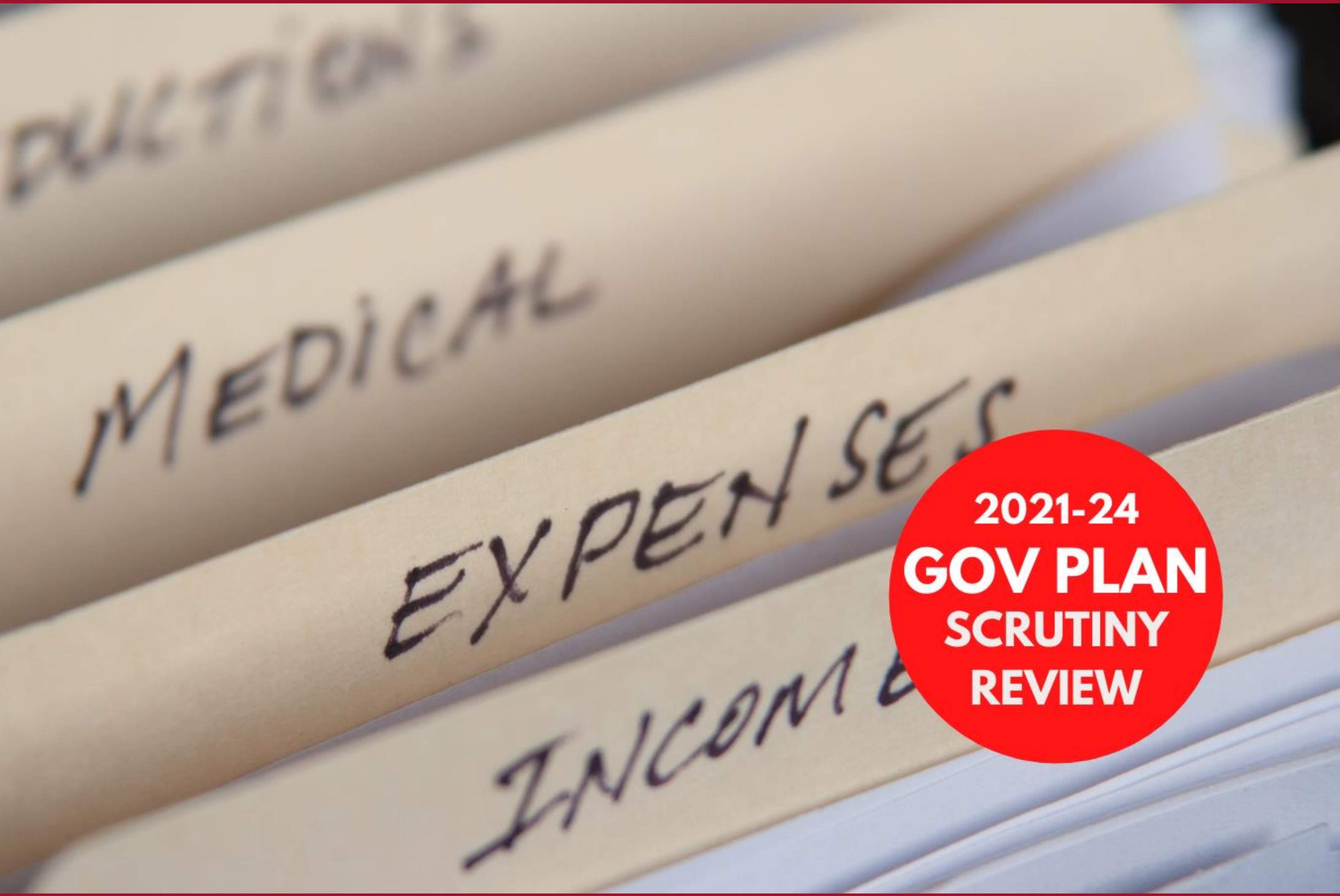
Government Plan Review: 2021 - 2024

Corporate Services Scrutiny Panel

7th December 2020

S.R. 15/2020



States of Jersey
States Assembly

États de Jersey
Assemblée des États

Government Plan Review: 2021-2024

1.1 Panel membership

The Panel is comprised of the following States Members:

