair of the Income Forecasting Group. I am one of the people who sits on the Income Forecasting Group. A lot of the data that the I.F.G. (Income Forecasting Group) is working with is based on tax data but also wider microeconomic data supplied by colleagues in the Statistics Department. Revenue receipts have really held up very well, so I think I would say from my point of view the tax data is supporting the conclusions that they have reached.

**Treasurer of the States:**

Yes. I think it is fair to say we are in uncertain times but over most recent years probably less uncertain than they were previously, considering that we had the uncertainty of Brexit, whichever way that would have gone and a more heightened state relating to the pandemic. We would always say and, as I say, would present any income forecast there is uncertainty surrounding that. But recent history will point to us having been prudent against the actual outturns.

**Deputy S.M. Ahier:**

Thank you. Minister, you are proposing to increase single person's allowance, married couples and civil partners' allowance and second earner's allowance, can you give us the reasons behind this, please?

**The Minister for Treasury and Resources:**

Are you, sorry, Deputy, referring to the compensatory allowance for the independent taxation?

**Deputy S.M. Ahier:**

No, no, this is the rises in the budget within the Government Plan.

**The Minister for Treasury and Resources:**

Yes. Every year we have increased those but obviously it will all change with independent taxation so that we can make it equivalent.

**Deputy S.M. Ahier:**

Yes, which is my next question, do these increases have consequences upon the introduction of independent taxation and its impact for the Government's revenue?

**The Minister for Treasury and Resources:**

They are done to equate to the compensatory allowance for independent taxation, which of course, as you will well know, will come in next year, January next year.

[14:30]

But in the meantime the increases will then be balanced out by the compensatory allowance for those who are ... I think the word is disbenefitted from independent taxation.

**Deputy S.M. Ahier:**

The panel's amendment to increase childcare tax relief and child tax allowance were adopted by the Assembly. The panel is aware that you will be reviewing these next year. Did the Minister consider increasing them in the Government Plan 2022-2025 in line with inflation as a bridging measure?

**The Minister for Treasury and Resources:**

They have always increased in line with inflation but they will be balanced out by the move to independent taxation and the compensatory allowance.

**Comptroller of Revenue:**

I think it is fair to say that the standing policy is that the allowances that are uprated every year are the single person's allowance and the marriage and civil partnership allowances and second-earner's allowance. The child-related allowances were indeed uprated last year on the back of your own amendment. Ministers do consider whether to uprate them and did decide against it this year, as they have done in many previous years and that is because, as you know, the panel has expressed concern about whether child-related allowances should be in the tax system at all or whether they should be taken out and whether support for people with children should be provided in different ways. That was an issue that was not really able to be tackled before the introduction of

independent taxation, although that would have been an ideal scenario. I think it is certainly on the ministerial agenda and obviously now an issue for the next Government as to whether or not child-related allowances should remain in the tax system or whether they should be delivered in a different way. I suppose the obvious other way is through some form of means-tested social benefit.

**Deputy S.M. Ahier:**

Thank you. There was a proposed increase of 5 per cent tax to wine and spirits, how was this decision reached?

**The Minister for Treasury and Resources:**

It is a very good question, inasmuch as beer and cider, I believe, are excluded for an increase. However, that had to be compensated for, so hence the increase in wine and spirits and an additional 1p increase in fuel because of 2p going towards the Carbon Emergency Fund. The wine and spirits against the beer and cider, it was frozen last year and we had to bring it back in this year and so one had to compensate for the other. But it is a very good question as to how that was reached.

**Deputy S.M. Ahier:**

Will there be an impact upon the hospitality sector and were they consulted before the rises?

**The Minister for Treasury and Resources:**

The hospitality sector we know, having based on previous years, will put their own increases on anyway. If you do it on a percentage basis, so 0.6 per cent or whatever, they tend to put it up to 1 per cent. It is really negligible as to the effect on that.

