



Corporate Services Scrutiny Panel

Quarterly Hearing

Witness: The Minister for Treasury and Resources

Friday, 21st July 2023

Panel:

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

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

Witnesses:

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

Connétable R.P. Vibert of St. Peter, Assistant Minister for Treasury and Resources (1)

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Minister for Treasury and Resources (2)

Deputy S.M. Ahier of St. Helier North, Assistant Minister for Treasury and Resources (3)

Mr. A. Hacquoil, Group Director, Strategic Finance

Mr. R. Summersgill, Comptroller of Revenue

Mr. R. Bell, Treasurer of the States

[10:00]

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

Good morning, and thank you all for attending this Corporate Services Scrutiny Panel quarterly public hearing with the Minister for Treasury and Resources and his team. We will just go round the table introducing ourselves for the benefit of the tape. I am Deputy Sam Mézec, the chair of the Corporate Services Scrutiny Panel.

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

I am Deputy Max Andrews. I am vice-chair of the Corporate Services Panel.

The Minister for Treasury and Resources:

I am Ian Gorst, Minister for Treasury and Resources. I am joined by ...

Assistant Minister for Treasury and Resources (1):

Richard Vibert, Assistant Minister.

Assistant Minister for Treasury and Resources (2):

Elaine Millar, Assistant Minister.

Assistant Minister for Treasury and Resources (3):

Steve Ahier, Assistant Minister.

Deputy S.Y. Mézec:

We have some officers present here as well and if they approach the table at any point if you could just introduce yourself at the start of your first answer. Also to give apologies for Deputy Farnham who is not attending because of a family engagement today. Just before we begin, just to confirm that you are aware of the statement we ask Ministers to read before Scrutiny Panels regarding the rules. You have read it a million times before.

The Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

Excellent. Okay. thank you very much. We will crack on. The first round of questions are following up from the mini-Budget and also referring to other cost-of-living measures. At our previous hearing we asked for an update on where the Community Costs Bonus was and at that point there were just shy of 4,000 claims that had been made to it. So now that that year of Community Costs Bonus has finished are you able to provide a final figure for how many were claimed through that?

The Minister for Treasury and Resources:

I will pass that straight to the Minister for Social Security whose department ...

Deputy S.Y. Mézec:

We understand, that is fine.

Assistant Minister for Treasury and Resources (2):

I do not have a final figure. I have got the figure for the new scheme which was launched on 1st July. I do not think it went significantly more than 4,000. We did do some further comms towards

the end of the period but really what that generated was mostly duplicate applications, people applying again rather than new applicants. So I do not think that number increased very significantly at all, although I will find that number and send that on to you. Shall we talk about the new one?

Deputy S.Y. Mézec:

I guess this segues into that, which was about what lessons you have learned from that iteration of the Community Costs Bonus and how that has influenced what you are now doing with the new round of it?

Assistant Minister for Treasury and Resources (2):

I think what we have learned is that ... we promoted it very heavily and numbers are up by 4 times the previous year. There is a very significant uptake. I think our original estimates were clearly way off beam. We had forecast very overly cautiously I think in terms of the number of people who may have been caught. I think initially we were saying there could be 14,000 households, and that was clearly not right. So I think the 4,000 successful applications, we can only assume that that is the demand because I really do not know what more we could have done to promote the scheme. We did a lot. We worked with members of Reform to promote and we will do the same again. I do not think it is a perfect benefit by any means. I think it could be better targeted. I think there are elements about it that are clearly not quite right. The fact that a household of one gets the same amount as a household of 4 when the 4 include children, that does not strike me as being quite right. I would like to review that, but what I have decided is that rather than spend time recasting it and doing all that work to find a better benefit, if you like, we have decided to roll it out again for this year. So this year it will operate as a non-statutory scheme. It will just replicate last year's again in the interests of speed and making sure that we have funds there that people can apply for. I know for the course of this winter we will be looking at developing an alternative, which will come in on a triennial basis next year for the following 3 years.

Deputy S.Y. Mézec:

Are you suggesting that that might be the end of the Community Costs Bonus as it is and its wholesale replacement by something different or a substantial tweak?

Assistant Minister for Treasury and Resources (2):

Not necessarily the end. I think there will be something else because clearly there is a need for that type of bonus, that type of payment. There are all sorts of things you could do. I have always wondered whether one lump sum payment a year, is that the best way to do it? Would it be better for people if we fed out maybe 2 or 3 payments over the year? Clearly there are more operational issues with doing that. Are the numbers right? Are we getting to the right households? Are we

overpaying single people as opposed to families? I think it will come back, I am not saying it is withdrawn. There will be a replacement. It may look slightly different.

Deputy S.Y. Mézec:

No, you made that clear. You have obviously opened this new round ahead of schedule. How did you come to the conclusion that it was right to do that as opposed to take a bit of breathing time so you could make reforms to the scheme in time for this round? How did you balance that decision?

Assistant Minister for Treasury and Resources (2):

I think clearly there is a need right now. It is clear, particularly with ... well, mortgage rates are a good example here. But there clearly is still a need for people to have funds. I concluded that, having discussed with officers, it was best to make those funds available now than wait. Because I think to develop a new form of scheme will take some time and we want to take time to get that right. What I did not want to do is maybe end up having that bonus pushed out into next year. We needed to make money available now, so it was a question of meeting need rather than waiting and getting something that might be better in some way or other.

Deputy S.Y. Mézec:

By the previous round not having as many applicants for it as we might have anticipated it could have had, does that mean that there was money left over in the pot as a result of that, that you could theoretically use for something?

Assistant Minister for Treasury and Resources (2):

I believe so, and we will be looking to do that. I mean, the money left in the pot will help fund this year's benefit. Contrary to what I just said, although we estimate for a bigger number we do not necessarily fund up to that number because there is always an anticipation that some people will not claim. I think there will be funds and we will use them to the best advantage.

Deputy S.Y. Mézec:

My last one on this: if people are applying now for the reopen scheme, how quickly would they then receive that financial support?

Assistant Minister for Treasury and Resources (2):

Some of them have already. I think we have already had ... from between the 1st and 19th July, we had 1,900 claims, which is quite a big number, a very fast number, and 1,300 of those have been paid. Because it is a relatively simple process we can turn claims around very quickly. That is probably a good two-thirds of the ones we have already had, have been paid. I have just got another 100 claims that have been disallowed. Sometimes people claim and they are not actually eligible.

Deputy S.Y. Mézec:

Of course. Despite me saying that was my last question, you just inspired another one in me, which is: of those who have applied for this round, and if you do not have this breakdown then I will understand, but it would be interesting to know how many of those are people who had applied for the previous one and how many are first time applicants?

Assistant Minister for Treasury and Resources (2):

I do not have that number. I would expect there will be people ... I do not know. I will have to ask if we can capture that and make that breakdown.

Deputy S.Y. Mézec:

It would be interesting to know.

Assistant Minister for Treasury and Resources (2):

I know that from last time we had ... I just have the figures which I cannot quite remember. There was something like half of last year's were from pensioner households. Quite a number were single person households. But I will ask for that detail.

Deputy S.Y. Mézec:

Sure. But from last year's round, because the eligibility criteria were expanded quite differently, you would expect lots of those to be first-time applicants because they were not eligible before, whereas this time round they would have been eligible last time but might have just not noticed. Again, it is a question about the communication of it and whether we are bit by bit getting to more people.