Senator Kristina Moore – Chair

Deputy Steve Ahier – Vice Chair

Deputy Jess Perchard – Joined Government on 27 November 2020

Connétable Karen Shenton-Stone

Connétable Richard Vibert

1.2 Chair’s Foreword

The COVID 19 pandemic has caused an unprecedented crisis around the globe. The financial toll has pushed many economies further into debt as governments manage uncertainty. Any leader will feel that they are walking in the dark when responding to this once in a lifetime situation. Therefore, it is genuinely understood that there are no easy answers or textbook responses to progressing from pandemic to recovery.

However, the public do expect the response to be proportionate and credible. They also expect that those making decisions on their behalf do so with the best of intentions, not just for the short, but for the long-term prosperity of the island.

In 2018 total revenue expenditure (excluding depreciation) for the Government of Jersey was £759m. This "recovery plan" takes that spend to £930m, and with capital spending included, it would reach £1.05bn. It also proposes the Island take on a considerable borrowing position to fund revenue expenditure for the first time.

These would be bold steps if there was considerable certainty, but with the level of uncertainty before us, such as the impact the fall in employment has on social security contributions and income tax receipts, this Government Plan must be treated with caution.

On top of that is the elephant in the room: the new hospital. This is a much-needed project; however, the government's version is likely to cost over a billion pounds, particularly when the cost of borrowing over a forty-year period is taken into account.

The pandemic has been a catalyst for rapid change, this has made it harder than ever to predict the future. In considering this Government Plan the spending and the inevitable additional borrowing that it is preparing for, we must think long and hard about the impact it will have on the Island's ability to meet the challenges of the future and maintain the fiscal strength that we have enjoyed for decades.

Senator Kristina Moore
Chair of the Corporate Services Scrutiny Panel

1.3 Methodology

The proposed Government Plan sets out the approach the Government of Jersey has taken in responding to COVID-19 whilst continuing to invest in the Common Strategic Policy priorities:

1. Put children first
2. Improve Islander's wellbeing and mental and physical health
3. Create a sustainable, vibrant economy
4. Reduce income inequality and improve the standard of living
5. Protect and value our environment.

The Plan outlines the investment proposed in each of these five strategic priority areas and also includes a number of proposed efficiencies within the Government.

The Government Plan Financial Annex has also been lodged which contains supporting information for the Government Plan 2021 – 2024.

The Scrutiny review of the Government Plan has taken a thorough approach, looking at the projects identified for Additional Revenue Expenditure and Capital Expenditure last year, as well as new projects requiring Additional Revenue Expenditure and Capital Expenditure in 2021. The Panel has undertaken this review in as much detail as possible with the information provided by Government.

A summary table of all Actions (identified last year) and Business Cases (past and present) reviewed by this Panel is provided in Section 4 below. Only those Actions that do not correspond to a Business Case are listed in the summary table.

In line with the methodology used during its review of the Government Plan 2020 – 2023, all Scrutiny Panels have agreed to use a common system to report on the status of each project, as follows:

This status means that the Panel has reviewed the background information on the project and is satisfied with it.

This status means that the Panel has reviewed this and either has concerns or considers that it needs more work, or further detail should be provided. It might also mean that the Panel considers it too early to make an informed decision. This may or may not lead to recommendations and/or amendments.

This status means that the Panel has reviewed this and is not satisfied or does not agree with the proposal. This may or may not lead to an amendment.

1.4 Findings and Recommendations

FINDING 1

The Government Plan 2021-24 adopts the central scenario of the Income Forecasting Group's (IFG) predictions after accepting the economic assumptions of the Fiscal Policy Panel (FPP). This means that there is a risk that income in 2020 might be lower than the forecasts that the Government Plan is based upon.