**Senator T.A. Vallois:**

Can I just ask though, in terms of the hospitality sector is probably one of the most affected through COVID, including the entertainment area as well, would that not be considered appropriate to allow them, if they did increase the costs on their requirements, that we were to give them a year to recoup against the backdrop instead of maybe providing additional funds to help support their businesses through to maybe next summer, just as an example? But would that not be seen as some form of conciliatory support system?

**The Minister for Treasury and Resources:**

I think we have done a huge amount for the hospitality sector and continue to do so through the payroll scheme. We have supported them enormously by extenuating the scheme to carry on doing that. I do not think A.M.P.O. (Average Mandatory Provisional Contribution) duty necessarily makes that big in effect.

**Treasurer of the States:**

Just to point to the tensions between each of those policy imperatives; the health policies relating to the harm, the health orders, against wanting to continue to support the hospitality sector, against the fact that we are in a deficit position and looking to move towards balancing the books, given that, of course, personal allowances will have gone up by R.P.I. in the year. It is looking at that combined set of decisions and there is a table that summarises the impact of those decisions in terms of the net input into the economy arising from tax allowances going up and in the opposite direction A.M.P.O.s. It was the competing priorities and balancing those priorities and policies that led to those that perhaps are most critical to hospitality in terms of beer in particular and the impacts there and balancing that against the health needs and, therefore, taking a twin-track approach with it by the Council of Ministers, as it related to the 2 different categories.

**Deputy S.M. Ahier:**

Thank you. House prices have continued to rise and this is forecast to continue. As discussed in our last quarterly hearing, there is no proposed change to stamp duty. What consideration was given to increasing stamp duty, Minister? This remains unclear.

**The Minister for Treasury and Resources:**

All I can say is the F.P.P. have given us some advice on this and we are looking into it and there is a difference in stamp duty on properties as it stands at the moment and also enveloped properties, which are properties owned by companies or through a company. What we are trying to do is work through the enveloped property situation but the expectation is that it will be about £1.4 million worth of stamp duty in the forthcoming year, so some increase because of the increase obviously in house prices and the amazing increase in transactions.

**Deputy S.M. Ahier:**

There was a review of stamp duty due to end in 2022, I understand, that will include a review of the enveloped properties, is that continuing to time scales?

**The Minister for Treasury and Resources:**

Yes, yes, it is.

**Deputy S.M. Ahier:**

Fine, thanks very much.

**The Minister for Treasury and Resources:**

As far as I know at the moment, yes.

**Deputy S.M. Ahier:**

There will be an increase in both fuel duty and vehicle emissions duty of up to 70 per cent for non-commercial vehicles, what strategy are these rises based on, pending the development of the carbon-neutral strategy?

**Treasurer of the States:**

Those measures were developed with the team that is bringing forward, if I get the terminology right, the carbon-neutral plan or roadmap that will be debated by the Assembly. We were looking at measures that would, if you like, be aligned to the aims of the carbon-neutral strategy that would probably stand the test of time. We would look, ultimately, to review fuel duty and work is continuing within the Revenue Jersey team for the taxation measures that could replace the tax revenues that arise from fuel duty. We also looked at how a V.E.D. (Vehicle Emissions Duty) could be adjusted to encourage those looking to own a new vehicle to look towards buying vehicles that emitted less carbon.

**Deputy S.M. Ahier:**

Thank you. I will pass back to Senator Vallois. Thank you.

**Senator T.A. Vallois:**

Thank you. This is back to borrowing again, I am afraid. Minister, you have now published an initial debt framework which the panel notes has been incorporated in the Government Plan, how often does the Minister envisage this being updated and, for example, would it be refreshed as an inclusion in the annual Government Plans going forward, if at all?

**The Minister for Treasury and Resources:**

The debt strategy framework that you refer to, yes, I think it was initially to be done, certainly every year but, if not, every 6 months, I think.

**Treasurer of the States:**

Yes, we would certainly look to revise that on an annual basis and indeed perhaps, as another example, once the issuance had been made to update the policy then.