Assistant Minister for Treasury and Resources (2):

Yes, and it may be that people will fall into the net now that did not fall into it last year because their circumstances have changed. The other thing we have done that I did not mention is what we also did when this one was launched is that we have also contacted ... everybody who received it last year, we have written directly to them again and said: "It has relaunched. If you still qualify, apply again." So we have that element of proactivity as well. But I will try and get that number for you.

Deputy M.B. Andrews:

Just in relation to the Community Costs Bonus, what communications have been cascaded down to the third sector and for them to then promote that message of the Community Costs Bonus being available?

Assistant Minister for Treasury and Resources (2):

I think we do promote it with the third sector. So organisations like Family Nursing and Home Care, Brighter Futures, we do go to quite a number of ... we will communicate it to our third sector partner stakeholders. We send out a kind of update every week - I think it goes out - giving to all that sector saying: "Here are the various updates from Government." We also send it to schools, to headteachers, so that they can ... if they are aware of families they can also help promote it. We do cast the net as widely as possible.

Assistant Minister for Treasury and Resources (1):

And Parish Halls and we do senior citizens. It goes to both our clubs in St. Peter.

Assistant Minister for Treasury and Resources (2):

We have sent it to ... Deputy Alves has helped us and Deputy Porée and Deputy Kovacs. They have had the foreign language versions to help us circulate. Salvation Army, Caritas; they are certainly involved.

Deputy S.Y. Mézec:

Following on from that, there was also the parental support scheme for families who have been resident in Jersey for fewer than 5 years. We discussed previously about the take-up on that not being what we might have hoped for it to be. Have you done any more thinking on that and where are you with that? Is that going to be relaunched as well?

Assistant Minister for Treasury and Resources (2):

We have not discussed this recently. I think we do need to think about what we do there because, the parental support payment, I think we only paid 50 claims. I think we thought there may have been 250 to 300 families that might qualify. I think that was based on the 2021 census. I think post-Brexit we do not have as many people ... seasonal workers do not bring children with them and that was the key point: "Do you have children in the household?" So I think it appears that there are fewer families than there would have been before. People in 2021 may already have reached 5 years. So we will do some more thinking about it to see but it is on the list to be ... there are other things we have been working our way through.

Deputy S.Y. Mézec:

This is for either of you, I guess. But we have had an update on income distribution with the more recent income distribution survey's results. How is that being studied to help inform what cost-of-living measures you might look to either introduce or tweak going forward?

Assistant Minister for Treasury and Resources (2):

At the moment, just continuing looking at the immediate cost of living, what we have in place at the moment and making sure that we are getting the Community Costs Bonus out. I think the income distribution survey often highlights particularly pensioners.

Deputy S.Y. Mézec:

Yes, that was my next point.

Assistant Minister for Treasury and Resources (2):

That is one of my priorities. I have just signed an M.D. (Ministerial Decision) for drafting time for an order on the Cold Weather Bonus for this winter, which will help pensioners. I am hoping next month to announce changes to the Pension Plus benefit, which hopefully will bring more people into that net or widen the reach of that benefit. At the moment I am really looking at my current tools and are they doing the job. How can we get them more widely? I am looking at how we ... my focus really is on supporting the people who are needing help, being low-income families, low-income people and pensioners.

Deputy S.Y. Mézec:

Do you know if a pensioner who was in receipt of everything that they were eligible for, so the state pension, Cold Weather Bonus, et cetera, would they still be defined as being in relative low income if that was the entirety of their income, what they are entitled to? So not a private pension to supplement it but all of their income was from what they were eligible for from the States.

Assistant Minister for Treasury and Resources (2):

I am not aware if we have done that calculation. It is just a case of ... the way the information has been presented to me so far, it is like here are the current scheme rules. Do we think these are right? No, they are not right. Let us look at how we widen the scope to bring more people in. So that is just widening the net.

Deputy S.Y. Mézec:

You mentioned the Cold Weather Bonus and that obviously addresses a particular need and one that inflation is having an impact on. But the income distribution results do point out that the biggest contributing factor for pushing people into relative low income is housing costs. So where does that feature in what plans you might be doing on increasing support for people?

Assistant Minister for Treasury and Resources (2):

Obviously people who are on income support will get help with their rent. We have not had discussions yet as to whether the rental component ... all the social security components are increased on an annual basis.

[10:15]

Last year we increased them ... there was an increase agreed in June. We did a further increase in October to match slightly and exceed at that time inflation. All the components would have gone up by that level at that point. The rental component will go up by something, I think, matching inflation. Have we looked at generally whether the rental component is enough? Certainly people on social housing I believe would generally have the whole rent paid. Then there is the private sector element which may not pay the whole amount of the rent, but it will pay a good amount. But in terms of, shall we say ... let us just say proportionality or sufficiency, we have not looked at that just yet.

The Minister for Treasury and Resources:

The point you raise about using the income distribution survey to think about targeted measures like the F.P.P. (Fiscal Policy Panel) said about targeting measures to the most vulnerable groups really is at the heart of what the Minister is doing. As you know, in the past we have sometimes uprated the housing component at a higher differential from the other components. But we are still in those processes of thinking exactly how we would target that. I am thinking about what levels various factors are increased by in the Government Plan.

Assistant Minister for Treasury and Resources (2):

I think last year we specifically increased the amount for hostel accommodation. That had a bigger than inflation increase because that was seen as being ... that we recognised that that was too low. Can I also just mention with the costs just generally, although it does not necessarily get caught up in the benefits, some of the other work we have done with the cost of G.P.s (general practitioners) and the pharmacy changes will also have an impact on lower-income families. Next week we should have an announcement on free childcare ... not free childcare, free G.P. visits for children.

Deputy S.Y. Mézec:

Okay, excellent. I guess more broadly on this, and this is to the Minister, the response in the mini-Budget, which was basically increasing direct payments for those who needed it and increasing tax allowances as the 2 main aspects of it, if the cost-of-living crisis is protracted over a longer period of time, is that a sustainable response to it to increase direct payments and increase tax allowances? If that is not a sustainable response, what are you doing, as Minister, to try to address some of the root causes of cost of living going up in the way it is?

The Minister for Treasury and Resources:

As you know, there are very few mechanisms available to Jersey's Government to deal with root causes of inflation. Fiscal policy is very important in how we deal with that. It could be argued that

any measures moving forward should be more focused on direct payments rather than more universal thresholds, for example. But, as I say, we are working through exactly what we will or may not put in the Government Plan to help deal with some of those measures. If you are thinking about what other measures are within Government's remit about dealing with the causes of inflation, that is quite challenging when the vast majority of it is imported. But there are measures around competition. Is the competition law and regulation working in all sectors? That is, I think, an open question. They are doing a piece of work around food competition in that particular market and across supermarkets. You have also got the issue of Government's increasing of charges and is that being maintained at the lowest possible level or is that adding into inflationary pressures which are here? So there are things but they are more limited than we might expect because of the nature of our economy.

Deputy S.Y. Mézec:

Obviously one thing that we have no control over is the Bank of England base interest rates, which rose in June. What is your assessment of the impact that that is having on Islanders?

The Minister for Treasury and Resources:

We know that because of how we ... well, there are 2 things: there is the statistical impact that it has on Jersey's R.P.I. (retail price index) because an increase in interest rate feeds directly into it, unlike other peoples who take the U.K.'s (United Kingdom) numbers. Which is why for us, okay, we have got the headline R.P.I., which is high, but the R.P.I.X. (retail price index excluding mortgage interest) number is really an important number about what is going on actually in the economy outwith what the Bank of England does about interest rates. It is feeding into the statistical figure. When you have a high statistical figure, it does make Islanders feel that the cost-of-living crisis is quite intense for them. We see what is happening with inflation levels remaining high in food as well as opposed to some other sectors. Food is a staple so that people cannot avoid that. When it comes to the more direct implications of increased interest rates into feeding into mortgages and people's costs of housing, then obviously we spoke in the States about all of the actions that again the Assistant Minister is taking in engaging with banks, and that will be an ongoing process.

