



Corporate Services Scrutiny Panel

Government Plan 2024-2027 Review

Witness: The Minister for Treasury and Resources

Monday, 13th November 2023

Panel:

Deputy S.Y. Mézec of St. Helier South (Chair)

Deputy M.B. Andrews of St. Helier North (Vice-Chair)

Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter

Witnesses:

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter, The Minister for Treasury and Resources

Deputy S.M. Ahier of St. Helier North, Assistant Minister for Treasury and Resources (1)

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Minister for Treasury and Resources

(2)

Mr. R. Bell, Treasurer of the States

Mr. R. Summersgill, Comptroller of Revenue

Mr. A. Hacquoil, Group Director, Strategic Finance

Mr. N. Wallis, Head of Financial Planning

Mr. S. Cameron, Senior Specialist Officer

[9:03]

Deputy S.Y. Mézec of St. Helier South (Chair):

Good morning, everyone. Welcome to this public hearing with the Corporate Services Scrutiny Panel and the Minister for Treasury and Resources for our Government Plan review. For the benefit of the tape, we will go round introducing ourselves. I am Deputy Sam Mézec, the chair of the Corporate Services Scrutiny Panel.

Deputy M.B. Andrews of St. Helier North (Vice-Chair):

Good morning. I am Deputy Max Andrews and I am vice-chair of the Corporate Services Scrutiny Panel.

Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter:

Good morning. Deputy Lyndon Farnham, panel member.

The Minister for Treasury and Resources:

I am Ian Gorst, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (1):

Deputy Steve Ahier, Assistant Minister.

Deputy S.Y. Mézec:

Thank you. You are joined by some of your officers here who, if there are any questions that they are needed to answer points of detail, if they could introduce themselves as and when they come up to speak. We have got until 11.00 a.m. scheduled for this hearing and we have loads of questions to get through, so we will all try and be restrained to make sure we get through as many of them as possible. Minister, you should have had the question areas sent to you in advance and just, as usual, can you confirm that you understand the Scrutiny statement about how all this works?

The Minister for Treasury and Resources:

Yes, I do.

Deputy S.Y. Mézec:

Excellent. Thank you. Minister, the first question to ask: in the table for revenue heads of expenditure in the Government Plan, under Treasury and Exchequer your head of expenditure is due to be just under £140 million, which if you compare to the Government Plan from last year where that same number was £67 million or thereabouts, that is obviously quite a dramatic increase there. Could you just explain to us why that is the case and the rationale for that?

The Minister for Treasury and Resources:

Yes. The majority of that increase is the reintroduction of the grant into the Social Security Fund from taxpayers.

Deputy S.Y. Mézec:

Around about how much is that?

The Minister for Treasury and Resources:

Well, there are 2 figures, are there not? There is the calculation of £70 million with a reduction whereby we will phase that. So in the first year it will be £20 million less, the same in the second year, and then we will bring that back at the end of the ... during the other 2 years.

Deputy S.Y. Mézec:

How much of that equates to a real terms increase in your department's budget beyond that reintroduction?

The Minister for Treasury and Resources:

Well, we have got the other elements as well that you will have seen, I think, from the letter that I answered previously. If you look at the budget, as you say it goes to 139. We have got the additional grants to 2 funds, 94, and as I say, the majority is that but there is a few other million for departmental pressure. So you have got insurance, which no doubt you want to ask about, you have got increases to Revenue Jersey's bottom line as well.

Deputy S.Y. Mézec:

Thank you. Are you satisfied that the increases enable you to deliver all of your aspirations in your Ministerial Plan?

The Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

Thank you. What particular areas do you see as facing funding pressures?

The Minister for Treasury and Resources:

Well, we know that over the last number of years insurance premiums have continued to increase. I do not see that pressure being alleviated even with the increase that we are asking for in this Government Plan. We have just, as we know, unfortunately suffered in the recent stormy weather with the tornado and the gale force 12 hurricane wind, so I think that we can expect insurance premiums, like Islanders are experiencing at large, to continue to have pressure applied to them during 2024.

Deputy S.Y. Mézec:

Okay. Minister, we have previously spoken about staffing challenges in your department. Do you think that those will be resolved entirely because of the measures that you are proposing in this part of the Government Plan?

The Minister for Treasury and Resources:

Well, I do not think we ever in Government look to resolve staffing challenges entirely in the way that your question indicates. We look to try and find an appropriate level. The main increase in staff is in Revenue Jersey. They are facing, as we know, changes to independent taxation, the added pressure and workload around international tax. That is not just exchange of information but it is also the new O.E.C.D. (Organisation for Economic Co-operation and Development) and corporate tax work, together with the fact that in the Government Plan we are providing additional resource to what we might call Revenue Jersey's everyday work, so to continue to improve customer service and also to ensure that compliance work is undertaken. That compliance work brings in additional revenue as well, so those elements of the staff in effect more than pay for themselves.

Deputy S.Y. Mézec:

How do you and your colleagues in the department sit down and work out what is the appropriate staffing complement that you need to deliver your services?

The Minister for Treasury and Resources:

Well, we do it in line with ... in the same way that every other department does. Some elements of my department might have a wish list of services that they would like to provide and the number of people that they would like to provide. There are 2 constraints on that, as I see it. One is the political imperative to do things effectively and efficiently and try to ensure that we are employing appropriate levels of staff. The other, particularly in Revenue Jersey and commercial services, is driven by the difficulty in finding appropriately qualified staff. As I said, if we are talking about the international changes, there is a very limited pool of individuals who can help support us with that work. They need experience of international finance centres, they need experience of international tax and experience with O.E.C.D., et cetera. When it comes to commercial services, we need people with broad experience of procurement in a public services environment. Those 2 areas of skills are quite difficult.

Deputy S.Y. Mézec:

The headcount in the public sector is obviously a subject that has been raised a few times in various political fora recently. At the start of that answer you referred to, I think you said, the same way other departments do it. Concern has been raised about the number of people working for the public sector when there has been political commentary about trying to have value for money and everything the public would expect. How do you make sure that when you are giving permission for the department to bring in more people to undertake particular work or staff particular services that it is necessary and that you are getting the best value for money in doing that?

The Minister for Treasury and Resources:

Well, it is through scrutinising the requests within the department to ensure that they are appropriate: (a) that they are filling a gap, which is a proven gap, and (b) that we can see that, let us say in regard to compliance, there is a payback. As I say, the compliance staff pay back many times the cost of them. Commercial services, when it is operating well, then those individuals also should be able to appropriately calculate a payback from the work that they have done.

Deputy S.Y. Mézec:

Looking at heads of expenditure for other departments, we are aware of some departments forecasting overspends for 2023. What is driving those overspends?

The Minister for Treasury and Resources:

I am quite happy to talk about other departments if that is what you want in this hearing.

Deputy S.Y. Mézec:

We are going to cover a broad range.

The Minister for Treasury and Resources:

Okay, that is fine. Well, it might have been helpful if we had have indicated that in the question area so that we could have had all of the details with us, but that not is a problem.

Deputy S.Y. Mézec:

I think I am asking in general terms.

The Minister for Treasury and Resources:

No, okay, that is fine. As you know, the biggest proposed overspend is Health and there are a number of areas driving that, which I know the Minister for Health and Social Services is being scrutinised on as well. I am supporting them, and we in Treasury, through the value-for-money programme, which is really where our main focus has been throughout 2023, with their financial turnaround plan. They are proposing to be over £20 million overspent. We are trying to manage that number from 29 down towards 20 and we will then have to find ways of funding that post year end. That is certainly is the biggest driver.

Deputy S.Y. Mézec:

When you find yourself in situations where there are overspends, how does Treasury help facilitate dealing with that in a way that is compliant with the Public Finances (Jersey) Law?

The Minister for Treasury and Resources:

Well, there are really, to my mind from a Ministerial point of view, 2 ways of dealing with overspend or proposed overspend. One is sending a very strong and firm message that departments should live within their budgets in line with the finance law and financial direction and indicating throughout the course of the year that that is how one expects the accountable officer to act. Then, of course, when we get towards either the year end or just beyond there is a need to be pragmatic, particularly with a department like Health where we know post-COVID they have had a lot of pressure on their resources.

[9:15]

Therefore, in the run-up to the Government Plan, because we did have the financial turnaround team in place, Ministers felt that being pragmatic, so making sure that the department was going to focus in the medium term on savings but at the same time recognising that it did have pressures, that additional funding would be provided. So that is going forward but also the understanding that during 2023 they were forecasting an overspend and I was quite clear with them in order to have confidence in what they were saying, they needed to deliver some savings in 2023 and they confirmed to me that they remain on track to deliver about £3 million worth of saving in 2023. All that saving does, of course, is help reduce their overspend from around £29 million down.

Deputy S.Y. Mézec:

Just practically, when a department comes to Treasury and reports that despite everything you have just said that it is unavoidable that there will be an overspend, how does that get covered? What budget do you then reallocate from or divert to, to make sure the bottom line is even?

The Minister for Treasury and Resources:

Well, we do not. There is not a budget to deal with overspend. It affects what ... we have obviously allocations for inflation and risk. We have some elements in our budget whereby we have said to departments that they can have this growth funding if certain criteria are met. We also expect that in a general run of the year departments do not spend all of their money and so we have to work through and calculate, using all of that, how we are going to fund it.

Deputy S.Y. Mézec:

You have just mentioned departments not spending all of their money. Are you aware of any areas where at this point you are forecasting underspends this year on areas that were meant to be growth?

The Minister for Treasury and Resources:

Underspends on areas that were meant to be growth?

Deputy S.Y. Mézec:

Yes.