**Senator T.A. Vallois:**

Okay. In terms of borrowing and loans in more the generalised area right across the public sector or should I say the Island's ownership, many moons ago the C. & A.G. (Comptroller and Auditor General) recommended a change in the Government Plan? We used to just do the budgets for, say, for example, the public sector but you would have a separate Social Security Fund and accounts in those types of areas. It was all amalgamated to recognise the full balance sheet. Why do we not

include arm's length organisations with regards to their borrowing within the balance sheet under the Government Plan?

**Treasurer of the States:**

Yes, we have some level of detail relating to P. and L. (profit and loss) but also a group balance sheet perspective. As I say, we do have as well forecasts relating to the funds in particular, that step has been taken. We are working also on a plan for full consolidation of all of those entities within the annual report and accounts, I think that will probably be 2023 for full incorporation now. But we are looking to improve the level of balance sheet data that we have across the whole group and there is a forecast as it relates to that but that is done on the basis, I think, of there being strategic investments, rather than fully consolidated.

**Group Director, Strategic Finance:**

That is correct. The consolidated entities reflect on the balance sheet forecast but not the strategic investments. The utility companies, electricity, telecoms, post, et cetera, are treated consistently with the accounts.

**Senator T.A. Vallois:**

Okay. If I was, as a layperson ... which I like to refer to because I am not an accountant and I do not pretend to be one but I think it is just helpful, particularly for the public to understand, this is their money, their ownership, they need to understand this clearly. We have £1.7 billion proposed in the Government Plan in terms of borrowing from a public sector point of view. Then we have borrowing refinance through, for example, Andium Homes. We know we have borrowing through Ports of Jersey. As a layperson, how can I see that in an overall context against the expenditure and income?

**Treasurer of the States:**

We can certainly provide that. As Andy says, we provide the analysis on the balance sheet, in effect, on a net basis in respect of those assets that are not consolidated into the balance sheet. Of course, each of that borrowing is done on the merits of the business case and the income flows that arise from those trading entities that was at the heart of incorporating them to make them self-sustaining.

**Senator T.A. Vallois:**

But the backdrop is that if anything was to happen with regards to the ability for those entities to trade or carry out their work as required, the fall back is, of course, on you, as a Government of Jersey Minister, us as a States Assembly, as a whole entity, is that correct?

**The Minister for Treasury and Resources:**

It is but we have just initiated - which is almost complete, I think - a complete review of the M.o.U.s (Memorandums of Understanding) for all of the arm's length entities to be revised, which they have not done for a long time. The stipulation is quite clear as to what they are expected to do, so it gives us a sort of legal backup, if you like.

**Treasurer of the States:**

Yes. In a bankruptcy scenario then that would be the case. Each of those entities in some cases are a significant part of the particular market. The rationale for incorporating them involved that they could use debt as a way of financing their programmes, as opposed to here and now seeking funds from the taxpayer to do so. The heart of incorporation was to allow commercial freedoms to do so. That is monitored within the shareholder unit and in fact it is going through a proposal relating to a particular development and the funding thereof, so we do monitor that and we look at the balance sheet of the entities concerned as and when we do so.

**Senator T.A. Vallois:**

In terms of any further borrowing by those entities going forward, are we aware of any of that coming forward?

**The Minister for Treasury and Resources:**

Not at the moment.

[14:45]

**Treasurer of the States:**

There is a particular entity looking to back up a current development with some borrowing and that would be subject to a ministerial decision as and when that decision would be made.

**Senator T.A. Vallois:**

Would a fiscal approach based around the affordability of debt service changes make more sense, and to what extent should a fiscal rule be constructed that constrained overall expenditure?

**Treasurer of the States:**

For me the answer to that question is I would recommend that the Assembly follow the fiscal rules, following the advice of the Fiscal Policy Panel, as to when income and expenditure should be balanced. The whole essence of sustainable public finances - as indeed I am sure the Fiscal Policy Panel will point out - is not for them to conclude the level of expenditure and the level of taxation in the Island; that is for Ministers. But as a fiscal tool the principle is that income and expenditure should be balanced over the economic cycle.