FINDING 2

The IFG report highlights a number of significant risks to the economy in the short and medium term yet the changes to the economic forecast metrics such as GVA and average earnings are relatively marginal, and the prolonged impact of the pandemic seems to entrench further.

FINDING 3

Revenue Jersey is unable to provide detailed information for personal taxation figures which accounts for 60.3% of overall general revenue. The Income Forecasting Group autumn report confirms operational challenges within that department.

FINDING 4

Within the 2019 Government of Jersey Annual Report and Accounts the Independent Auditor report highlighted under 'key audit matters' that the estimation of personal tax revenue in advance of submission of tax returns and completion of individual tax assessments required significant judgement and that deriving income by this type of approach incorporated an element of risk.

FINDING 5

The Panel advisor recommends that practices which permit income adjustments to be treated in the balance sheet within future years should be avoided as it does not include the required precision needed to enable strategic decisions to be made on the largest component of income. The advisor highlights that in such circumstances there is a risk that key decisions on overall borrowing and affordability might be made based upon potentially unreliable forecasts.

FINDING 6

Further evidence is required in relation to the proposed increase in revenue due to greater domestic compliance. Last year the amount collected through this measure fell short of predictions. Given the greater economic uncertainty this year the panel does not understand how such income will be generated through improved compliance.

FINDING 7

There is a cumulative borrowing requirement of £385 million in 2021 due to COVID-19. No published borrowing policy or debt management strategy has been provided by the Minister for Treasury and Resources to underpin the £385 million borrowing requirement for 2021 due to Covid-19.

FINDING 8

The Revolving Credit Facility will be utilised as the main form of borrowing. Information has not been provided to Panel as to the professional advice provided to the Council of Ministers in relation to their borrowing strategy.

FINDING 9

Detail has not been provided in the Government Plan 2021-24 on provision for public sector pay awards.

FINDING 10

Trade Unions have raised concerns in relation to public sector workers employed on zero hours contracts and has advised of the negative impact on mental health and lack of adequate protection that this will have exacerbated during the pandemic situation.

FINDING 11

There is an assumption that core levels of the Common Investment Fund will not be duly impacted by any significant downturn from year 3.

FINDING 12

The Government Plan outlines a significant policy change with redirection of the Social Security fund.

FINDING 13

The change towards a rebalancing narrative suggests an acceptance that the required quantum of effective savings may not be achievable.

FINDING 14

A target of £10 million per annum has been set in the Government Plan 2021-24 for future taxation measures. This will be delivered through tax measures, broadening the tax base, the taxation of medicinal cannabis growing and production and Stamp Duty.

FINDING 15

Combined capital and revenue spend will exceed £1.05 billion in 2021.

FINDING 16

In 2021 Modernising Government received a 6% increase in funding. Protecting the environment receives a 26% reduction in funding. Reducing inequality receives a 15% reduction in funding.

FINDING 17

There is no published strategy covering all IT spending in the Government Plan although this was mentioned as an action by Government following the recommendations put forward by the Panel in the previous Government Plan 2020-23.

FINDING 18

The IT spend in the Government Plan continues to be based on the minimum period in which it can be delivered. Some IT business cases are illustrative only with no timescales for delivery included and outcomes lack definition.

FINDING 19

There is no increase to the child relief allowance or additional child relief allowance in the Government Plan. These allowances have not been increased since 2011.

FINDING 20

The only change to Stamp Duty is that first time buyers who purchased through an assisted ownership scheme will only pay stamp duty on the affordable price element.

FINDING 21

Duty increases are intended to promote changing behaviour around health and the environment. It is not apparent if the Government have given consideration to impacts on the economy, environment or local industries.

FINDING 22

The programme “Building Revenue Jersey team” funding has been reduced, potentially reducing aspirations for the team’s improvement.

FINDING 23

Funding allocated to enhance People and Corporate services continue, however, there has been a shift from stabilising the initiatives to sustaining them.