The Minister for Treasury and Resources:

That is always, at the end of the day, departments request growth money and the most likely area where underspends occur is not within the general previous budget but within the growth monies that were allocated for all sorts of reasons. We know that whenever we give departments additional money, I do not know if it is 90 per cent, but largely 90 per cent of additional money across departments goes on staff. We know that in the economy as a whole people and skills are in short supply, so it is not a surprise that departments are not able to spend at the rate that they might have expected their growth monies. If a Government Plan is agreed in December, the budget historically has always been in place for a full year, so from January through, but the recruitment always takes longer than might be envisaged. We did do profiling in this Government Plan to try to mitigate some of that, so we said that you do not need the full amount because you are not going to spend it throughout that period. We know that, take Health for example, it is my understanding that there are some areas of their growth money that they have not been able to fully spend, so that again will help mitigate the overspend. We are joined by the Assistant Minister.

Assistant Minister for Treasury and Resources (2):

I just wanted to add, I think sometimes with growth, from experience being in a department, you may have an extra headcount but, for example, you may think it is a new job, it is a completely new role because the law has changed and we may not have enough for someone to do full-time, so you may, for example ... what I have done previously is recruit someone part-time to start with to see how the work builds up with a view to then perhaps doing a job share if that person does not want to go full-time later on in the year. Certainly my experience was that business partners were always wanting to reprofile and talk fairly seriously about when you were going to fill, so Finance, Treasury keep a very close eye on things like that, but there can be good reasons for it.

Deputy S.Y. Mézec:

I understand and taking that as one potential reason well explained, are there instances where you are recognising that a project that was intended to come to fruition or to grow or what have you is not at the point that had been intended when that growth bid was first made? Is there anything that is not being delivered to the point that you had anticipated it would?

The Minister for Treasury and Resources:

Off the top of my head, I think the waiting list money. Health have not been able to deploy that money in the way that they might have thought they would at the start of the year, as one example.

Deputy S.Y. Mézec:

Moving on to the value-for-money programme, which is obviously one of your Ministerial priorities jointly with the Chief Minister, are all of the estimated savings going to be met by all departments as part of the £10 million figure that was in the previous plan for this year? If not, where is that not going?

The Minister for Treasury and Resources:

The money was taken out of the bottom line from departments at the start of the year, so on the one hand it is quite straightforward for departments to deliver that number because they did not have the money in the first instance. It is just taken out so they can just spend, as we have argued about before, within the overall approach of their budget. I have not been made aware directly of ... looking to my officials because these can change on a daily basis. I am not, as we sit here, aware of any departments that will not, in effect, live within their budget other than, as we have just said, the main difficulties that Health are having.

Deputy S.Y. Mézec:

If that is the case that the savings are incorporated into that bottom line, how can you then tell whether or not they have been successfully achieved? Again, as we have argued on this previously, the value for money savings are meant to be a credible estimation of what can be delivered through something tangible as opposed to an arbitrary figure: "There you go, you have got to save that, good luck." It is meant to be more tangible than that, so how can you tell whether that has been successful and that the savings that you anticipated when the Government Plan was approved are the actual savings that are being made and that they are not failing to be made and then contributing to an overspend?

The Minister for Treasury and Resources:

It is because the majority of departments are not going to be overspending. If you recall, in the 2023 Government Plan we said that there will be £10 million of efficiency savings. We have done the same for this Government Plan. I think just under £8 million was taken straightaway out of any uplift in no-pay inflation across from the central reserve there, so departments did not have to see a change in their budgets. So you are left with a couple of million, what the balancing figure was, and I know in Treasury they tell me that they are on track to deliver their savings. I assume that is the same in the Department for Social Security.

Assistant Minister for Treasury and Resources (2):

I am assured that we are making savings, yes.

Deputy S.Y. Mézec:

Bearing in mind what you have just explained, how has that fed into the process of identifying value for money savings in each department for 2024 and how can you identify those as achievable?

The Minister for Treasury and Resources:

This is where we have had a conversation in the past. £10 million efficiency savings across departments when the overall budget is now, in 2024, £1.2 billion to me - I think we disagree on this - it seems absolutely logical that you can take that money off the bottom line at the start of the year across departments and expect them to run their departments efficiently.

Deputy S.Y. Mézec:

I am wondering how that is proven, though, because the savings were meant to be tangible. It was not meant to be arbitrary and wishing departments good luck. It was meant to be determining that they are genuine value-for-money savings so that they are not impacting on services, that services are not deteriorating as a result of that. I am not hearing much to help me have confidence that it is proven that those specific savings were delivered, that they were absolutely okay and that they demonstrated a decent process to follow for next year.

The Minister for Treasury and Resources:

Previous Governments have taken, I suppose, a slightly different approach. What we did was rather than asking departments to make savings of between £20 million and £40 million on an annual basis, we said it is not unreasonable for departments just to run efficiently and deliver towards that savings target, which we rightly inherited and we hope that we can build on moving forward. So to me it is not unreasonable to expect departments to continue to manage their budget efficiently, particularly when you see the overall growth in government spending.

Deputy S.Y. Mézec:

Okay. I have no doubt we will come back to this. For the 2024 savings, are you confident that there are clear plans in place for the delivery of those targeted value-for-money savings? Do you have a process in place to track and monitor that delivery?

The Minister for Treasury and Resources:

I see the £10 million savings as being departments running efficiently. We know that you will have other Ministers no doubt appearing before their panels saying it is going to be challenging. That is not a bad thing, but again I point to the overall growth in government expenditure during the course of the year 2024.

Deputy S.Y. Mézec:

Okay. I am not picking on any department here for any reason. I am just doing it to take an illustrative figure here, but if you look at Infrastructure, for this year its value-for-money saving is due to be £631,000. Can they tell us where every penny of that saving is coming from?

The Minister for Treasury and Resources:

Well, I do not expect that they can tell you that in the way that you are asking for it. What they should be able to do is manage their budget efficiently so that they can deliver that saving.

Deputy S.Y. Mézec:

So it is an intangible saving?

The Minister for Treasury and Resources:

It is not an intangible saving, no, because if money is not being spent it is a saving, so it is a real saving. I saw some commentary on this when the Government Plan was launched. What we have also got to remind ourselves is that departments by and large have got growth money. That is on top of ... if you think about all the reserves that we have got in place for inflation and risk pressures, that ultimately gets allocated to departments once a pay deal has been negotiated. Departments are getting, because we look at the overall number, I think, substantial increases in their budgets and should be able to deliver what is, in effect, now less than 1 per cent.

Deputy S.Y. Mézec:

If a department's budget for the year has a figure and that incorporates the value-for-money savings in it, it is possible therefore that they may spend that budget without having delivered anything more efficiently. They just meet the budget that they are given but on the ground what they were meant to be doing more efficiently, theoretically may not be happening. They might just meet their overall budget out of luck.

The Minister for Treasury and Resources:

No, out of good budget management. It is not luck. We really do ...

Deputy S.Y. Mézec:

I am trying to work out an example where something is tangibly being delivered with better value for money as opposed to pluck out some numbers and: "Oh, they have met their budget in the end. Good for them." I would prefer to hear from the Minister on this, sorry.

The Minister for Treasury and Resources:

Well, I disagree with your premise. Overall government budgets have quite increased. Departments have got more money to spend. We are asking them to think about spending that efficiently. A 1

per cent efficiency target, doing what you are doing but doing it more efficiently, during the course of this one year is the way that we should be asking departments to run.

[9:30]

It is empowering departments to run efficiently with the very good management teams that they have got in place. I do not agree with the ...

Deputy S.Y. Mézec:

Every department has a number for the 2024 estimate for value-for-money savings and there was an equivalent table in the Government Plan last year. They are specific numbers, so there has clearly been a calculation somewhere to work out what is deliverable. I am trying to work out if what they thought would be the saving has been made; has it been made as it was projected that it would; have some saved more than they thought they would; have some failed to save what they thought they would?

The Minister for Treasury and Resources:

If they have by and large lived within their budget they have acted and delivered their budget efficiently.

Deputy S.Y. Mézec:

They have delivered the budget but they may not have delivered the specific requirement that was put on them that an aspect of what they do will be delivered with better value for money.

The Minister for Treasury and Resources:

I think one of the reasons that we disagreed at the last Government Plan was that I fundamentally believe that departments should be able to deliver an ongoing 1 per cent efficiency saving, particularly when we are seeing departments have increased budgets.

Deputy S.Y. Mézec:

I do not disagree with that at all but I would like to see the evidence. I am trying to find out ...

The Minister for Treasury and Resources:

The evidence is that they have lived within their budget.

Deputy S.Y. Mézec:

Okay. We are getting nowhere here because that is not evidence of that. It can be coincidence, it can be down to other parts that were not allocated as value for money in their departmental programme. I am not saying it is a bad thing.

The Minister for Treasury and Resources:

Well, if you want to refer to it as happy coincidence, I refer to it as departments living within their budgets.

Deputy S.Y. Mézec:

I would love to talk about a tangible example to understand that better.

The Minister for Treasury and Resources:

Of a department that has lived within its budget?

Deputy S.Y. Mézec:

No, a department that has said they can save money on this, they have gone ahead and done it and can prove that they did that and then that meant the rest of their budget had less pressure on it as a result of that specific action.

The Minister for Treasury and Resources:

Well, there will be and no doubt there are examples of that if that is what the Scrutiny Panel would like, but I maintain the view that departments should be delivering efficiency savings and delivering what they deliver more efficiently on an annual basis.

Deputy S.Y. Mézec:

Nobody disagrees with that, I think. Can you update us on the inclusion of speculative savings within the situation of the Government Plan, bearing in mind the advice from the Fiscal Policy Panel last year not to include speculative savings without knowing how those savings will be achieved? As with the previous Government Plan, the value-for-money table in this plan has still an unallocated future savings line of £10 million for the next 2 years without a breakdown of how that will be achieved.