**Senator T.A. Vallois:**

Just in terms of the fiscal tool that you are talking about, when we are talking about income and expenditure of the whole Government Plan, as an example you were talking about forecasting before, there is always uncertainties and risks around that and that is understandable. But in terms of balancing the budgets, as an example if we look at 2021 Government Plan the income was based on an annual growth for 2022 at 7 per cent as a central scenario, and they estimated I think around £500,000 for 2022 income. We see a huge change in that scenario. I have got it here, for 2022 where we are estimating £40 million more than what we were expecting in the estimate for the 2021 Government Plan on the basis of a 4.41 per cent annual growth. The parameters in terms of you determining the estimates, I suppose, and the forecasting, how rigorous do we need to be to assure ourselves that we are balancing budgets?

**Treasurer of the States:**

You are right to point to uncertainty within the forecast, there always is, but as I pointed to in my earlier answer, over recent years the forecasts have proved to be prudent and the panel have previously commented. There is a model that sits underneath that, that the Chief Economist's team use to forecast. It is far from a simple model, it is a complex model and on a periodic basis we go and test elements of the forecast to see whether the model was indeed accurate, and we have made changes to the model as we have proceeded. So the modelling I feel is robust. Yes, some of those economic factors have changed and in particular related to the impacts of COVID on the economy have been not as steep a fall as we might have previously envisaged, and a more rapid recovery to date.

**Senator T.A. Vallois:**

Summary table 3 of the proposition to the Government Plan proposes that borrowing fiscal stimulus including refinancing remains at the originally approved total of £50 million. Why has this not been amended to the £29.6 million awarded to projects through the fiscal stimulus fund when no further allocations are envisaged?

**The Minister for Treasury and Resources:**

It did not need to be amended. It was a ring fenced fund for fiscal stimulus and the drawdown has been £29.6 million on the basis of the allocation of the funding. So no further borrowing is required.

**Treasurer of the States:**

The Fiscal Policy Panel advice is being adhered to at this point which points to saying no further fiscal stimulus is warranted at this time, but leave ourselves the flexibility to adjust should that be required further down the line - I think we were talking about this time next year - with even more

certainty as we come out the other end of COVID, then we will be looking to bring forward a proposal to reduce that.

**Senator T.A. Vallois:**

So we are talking about £20 million from that ring fenced as additional flexibility, is that correct?

**Treasurer of the States:**

It is just left there in the event that if, for example, the economy does not go in the direction we need then its forecast might be to say put more stimulus into the economy, then that would be something that Ministers might consider and at that point if that was further down the line that might require a further States Assembly to do so. But we have just left the fund in place; at this point in time there are no plans to spend that or to borrow.

**Senator T.A. Vallois:**

Okay, but if I can just clarify, I am just trying to get into the numbers and understand properly. We have £53 million for COVID in the general reserves, we have a loan for £34 million for COVID within the table, and then now we have got £20 million for flexibility.

**Treasurer of the States:**

Flexibility in terms of fiscal stimulus.

**Senator T.A. Vallois:**

It would purely be for fiscal stimulus?

**The Minister for Treasury and Resources:**

Yes, and it has not been borrowed and that is what we have got to make quite clear, so we are not paying any interest on it, it is just there as a possibility should we need it.

**Senator T.A. Vallois:**

Thank you, just clearing that up. Jersey has a credit rating which is currently scored by its rating agency as AA. The budget proposal set out an objective for borrowing of maintaining an investment grade rating of BBB. Has Treasury received an update on the potential changes to the perception of Jersey as a borrower and its qualitative analysis of Jersey's public finances?

**The Minister for Treasury and Resources:**

That would be down to F.P.P. but at the moment we are highly regarded by S. and P. (Standards and Poor's), who are our credit rating officers or officials, on the basis that we have the reserves that we have got that we have not drawn down upon.