Deputy S.Y. Mézec:

In the last Government Plan we had some conversations about whether there would be anything in it specifically for those with mortgages and nothing ended up being altered in the Government Plan or coming forward in that. There has been a petition referring to interest tax relief for mortgage payers. Is that, or perhaps any equivalent measure, anything that you are specifically looking at, at this point?

The Minister for Treasury and Resources:

As we corresponded on what happened in the last Government Plan, I am not aware that Ministers' views have changed from the view that they took when we discussed that prior to the last Government Plan for all of the reasons that we outlined, that that would not be the sort of targeted measure that really the F.P.P. were talking about. The difficulty for Ministers and policymakers is supporting Islanders who are finding things difficult without those measures, adding to the overall prolonging of high levels of inflation. Because it ends up, if we are not careful, being counterproductive. Engagement with the banks and making sure that there are options for Islanders who are finding interest rate increases difficult on a monthly basis, engaging with them and getting them on to interest only, making sure that they are not repossessed, that banks are being reasonable with any arrears, all of those things are actually a far better policy intervention. But we will need to keep doing that as we go through this cost-of-living crisis because they become more difficult the longer there are higher interest rates. We do not yet know whether interest rates have plateaued or they will continue to increase or at least increase for the next round. That is where our focus is now. Like we said last time, that is not to say that interest ... some other market shock might happen and we might need to rethink that.

Deputy S.Y. Mézec:

I know that this was discussed a bit in the States this week, but can you just give us a brief update on the engagement work that you have done with mortgage providers in Jersey? Relatively brief.

Assistant Minister for Treasury and Resources (2):

Yes, I think I have met 5, all the big retail banks; the banks that are dealing with normal people, not the private wealth banks. Two reasons really: to discuss with them ... we have discussed about things like provision of credit cards, but I have been discussing with them more recently about availability of credit and what their experiences are with mortgages. We had the J.B.A. (Jersey Bankers Association) letter that I read out in the Assembly on Monday where they have said, yes, they do observe the mortgage charter. I know that all the banks here are predominantly subsidiaries of U.K.-based banks and they do follow U.K. policy as best practice. It would be very, very unlikely for a Jersey bank to do something that was completely off beam because head office do not want that happening either because there is a reputational issue for them as well. They have all said that they are looking very closely at it, that they will be sympathetic. I believe that to be the case. I am sure they will be because banks really do not want to go down the repossession route. Repossessions are very, very rare in Jersey. In fact, I was going to try and ask for the figures from the Greffe. They are very, very rare. It is a very lengthy and quite painful process to try and do that for everybody. But a lot of them have said that they do, when they make loans, they kind of stress test on the basis of if you are borrowing at 4.5 per cent, they will test the figures at, say, 6 per cent or 6.5 per cent to make sure that if there is some kind of shock, on the basis of the information, you can still afford it. Most of them are saying they have very little in arrears, very little in any kind of ... I

am not saying ... forbearance I think is the word they use. But yes, they are absolutely encouraging anybody with difficulties to go and talk to them and they will help. They have experience of doing that during the pandemic. They did very similar things then when people were not working. They will continue. Just from my knowledge of banking, I worked for a bank for a long time, banks really do not want to put people out on the street. That is not what they want to do. So they will work with people as far as they can. Repossession is absolutely the last resort.

The Minister for Treasury and Resources:

I think the work with the banking sector is positive and engaged. The more challenging area, of course, is a favourite subject of yours.

Assistant Minister for Treasury and Resources (2):

Private lending?

The Minister for Treasury and Resources:

Yes.

Deputy S.Y. Mézec:

I think that is okay.

Assistant Minister for Treasury and Resources (2):

You do not want to talk about that, okay.

Deputy S.Y. Mézec:

Not for now.

Assistant Minister for Treasury and Resources (2):

I will want to talk to you about it at some point.

Deputy S.Y. Mézec:

Yes. That was just a brief update, but that is fine for now. We are anticipating the updated R.P.I. figure today. I have not seen it. It could well be in my emails. I have no idea.

The Minister for Treasury and Resources:

As we sat down, it arrived.

Deputy S.Y. Mézec:

Lovely. Can you tell me what it is, please?

The Minister for Treasury and Resources:

So let me tell you exactly what it is.

Deputy S.Y. Mézec:

Up or down?

The Minister for Treasury and Resources:

So it is down slightly. The headline rate is 10.9 per cent, which is down 1.8 per cent, and that is down even below what the F.P.P. expected or forecast it to be. The R.P.I.X, which is, as I said, a better indication because it takes out the interest rate. is 6.1 per cent.

Deputy S.Y. Mézec:

Okay. What do you put that down to?

The Minister for Treasury and Resources:

We will need to look at the full report to tell us which particular elements of the basket have gone up and which have gone down. We know that there is a fluctuating market in that regard. Some sectors have seen reductions and others have seen inflation remaining high. I understand that food remains high but motoring has come off quite a quite a bit.

Deputy S.Y. Mézec:

The Cost of Living Ministerial Group, could you give us an update on how often that is meeting and what interventions, if any, it is looking at for things that might be included in the next round of the Government Plan?

The Minister for Treasury and Resources:

I do not have the meeting dates but we can provide those.

Assistant Minister for Treasury and Resources (2):

About monthly. At least monthly.

The Minister for Treasury and Resources:

That is right. It is actually doing quite a lot of monitoring to be able to understand what is happening in the economy and therefore what Islanders are feeling. So we know, and the Business Tendency Survey largely represented this, broadly the economy remains strong, pay growth is below inflation, but it is still relatively strong.

[10:30]

Mini-budget measures from the reviews that have been undertaken means that they have cushioned, to a large extent, households not necessarily being worse off in real terms but actively seeking work remains at unprecedented low levels. But we do see in some areas there are challenges, so we are not complacent. We are thinking about measures how we can present a balanced budget but help with cost-of-living issues. An area that we do know is becoming increasingly difficult is around childcare, so the officials have gone away. I know Richard's team in education are thinking about what interventions may or may not be necessary in that particular area. There have been interventions already provided. You gave the sector some additional funding earlier this year. Ministers have increased the supply of licences to allow for recruitment from overseas, but that is an area that is probably seeing ongoing pressure.

Deputy S.Y. Mézec:

The Income Forecasting Group's spring report referred to Jersey being somewhat insulated from the global economic context, in part because of the financial services industry benefiting from high interest rates. Do you have a contingency plan for what we would do if interest rates fell and that kind of insulation was not as great?

The Minister for Treasury and Resources:

As you will be aware, the F.P.P. were on-Island a fortnight now ago and we are expecting their updated economic assumptions, I think, next week. That will then feed into the Income Forecasting Group. Where we are currently is that, certainly from a financial services sector, there is strong performance and the forecast income from financial services that we put into last year's Government Plan is holding up and the ... we will have to see what the F.P.P. say from their economic assumptions. The Income Forecasting Group will then do its work and those forecasts will mean that we need to amend accordingly the numbers that we are, in rough, thinking of in the Government Plan. So we are in a very live situation. We are using the past forecasts to draft the Government Plan, but we know that when we get the updated forecast that may need to be amended one way or the other. As we are doing our amendments, it will be right that we focus if we do need to make changes. We will need to focus on perhaps not giving departments so much money that they want for expansion and rather using that scarce resource to think about cost-of-living issues and helping Islanders. But we are not at that stage yet. That would be our contingency position. But everything that we see and even the change in reduction in inflation number would show that actually the forecasts are more or less on track, but that again could change.