The Minister for Treasury and Resources:

I think we have just been discussing exactly this issue in regard to departments working efficiently. My view is that on top of that ... and I was quite clear last week when the States voted for additional resources for farming and agriculture that that would mean that we will need to come forward with an amendment that might in both of our views require savings that are more speculative. That will be a challenge because, as I said in the States, in voting for it we were potentially going to be running

foul of what the F.P.P. (Fiscal Policy Panel) had said that we should do when we are allocating resources across government.

Deputy S.Y. Mézec:

Are you already falling foul of that?

The Minister for Treasury and Resources:

I do not believe we are for the very reasons that we have just discussed but I suspect we ... I hope we do not but we may.

Deputy S.Y. Mézec:

The next subject now is over to Deputy Andrews.

Deputy M.B. Andrews:

Minister, I would like to firstly ask you about the trends in personal income taxation. The panel last year, during the Government Plan of 2023-2026, asked questions about the percentage of tax revenue that was generated across all the income deciles. I was wondering whether you have had any updated figures since then.

The Minister for Treasury and Resources:

In relation to ...

Deputy M.B. Andrews:

The amount of taxation generated across the income deciles.

The Minister for Treasury and Resources:

Well, I certainly do not have it with me today. I look across to the Comptroller and nor do I think he does either. I suspect that that if it is ... Comptroller, would you just like to come to the table because I cannot remember off the top of my head whether we did provide it last year or it is work that is done in conjunction with the Stats Unit.

Comptroller of Revenue:

Richard Summersgill, Comptroller of Revenue. I believe the Minister answered a written question within the last couple of weeks on this subject and I do not have it with me, but it did state what percentage of total government revenues was represented by personal income tax.

Deputy M.B. Andrews:

Yes, indeed.

The Minister for Treasury and Resources:

That was not the question you were asking, Deputy, was it?

Deputy M.B. Andrews:

No. This was more specifically aimed at the deciles.

Comptroller of Revenue:

The deciles, yes. Well, the last deciles were published in the *Statistical Digest* for the years of assessment 2018 to 2020, so it remains the case that the vast majority of personal income tax is paid by the top 2 deciles and the bottom decile, if not the bottom 2 deciles, pays 2 or 3 percentage points of the personal income tax.

Deputy M.B. Andrews:

Thank you very much for confirming that for me. Minister, in relation to personal income tax, Jersey as a jurisdiction generates a considerable amount of revenue, between about 36 to 39 per cent across say the last 5 years from personal taxation. Do you believe this trend should be allowed to continue or do you believe there should be measures that are in place and introduced to diversify revenue streams?

The Minister for Treasury and Resources:

We have always been a jurisdiction that benefited from international trans-border business and I believe we wish to continue to be a jurisdiction that does that, which has meant that we have had to carefully navigate changes around corporate taxation from international and other bodies. We have always sought to not add additional layers of corporate tax to funds that come into Jersey and are likewise invested around the globe. If we wish that model to continue, we have limited options for, in your words, diversification but, as you know, we are engaged with the O.E.C.D. on their Pillar One and Pillar Two work and that will, when it comes to fruition, give us the ability to broaden that corporate tax base.

Deputy M.B. Andrews:

Okay, Minister.

Deputy S.Y. Mézec:

Can I interject with a question, since we have got the Comptroller here. On this and the different contribution on personal income tax by the different deciles, are you noticing any kind of trend at this point? Are those top deciles contributing even more than they were before or is their overall contribution less compared to the other ones?

Comptroller of Revenue:

It has broadly static year on year. The top 3 deciles are contributing over 70 per cent of the personal income tax. The 10th decile is contributing about 1 per cent of the personal income tax and that is broadly constant year on year.

Deputy M.B. Andrews:

Apologies for throwing this at you, but over how many years do you think that has been static, so any fluctuation at all?

Comptroller of Revenue:

I would have to go back over the figures but certainly over the last 3 published *Statistical Digests* I think it is broadly the same year on year.

Deputy M.B. Andrews:

Thank you. Minister, the panel is obviously aware of the income tax thresholds that have been proposed in the Government Plan but was there any consideration at the Council of Ministers table to potentially amend the marginal tax rate?

The Minister for Treasury and Resources:

No, there was not.

Deputy M.B. Andrews:

There was not at all, okay. The panel also is fully aware of the prior year tax basis. How is that featured in the total States income across the 4-year plan?

The Minister for Treasury and Resources:

It is allocated ... I will just check and make sure I have got the ... I do not know if Nick or Andy wants to come and answer that. I think we allocated on just under £20 million being put into the general revenue or consolidated fund every year. Is that roughly the calculation that we have got?

Head of Financial Planning:

Nick Wallis. I am Head of Financial Planning. In the Consolidated Fund we have estimated P.Y.B. (prior year basis) tax receipts coming in each year roughly to the tune of £12 million. That is in the Consolidated Fund table in the Government Plan.

Deputy M.B. Andrews:

Thanks very much for confirming that. Minister, the panel is aware that we have got tax thresholds, allowances and excise duties that have been proposed. What stakeholder consultation has taken place for you to then propose all of the proposed items in the Government Plan?

The Minister for Treasury and Resources:

As you know, Jersey is quite unique in the way that it handles its budgets. There is some stakeholder consultation on some elements. There was a lot of stakeholder consultation on the RegTech super deduction. There was stakeholder consultation on the V.E.D. (vehicle emissions duty). I think they were the 2 main areas where there ... sorry, the Treasurer is just reminding me of another area where there was.

Deputy S.Y. Mézec:

What was that, sorry?

The Minister for Treasury and Resources:

Discussion with respect of impôts. Then what happens is we lodge our Government Plan and we have even more stakeholder engagement in this period between now and it being debated.

Deputy M.B. Andrews:

Thank you very much, Minister. I would also just like to touch on the proposal from the last Government Plan to make sure that there has been an assessment in place to make sure that you can then appraise how effective those policies have been. Has that been undertaken?

The Minister for Treasury and Resources:

Which proposal are you referring to?

Deputy M.B. Andrews:

In the last Government Plan. Has there been a reappraisal of how effective those policies have been across this year?

The Minister for Treasury and Resources:

Well, the increase in threshold has left more money in Islanders' pockets. We do not need to appraise that. It is self-evident.

Deputy S.Y. Mézec:

Minister, you could appraise it to its length: was it the right amount, did it cover everything, were people still worse off afterwards? You can appraise the degree to which it was successful.

The Minister for Treasury and Resources:

No, you cannot. We have got to stop pretending that there can be a report that will tell us that £2 here or £3 there is going to have done something better. It was a bold initiative. I am not aware ... and we are doing it again because we believe it was the right thing to do to leave money in Islanders' pockets because each Islander is facing a cost-of-living crisis, but it is peculiar to their particular circumstances, so it is right that they make the choice rather than Government do it for them. No element of having an independent assessment is going to tell us whether it was quite the right thing or not. We can see that in my opinion it was. We did make one other ... I do not know if you want to come back, Comptroller. We did the controversial rent-a-room proposal. That is something that we will in due course, when we have got the data, be able to ... we historically have not asked for that information, so the Comptroller from 2024 will be seeking to make an appraisal on that particular measure.

[9:45]

Comptroller of Revenue:

Yes, the rent-a-room relief is one where we would hope to do a formal policy evaluation in due course. It will probably require in the longer run either some survey activity or some changes to the tax return, because in order to deliver that relief quickly, effectively the position at the moment is that taxpayers do not have to declare £10,000 of rent-a-room income. At the moment we are not gathering the data but in the longer term we will gather the data. It is something that is susceptible to survey activity.

Deputy M.B. Andrews:

Thank you very much. Minister, we note with the V.E.D. rates in the last Government Plan they were quite considerable, in fairness. What impact has that had in terms of the revenue that has been generated with the rates that were proposed?

The Minister for Treasury and Resources:

Do we have the year-to-date number that was raised by the V.E.D. changes in the last Government Plan? I do not have them with me and I do not think we do have them with us.

Comptroller of Revenue:

We do have some data which you recently shared with the motor association about trends.

The Minister for Treasury and Resources:

I do not think we have them with us today, is what I am saying.

Comptroller of Revenue:

No, we do not have them with us today.

The Minister for Treasury and Resources:

But if you would like to have that then we can certainly provide it.

Deputy M.B. Andrews:

Okay, thank you very much, Minister. We will move on to thresholds and allowances. The panel is aware that following the 12 per cent increase in tax thresholds and child allowances for 2023 to provide cost-of-living support, this plan proposes reverting to the longstanding policy and uprating of the main tax allowances by the lower of the growth of June R.P.I. (retail price index). It is proposed that thresholds and allowances including child allowances will increase by 7.7 per cent. How has the impact of the thresholds implemented for 2023 been monitored and measured and inform the thresholds proposed for 2024?

The Minister for Treasury and Resources:

You are really asking me the same question you just asked me 3 questions ago and I have got no different answer to provide.

Deputy M.B. Andrews:

But surely there has to be some form of assessment in terms of what has been proposed and then when you come to the latter part of the year when you are proposing the next Government Plan then surely you would learn lessons from what has been successful and what should be continued and what has maybe not been successful and then what you could maybe do to try to circumvent some of those problems from happening again.

The Minister for Treasury and Resources:

I am not sure how raising ... raising the threshold is quite a straightforward thing, is it not?

Deputy M.B. Andrews:

Yes, it is, indeed.