FINDING 24

A further £252,000 investment into the Supporting One Gov project, for Team Jersey partner TDP, is requested in 2021 to meet contract agreements lasting to 31st March 2021. An extension of this contract is expected although there is no visible funding stream.

FINDING 25

The business case and supporting information for the “Delivering Effective Financial Management” project lacked the level of detail we would expect and there has been little tangible evidence of the benefits of this programme.

FINDING 26

There is little explanation or business case provided for the capital programme central risk and inflation funding, and individual projects may include their own contingency funding.

FINDING 27

Migration Policy Implementation will request an additional £108,000 from 2022 with an additional request for capital allocation of £1 million to meet the costs of IT development for migration in 2021.

FINDING 28

Additional funding for Commercial Services is requested as those predicted in the previous Government Plan did not meet the full aspirations of the service.

FINDING 29

Employment funding for the Ministerial Support Unit is not properly in place even though staff are employed to fulfil the roles and the unit's structure has been in existence following the new Machinery of Government changes in 2018, necessitating a growth bid in this financially challenging year. This should have been a higher priority for the Chief Executive.

FINDING 30

Employment funding for the Communications Directorate is not properly in place even though staff are employed to fulfil the roles and the increase in size of the Directorate primarily followed a review in 2018, necessitating a growth bid in this financially challenging year.

FINDING 31

The Office Strategy, or Office Modernisation project, will cost £650,000 in 2021 for legal, procurement and project management costs. No business case is provided for £5,000,000 potential allocation in 2024, it is ascertained that this is for potential lease costs.

RECOMMENDATION 1

To build public confidence and allow for public scrutiny, the Minister for Treasury and Resources should publish agreed performance targets for Revenue Jersey in 2021 which are aligned to strategic objectives. This should clarify, amongst other things, when the Minister has agreed that Revenue Jersey will deliver accurate information from its management information systems on income yields for personal taxation, the customer delivery expectations and complaint reporting practices, how Revenue Jersey intend to deliver personal taxation changes in agreed timeframes and what reports will be prepared to confirm domestic compliance tax income generation.

RECOMMENDATION 2

To meet the principles of openness, predictability and transparency the Minister for Treasury and Resources should provide a detailed borrowing policy and debt strategy in Q1 2021 to ensure clear direction and leadership is delivered.

The debt strategy must clarify the modelling adopted by Government against best practice guidance, the Government's attitude and structure to risk and include alignment to theoretical literature on public debt management to provide assurance.

RECOMMENDATION 3

A debt management report should be produced annually by the Minister for Treasury and Resources to include the debt management policy, debt portfolio information and provide context for decisions and clarify the agents remit. The first of these reports should be published before the end of 2021.

RECOMMENDATION 4

The States Employment Board should immediately clarify the strategy in relation to the use of zero hours contracts in order that transparency is provided in relation to policy and the States Employment Board should confirm to the States Assembly that no public sector workers have been negatively affected due to this employment status during the pandemic.

RECOMMENDATION 5

The Council of Ministers should ensure that fund supplementation principles are reviewed and agreed in Q1 2021. To ensure transparency when considering the principles an annex of analytical and advisory information should also be published.

RECOMMENDATION 6

Future taxation measures need to be considered in a structured format with consideration on the potential impact for islanders and businesses. Research papers should be prepared by The Minister for Treasury and Resources to consider the impact of possible taxation measures and these should be published at least six months in advance of them being lodged for debate to promote public consultation and scrutiny.

RECOMMENDATION 7

In order to build public confidence and allow for public scrutiny the Assistant Chief Minister with responsibility for digital technology should give priority to publishing a strategy that clearly sets out how technology investment will support and impact services for the next four years and beyond. The strategy should be completed in 2021 and include a timeframe for delivery.