Deputy S.Y. Mézec:

Over to Deputy Andrews for some questions.

Deputy M.B. Andrews:

Okay. Thank you very much, Chair. I will speak about G.S.T. (goods and services tax). Of course we have seen the recent implementation where all sales with Amazon will now be subject to G.S.T. How did you come to this decision and can I ask also what consultation took place as well?

The Minister for Treasury and Resources:

As you will be aware, Deputy, that was a decision of the previous Minister. It was widely consulted on, starting off with the lowering of the *de minimis*, which is what has happened broadly, and then through engagement with large offshore retailers and consultation on-Island. It was then that large offshore retailers would be in a position to be able to amend their system to apply G.S.T. on every pound of spend and take off V.A.T. (value added tax). So remove V.A.T. and add then the additional G.S.T. If you recall, I deferred it for 6 months because some large offshore retailers said they had not quite done all of their systems work.

Deputy M.B. Andrews:

Do you believe there will be any benefit for Jersey businesses? Whereas say before potentially we would see some Islanders who would, say, purchase some products from Amazon, do you think there may now be a domestic benefit due to this implementation?

The Minister for Treasury and Resources:

That was the argument that was made by Jersey Chamber of Commerce. We can argue about whether there is merit to that or not and we will only see as we move forward. It will not surprise you to know I have had lots of correspondence from Islanders saying that the differential is still too great so the only net effect is that they have had an additional 5 per cent to pay.

Deputy M.B. Andrews:

Of course many Islanders have taken online saying that the messaging was quite poor with the decision only coming into effect one week before the implementation itself. Do you believe something should be done differently if the Treasury Department are to be taking decisions in future?

The Minister for Treasury and Resources:

The decision was taken 2 years ago, if not more. The Minister did make commentary about it, did talk about it. As we sit here now, with the benefit of hindsight, it is always easy to say that we could have done a campaign of engagement and publication in perhaps a wider and better way that was undertaken in this regard.

Deputy M.B. Andrews:

Also as a Government, of course we are fully aware you have provided additional support for Islanders. But do you believe some of that support is potentially now going to be cancelled out because there is going to be a consumption tax essentially on any purchase below £60 of Amazon products?

Assistant Minister for Treasury and Resources (2):

Over £60 pounds.

The Minister for Treasury and Resources:

We remind ourselves that obviously there has always been a *de minimis*. So depending on the value of the product that you have been buying on Amazon, you have been paying G.S.T. if you were above that level. The *de minimis* level for everywhere else has been reduced as well. So you are doing that. It is these large offshore retailers who now have systems in place and are charging G.S.T. on every pound. Is it the case that if you are purchasing items, which are now subject to G.S.T. on the first pound, is that taking more money out of your pocket then? Yes, of course it is, if previously you were buying items that were under that *de minimis* level.

Deputy M.B. Andrews:

Okay. Thank you very much, Chair.

Deputy S.Y. Mézec:

Moving on to the legislative programme for this year. We know now that you have deferred P.41 on independent taxation and part (b) of Deputy Farnham's proposition was adopted. I guess my question is: what on earth is going on now?

The Minister for Treasury and Resources:

Your question is probably a very similar one to mine. I have drafted what will be a blog, but every time I have read it I have thought, well, I do not know if that quite deals with it. Then I make a change and read it again and then I am not quite sure that is what the decision meant. What we are doing is rather than focusing on the somewhat apparent contradictory nature of the decision, we are trying to focus on what Members said during the debate and even had part (a) being accepted ... if the one vote had swung on part (a) rather than part (b), or the other way around, it is quite clear that the Assembly and Members were quite divided on how we should handle it. We are doing internal workshops to think about what Members said, how we can give effect to what Members said but maintain independent taxation, and then how we can respond to Members who said there are quite a large number of people in our community that would like to continue ... a lot of it seemed to come down to the application form. Two people did not want to fill in an application form. They just wanted one to do it. If we take that away and think about how we can do that with independent taxation, we

might have a way of getting through this, respecting what Members said during the debate. We are trying to say, okay, we have heard what Members have said. We still think independent taxation is the right thing to do but we have got to try and find ways to do that in the way that Members asked us to.

Deputy S.Y. Mézec:

When do you think you will have something that can be put on the table for examination?

The Minister for Treasury and Resources:

I am hoping ... we are having a workshop next week. I know that August is the holiday season but I would expect that, if we can make progress in the workshop, before the end of this year to be coming forward with the details of what we think then we are going to do. How long it will take to bring forward any amendments to the legislation is another point.

Deputy S.Y. Mézec:

Are you still wedded to the compensatory allowance model or are you giving any thought to some of the suggestions that came up in that debate about transferable allowances as an alternative?

The Minister for Treasury and Resources:

We are giving thought to everything that Members said in that debate. As we sit here, I still think compensatory allowances work, but we do need to listen to what Members said, because transferable allowances are just really another form of compensatory allowance. So we need to make sure we are not getting confused about terminology as opposed to substance of what we are talking about.

Deputy S.Y. Mézec:

When I think of transferable allowances, in my mind that strikes me as being more true to the principle of independent taxation. But then I get worried about the application of it and whether every household ends up getting best value for that and understands how allowances can be transferred for their best benefit.

The Minister for Treasury and Resources:

This was something that did not come out really in the debate because it is quite a technical thing. If everybody were allowed a choice, that choice ... when would Islanders know ... in what circumstances would they decide that this was the best choice for them? Or would they want then every year to say: "Oh, well, actually this year it is better for me to be this way and then next year it is better for me this way", and you cannot have that. So you end up in a very strange world where Islanders who struggle with their tax go and see Citizens Advice and would get some advice based

on their current financial circumstances. Islanders who use accountants every year for their financial advice would just get their accountant to look at it and advise them and shift the liability. The vast majority of Islanders sitting somewhere in the middle, how are they going to know? "Because my circumstances today, where 2 of us are working and we have got 2 children in education, could change next year and I can make the choice today and it can prove to be, because circumstances change, really financially detrimental to me next year." It gets very muddy very quickly, basically.

Deputy S.Y. Mézec:

Thank you, that is interesting. Very briefly, just an update on the prior year basis taxation transition and how that is going.

[10:45]

The Minister for Treasury and Resources:

Yes. Well, we have provided that we - back to your point, Deputy, about campaigns and information - will run another information campaign for Islanders. That is because I am not sure that all Islanders are fully appraised in the way that we would like them to be, so just to make that clear. Islanders can still make an election about what they want to do with their prior year debt up until September of next year, so they have still got over a year to decide. Equally, I am not sure that the information about what they can decide as being clear as well. They can pay the amount in full, so far 700 customers have done that. Not looking at you, Deputy Andrews, I am not giving financial advice, Chair, but you can pay on retirement, so that would seem to be if you are ...

Deputy S.Y. Mézec:

We are millennials, so this does not count for us, just for that point.

The Minister for Treasury and Resources:

Okay, because you are already on the current ...

Deputy S.Y. Mézec:

Exactly.

The Minister for Treasury and Resources:

Yes, okay. People like me where retirement is looking nearer but it is still not there, it makes sense to pay on retirement or you can have a payment plan starting in 2025. We need to do this campaign and put it together with our going round the Parishes so that Islanders can come and talk to us about what might be best for them.

Deputy S.Y. Mézec:

Okay, thank you.