The Minister for Treasury and Resources:

You are leaving money in Islanders' pockets. Is that a good thing or a bad thing? Some of this comes down to politics. Some people would say take more money out of Islanders' pockets and Government can decide what they are going to do with it. Some would say Islanders are the best equipped to decide what they want to do with their money and in a time of a cost-of-living crisis Islanders are the ones who should decide how they spend more of their money to deal with their

individual circumstances. I take that view and, therefore, that is why we made the changes that we did in the mini-Budget and in this Budget we have reverted to still a substantial increase, 7.7 per cent, and I think that that will have the same positive effect.

Deputy M.B. Andrews:

When we are looking at, say, the personal income threshold, in a previous hearing it was spoken of the threshold that is being proposed is much higher compared to other jurisdictions. So was this from you or was this among the Council of Ministers who decided that the rate such as the one that is being proposed should be put forward in the Government Plan?

The Minister for Treasury and Resources:

Let us just be clear as well. The Government Plan since the change to the finance law 3 or 4 years ago, maybe 4 years ago, is now a Government Plan that is very much a consensus view of the Council of Ministers. My officials in Treasury do a lot of the legwork and number crunching but it is led by the Council of Ministers, so Treasury present options to the Council of Ministers. It is, of course, correct that the Minister for Treasury and Resources is the only Minister who can bring forward changes to the taxation law, which this is, and I agreed with my colleagues that this is a reasonable and appropriate change to make.

Deputy M.B. Andrews:

But initially was there a political message to officers to say: "We want to support Islanders and please may you go and do a feasibility into increasing income tax thresholds" or did officers themselves decide: "Shall we maybe look into increasing income tax thresholds" and then you found out later on the work that was being undertaken?

The Minister for Treasury and Resources:

Officers do not decide things of themselves and it is not fair to suggest that they do. Officers come and sit down and we have early meetings around the Government Plan and they ask me: "Well, Minister, what would you like us to think about with this issue? What would you like us to think about with this issue?" They remind me, if I need reminding, of what the standing approach and policy is, what the decisions were last year and we have those conversations and they go away and prepare modelling. We also remind ourselves that the entire Government Plan is a balance and that balance is changes to thresholds do have a direct effect on how much money the Government have coming in in order to spend on services.

Deputy M.B. Andrews:

Thank you very much, Minister. I will hand back to the Chair.

Deputy S.Y. Mézec:

Okay, thank you. The next questions are from Deputy Farnham.

Deputy L.J. Farnham:

Good morning. I wholeheartedly support the policy to leave money in Islanders' pockets. That is certainly the right way, I think, to assist members, but the combination of current economic factors, high inflation and high interest rates, is probably taking a lot more money out of Islanders' pockets than we are leaving in. Bank interest rates are now 5.25 per cent and this time last year I think they were somewhere around 3 per cent and they are forecast to stay at those levels for some time to come. They could increase slightly; let us hope they do not. Let us hope they can stabilise now and then start to reduce. Do you have an up-to-date view on the pressures being felt by Islanders in relation to this specifically in relation to mortgage rates and do you know how many, roughly, Islanders are impacted by the current situation?

The Minister for Treasury and Resources:

I do not have those figures in front of me today but we can certainly provide you with the latest sentiment. We know that the F.P.P. will be publishing their report. I think they are briefing today, so it is going to be interesting to see what they say about those forecasts. We are starting to see unfortunately some commentary over the weekend suggesting that inflation might continue to be stickier than was thought a few months ago, although equally they are suggesting that U.K. (United Kingdom) inflation might go below 5 per cent. Interest rates, we know that they have 2 M.P.C. (Monetary Policy Committee) maintenance of the current rate. We know that forecasts were that they would fall off slightly. I think we are seeing in the money markets an expectation that they will fall off slightly and we are, for the first time, seeing fixed rate mortgages fall slightly from what they were. We come back to, when it comes to mortgages, the difficulty of the treating of or giving benefits to mortgage holders and home owners who have mortgages differently from the rental market, but it is something that we continue to watch and engage with banks on. The last number of conversations I have had personally with banks is that they are not seeing stress in the market in the way that we know they are seeing elsewhere in the United Kingdom, but it is something that we are very mindful of because overall across the economy Islanders are still struggling with the cost-of-living crisis.

Deputy L.J. Farnham:

Was halting of the phased removal of mortgage interest relief considered?

The Minister for Treasury and Resources:

Well, I am not sure it was considered by the Council of Ministers but I certainly asked for an update from the Comptroller about the cost of doing that, about the actual benefit of doing it to the economy,

and from both of those perspectives it was not something that was argued as being the right approach to take at this point.

Deputy L.J. Farnham:

Do we know what impact that would have had on the budget?

The Minister for Treasury and Resources:

As I say, I do not have those figures. We can certainly provide them to you and I can provide you with the latest information that the economy team have from their engagement with the banking sector.

Deputy L.J. Farnham:

Was consideration given to the impact that mortgage pressures on Islanders might have on the overall economy, their ability to spend? While there might be, the banks have not seen as much impact as they would have thought but it certainly would have impacted on Islanders' ability to spend and the knock-on effect of this on G.S.T. (goods and services tax), excise, et cetera, or was it not considered to be ...

The Minister for Treasury and Resources:

Of course, all of those things are considered in the economic assumptions that the F.P.P. provides and then they are taken into consideration by the Income Forecasting Group. They are all considered and you are right, Islanders that have got increased mortgage payments can only, just like Government, spend that money once. If they are having to spend additional money on their mortgages, it means they have got less money for other pressures.

Deputy S.Y. Mézec:

On to alcohol, tobacco and fuel duties. The first question I was going to ask was about how you had monitored the impacts and outcomes from the freezes on alcohol and road duty in the previous Government Plan, but I suspect you might repeat your answer from the question about allowances.

The Minister for Treasury and Resources:

Did it help Islanders with the cost of living because we froze duty on fuel?

Deputy S.Y. Mézec:

Do you have any tangible analysis confirming so?

The Minister for Treasury and Resources:

Well, of course it did because we all paid less than we would have paid had we increased impôts.

Deputy S.Y. Mézec:

One of the reasons that the fuel duty freeze was perhaps more contentious than it might otherwise have been was because of the carbon neutrality agenda at the same time, which I presume you would have done work on to work out what the appropriate balance there was between the cost-of-living agenda and the carbon-neutral agenda, which are seemingly coming at this policy from completely different angles?

The Minister for Treasury and Resources:

Well, no, they are not, are they, because the change in this Government Plan is to revert back to the carbon neutral approach front and central, and that is why you see a different rate for biofuels than you do for other carbon fuels?

Deputy S.Y. Mézec:

Do you have any analysis to give us on what the freezing of road fuel duties in 2023 had on helping to deliver the carbon-neutrality agenda?

The Minister for Treasury and Resources:

On helping to deliver it?

Deputy S.Y. Mézec:

Yes.

The Minister for Treasury and Resources:

Well, it did not put people off with an increased cost, did it, from using fuel? As with all government policy, and certainly with the Government Plan, it is a balance and I believe it was absolutely the right thing to do to freeze duties at that point in time.

Deputy S.Y. Mézec:

One argument in support of that that would have been made at the time, and some may well choose to make it at this moment in time, was that the raising of fuel duties can have a knock-on effect on other things rather than just those who are at the pumps paying for their petrol but in terms of delivering food and that kind of thing, the cost of which can disproportionately affect those on lower incomes. That kind of argument about the knock-on effects from it, what consideration did you give to that when considering the measures on fuel duties in this Government Plan?

The Minister for Treasury and Resources:

Let us just say there was a robust conversation around the Council of Ministers table, because I think those arguments can be made. Those arguments are, of course, then offset by moving the carbon neutral agenda forward.

Deputy S.Y. Mézec:

On the basis that there was a robust discussion, was consideration given to repeating what you did last year with fuel duty?

The Minister for Treasury and Resources:

It was and that was, of course, part of the discussion.

Deputy S.Y. Mézec:

Why was that conclusion not reached?

[10:00]

The Minister for Treasury and Resources:

As I said, all of these things are a balance. If we want to raise revenue for departments to spend on what they say are their pressures, then there are only so many ways that we can raise that revenue, bearing in mind that increasing duty on fuel is in line with the carbon neutral road map.

Deputy S.Y. Mézec:

Was that the argument that ended up prevailing when this decision was made or were there other considerations that you think ...

The Minister for Treasury and Resources:

Obviously back to reverting to increasing duty in line with the carbon neutral road map.

Deputy S.Y. Mézec:

Okay. For 2024, the proposal for alcohol duties to be raised by 8.9 per cent is said to be to strike a balance between the public health goals and the Government support for the hospitality industry. What work has been done to analyse the effectiveness of that particular approach to those 2 objectives?

The Minister for Treasury and Resources:

Again, we are in the world of balance, are we not? We have got the health protection and health promotion argument that says alcohol duties should be substantially raised above that which we are proposing, and then we have got the hospitality sector who quite clearly are finding things difficult

with the cost-of-living crisis and the state of the economy. Since the Government Plan was lodged, I have met again with the hospitality sector and heard their views and they have made some suggestions to me that we are exploring.

Deputy S.Y. Mézec:

Is it your view that the lever of alcohol duties is an effective one to pull or push to effect the Government's public health goals?

The Minister for Treasury and Resources:

It is certainly the view of public health.

Deputy S.Y. Mézec:

Is it your view?

The Minister for Treasury and Resources:

I am a Minister, one among many, and ...

Deputy S.Y. Mézec:

It sounds like it.

The Minister for Treasury and Resources:

... I have to ensure that we lodge a Government Plan that is balanced and does not breach public finances law. Again, this is another area around the Council of Ministers table where there is robust conversation.

Deputy S.Y. Mézec:

I am sure. There is a line of thought that says that simply making alcohol more expensive is not the most effective way of effecting the public health goals we might have on reducing alcohol dependency or alcohol abuse and of course the effect it has on inequality. How much did that argument feature in your thinking about whether to go ahead with this particular rise in alcohol duty or an alternative rise you might have considered?

