

Corporate Services Scrutiny Panel

Minutes of 6th meeting held on Friday 3rd March 2006

Present Deputy P J D Ryan, Chairman
 Senator J L Perchard
 Connétable J L S Gallichan
 Deputy J Gallichan

Apologies Connétable D J Murphy
 In attendance Mr M Haden, Scrutiny Officer
 Miss S Power, Scrutiny Officer

Ref Back	Agenda matter	Action
1.	The Panel approved the Minutes of the meeting held on 26th January 2006 together with notes of meetings held on 3rd, 15th and 27th February 2006.	
2.	The Panel received an update report on matters arising from the above meetings. The Panel agreed to ask the Chief Minister about Tax Information Exchange Agreements when he attended the Panel on 30th March 2006.	
Item 2 27.02.06	<p>Briefing from the Treasury & Resources Minister</p> <p>The Panel received the Minister together with Mr I. Black, Treasurer of the States, Mr. M. Campbell, Comptroller of Income Tax and Mr. J. Morris, Departmental Scrutiny Liaison Officer to discuss the following Fiscal Strategy developments -</p> <ul style="list-style-type: none"> a. Goods and Services Tax - The Panel was informed that the public consultation on the principles of the legislation was due to begin about 28th March for a three month period. The draft Regulations with detailed provisions would be lodged 'au Greffe' in October 2006. b. 20% means 20% - the Panel was informed that work had been commissioned to identify the contribution towards the target of £10 million which might be made by withdrawing or amending specific allowances. This information would be made available to the Panel once it had been checked by the Minister. It was intended to bring proposals to the States by the summer. It was not considered necessary to hold a full 12 week period of consultation as the proposals had already been agreed in principle by the States. c. Look through and zero/ten corporate tax arrangements - The Minister reported that he had just received a draft technical report prepared by Mr. J. Crowther. It was expected that this report would be available for public consultation by the end of March 2006. The Panel was advised that it would require technical expert advice to assist in reviewing this report. <p>The Panel reminded the Minister of the questions raised by the Shadow Scrutiny Panel in its report S.R.6/2005. The Minister stated his conviction that the proposals would be compliant with the E.U. Code of Direction on Business Taxation. He stated that H.M. Treasury would be consulted in due course</p>	

but he had no reason to believe that they would be unhappy with the proposed look through and zero/ten corporate tax arrangements.

- d. **Size of the Tax gap ('black hole')** - The Minister said that there would not be a definitive answer to this question until 2012. However, some of the loss of the £80-100m in corporate tax revenues was already being incurred in advance of the move to 0/10% as a result of competitive pressures.
- e. **Environmental taxes** - The Panel was informed that the Director of Environment was developing proposals in this regard. There were various options already in the public domain. However, there were no figures available as yet on potential revenue yield. It was expected that they would be designed principally to influence behaviour rather than raise money. The development of an Energy Policy was also indicated in the draft Strategic Plan. However, it was too early to determine whether or not this might raise any significant tax revenue.
- f. **Vehicle Registration Duty** - The Minister said that there was some public misunderstanding on this issue. It was stated policy that when GST was introduced VRD would be removed as it would be inequitable to have two similar types of taxes on cars. This would lead to a loss of approximately £4 million in revenue. GST was expected to bring in £45 million so the net result would be £41 million in tax after the loss of VRD. The intention is to recover this £4 million in revenue through some form of environmental tax on motor vehicles, such as a road tax, a tax on vehicle emissions, or increased fuel duty.
- g. **Use of efficiency savings in investment in services and infrastructure** - The Minister stated that efficiency savings were being achieved by the public sector. It was a matter of political choice how those savings should be utilised. He was content that under the draft Strategic Plan they should be used to maintain States assets such as roads and drains and develop necessary services.
- h. **ITIS** - The Minister maintained that this had been one of the most significant changes in Jersey's taxation arrangements in the last 75 years and he was content that its implementation had exceeded expectations despite some teething problems. He had requested the Comptroller to review the implementation and agreed to share that report with the Panel. The Comptroller stated that the implementation of the new system had been achieved within budget with a small addition of 6/8 staff. The main issues had been to do with the CD prepared by the Income Tax Department, which some had found too sophisticated, and the question of nil returns for companies who didn't employ any staff. The question of taxation of new businesses on an actual year basis was under consideration.