Deputy M.B. Andrews:

Okay, thank you very much. Minister, I would just like you to provide the panel with an update about the O.E.C.D. (Organisation for Economic Co-operation and Development) Pillar Two tax initiative.

The Minister for Treasury and Resources:

Yes, okay. I would have expected - and I know this is not the first time I have said this - the initial timeline was that wording and processes would have been agreed last week and members signing up would have been signing up to an agreement on the 14th; that did not happen. Things have been slightly delayed because there has been disagreement about some of the details of the wording. You will have seen the statement of outcomes has been - how can I say this diplomatically - broadened out slightly to be less clear? Pillar One is now being described in a way which means it is not going to be legally required of member states but the juxtaposition of it all means that people will still probably do it. If you saw there was a communique from G20 yesterday, which was basically encouraging states to get over the hurdles of the last challenging issues to try and find a solution this side of this year. None of that really changes where at this stage. I do not think any of that at this point changes the trajectory of what we were doing, assuming that they would get the agreement that they are now really focused on.

Deputy M.B. Andrews:

How do you perceive the reception of businesses? As a panel, we obviously understand there was a joint statement with all Crown Dependencies on this issue.

The Minister for Treasury and Resources:

Yes.

Deputy M.B. Andrews:

How has that been received?

The Minister for Treasury and Resources:

I was involved in going round speaking to businesses about that and there obviously are some businesses who would like us to be absolutely aligned with the U.K.'s timetable. We are proposing that our timetable is slightly elongated for all of the reasons that that statement said. But they understand why that would be and they can live with that almost year's elongation. Then there are some other businesses further over here who would like to see it more elongated, more aligned with what ... one of the things that came out of last week was that the U.S. (United States) have got an

extension on the undertaxed rule for a further year into 2026; that does not necessarily mean, as we sit here, we are still targeting an implementation of 2025. I would expect that to remain the target date but you can see there is some movement happening on what other people are doing.

Deputy M.B. Andrews:

Minister, in terms of the legislative programme that we have ahead of us for 2023, is there any additional work that is being undertaken that the panel are maybe not aware of or any legislative amendments that, potentially, could be brought forward, say, for 2024?

The Minister for Treasury and Resources:

I am just going to have a look because I am not aware that there is anything that you are not aware of. We have got independent taxation. Sorry, which tablet is it? We have got independent taxation ...

Deputy S.Y. Mézec:

The answer we want is no to this.

The Minister for Treasury and Resources:

Yes. No, this is why I am telling you why what we have got. We have got independent taxation, we have got this work on Pillars One and Two, we have got the work on assistance in collection but that will not be ... you are asking about this year.

Deputy M.B. Andrews:

Yes, but going into 2024 as well.

The Minister for Treasury and Resources:

Yes, that will be, I think, later. We have got obviously all of the work arising for Budget work. I am going to just ask: is there anything else that I have not mentioned?

Comptroller of Revenue:

They are all, as usual, with minor technical amendments, including some of the stamp duty tweaks you have authorised.

The Minister for Treasury and Resources:

Yes, so Budget work.

Deputy S.Y. Mézec:

Okay.

Deputy M.B. Andrews:

Okay, and what about the Island's commitment to assist the U.K. in relation to their collection of ...

The Minister for Treasury and Resources:

Yes, so that is what I would call that assistance in collection. We are currently ironing out the M.o.U. (memorandum of understanding). Once that is ironed out we will then need to bring forward the legislative tetra.

Deputy M.B. Andrews:

Okay, thank you very much, Minister.

Deputy S.Y. Mézec:

Okay, thank you. Next round of questions on the Government Plan. We will be receiving the annex at the same time as the Government Plan, will we not? Hoping for one right answer to that.

The Minister for Treasury and Resources:

I do not know, I will find that out for you.

Deputy S.Y. Mézec:

That was something that we recommended in our review on the previous Government Plan and we seriously hope that that will be the case. We impress upon you the importance of that because it makes our work much easier.

The Minister for Treasury and Resources:

Hopefully, the annex will be quite a lot shorter; I will go and get you a better answer to that.

Deputy S.Y. Mézec:

Okay. I guess where are you in terms of timetable for producing the Government Plan and finalising your decisions as a Government about what is going to go in there.

The Minister for Treasury and Resources:

You do not need to keep listening to me, do you? Andy, do you want to come and do that?

Deputy S.Y. Mézec:

I would like to, if possible.

The Minister for Treasury and Resources:

Would you? We are basically to plan, as in we have a lodging date, is it 12th September?

Group Director, Strategic Finance:

The 19th, I think.

The Minister for Treasury and Resources:

The 19th.

Deputy S.Y. Mézec:

The 19th, okay. Could you speak into the microphone, please?

Group Director, Strategic Finance:

Sorry, Andy Hacquoil, group director of Strategic Finance.

The Minister for Treasury and Resources:

We have that lodging date that we are working towards. As we have just talked about with the F.P.P. and the Income Forecasting Group, we made good progress on draft numbers but they could change, depending on what happens there.

Group Director, Strategic Finance:

Yes, I think that is probably a fair assessment. We have done a lot of work with the Council of Ministers to get to what I would consider a good working position, so a plan which works and would meet all the legal requirements. But with the F.P.P. assumptions being updated, I think next week is still the plan with the chief economist. We will just reflect on whether or not there are any changes needed. But, yes, we are on track with the timetable and also hoping, subject to no major changes happening due to the updated economic assumptions, to be able to have the annex available as well at the same time.

Deputy S.Y. Mézec:

Excellent. Okay, thank you. What can we expect to see in terms of financing for the new hospital facilities in there? I am not asking for numbers but will we see anything in there that carries on that process? What kind of thing will it feature?

The Minister for Treasury and Resources:

We are currently working on the assumption that the revolving credit facility, which we have just extended for £300 million, will fund the work in the short term, so in 2024. From a Treasury perspective we would like to have had almost the financial details, certainly for the acute hospital at Overdale, being able to be brought forward in this Government Plan and those details. The more

time passes - we have always known that may not be possible and I think we have said that - it looks more unlikely that we will have it all rolled into the Government Plan. Your fellow scrutiny, were he here, would think that was good. We, from a process perspective, think it better to get it all in one but it is looking more and more likely that that will need to be a separate decision.

Deputy S.Y. Mézec:

Okay, thank you for that clarity. There will not be any speculative savings in this part of the Government Plan, will there not?

The Minister for Treasury and Resources:

No. We maybe disagree on whether putting in a £10 million target of £1 billion budget is considered speculative or eminently doable. I think it is eminently doable.

Deputy S.Y. Mézec:

On what basis do you think that?

The Minister for Treasury and Resources:

That is simple, 1 per cent deficiency.

Deputy S.Y. Mézec:

But is that more of a hunch rather than an evidence position? If it is an evidence position I am happy to say that is not speculative.

The Minister for Treasury and Resources:

Yes, well 2 bases. Firstly, that the F.P.P. did not say that it was speculative when we did it for 2023 and they said it was - what was the word they used - appropriate?

Group Director, Strategic Finance:

I cannot remember which word exactly they used but, yes ...

The Minister for Treasury and Resources:

It was, in effect, amend that. Secondly, for the reasons I say, I think that any organisation that is spending £1 billion can make that sort of efficiency.

Deputy S.Y. Mézec:

But that is hunch. It is not to say here is the specific department, this is the area; that is where it can come from.

The Minister for Treasury and Resources:

You can take 2 schools of thought. One is that you have to go through and do all of that piece of work or you simply take it off a department's bottom line at the start of the year and they just spend within their budget and they manage.