The Minister for Treasury and Resources:

Let us just be clear. I do not think that is a line of thought that is supported by any of the health professionals. The health professionals are quite clear in their view and that is a perfectly legitimate view. Let us not try to pretend that it is something else. There is that view, and then there is the view that is also clearly articulated in the current economic circumstances from the hospitality sector.

Deputy S.Y. Mézec:

I am sorry if I misunderstood that answer. The view that raising alcohol duty, making alcohol more expensive, to put people off buying it and therefore risking becoming dependent on it or taking too much of it, is that a view that is influential in determining what the alcohol duty rate ought to be?

The Minister for Treasury and Resources:

That is the view that is articulated by health colleagues and therefore that is a view that should be appropriately considered and that is the view which was balanced slightly, which is why it is not the full amount, from the view of the economy.

Deputy S.Y. Mézec:

So that line of thought or that argument is one that has contributed to this particular policy being as it is?

The Minister for Treasury and Resources:

Of course it has.

Deputy L.J. Farnham:

I would like to pursue that a little bit in relation to investing in greater programmes of education, and greater support mechanisms for people with problems with alcohol and addictions in general. The only result that is achieved by putting prices up is sometimes negative in relation to putting the price up will not stop an alcoholic from obtaining alcohol, but we will save that for another time. The proposal to reduce biofuel by 9 pence a litre is going to cost about £85,000. What impact will that have on the Climate Emergency Fund?

The Minister for Treasury and Resources:

That money will not go into the Climate Emergency Fund, but then it should not go into the Climate Emergency Fund because it is clean fuel.

Deputy L.J. Farnham:

So that is no impact because it would not have gone in?

The Minister for Treasury and Resources:

It is very little, but it cannot be right that we are penalising those who are spending what is considerably more on biofuel.

Deputy L.J. Farnham:

Moving from a similar argument to alcohol and on tobacco the increase as a deterrent, do you have any data to substantiate that this is working, exponentially increasing duties on tobacco?

The Minister for Treasury and Resources:

I am not a health professional and you have touched on 2 areas that are driven by Health.

Deputy L.J. Farnham:

You are the Minister for Treasury and Resources. You have got to know everything.

The Minister for Treasury and Resources:

No, by health professionals. You have made some commentary about your views about the health professionals, and certainly when it comes to alcohol they never say it is just about cost but they say that cost is a big driver. You also have to have those other programmes. You will see there is money in this Government Plan for health promotion, public health, but the Comptroller might have the latest numbers around tobacco and those numbers. We in Treasury are mindful that there can be, because of the nature of our geography, an unintended consequence of people buying them duty free and we see more of that happening.

Comptroller of Revenue:

I do not have the numbers but the World Health Organization, as the Minister says, and all the health professionals are quite clear that keeping pressure on price is one of the significant levers for reducing consumption. Jersey, through the U.K., is a signatory to the tax compliance framework, which very much encourages the approach of quite high rises while encouraging all the other health interventions to help people kick the habit. We are seeing evidence that internationally the major tobacco manufacturers are beginning to prepare, early signs, for a tobacco-free world.

Deputy L.J. Farnham:

Which would be welcome for many. I guess what I am asking is when the Council of Ministers are deciding these decisions that do have a great impact on certain sectors of our society, and when you are endeavouring to balance public health objectives with your fiscal strategies, how is this approached? I am not expecting any of the Ministers here today to know everything about everything, but surely that must be part of your robust discussions when you are making these decisions or recommendations at the Council of Ministers. How much do you consider the balance of public health objectives with the fiscal strategies?

The Minister for Treasury and Resources:

We do, and that is why I have indicated that we have had robust discussions.

Deputy L.J. Farnham:

So do you feel the balance is right between the price pressure and the other health support measures for reducing usage?

The Minister for Treasury and Resources:

The balance is what the Council of Ministers have agreed to put in the Government Plan.

Deputy L.J. Farnham:

Okay. We will move on to vehicle emissions duty. Significant increases in V.E.D. were implemented for 2023 for nearly all vehicles. The highest 2 bands were increased by 72 per cent and 85 per cent respectively, the lower bands by 32 per cent. The rationale provided in the last Government Plan was to encourage the shift to electric vehicles. Was this encouraged through the implementation of this proposal and how has the benefit of that impact been measured?

The Minister for Treasury and Resources:

I am not sure who wants to come in. We engaged at length with the motor trade industry to first understand what they were seeing in the market, as well as the figures that we had internally. Then we engaged at length prior to the submission of these proposals in the Government Plan. Again we, with these proposals, have a balanced approach but the Comptroller can talk about the numbers.

Comptroller of Revenue:

As we mentioned earlier, we certainly have data on the growth in electric vehicles and the reduction in other forms of vehicles, so there is some data that is being tracked both by the Department for the Environment and then by us when it comes to looking at tax issues.

Deputy L.J. Farnham:

That is good news. We know there have been difficulties in the supply chain of electric vehicles due to one thing and another. Do you think the switch over or the success of the scheme would have been greater? Is there any evidence to suggest that difficulty in obtaining certain electric vehicles has ...

The Minister for Treasury and Resources:

I think the difficulty in the industry was experienced around the importation of second-hand I.C.E. (internal combustion engine) vehicles and the price margin that the increase in V.E.D. they felt was eliminated and therefore the supply of cheaper second-hand I.C.E. vehicles were impaired. It is more about that than it was about the supply of electric vehicles.

Deputy L.J. Farnham:

In relation to the increase of 32 per cent in V.E.D. in the lower tier, 32 per cent was the lowest increase, what impact do you think that would have had on lower income earners who rely on their vehicles? Has that been identified? Do you think it is disproportionate?

The Minister for Treasury and Resources:

I do not think it is disproportionate but the impact of what happened previously, which is why we engaged with the Motor Trade Federation, was as I say around that supply of cheaper second-hand vehicles which, over the last number of years, has been the mainstay of Jersey's motor industry.

Deputy L.J. Farnham:

Do you think or know that the big increase at the higher end on the great big ... I was going to say gas guzzling, but the big polluting vehicles, has the exponential increases in V.E.D. achieved their purpose, or do you largely feel they are being soaked up, as affordability is quite often not an issue at that end of the market?

The Minister for Treasury and Resources:

Well, according to the federation, that is the area where they have least concern, but what that is doing is putting money into the Carbon Neutral Fund to provide funding for other changes.

Deputy L.J. Farnham:

Yes, but you are not sure. Do you have any figures?

The Minister for Treasury and Resources:

I am just being diplomatic, Deputy.

Deputy L.J. Farnham:

All right. Still having to be diplomatic, what consultation have you had with the industry recently?

The Minister for Treasury and Resources:

As I say, we have had a lot of consultation with them prior to the publication of the Government Plan.

Deputy L.J. Farnham:

What is the rationale for including hybrid vehicles as subject to V.E.D. charges?

The Minister for Treasury and Resources:

Because previously one of the unintended consequences is, as I understand, that you could have a hybrid vehicle with a V8 engine. You do not need to run your hybrid bit of the vehicle and you would end up with a zero or near to zero V.E.D. charge, so you could, for example, and I will not say

Volkswagen, let us take a Range Rover, so you could have a Range Rover Sport that was hybrid, with a V8 engine in it, run it always on petrol, never use the 12 miles that you get from your electric bit and pay no V.E.D. It was the motor industry that said to us that appeared to be an unfairness, which needed correcting.

Deputy L.J. Farnham:

Yes. It would be odd to buy a hybrid vehicle and only use the petrol side of it but ...

[10:15]

The Minister for Treasury and Resources:

It would not.

Deputy L.J. Farnham:

Okay. Stamp duty.

Deputy M.B. Andrews:

Thank you very much, Deputy Farnham. Minister, looking at the Fiscal Policy Panel report, they made an economic assumption for 2023 that the number of housing transactions would fall by 50 per cent and that trend would likely continue. What impact do you believe a first-time buyer scheme will have to provide not only injections in the housing market but also to generate stamp duty revenue as well?

The Minister for Treasury and Resources:

Because the market is so uncertain we know what the F.P.P. forecast, we can see what the market is experiencing to date, and I think it is fair to say that there is a differential between those 2, so the changes to first-time buyer stamp duty rates might help meet that differential so that the market might perform in line with the F.P.P. assumptions.

Deputy M.B. Andrews:

Have you done any economic modelling to see how many transactions potentially could take place and the amount of stamp duty that could be generated through first-time buyer transactions on the scheme?

The Minister for Treasury and Resources:

In a market that is suffering I think we can say extreme stress, where we are informed by that particular industry that the only sales that are taking place are where people are prepared to see between a 10 per cent and 20 per cent reduction in what their post-COVID market value might have

been, it is quite difficult to do the modelling that you have suggested. Comptroller, I am not sure what modelling you have done to get at the figures in the Government Plan.

Comptroller of Revenue:

I think I am right in saying there has been some modelling done to inform the income forecasting group, but as you have already said, the forecasts for stamp duty are suppressed now and the major changes have been this year for first-time buyers' benefit.

Deputy M.B. Andrews:

Minister, I would like to ask you a question regarding an economic policy that was proposed, I think, by the Minister for the Environment in the Island Plan at the end of last term. It is regarding private developers who build over 50 units and there has to be an affordable allocation of housing units on discharging properties. Do you believe that has potentially impacted private developers building at economies of scale over 50 units and has that then led to a loss in stamp duty tax revenue?

The Minister for Treasury and Resources:

I do not have them with me, but we would need to look at what the numbers for stamp duty were during the period since that proposal. We know that the market has changed quite dramatically since those proposals were brought forward.