The Panel also discussed the following issues with the Minister -

- i. **States Property Plan** - The Minister informed the Panel that a draft Plan would be available within six weeks. Work was ongoing towards creating a single Property Holdings Department by September 2006. An initial task was to identify the property portfolio. Valuation of the portfolio, which would be carried out by internal staff, would take 18 months to

	<p>complete.</p> <p>j Procurement - The Treasurer of the States said that experience in other jurisdictions indicated that significant savings could be achieved through developing an appropriate strategy. It was expected to announce the appointment of a Director of Procurement later this month.</p> <p>k. Public Sector Pension Fund - The Minister informed the Panel that an actuarial report on PECRS would be available in a few weeks time. It was intended to set up a discrete scheme for the Teachers' Pension Fund, which was the responsibility of the Education, Sport and Culture Minister, and various options for addressing the long term deficiency in this fund were under consideration.</p> <p>The Panel thanked the Minister and officers for their attendance and requested that a written update briefing be prepared in advance of the next quarterly meeting. The Panel agreed to provide the Minister with advance notice of areas of questioning.</p>	
4 Item 3 27.02.06	<p>Age of consent review</p> <p>The Panel agreed the proposed timetable for the preparation and consideration of the draft report following its review. This would allow the Panel to meet its commitment to report back to the States on 28th March 2006. It also agreed that it would not consider further submissions on this topic.</p> <p>The Panel considered the suggested key points made by Senator Perchard in an e-mail dated 3rd March 2006. It considered advising the Minister in advance of a recommendation that debate on the draft Law be delayed pending the preparation of further legislation regarding positions of trust. It was agreed, however, that the recommendation should not be released in advance of the report.</p> <p>Deputy J. Gallichan agreed to act as a lead member in assisting the Scrutiny officer with drafting the Panel's report.</p>	SP
5	<p>Scrutiny Topic Proposal</p> <p>The Panel considered a proposal, dated 23rd February 2006, received from Mr. D. Pearce regarding amendments to the Legitimacy (Jersey) Law 1973.</p> <p>The Panel noted that consultation had been carried out by the Legislation Committee in 1999 and that the Law Commission had supported the need for change.</p> <p>Having been informed that a draft Law had been prepared and was awaiting comment from the Law Officers Department prior to public consultation, the Panel agreed to defer consideration of the topic proposal pending the lodging of the draft law.</p>	
6.	<p>Public access to Panel meetings</p> <p>The Panel noted an e-mail dated 1st March 2006, from the Scrutiny Manager regarding the requirement under Standing Orders (138(6)) that there should be a presumption in favour of openness to the public.</p>	
7	<p>AOB</p> <p>a. The Panel agreed to receive a briefing on 7th March 2006 on the process in compiling the draft Strategic Plan. The Panel noted that an analysis had been undertaken by the Scrutiny officer of the developments and amendments between the two early drafts of the Plan and requested to receive that information in advance of the meeting on 7th March.</p>	

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| <p>b. The Panel noted that it would be difficult to bring together all the people involved in the briefing for States members on the Chief Minister's Department, scheduled for 3rd March. It was agreed that Panel members would contact the Department individually if they required any information on the Department.</p> <p>c. The Panel discussed the possibility of assigning lead members to take forward certain scrutiny topic areas in order to make more effective use of the Panel's resources. It was also suggested that there was limited scope for a Scrutiny Panel to influence Executive policies like the GST proposals once these had been announced to the public. There was a risk that Scrutiny would simply be reactive the Executive's lead in responding to policies and strategies which had been developed through the superior resources of the Executive who was likely to be resistant to change unless very strong arguments could be mounted in favour of amendments. Unless Scrutiny could develop its own strong and distinctive voice it would have little impact on policy development.</p> | |
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Signed

Date

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Chairman, Corporate Services Panel

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