Deputy S.Y. Mézec:

Okay, and what happens if they do not?

The Minister for Treasury and Resources:

We see that with Health, do we not?

Deputy S.Y. Mézec:

Indeed and accordingly ...

The Minister for Treasury and Resources:

That is because they have not been, over the last number of years, have any process to ensure that they are delivering things efficiently and delivering good value. That is why we have put in place the teams that we have and that they have got a remediation plan in place to live within their budget.

Deputy S.Y. Mézec:

What knock-on effects does it have if you provide for savings that you may entirely reasonably believe can be achieved? But then for whatever reason - and it does not have to be process, it can just be bad luck - something happens and savings are not achieved, what knock-on effect does that have?

The Minister for Treasury and Resources:

We deal with each situation on its own merits. But if we look at growth monies, if you look at the amount of money that departments have had in growth, if you look at the much smaller elements of savings that they have been asked to deliver, it is not logical for me to think that any service has to be cut to deliver services, which I know is what your concern would rightly be and so would mine. But it just does not equate because, let us say, you have got £10 million additional money and you are being asked to save £1 million or £500,000 or £100,000 in that.

[11:00]

Deputy S.Y. Mézec:

But is it preferable for a department to say we have this programme going on, we think it is not being delivered as efficiently as it could be and with X, Y and Z actions we can save money in how that is

delivered; here you go, you can have that as a value-for-money saving, as opposed to saying to a department we need you to make these savings, go ahead and do it and we are putting it in the bottom line anyway?

The Minister for Treasury and Resources:

We have got the £10 million savings which were reduced from the last Government, which was £20 million, so we said, okay, just make that £10 million and we spread it out over the course of the period. But we also are having a value-for-money programme to do exactly that because what we want departments to do is look at their processes and make sure that they are delivering efficiently. Where they are making savings we want to get into a position to say, okay, you take 50 per cent of that saving and you can use that to reinvest in your service. It is not that we are necessarily in that value-for-money work going to be reducing budgets. We are going to be making sure that departments are spending their money carefully and effectively.

Deputy S.Y. Mézec:

What reassurances can you give to us that if you, in a Government Plan, provide for a savings target, most of which can be transparent in where it is coming from and people can have confidence it is definitely deliverable, but if part of that is not as defined but you reckon it is deliverable but nobody has to share your opinion, we can all have separate opinions on that?

The Minister for Treasury and Resources:

The F.P.P. said £10 million was deliverable and it was not. They did not describe that as speculative, they said future years. If we are just proposing the same £10 million this year I would not be surprised if the F.P.P. are going to say that that is speculative; I do not think they would have changed their position but they might; let us see what they say.

Deputy S.Y. Mézec:

If we get into that year and it turns out that the elements of savings which were not as clearly defined turn out to have been misjudged, can you give guarantees that you have a flexibility in place to be able to ensure that it does not put pressures on departments to make savings that end up becoming service cuts because they have pressure on them, because of that bottom line that was established at the start of that part of the Government Plan?

The Minister for Treasury and Resources:

You know I am not going to give that and the reason I am not going to give it is because I could sit here on 21st July 2023 and give departments a free pass for the whole of 2024 and I am not going to do that. Departments have to live within their budgets.

Deputy S.Y. Mézec:

Okay, an illuminating answer. Thank you. We will hand over to Deputy Andrews for the next one.

Deputy M.B. Andrews:

Thank you very much, Chair. Minister, I would like to ask you a question about are there any inclusions in the upcoming Government Plan that had previously not been concomitant to previous plans under your remit.

The Minister for Treasury and Resources:

Yes. I think largely they were but they have just got worse. Really what we are talking about here is insurance. The thing that you will see from - careful how I say this - Treasury when you get the Government Plan is the continuing pressure on cost of insurance.

Deputy M.B. Andrews:

Okay.

The Minister for Treasury and Resources:

It is not new, it is just continuing.

Deputy M.B. Andrews:

Continuing, okay. Thank you very much for clarifying, Minister. I know many Islanders will be wanting to hear from you about the stamp duty review that has been undertaken. Could you provide the panel with an update, please, Minister?

The Minister for Treasury and Resources:

Deputy, I am grateful for your intervention in this particular area. We do want to bring forward improvements for first-time buyer stamp duty levels and we hope that by working with you and your proposals to increase levels at the higher rates we can present a package which supports your proposals, which will allow us to have a revenue-neutral proposal where there is increase in the higher levels, which is what you wanted, and we can just pass that benefit on to first-time buyer level stamp duties.

Deputy M.B. Andrews:

Thank you very much, Minister. I have to say it is an excellent proposition.

Assistant Minister for Treasury and Resources (2):

If you say so yourself.

Deputy M.B. Andrews:

Can I just ask, with the rates that have been proposed, are you, as the responsible Minister, potentially bringing forward an amendment to change those rates that have been proposed or ...

The Minister for Treasury and Resources:

Yes, I think we will ... either we can amend it or we can keep discussing with you about where the right threshold is and where the right rates are which will raise the money, which will give effect then to the amendments to the first-time buyer rate.

Deputy M.B. Andrews:

All right. I note that some Islanders may be pessimistic about increasing, say, first-time buyer thresholds and they could say: "Is it going to be adding to the demand that we have seen in the housing market and, therefore, seeing increased house prices?" What would you say in response to those people who have that pessimistic view at such a change?

The Minister for Treasury and Resources:

The housing market and intervention in the housing market is always quite challenging because it is right to intervene. We do not want to intervene in order to create shock. If the latest statistics on what is happening in the housing market and the reduction in prices and the reduction in turnover and if we see again a further quarter of that, then these sorts of smallish interventions may help to just smooth out those changes. Because we know that we do need to see a steadying of the house price but we want that to happen as smoothly as possible. If we are in a time of shock, things that we can do to smooth that out around demand in the short term are not necessarily as counterproductive as one might think.

Deputy M.B. Andrews:

Okay, thank you very much, Minister.

The Minister for Treasury and Resources:

But I do have the economist here and he might give you a ...

Deputy S.Y. Mézec:

I think we are okay for now, yes.

Deputy M.B. Andrews:

Yes, I think we are okay.

The Minister for Treasury and Resources:

Okay, fine, that is okay then.

Deputy M.B. Andrews:

Okay, Minister. Moving on to Ministerial priorities and delivery plans. Can you provide an update on the Common Investment Fund in terms of the assessment and creation of a local infrastructure pool for investment in income-generating local infrastructure?

The Minister for Treasury and Resources:

Yes. I do not have any update from our last quarterly hearing. I think, as we said then, that work was going to be undertaken in quarters 3 and 4 and I expect that the proposal therein will be after the Government Plan.

Deputy M.B. Andrews:

Okay, thank you very much. I know you briefly mentioned about the review of the Government's insurance strategy, can you just provide the panel with an update in that area, please?

The Minister for Treasury and Resources:

Yes. What I spoke about earlier was the continued pressure on insurance and premiums, which will not be a surprise to anyone. We have undertaken a review by our insurance advisor, Marsh. That has been completed and we are creating - it is all a bit of management speak - a roadmap for delivery of that. The implementation of that roadmap will take probably a couple of years but it will mean that we are probably better able to manage risk and our insurance going forward.

Deputy M.B. Andrews:

Okay, thank you very much.

The Minister for Treasury and Resources:

But there is no easy answer to it; premiums are increasing, risks are increasing. Every time there is a difficulty somewhere across the organisation our insurance brokers, firstly, want to put up the premium and, secondly, want us to increase the element of amount we pay before they kick in.