Deputy M.B. Andrews:

Minister, we must also be mindful that there have been a number of developments that have been rejected in the last few months, and that would have potentially led to more stamp duty revenue across the period of the Government Plan. Do you believe that some of the figures that have been in place in the Government Plan potentially may be misleading and those figures potentially could be reduced?

The Minister for Treasury and Resources:

No. The figures in the Government Plan are not misleading. These are forecasts, so by their very nature we all know that forecasts will prove in practice to be incorrect. In some places forecasts can be under-forecast and in others they can be over-forecast. We cannot constantly adjust for the latest month's number in the Government Plan. We must take a longer-term view recognising that forecasts will never be correct.

Deputy M.B. Andrews:

But if we are looking at, say, some of the trends that we see in the Government Plan and if we look at the planning process, at the moment there seems to be a number of rejections where we could

be generating millions of pounds in stamp duty but if those homes are now not going to be in the pipeline surely we will see a reduced amount of stamp duty revenue compared to previous years.

The Minister for Treasury and Resources:

We may be, but these are forecasts and they are the best forecasts from the independent economists that we have got. We should not just change our forecasts based on one rejection of an application, whatever we might feel about that application.

Deputy M.B. Andrews:

Minister, obviously we have spoken previously about the first-time buyer scheme and it is £10 million that has been allocated, but have there been any discussions about having a permanent scheme in place to assist first-time buyers before the end of this term of office?

The Minister for Treasury and Resources:

Of course we know that colleague Ministers have suggested that that is what they would like. We in Treasury take the view that this was £10 million, it is a good scheme, but we need to see that it works before we allocate further resources to it.

Deputy M.B. Andrews:

Do you think between 5 per cent to 40 per cent as a shared equity loan is prudent, or do you think those numbers potentially could be altered, say, if there was to be a permanent scheme in place?

The Minister for Treasury and Resources:

That is why we need to get this scheme up and running so that we can do that analysis.

Deputy M.B. Andrews:

Indeed.

Deputy L.J. Farnham:

Maybe a survey or 2.

Deputy M.B. Andrews:

Thank you very much, Minister.

Deputy S.Y. Mézec:

I will bite my tongue on that. Minister, the next few questions relate to table 11 in the Government Plan, which is the income forecasts, including “Additional Income Measures” and specifically the line for: “Additional Income Measures, Increased Collections: Domestic Compliance” and ...

The Minister for Treasury and Resources:

We have got the Comptroller here to answer this.

Deputy S.Y. Mézec:

Indeed, in place ready to go for this, hopefully. It was projected that £15.5 million would be contributed as outlined in the previous Government Plan through the compliance strategy workstream. Is this going to be achieved in 2023 and how has that gone? Feel free to defer to the Comptroller.

Comptroller of Revenue:

Yes. I believe we are on track to achieve that. For the last few years we have been publishing an annual compliance programme that sets out the areas of the economy where we will be able to take in compliance work. That has been gradually building over the last few years since 2016 and we now have a good but small team of compliance officers, it is set to increase slightly, that is doing effectively a range of interventions from fairly basic desk audits to full tax inspections of business premises and so on. We are finding a range of errors and under-declarations of varying sizes, so the programme is working very effectively.

Deputy S.Y. Mézec:

How much of that are you encountering that you could categorise as perhaps innocent miscalculations, accidents and so on versus perhaps pushing loopholes to their limits, or negligence?

Comptroller of Revenue:

I would say we find the whole gamut of things and it is quite difficult to express it in percentages at the moment. For the last couple of years we have had a range of new civil penalties, which the States Assembly granted to us in about 2020, so for the last 2 years we have started to use those, very softly-softly to begin with, but increasingly those will be used. Those will provide data that will enable us to say more about that in the future. If we are satisfied that an underpayment is entirely innocent error the penalty is 0 per cent. If we are quite certain it is a deliberate act of evasion the penalty is 100 per cent, and there are varying penalties across the spectrum. Our officers are wherever possible applying those penalties where it is appropriate to do so, so that will in the future give us a much better handle on the different types of underpayments that we are coming across, and indeed overpayments.

Deputy S.Y. Mézec:

Do you have the ability to push those penalties into the criminal realm?

Comptroller of Revenue:

Yes. Again about 2 to 3 years ago the States Assembly helped us modernise all our criminal sanctions. They were not in a very good shape, it is fair to say. They needed review and we now have a suite of criminal sanctions in addition to the civil penalties that can be used in the extreme cases where it is appropriate to do so. They have not been used very greatly up to now. We are just beginning to use them.

Deputy S.Y. Mézec:

In 2024 it is projected that Revenue Jersey will contribute a further £16 million on this line of domestic compliance. How is that going to be achieved and are you confident it can be achieved?

Comptroller of Revenue:

Yes. We have some good data now from previous years. Our compliance programme to date has been touching a fraction of 1 per cent of the taxpayer community, so we are quite confident that as we grow our capability and build up our ability to undertake a larger compliance programme it will be quite feasible to deliver those increases in revenue.

Deputy S.Y. Mézec:

The line in that table, this £31.5 million recurring over the next few years, how do you reach that calculation?

Comptroller of Revenue:

It is a mixture of analyses, because historically in most tax administrations you will find errors and under-declarations every year. Some of those will be one-offs that will not repeat in future years. Others will be where you are correcting some form of mistake that then has a benefit into the future. We take stock of what we are finding and project forward from that basis.

Deputy M.B. Andrews:

Minister, I would like to ask you several questions about some of the economic policies that have been proposed in the Government Plan. Looking at the regulatory technology super tax deduction, what input has the Jersey Financial Services Commission had and Jersey Finance in the proposals?

The Minister for Treasury and Resources:

As you are aware, the Financial Services team in Government have been doing quite a lot of work on technology and issues across the financial services industry. Some of that is very much involved with the regulatory approach to the use of technology and how it can support client onboarding and all those sorts of issues and that has also involved J.F.L. (Jersey Finance Limited), largely through

what we call the fiscal strategy group, so that is advisers who help us think about tax and how it is working and how the tax system is working. All 3 of those have been involved from very early thought processes.

[10:30]

Deputy M.B. Andrews:

Okay, so how has conflict been managed? For instance when we are looking at Jersey Post and the Government of Jersey then being a shareholder of Jersey Post to have RegTech interest in terms of the investments they have made.

The Minister for Treasury and Resources:

I do not see the conflict. I know that some of your colleagues think there is a conflict. This is a regulatory super deduction. The aim of it is to encourage the financial services industry on a pilot basis for 2 years to invest in technology. It is not a direct benefit to a local RegTech company, whoever owns that. It is a benefit to the financial services company and they are the ones who will make the decisions about the investment; they are the ones who will make the decisions about the technology. We already know that there has been an increased regulatory burden in financial services for many years. We know that there is a skills shortage in compliance right across the Island and this is what we think is an important measure to address some of those issues.

Deputy M.B. Andrews:

Thank you very much for your answer there, Minister. In relation to the unilateral relief and the 60-day threshold for short-term visitors, what dialogue has taken place between yourself, the Chief Minister and the Minister for External Relations?

The Minister for Treasury and Resources:

The dialogue has taken place across industry. We know that we do not have many double taxation agreements around the globe. Part of this relief allows us to manage that, so it will allow Jersey practitioners to practice elsewhere and they will be able to offset the lower of those 2 tax liabilities, so it means that people who are in Jersey can do work elsewhere and they will not be penalised for it, so it keeps their expertise and skills here. When it comes to the other change around 60 days, the reality is that that is largely what is happening in practice, so we are in effect normalising it and what we are saying is after the 60 days we will be much clearer and ensure that taxation is paid. We have made the increase in the licence that is needed. I am not sure if that has gone into the public domain yet, that decision, but those licences will be increasing as well.

Deputy M.B. Andrews:

Yes, okay. No, thank you very much, Minister. Thank you, Chair.

Deputy S.Y. Mézec:

Okay. Moving on to overall public spending, this Government Plan is proposing around about £1.2 billion net revenue expenditure after depreciation for 2024, which is up from £1.05 billion the year before. In 2023 what has been the effect of inflation on government spending and how has that contributed to determining for next year?

The Minister for Treasury and Resources:

The effect of inflation in 2023 was dealt with when we lodged the 2023 Government Plan. We put into reserve ... we allocated money to deal with inflation, and we have done the same in this Government Plan. But you are targeting or hitting on the issue that of course there is some growth across departments directly for new projects but you have got a big reserve number for inflation, which will be dealt with during the course of the year. Then you have also got that big number for the transfer into the Social Security Reserve Fund. You have really got those 3 pots of growth; inflation, Social Security Reserve Fund or supplementation, as we call it and then growth across departments.

Deputy S.Y. Mézec:

Okay. In 2024 I think it is £70 million held centrally for assistance with continued inflationary pressures, how confident are you that that is a sufficient amount?

The Minister for Treasury and Resources:

It is a forecast, so I can only be as confident as that. It is based on F.P.P. advice and the Forecasting Group. It seems to me that it should be a sufficient number.

Deputy S.Y. Mézec:

What flexibility do you have in case the forecast turns out to be too optimistic?

The Minister for Treasury and Resources:

This is where we expect departments to manage their budget. If it is too optimistic then we will need to make adjustments elsewhere.

Deputy S.Y. Mézec:

What is your assessment of the impact of inflation on income and expenditure for this year compared to last year?

The Minister for Treasury and Resources:

I do not have the F.P.P. figures in front of me. I do not know if other officials do. I am not sure: what do you mean by assessment?

Deputy S.Y. Mézec:

It is a general open question; how is it featured in your thinking? What have you changed as a result?