**Treasurer of the States:**

We could see that very much as a floor in terms of putting a floor on the rating that we would tolerate, and that leaves us - if I am correct in recalling - an investment grade in terms of being able to attract investors. We see that very much as a floor, we are not forecasting that it would lead to that downgrade but that is the floor below which we would be prepared to take the borrowing and aiming for.

**Senator T.A. Vallois:**

Just on the basis of ... when we were talking about the Strategic Reserve before, you have the cap of the Strategic Reserve at £765 million. Does that cap include the requirement under I think it is - and I am going to forget the name of the actual legislation - around banking depositor scheme? I believe £100 million should be set aside for that so does that sit within the cap or does that ...

**Treasurer of the States:**

Yes.

**Senator T.A. Vallois:**

It sits within the cap?

**Treasurer of the States:**

Yes.

**Senator K.L. Moore:**

In terms of clearing up a couple of points, we did have a question about independent taxation, or a couple. How have you allocated the cost of the compensatory allowance for independent taxation in the next year, because it is not as yet, as we understand, finalised?

**Treasurer of the States:**

So as it has not been taken through the Assembly in its final state it is not included in the forecast.

**Senator K.L. Moore:**

So how do you intend ...

**Treasurer of the States:**

At the moment that would be estimated at £4 million.

**Comptroller of Revenue:**

Well, yes, it is worth saying that the cost of £4 million recurring would probably start in 2024 and it is not built into the future forecast but I think, as has been signalled in the Government Plan, there is a good chance really it will be absorbed in the noise of the numbers. If it is not then obviously a measure may have to be decided upon. That £4 million per annum is the current estimate of the tax we may forgo from married couples who do financially benefit in independent taxation.

**Senator K.L. Moore:**

Then in terms of the current year basis changes that you have effected, it was understood when we looked at this with yourselves earlier in the year that current year basis ... the additional revenue was going to be used towards the cost of COVID. However, in the hospital debate last week there were a couple of occasions where Ministers suggested that the revenue received from current year taxation - of course it now being spread over 24 years - would be used potentially to offset the cost of the hospital. So we wondered whether the Minister might clarify that as we were a little puzzled by that assertion, particularly as it will be spread over a 24-year period.

**Treasurer of the States:**

I will clarify - and you could correct me perhaps, Minister - that you will see in the plan that the debt forecast for COVID is at a lower level than was previously in the Government Plan as the result of 2 things: we have not spent as much as we previously thought we might need to. Referring to the earlier question, the returned £50 million from unspent balance at the end of last year, that reduced therefore the need for some of that. But also the income forecast has improved. That has reduced the amount required for debt for COVID based upon the current forecasts. The C.Y.B. (current year basis) future payments exceed debt and, therefore, I think that Ministers will have been referring to the excess over and beyond the amount required to match the COVID debt in the future to perhaps reduce future debt, or pay for future debt, or increase reserves and, therefore, the likelihood of being able to pay off some of their debt as it related to the hospital.

**Senator K.L. Moore:**

Right, thank you. In terms of a final question I think perhaps we ought to ask about performance management. We have questioned in previous years about the performance management and how that was monitored and accounted for really in the decision making of Ministers. Noting that if one looks at the Jersey performance framework and particularly, as an example, children enjoy the best start in life which is a strategic priority, the data set there is 2019 is the most recent data point. Therefore, could you explain how you are accounting for the performance of the Government Plan against your strategic priorities when the performance framework is simply out of date?

**The Minister for Treasury and Resources:**

All I can say about that is that we have had a massive interruption. We cannot keep blaming COVID but it has rather distracted Government priorities in order to deal with the pandemic. You mentioned a review of where the children were on this. I think it would be very different if it was done last year as we are doing this year because of the situation that we have had.

**Senator K.L. Moore:**

How have you as Ministers taken any sense check against performance in departments and areas where there needs to be a particular policy focus, or money would be better spent prioritised in one area over another?

**The Minister for Treasury and Resources:**

Well, as I mentioned earlier, we have had meetings where each Minister comes in and produces a reason why they want to go forward with their capital expenditure, what they are going to give up in efficiencies and what will not work either way. So we are keeping track of it, but of course the main concentration has totally been the sort of health situation and the pandemic, so it has not been the normal run of the mill review of stuff that would go on every year.