Deputy M.B. Andrews:

Yes.

Deputy S.Y. Mézec:

Okay. Going back to value-for-money programme but from a different angle. Could you update us on progress that has been made about establishing appropriate governance reporting and resourcing structures for departments?

The Minister for Treasury and Resources:

We have basically focused on Health and you will know from ...

Deputy S.Y. Mézec:

That is my next question.

The Minister for Treasury and Resources:

Okay, from Health that we are supporting their turnaround team.

Treasurer of the States:

Yes, so ...

Deputy S.Y. Mézec:

Just introduce yourself for the tape, please.

Treasurer of the States:

Sorry, yes. Richard Bell, Treasurer. First and foremost, yes, our attention is focused on the health recovery plan, as well as working closely with that team. Of course the Ministry is funding that team through the Treasury, so there are a number of strands to that work. I believe a panel, if not this panel, has had a briefing from the team delivering that and they are putting in plans focusing on a number of areas, in particular workforce. So you are aware that we have widely discussed in terms of recruitment and retention, but more the former, that leads to increased spend among health through locums and other temporary staffing. That is one of those workstreams. The other workstream he is addressing; ensuring flows through the hospital are improved and, in particular, what is often referred to as bed-blocking but also efficiency in terms of utilisation of theatres, for example. A number of streams that I understand you have had a briefing in respect of. Publicised elsewhere, a review of the income being generated through the hospital in terms of patient income and obviously of course it is either activity or pricing the insurance companies pay to the hospital. Other aspects that have been considered are making maximum use of the laundry facilities there in terms of financial opportunities. I am not suggesting there the displacing of local providers of laundry but where there are, for example, the hotels that are using providers in the U.K. to help with that. The Council of Ministers, and you talk about governance, the Minister meets with the Minister for Health and Social Services and the team to go through their progression towards the targets that have been set. Indeed, the Council of Ministers had a briefing themselves in respect of the governance that has been put in place by Health and Community Services, overseeing and getting a grip on the finances within there. The other areas in terms of an overall value-for-money programme governance is that there is an officer group in place and there is a proposed group led

by the Minister for Treasury and Resources to oversee the development of the wider V.F.M. (value-for-money) programme.

Deputy S.Y. Mézec:

When will we be able to see more on that?

Treasurer of the States:

We can provide briefings to you on the elements of the programme that have gone through Ministerial approval, so we are happy to come and talk through that with you.

Deputy S.Y. Mézec:

Okay. We may take you up on that.

Treasurer of the States:

Okay.

Deputy S.Y. Mézec:

Most of that previous answer was about health, which I was going to ask about but I think you probably covered what I would have asked. Are you able to talk about any of the workstreams, particularly with Infrastructure and Environment and also consultant use through the S.E.B. (States Employment Board), if anything has moved forward on any of that?

Treasurer of the States:

They have talked in particular about Infrastructure's work is progressing and has already been undertaken in the commercial services team. As contracts come up for renewal, providing assistance in terms of improving the commerciality of those contracts and looking for savings in those contract renewals or contracts going back out to tender. There are some works we know is from data that will be provided into the Ministerial group and, therefore, provided also to you in a briefing. In terms of specific procurement opportunities that are in progression, there are 19 contracts identified specifically for attention in 2023; 13 of those are currently in progress. They have a high value in total and we will be looking to deliver some savings in partnership with I.H.E. (Infrastructure, Housing and Environment) from the Renewal Board for reissue of those contracts.

[11:15]

Deputy S.Y. Mézec:

Okay, thank you. In terms of the target for timelines outlined in your delivery plan, is everything on schedule so far or are you anticipating that there may be some slippage with any of it?

The Minister for Treasury and Resources:

I think as you know, we have just talked about independent taxation. The system at Revenue Jersey, which was being amended for independent taxation, we are also going through a change of programme of consolidating income collection from Social Security as well, so social security contributions. What we then do not want to do is have any risks, so that will now probably also fall back to 2024, whereas we had thought that if everything else had gone to plan it would have happened this year but it will now fall to 2024 as well.

Deputy S.Y. Mézec:

Okay, thank you.

Deputy M.B. Andrews:

Thank you very much, Chair. The panel are aware about the recently upheld complaint against you, Minister, and the department for the co-funded payroll scheme.

The Minister for Treasury and Resources:

Yes.

Deputy M.B. Andrews:

Please can you provide any update as to whether there is an internal investigation within the department into this matter?

The Minister for Treasury and Resources:

Firstly, we remind ourselves of what the panel said. It was a report that praised the department for all of the work that it did in creating the co-funded payroll scheme during COVID, and we remind ourselves that I think it was probably one of the best schemes we saw anywhere across the world. What it did, however, was focus on some of the finer details of communication. When we created this scheme, and I was sitting elsewhere, we absolutely knew and we designed it to be a scheme that was audited after the event and not in advance. Because if it had been audited in advance we would have been asking for all sorts of papers from businesses and self-employed people that would just have meant they did not get the money. We knew that this was a risk but this was a risk that was absolutely the right thing to do at the time. We now look at it in hindsight, and the panel makes some observations about clarity, particularly around this idea of what gross income was. There is a political group that has been the oversight group for the appeals process. I think the appeals process is working, we have had another ... how can I say this in the public domain when it is not yet in the public domain? There is another process ongoing where someone was dissatisfied and I hope that

that has now been resolved. My Assistant Minister is on the Ministerial Appeals Panel, so I do not know if either of you want to say anything in light of the admin towards finding ...

Assistant Minister for Treasury and Resources (3):

We are all satisfied, yes, that the guidelines were followed in this instance relevant to the appeal. There was a confusion by the appellant about the amount that she was allowed to appeal for and there were adjustments made by the officer group which reduced the repayments dramatically. The amount that is now going to be repaid is for a period of about 7½ years. The actual monies involved are quite low and I believe that is a compromise that everyone is satisfied with.

The Minister for Treasury and Resources:

Okay, that is the second process that is ongoing. So now, because we have ended up with 2, we will meet again and look at the findings or not of both of those and then will be mindful that we will need to then make a statement in the Assembly about the report or reports themselves.

Deputy M.B. Andrews:

Yes, okay. Thank you very much, Minister.

Treasurer of the States:

I just would say that the appeals process is being put in place, which I think was something the Chief Minister asked for.

The Minister for Treasury and Resources:

Yes, it was ...

Treasurer of the States:

I think it is extremely fair in offering up to 10 years in some cases to repay funds; I think is quite generous. I think it is a very fair scheme.

Deputy M.B. Andrews:

Okay, no, thank you very much. I know we are limited for time.

Treasurer of the States:

I am sorry.

Deputy M.B. Andrews:

I will just move on to Revenue Jersey. In a letter dated on 22nd May 2023 it was reported that all key projects in the revenue transformation programme were all broadly on track. I was wondering if you could confirm that this is still the case or whether there are any delays.

The Minister for Treasury and Resources:

Just the one that I referred to about the social security contributions earlier.

Deputy M.B. Andrews:

Okay, thank you very much for confirming that, Minister. Also, in the letter we were informed of recruitment difficulties and the ever-expanding volume of work, which resulted in a growing pressure upon resources available. Can you provide an update on Revenue Jersey's ability to recruit and what steps have been taken to reduce this growing pressure?

The Minister for Treasury and Resources:

We are currently, I think, still in conversation and process with States Employment Board and I think that we are seeing some improvement moving but, Richard, I do not know if you want to say anything more.