The Minister for Treasury and Resources:

It is going to continue to be difficult. As I said earlier, 6 months ago economists were expecting inflation to have been falling a little bit more than we have seen and we are starting to see for the first time, as I said, commentators thinking that it might be even stickier than they had thought previously.

Deputy S.Y. Mézec:

Okay. On to borrowing and investments, the first question is from Deputy Farnham.

Deputy L.J. Farnham:

Yes, thank you. I will talk slowly so you can get to the right page.

The Minister for Treasury and Resources:

Yes, thank you.

Deputy L.J. Farnham:

That is okay.

The Minister for Treasury and Resources:

I appreciate that.

Deputy L.J. Farnham:

Considering the cost of borrowing, what is the profile of the Government's present and future debt in houses being managed under the present economic circumstances, shall we say?

The Minister for Treasury and Resources:

As you know, we have got a structure in place to help with the management of our reserves, the S.I.F. (Specialised Investment Fund). The only change that we have made recently is a movement away from fixed-term bonds to manage the risk there. But otherwise it is always under review by the T.A.P. (Treasury Advisory Panel) and the pension funds, investments are under review by the appropriate management bodies there.

Deputy L.J. Farnham:

Okay. Can we just move on now to the new hospitals briefly? I call them hospitals because I think there are going to be about 4 new hospitals, according to the plan. Can you outline the progress being made in establishing what the finance is for that? How much are they going to cost? Can you tell us that yet?

The Minister for Treasury and Resources:

I have got nothing really to add from what you asked me a couple of weeks ago at the quarterly hearing, where we probably spent 20 minutes.

Deputy L.J. Farnham:

When you said you did not have basically ...

The Minister for Treasury and Resources:

No, I said I have got nothing to add to that.

Deputy L.J. Farnham:

Okay, I am trying to recall what you said. It was so protracted I could not really

The Minister for Treasury and Resources:

That is kind.

Deputy L.J. Farnham:

The Assistant Minister, Deputy Ahier, helpfully answered questions in the Assembly in your absence to state that it was appropriate but Treasury should publish the costs as and when they know and will you undertake to do that: yes or no?

The Minister for Treasury and Resources:

You asked me that question at the quarterly hearing, as I say, a couple of ...

Deputy L.J. Farnham:

This is this hearing, this is a different hearing now, so ...

The Minister for Treasury and Resources:

No, a couple of weeks ago and I do not make any change to the answer that I gave at that point.

Deputy L.J. Farnham:

Okay. Given that you do not know what it is going to cost, can you outline the progress being made in establishing borrowing for something you do not know the cost of yet?

The Minister for Treasury and Resources:

I do not want to get dragged into another 20 minutes of you asking the same questions ...

Deputy L.J. Farnham:

Okay, all right. No, well after those 20 minutes you had about 18 of them, we had 2.

The Minister for Treasury and Resources:

... and me answering in the same way; it is not productive. You know the amount that is in the Government Plan that is being asked for and you also have indicative figures of the development to build the acute hospital at Overdale. The undertaking in the Government Plan to come back to the Assembly early before summarising next year with the detailed proposal for the acute hospital facility and at that point we will also be coming back with the funding for that acute hospital at Overdale. We keep markets under review, as we have just said in this hearing. Interest rates have remained flat for the last 2 decisions by the Monetary Policy Committee. Economists continue to forecast a coming off of interest rates in the short to medium term. I do not think we can be sure exactly how much that will be, although we do see bank fixed rates on mortgages slightly reducing. It is important that we do not go to the market at the wrong point. We will, I think, even by the time we get to summer, be looking for some blended approach that could be borrowing against our existing reserves and it could also be borrowing on the open market.

Deputy L.J. Farnham:

It is proposed that the revolving credit facility be used to fund £52 million, which I think was the 2023 approval of the costs associated with the new hospitals, increasing the total amount borrowed for 2024 to £142 million, can you explain the rationale for using the revolving credit facility and how this was decided upon and also how the drawdown will be managed?

The Minister for Treasury and Resources:

It will be managed in the normal way, as we have always done with the revolving credit facility. It quite simply is matching short-term requirement for spend with short-term lending arrangements.

Deputy L.J. Farnham:

Out of the £52 million that was approved last year, there was a presentation yesterday or the day before we heard that that had been utilised pretty much. Do you have any breakdowns available of what that has been spent on?

The Minister for Treasury and Resources:

The money spent during the course of 2023?

Deputy L.J. Farnham:

In 2023.

The Minister for Treasury and Resources:

I do not have that with me but I am sure that the team can provide that for the panel.

Deputy L.J. Farnham:

It is proposed that the money will be held in the Strategic Reserve and transferred to Consolidated Fund, I am presuming. Funds to be used for our new hospitals will be held in Strategic Reserve; that is still the plan.

The Minister for Treasury and Resources:

Andy will just come and help answer that for you.

Deputy L.J. Farnham:

Yes. I think that is a hybrid of what was proposed last time. Any borrower will ...

The Minister for Treasury and Resources:

Yes, you need to go.

Assistant Minister for Treasury and Resources (2):

Do you mind, I have a meeting at 11.00 a.m. with some of the Ministers and ...

Deputy S.Y. Mézec:

That is okay, yes. No, we have been told, yes. That is okay, thank you.

Assistant Minister for Treasury and Resources (2):

Thank you, my apologies.

Deputy L.J. Farnham:

Andy, thanks.

Group Director of Strategic Finance:

Hello, Andrew Hacquoil, group director of Strategic Finance.

Deputy L.J. Farnham:

Yes. The question is funds borrowed or allocated for the new hospitals and the new healthcare facilities will be held in the Strategic Reserve, how will that be managed?

Group Director of Strategic Finance:

That is correct. It is maintaining the previous policy of borrowing proceeds being credited to the Strategic Reserve and then drawn down to the Consolidated Fund when the expenditure is incurred. When using the revolving credit facility that is less relevant because you only draw down the revolving credit facility to match expenditure. If, as the Minister said, market conditions change and it was the right time to go to market, you cannot borrow exactly what you need. You generally have to go out for sort of a substantial amount, so it would be maybe a couple of hundred million or a relevant lump.

[10:45]

If that is not all needed so far it will be held in the Strategic Reserve up to the point it was drawn down for borrowing. The short answer is using the R.C.F. (revolving credit facility) it will not make any difference, there will not be a particular timing delay. If you are using a sort of longer-term instrument, the Strategic Reserve will be used to hold the funds until then.

Deputy L.J. Farnham:

Okay, understood, thanks, Andy.

The Minister for Treasury and Resources:

Which I think, as you said, is not a change.

Deputy L.J. Farnham:

I am not sure, just as a supplementary, what are the forecast returns currently Strategic Reserve, given the current ...

The Minister for Treasury and Resources:

We are currently standing at, rather than trying to find the page in my notes, I think it is about £6.4 million, is it, overall on the reserves, which is just slightly above benchmark?

Treasurer of the States:

Yes, I am not sure but I am trying to find the page.

The Minister for Treasury and Resources:

Okay.

Treasurer of the States:

But roughly about 6 per cent ...

The Minister for Treasury and Resources:

Yes, slightly over that, yes.

Deputy L.J. Farnham:

Yes, okay. Okay, thank you.

Deputy S.Y. Mézec:

Okay, thank you. In terms of the Island's borrowing and investments, could you just give us your assessment of the financial position for the end of this year and what you are anticipating may be the risks next year?

The Minister for Treasury and Resources:

I am not quite sure what you are asking.

Deputy S.Y. Mézec:

It is an open question about the general situation with Jersey's borrowing and investment, so as a whole. Are you happy with where they are at this point, how they are performing and how you are getting on with paying borrowing back and how do you see next year playing out?

The Minister for Treasury and Resources:

Yes, I am. Obviously I remain cautious about perhaps needing to go to the market for borrowing for the acute hospital at Overdale but we will be giving that further consideration into next year.

Deputy S.Y. Mézec:

Okay. The Fiscal Policy Panel had stated its view in its economic assumptions 2023 that Government should aim to eliminate any remaining short-term debt. How are you getting on with that? What short-term debt does the Government have that is being actioned now and how are you dealing with that?

The Minister for Treasury and Resources:

Of course we eliminated the COVID costs or debt. We are in this plan, which I think is in line with what the F.P.P. would expect using the revolving credit facility to fund the ongoing state of the hospital preparations. Treasurer, would you like to come to the table?

Treasurer of the States:

Treasurer of the States, Richard Bell. As the Minister said, the short-term debt has largely been removed in accordance with the recommendation that while we are currently using short-term facilities, the debt in respect of the hospital is expected to be long-term debt, not short-term debt, which is that we are using a shorter-term instrument at the moment that we would expect in the longer term to transfer when the markets are more favourable into longer-term debt.

Deputy S.Y. Mézec:

Okay, thank you. Table 15 of reserve expenditure, the general reserve can be used to meet unforeseen pressures or provide advance funding for urgent expenditure if it is in the public interest. How have the amounts that have been put there been identified? Are they forecast on any potential inflationary pressures or further consequences that arise from the cost-of-living crisis?

The Minister for Treasury and Resources:

Can you just point me to the page, please, and then I ...

Deputy S.Y. Mézec:

It is table 15, I am not sure what the page is.

The Minister for Treasury and Resources:

Page 54, thank you.

Deputy L.J. Farnham:

You can have a look at mine.

Deputy S.Y. Mézec:

That has got questions on it, do not show him that.

The Minister for Treasury and Resources:

We are a bit late for that, are we not?

Deputy S.Y. Mézec:

Indeed, yes.

The Minister for Treasury and Resources:

I do not know if Nick or Andy would like to just come in.

