

2019.09.10

1 Deputy K.F. Morel of St. Lawrence of the Chief Minister regarding the Revenue Policy Development Board: (OQ.204/2019)

Given that, on 7th June 2018, the Minister for Treasury and Resources stated that “a review of taxation is ongoing, which will inform future decisions on Social Security issues and taxation in Jersey” and that the Revenue Policy Development Board was not established until 27th August 2019, why was the Policy Development Board not established earlier and will it take over the work of the taxation review?

Senator J.A.N. Le Fondré (The Chief Minister):

Can I just welcome everybody back to the Assembly after hopefully an invigorating summer? Unfortunately, there is no point speaking too loudly on this subject generally because I believe the audio is not working, so it could be hand signals only, I believe. But anyway. To clarify ... I am getting an echo here. Is that better? **[Aside]** To clarify, the Board is not solely focused on taxation. It covers wider issues of revenue raising; it does include tax, obviously, but also social security, charges, cost recovery. There are potentially instances where we say we recover our costs when we are recharging, but we do not. Therefore, that is something we are going to be addressing. We are also looking at certain other issues as laid out in the Board’s terms of reference. I did not finalise the Board earlier because the personal tax review is only just now nearing completion. That is also identified in 2.1 and 2.2 of the terms of reference. I was also sorting out the finer details of the Board’s terms of reference, its membership and scoping in conjunction with the other boards I have created. I hope that helps.

3.1.1 Deputy K.F. Morel:

Given the Government Plan was published in July and is expected to be completed in November, would it not have made more sense to have the Policy Development Board constituted a year ago, given the importance of revenue raising to the success of the Government Plan?

Senator J.A.N. Le Fondré:

This is what I call a longer-term burn. It is a longer-term piece of work and that is why, in fact, if the Deputy looks into, I think it is section 9, towards the back of the plan, it talks about work we are going to be doing in 2020. Some of that will be covered by the Policy Development Board. Although it is a longer-term piece of work, compared to some of the other more urgent things that we put in place, it is not an initial priority, because, obviously, any changes to these types of areas do take time. You have to consider them properly. Therefore, it was never going to be in play for the 2020 revenue-raising period.

3.1.2 Senator K.L. Moore:

Given that the Chief Minister seems to prefer a long-term burn as his mode of working, what reassurance can he give to members of the public who might be concerned by some of the comments that have been made very public about the potential for increases in taxation?

Senator J.A.N. Le Fondré:

Could I just seek clarification? So, what comments have been made publicly about the significant risk of increases in taxation?

The Deputy Bailiff:

If you would like to clarify your question, Senator.

Senator K.L. Moore:

I am sure that the Chief Minister has said that and alluded to that, as has the Minister for Treasury and Resources, in public speeches.

The Deputy Bailiff:

Are you able to answer the question?

Senator J.A.N. Le Fondré:

The statement, I am sure, I would like a bit more certainty to understand exactly when and where she is referring to.

Senator K.L. Moore:

It is a commonly used phrase and I can refer specifically to the Chamber of Commerce speech given by the Minister for Treasury and Resources, if that helps.

Senator J.A.N. Le Fondré:

Sorry, I am not deliberately trying to be thick here. I do need a bit more clarity to be able to answer that sort of question.

The Deputy Bailiff:

I am afraid I cannot leave a further elaboration of the question to go on. I think we must move on.

3.1.3 Deputy G.P. Southern of St. Helier:

When push comes to shove this Government Plan, like any other Budget, is about how we raise revenues and how we spend revenues. Is it not unfortunate indeed that how we raise those revenues has been ignored in the 2? Does it not sound like we are looking at a future of cuts and yet more austerity?

Senator J.A.N. Le Fondré:

I would point out the question is around the creation of a Policy Development Board, not the Government Plan. The Deputy always likes to use the words "cuts and austerity". In terms to bring the topic round to revenue raising, this is looking at things in the longer term. We know we have some issues around the supplementation grant, which historically was frozen for the entire period of the previous M.T.F.P. (Medium Term Financial Plan) and immediately, if it is unfrozen, would have gone up by £15 million a year. In the life of the plan, it goes up to £30 million and then will continue to grow. We know we have to address those types of issues. But you cannot do that on day one, so we have expressed a view that we look at those types of issue in the plan and that is one of the purposes of the board that we set up.

3.1.4 Deputy G.P. Southern:

The Chief Minister looks at the long term; however, in referring to supplementation what happened there and what has happened there is that we got a short-term saving in terms of what was happening. That was a temporary stopgap. We have now got the main problem; supplementation and how we fund our pensions full and square, do we not?

Senator J.A.N. Le Fondré:

I entirely agree with the Deputy on that one because it was a short-term ... I can understand why it was done, but it was a short-term fix; no question. What we have got to do on things like supplementation and pensions you are looking at periods of 30, 40, 50 years away. So it does not matter, to an extent, as to what one does this year, or next year. One has got to make sure one gets their foundation right going forward. That is why we have indicated in the plan we are going to do that, but also that is why that will be an impact that will be felt in 2021 onwards probably, depending on the outcome of the work that we do next year. What we have done in the Government Plan in that particular area at the moment is business as usual. The figure unfreezes and is part of the expenditure increase in that plan. What I am saying is, that cannot continue in the longer term, but bluntly will be spending somewhere in the order of £100 million a year on a supplementation grant. That has quite wide ramifications. So it needs to be addressed.

3.1.5 Deputy L.M.C. Doublet of St. Saviour:

The Chief Minister will be aware of one taxation issue, which the public are waiting to be resolved, which is the married woman's tax situation. Is this part of this work and is there any update on when that situation will be resolved?

Senator J.A.N. Le Fondré:

My understanding is that the Council of Ministers are due to receive the briefing quite shortly on the outcome of the review, which is being finalised. It may well have been finalised. From thereon it will then go through the process of coming through. I am expecting information and action on that in the next few weeks. I believe what we said is it is indicated that it should be put in play, I believe, for 2021 and, therefore, as far as I am aware, we are on track to achieve that.

3.1.6 Deputy K.F. Morel:

15th May 2019 is when the Minister for Treasury and Resources warned the Chamber of Commerce that revenues may have to rise, just for the Chief Minister's personal knowledge for future questions along this line. Given that this has been said before by Members of his own Government, does the Minister understand how difficult it is to scrutinise a 4-year Government Plan, not understanding, or knowing, how revenues will be raised over the coming 4 years?

Senator J.A.N. Le Fondré:

The short answer is no, because what we have indicated is the present position on present revenue projections, and we put some caveats in there around Brexit and those types of pressures that we may face, but it is obviously based on our present system of revenue. Any changes going forward then get updated in the following year's Government Plan. Do not forget: this is an annual cycle we are now going to go through. That was around flexibility. So, the forecasting at the moment is based on the present system and it shows the revenues work. What we have got to make sure is that any changes that go forward do not make that position any worse and that will go through the whole normal process of developing the policy, consultation, scrutiny, debates in this Assembly. All that type of stuff. You cannot predicate where that goes. So, our revenue forecasts at the moment are based on the present system with the tweaks that we all know about carrying on forward. Therefore, it should be perfectly possible to scrutinise those plans in their current state.