**Senator K.L. Moore:**

Senator Vallois helpfully identified during this hearing how the income predictions have changed from one year to the next quite significantly by about £40 million across the board. How do Ministers square that constant return of additional income which becomes almost an expectation, one would presume, with what the Comptroller has identified today is a potential for quite large numbers of people exiting the Island?

[15:00]

We also have the scrutiny panel report about recruitment and retention in education, there are consistent concerns raised about retention of staff in healthcare as well, but Ministers do not appear to have any regard for this exodus of the key workers in our community because at the end of the day it all seems to square off financially for the Island. Do you have any concern, Minister, that this exodus could at some point cause some considerable problems in terms of the running of the Island and delivery of services?

**The Minister for Treasury and Resources:**

Yes, there are enormous concerns and the longer we leave the hospital in the condition it is in then the worse it will be for our hospital staff, care workers, consultants, because they do not want to practice in a situation which is well below capacity. So that is one answer to one question ...

**Senator K.L. Moore:**

Well, no, we could push back on that and say perhaps they would prefer to be able to afford a quality of life in the Island as opposed to working in a building that is too large for their needs. That seems to be the common recurring theme.

**The Minister for Treasury and Resources:**

No, the common recurring theme, Chair, if I may be so bold, is the fact that they do not want to practice in a hospital that is not fit for purpose, so there is an accommodation situation but that has been the case for a long time for anybody working here. But Andium have promised 3,000 homes by 2030 so we are addressing the subject, it is not ignoring it.

**Senator K.L. Moore:**

Well, teachers perhaps experience the same problems, as is documented in the scrutiny panel report, so ...

**Senator T.A. Vallois:**

There is a huge issue and I think we are looking at some point in the future a crisis point where cost of living is too high, especially for those whether they are key workers working in the hospital. I would argue the cost of living is probably too high for many now. But you are looking at real problems with retention and recruitment, not just in the health and community services area, in teaching, in other areas, specialised skills in particular, social workers. So I suppose the simple question would be if I look at this Government Plan, what helps solve that problem? The outcomes from what is going to be delivered in 2022 as a proposed Government Plan, how is it going to make my life better?

**The Minister for Treasury and Resources:**

I have been asked this question several times and the level of expectation at the moment is massive. It has been throughout the last 40, 50 years, I think. We were never expected to be able to buy our first house at 21 or 22. You just did not expect it. Now it has risen and so the younger generation have that expectation. The house prices are huge but that is supply and demand, so if there was not the demand you would not rise to that price.

**Senator T.A. Vallois:**

It is really important for a Government to be able to manage expectations and I think it is not just about the house prices, it is about living on a small Island with only so much land capacity and all those types of issues. So I think the nub of my question was if I was in the States Assembly and tick the Government's Government Plan and say: "Yes, let us go ahead" what do I go out there at the end of that debate and say to people on the street: "This is going to make your life better because of"? Just pick one thing out of there, Minister for Treasury and Resources, that I could go

out and say to the general public ... and forget the hospital, we have had the day on the hospital, but something else that is in there that is tangible for somebody to feel?

**The Minister for Treasury and Resources:**

I think it is a good forecast considering where we are, what we have been through, it is optimistic but it is pragmatic and I think that is as much as we can say. You cannot do more than go on the advice that you are given, bearing in mind we are in a global situation, it is not just Jersey. So I think we have to be pragmatic and reserved in our forecasts, which I think we have done, and hopefully they will go to the optimum.

**Senator K.L. Moore:**

Do you feel the Government Plan achieves what it should do under the law in terms of achieving sustainable well-being for the community?

**The Minister for Treasury and Resources:**

It depends how you clarify sustainable well-being. As I just answered the question, you can only go on the information you have got at the moment and I think it is a good forecast.

**Senator K.L. Moore:**

Thank you very much, Minister, team, and with that I close the hearing.

[15:06]