Head of Financial Planning:

Nick Wallis, head of Financial Planning. In the general reserve of the Government Plan we have £7 million, so that is broken down into what we would call a reserve for annually-managed expenditure, so that figure is £2 million. That is provided to cover social benefit payments and fluctuation on those in year. Then we have £5 million for departmental expenditure limits, effectively, and those are accounted for based on sort of historic requirements and drawdowns from the reserves and on an affordability basis.

Deputy S.Y. Mézec:

Okay, thank you. Is there any anticipation that there will be unspent reserves for 2023?

Head of Financial Planning:

I would need to probably come back to you on that one. I do not have the latest reserve forecasts to date.

Deputy S.Y. Mézec:

Right, okay. My next question, I guess, would have been hypothetical then, which was that if there were unspent reserves by the end of this year, have you begun any kind of thinking on what you would do with those?

The Minister for Treasury and Resources:

We know that we have got the pressure around health, which is really taking us right back to where we started this conversation about if a department is overspent during the year - I do not like this term - but what pots of money have we got to help them with that?

Deputy S.Y. Mézec:

Okay. When do you think you might know what you need to do there?

The Minister for Treasury and Resources:

We are starting to do that thinking, I am not sure exactly the timescale of that crystallising.

Deputy S.Y. Mézec:

Okay, fair enough. The last few questions are going to be in relation to States funds, the Fiscal Policy Panel in its economic assumptions 2023 reiterated its view that the Government ought to be making significant contributions to the Stabilisation Fund and ideally some contribution to the Strategic Reserve and they have raised concerns prior to the Government Plan 2023 that: "The balances in the Stabilisation Fund and the Strategic Reserve were below the desirable range." Last year in our Government Plan review we recommended to the Council of Ministers: "Must strengthen

its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve to rebuild those funds to appropriate levels and should observe the advice of the F.P.P. to transfer a minimum of £14 million into the Stabilisation Fund in accordance with the panel's new projections, as outlined in its report and a long-term plan must be developed to increase the size of the Strategic Reserve and must be addressed within the next Government Plan." There is a clause in the Government Plan, clause f, which refers to the transfer from the Consolidated Fund to the Stabilisation Fund. But that is subject to a decision of the Minister for Treasury Resources, based on the availability of those funds at the end of this year. How confident are you that this can be actioned and what further long-term strategies are you considering to replenish the balances in the Stabilisation Fund?

The Minister for Treasury and Resources:

I think the reality is that we will also expect the F.P.P. to be perhaps a little bit negative when they publish their report later, saying that Government should have done more, and more money should be put aside into reserves. But I come back to the point that it is a balance between taking money out of Islanders' pockets, spending on Ministerial priorities and the services that Islanders need and shoring up our reserves, which is why we have put that clause in the Government Plan this time. Because that then means that if there are unspent balances I do not need to come back to the Assembly and it is easier, if I can put it that way, because I have got an in-principle decision of States Members that that is an appropriate thing to do and that, therefore, if I put it bluntly, strengthens my ability to make the case to put money into reserves when others may be more focused on perhaps their own pressures.

Deputy S.Y. Mézec:

Okay. That clause f in the Government Plan addresses the Stabilisation Fund; it is not the Strategic Reserve. The F.P.P. have said before about the Strategic Reserve that they consider it at a level too low to meet a major crisis and, yes, unfortunately Jersey has not been short of our share of crises recently. Was any consideration given to prioritising additional funds into the Strategic Reserve, I was going to say as opposed to the Stabilisation Fund but maybe in addition to the Stabilisation Fund, what consideration have you given to that?

The Minister for Treasury and Resources:

No. The reality is of course that in a period when we are reintroducing the supplementation into the Social Security Reserve Fund, it is not possible to also prioritise any increased fund into the rainy day fund. I think it is right that the prioritisation at this point is into the Social Security Reserve Fund.

Deputy S.Y. Mézec:

Do you anticipate any circumstance over the next year where you might have more flexibility to prioritise that more?

The Minister for Treasury and Resources:

I do not anticipate that. I think it will present a sufficient challenge to be able to prioritise money into the Stabilisation Fund.

Deputy S.Y. Mézec:

Okay. Can you give us any kind of update on the current performance levels of the Strategic Reserve?

The Minister for Treasury and Resources:

I think I just did with the ... again, I cannot find that number but I think it is between 6 per cent and 6.4 per cent year to date.

Deputy S.Y. Mézec:

Okay, thank you. Looking at clause e of the Government Plan to which it refers to the transfer between States funds and in appendix 2, summary table 3 it shows what they are.

The Minister for Treasury and Resources:

H.

Deputy S.Y. Mézec:

It is in appendix 2, so it would be in that section.

The Minister for Treasury and Resources:

Okay.

Head of Financial Planning:

Page 105.

Deputy S.Y. Mézec:

There you go.

Group Director of Strategic Finance:

Service transfers.

Deputy S.Y. Mézec:

Transfer of monies between States funds.

The Minister for Treasury and Resources:

No, it is not that.

Deputy L.J. Farnham:

Table 3.

The Minister for Treasury and Resources:

Nick, do you want to then just ...

Group Director of Strategic Finance:

Table 3, yes.

Deputy S.Y. Mézec:

You might be able to answer this while looking at it. The general opening question on that is: what is the process you go through for deciding how transfers between States funds ought to occur? I guess that is a process question, rather than the detail specifically in that table.

The Minister for Treasury and Resources:

It might depend on what the detail is and Andy is the one that would lead on that process, so ...

Group Director of Strategic Finance:

Do you want me to ...

The Minister for Treasury and Resources:

Yes, please, Andy, thank you.

Deputy S.Y. Mézec:

Please.

Group Director of Strategic Finance:

Andy Hacquoil, group director of Strategic Finance. The transfers of States funds, I think there are a mixture of types of transfer which are in there. There are certain transfers which are, effectively, standing agreements. For example, there is a transfer to do with the eventual repayment of the part-service liability; that is based on a formula basis, to build a sinking fund for the eventual repayment of the debt. That is something that, while Council of Ministers do continue to review and endorse it, is something that sort of is almost a base case. There are other transfers like the transfer to the

Climate Emergency Fund, which are linked to the general revenue, so that would be adjusted by any changes to those budget measures. But, again, sort of starts in the base case that you present. There are then other amounts that may come forward from the last Government Plan and you would get through a process of agreeing. Are there any other transfers that are appropriate to be included in the Government Plan, for example, to contribute to capital projects is often a common one that we would go through? As part of the discussions, the wider discussions in terms of, what is it the Council of Ministers wish to do? Often those discussions stray to: "And how do we pay for that?" If it is not available within the overall sort of general revenues and through the Consolidated Fund, those funds may be another option or indeed transfers being made to those funds where it is appropriate. For example, the recent debates around the agriculture, there was a discussion of the Agricultural Loans Fund, the money being moved into that fund. It is not incorporated into the Government Plan at present but it was one of the things that was debated. There are also some technical elements, so, for example, those transfers between the Social Security Reserve Fund and the Social Security Fund, that is purely down to cash flow requirements we simply did for completeness in terms of that table.

[11:00]

Deputy S.Y. Mézec:

Okay, thank you. A question on one specific line in there, which is the transfer from the Technology Accelerator Fund to the Consolidated Fund, which I think the plan says: "That has been agreed, enabling some monies to be transferred into the Consolidated Fund to fund investment in the government digital services platform." Can you explain the rationale for doing that?

Group Director of Strategic Finance:

The main rationale, so the Technology Accelerator Fund obviously had the purpose of supporting ... I am not quite sure what the correct term is these days but sort of ...

Deputy S.Y. Mézec:

Accelerating technology.

Group Director of Strategic Finance:

One would expect so, yes. There is money there that is being used and I think there is a grant scheme that is being administered but there was £20 million put in. One of the comments of the F.P.P. at the time was: "Why is it £20 million? Do you need £20 million now? Is it different?" As that scheme is being developed, we know that the cash flow is likely to be slightly longer. Rather than leaving that money in a fund not being used, the idea is that it is used to invest in Government's

own technology and the monies would be pushed back into the fund when it is needed later; that is certainly in principle.

Deputy S.Y. Mézec:

That will happen.

Group Director of Strategic Finance:

That is in principle and the Government Plan, I think, has referred to it in there, yes.

Deputy S.Y. Mézec:

Okay. Dipping into that fund for that particular purpose, does that conform with the terms of reference of that fund? Is that appropriate?

The Minister for Treasury and Resources:

It is saying: is it appropriate just to leave monies out there doing nothing when there are other technology items across Government that you could use it for in the short term, as long as the overall amount of money in the fund is, ultimately, the same?

Deputy S.Y. Mézec:

Is that clear in the terms of reference that is allowable to do that?

The Minister for Treasury and Resources:

The terms of reference of the fund might be different to ... I do not have them in front of me, so I cannot give you a good answer to that.

Deputy S.Y. Mézec:

Okay.

Group Director of Strategic Finance:

But it is certainly permissible for the States Assembly to make the decision to move money between the funds, regardless of what the terms of reference are; that is one of the powers under the Public Finances Law.

Deputy S.Y. Mézec:

Okay, Minister and your team, thank you very much. We have reached the end of our time.

Deputy L.J. Farnham:

Sorry we did not have any more questions for Deputy Ahier.

Deputy S.Y. Mézec:

Yes, indeed and nominally we have got through all of the questions we have asked, which is very good.

The Minister for Treasury and Resources:

Excellent.

Deputy S.Y. Mézec:

If we have any outstanding thoughts resulting from that then we can put those to you in writing. But thank you and your team for those answers so far, and thank you to everybody else who has supported the hearing as well and of course to all of the people watching online. I call this hearing to a close. Thank you very much.

The Minister for Treasury and Resources:

Thank you.

[11:02]