Comptroller of Revenue:

Yes. Richard Summersgill, Comptroller of Revenue. I suppose we have 2 different challenges when it comes to vacancies. At one end of the spectrum we are in a very competitive worldwide market for certain kinds of tax professional to help us with things like Pillar Two. At the other end of the spectrum, we are still having difficulty filling front line posts, and we are currently about to start advertising for over a dozen people to fill vacancies at our front line. That is one of the challenges in an Island with full employment where there are a lot of people in competition for people's numeracy skills.

Deputy M.B. Andrews:

Yes. Can you confirm whether there is any use for, say, agency staff at this moment in time in the department?

Comptroller of Revenue:

We do employ agency staff from time to time. We bring in skilled students in the summer. We are currently deploying the people who would normally be dispensing COVID vaccinations. We are taking up the spare capacity that was there and they are helping us with some of the simpler tax tasks that are easy to swot up on.

Deputy M.B. Andrews:

Okay, thank you very much. I will move on now just to ask a question in relation to providing a detailed breakdown of the 2022 year of assessment tax returns, including how many tax returns are expected to be returned in comparison to the previous year?

The Minister for Treasury and Resources:

I will leave that to Richard to do. I have got some percentages here that ...

Comptroller of Revenue:

Yes, I do have the figures. I think at the moment we are at around 50,000 returns having been furnished and we are, potentially, expecting another 10,000 to 15,000. At this moment in time we have just had over 30,000 paper returns and just under 20,000 online returns. The residue should of course all be filed online because we have passed the paper-filing deadline. I think that probably means we are on track to have over 50 per cent of returns online this year. I probably would have been happier if it was a much higher percentage but quite a lot of people are still preferring to file a paper return.

The Minister for Treasury and Resources:

But we are up from last year, are we not?

Comptroller of Revenue:

Yes.

The Minister for Treasury and Resources:

This time last year we were 41 per cent, at this time we are now 45 per cent.

Comptroller of Revenue:

Yes.

Deputy M.B. Andrews:

From an administration perspective, is everything being done in a timely manner as you would expect it would be as a department?

The Minister for Treasury and Resources:

The calculation of taxes currently, I think, 91 per cent is within 30 days, which is within our K.P.I.s (key performance indicators).

Comptroller of Revenue:

Yes, that is right.

Deputy M.B. Andrews:

Okay, thank you very much. I will pass you on to the Chair.

Deputy S.Y. Mézec:

Yes, we are almost up for time but just a few questions on fiscal policy and borrowing. I do not know if you are able to answer this based on the latest R.P.I. figure, which we have obviously only just seen. In a letter we received after a previous hearing, there was a comment in it about R.P.I. having an impact on personal tax allowances and we were wondering what you meant by that and whether this morning's rate will have an impact.

The Minister for Treasury and Resources:

I do not have the letter in front of me, so I cannot, sorry, in the context.

Deputy S.Y. Mézec:

Right, okay, let us move on then.

The Minister for Treasury and Resources:

Other than when we looked at the increasing thresholds, we looked at what it was at the time but also what we thought it might get to.

Deputy S.Y. Mézec:

Yes, okay. We can come to that another time I think. Your colleague, the Minister for Economic Development, Tourism, Sport and Culture, recently commented that the Island needs each worker to produce at least 7.5 per cent more value in the coming years to ease the financial burden of rising pension demands. Do you agree with this statement and, if you do agree with it, in what way will you be seeking to help Islanders improve the value of their work?

The Minister for Treasury and Resources:

I do not think it was a statement with which we agree or disagree. I think it was a statistical number taken from the independent stats and the work that they are doing and then which the Chief Economist is doing about the future economy. This is the irony of the nature of our economy of course, is because we have had prolonged low interest rates, now we are seeing higher interest rates. If those interest rates remain high for longer that will improve our productivity figures. We will not have done anything differently but we will just see in that banking sector profits will increase and, therefore, it will appear that those people employed in that sector have been more productive. But it is just based on decisions, as we say, in Threadneedle Street, as we said earlier. We will see that. We have got to be careful, while that is a statistical figure and Islanders should be aware of the

challenges of the ageing demographic, we also know that because of the nature of our economy we will see some improvements in that just by the nature of that.

Deputy S.Y. Mézec:

Is that helpful commentary to frame it that way?

The Minister for Treasury and Resources:

I think it is ...

Deputy S.Y. Mézec:

When I say “that way”, the way the other Minister framed it.

The Minister for Treasury and Resources:

Yes, I think it is because what he was, in my view, trying to do was trying to show that economic policy is not always straightforward and we need to take a balanced approach to it, so that we need some immigration but, if you look at the pressure, immigration cannot solve it. We have got a very good Social Security Reserve Fund but we know that we have an ageing demographic, so we need to be preparing for that as well. We need to think about what benefits technology can bring to productivity as well. It is really trying to be clear; if you just take one number it looks really difficult to deliver.

Deputy S.Y. Mézec:

How does someone who works as a firefighter produce 7.5 per cent more value?

The Minister for Treasury and Resources:

That is why I say it is a complex issue.

Deputy S.Y. Mézec:

Indeed because they cannot, correct?

The Minister for Treasury and Resources:

It depends, does it not, because are they using all of the technology that might be available to them?

[11:30]

That I do not know. Some sectors will not be able to increase their productivity by that quantum but, as I say, other sectors through technology and A.I. (artificial intelligence) or simply by increasing interest rates will be increasing productivity. It is not that straightforward, is it?

Deputy S.Y. Mézec:

Indeed, and I use that example because obviously firefighters, that is a profession that you kind of hope that they have as little to do as possible in terms of responding to fires out there. The question, I guess, is does it detract from having a conversation about tax and spend and ...

The Minister for Treasury and Resources:

No, I do not think it does. I think that also is a conversation that is part of that issue, is it not?

Deputy S.Y. Mézec:

Okay. This is going to be the last question, unless Deputy Andrews has anything to add, so this will be the last question. What input are you, as Minister for Treasury and Resources, having in the creation of the future economy programme?

The Minister for Treasury and Resources:

I sit on the Ministerial oversight board.

Deputy S.Y. Mézec:

What contribution are you making on that board?

The Minister for Treasury and Resources:

It will not surprise you that I am a great supporter of the financial services industry and I think that we need to continue to do everything that we need to do to maintain that industry in our economy.

Deputy S.Y. Mézec:

Maintain or evolve or change?

The Minister for Treasury and Resources:

Maintain means that it remains a strong fundamental part of our economy. Will it change over time? Yes, it will, just in the same way that it has changed over the last 30 years, it will continue to change. But for us it is ensuring that it remains a strong bedrock of our economy but if it is going to look like it does now, it looks very different from what it did 30 years ago and it will look very different in 30 years' time.

Deputy S.Y. Mézec:

Okay. Thank you very much, Minister, and your team. Giving you one final opportunity, is there anything we have not raised that you think we ought to have or any points you would like to make?

The Minister for Treasury and Resources:

Now that is the hardest question of the day. I cannot think of anything.

Deputy S.Y. Mézec:

Indeed or confessions to make. Do not look at them, this is a question for you.

The Minister for Treasury and Resources:

No, because I cannot think of anything. I cannot think of anything that I should have raised with you but they might. No? Okay.

Deputy S.Y. Mézec:

Excellent, okay, in which case thank you all very much.

The Minister for Treasury and Resources:

Thank you.

Deputy S.Y. Mézec:

Thank you to all of the staff and officers who have supported us and thank you to anyone who may be watching online for this and I call this meeting to a close.

The Minister for Treasury and Resources:

Thank you.

Deputy S.Y. Mézec:

Thank you.

[11:32]