RECOMMENDATION 8

At a time of uncertain Government revenue, in which unprecedented borrowing is taking place, actions must be taken to build further contingency into the Government's balance sheet. As such Stamp Duty rates at the top end of the market should be increased, at a rate of 1% or 0.5%. Those purchasing properties at this value will likely be in a financially strong position and that increased Revenue can be used against the COVID-19 debt.

RECOMMENDATION 9

The Council of Ministers should prioritise measures such as an increase to child and childcare relief allowances in order to help families meet the rising cost of living. The child relief allowance has not been reviewed for 10 years and this has created a significant misalignment to the Council of Ministers priority of putting children first.

RECOMMENDATION 10

The Minister for Treasury and Resources should prioritise the inequality changes required to the personal tax system in 2021 as this was not delivered in 2020 as promised. A timeline for delivery should be provided by the Minister to the States Assembly in Q1 2021.

RECOMMENDATION 11

Although the funding for TDP (£252,000) in relation to Team Jersey (Supporting One Gov Programme) should be removed from the Government Plan in 2021 there may be contractual obligations necessitating the funding.

However, no further funding should be given to extend the TDP contract as they have had ample opportunity to fulfil their objectives of Team Jersey; although the latest staff survey has not yet been published, anecdotal evidence indicates that the project has not successfully improved the culture of the organisation.

RECOMMENDATION 12

The benefits of the programme OI4-01 Delivering effective financial management must be clearly evidenced. As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis.

RECOMMENDATION 13

The benefits of the new programme OI3-17 Re-organisation Ministerial Support Unit must be clearly evidenced to justify the new additional expenditure within the Office of The Chief Executive.

As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis.

RECOMMENDATION 14

The benefits of the new programme OI3-18 Re-organisation Communication must be clearly evidenced to justify the new additional expenditure within the Office of The Chief Executive.

As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis. The income to the Communications Directorate of charging departments for their services, and what this has been spent on should also be shared with Scrutiny on a bi-annual basis.

RECOMMENDATION 15

Quality Assurance practices for business cases must be a priority for the Council of Ministers in 2021. Standardised and clear information will significantly aid transparency. Any professional judgements used to supplement business case information must be clearly highlighted. Outcomes should be clearly defined and developed prior to the adoption of a business case to support investment benefits. The quality assurance practices should be highlighted in the Government Plan six-month report in 2021 and inconsistency reviews completed and flagged.

1.5 Government Plan Overview and context

Introduction

The Corporate Services Scrutiny Panel (the Panel) review into the Government Plan 2021-24 and financial annex (the Government Plan) specifically monitors the policy initiatives led by the Chief Minister and the Minister for Treasury and Resources, whilst also reviewing the financial actions being proposed by Government.

The Panel engaged CIPFA Business – Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountability) (CIPFA) to provide expert advice on the financial modelling of the Government Plan, and also commissioned a series of focus groups in order to understand the views of members of the public to the Government Plan.

Background

The Government Plan sets out the Government of Jersey's detailed income and spending plans for the forthcoming year and indicative amounts for proceeding years. The format allows for spending plans to be revisited each year and changes made should circumstances require it. The Government Plan also links spending with outcomes and service priorities.

The first Government Plan, agreed in December 2019, delivered broadly balanced budgets over the period and included transfers to the stabilisation fund.

However, The COVID-19 Pandemic in 2020 has caused the Government of Jersey to make substantial decisions and divert unprecedented levels of financial resources to establish measures, processes and powers to protect Islanders' lives, livelihoods and wellbeing. The various restrictions impacted the Government's ability to deliver many planned new initiatives set out in the 2020 four year rolling plan.

Government Plan 2021-24

Therefore, the Government Plan 2021-24 is looking to build on the existing plan (2020-23) but also needs to address the impacts of the pandemic, adjust to the impact on income and return to a balanced budget in the medium term.

The 2021-2024 Government Plan Proposition which requires approval by the States Assembly seeks approval of the appropriations from the Consolidated Fund, the movement between other funds and reserves, parameters around income, expenditure estimates, budgets and borrowing for 2021. The proposition also seeks endorsement of the efficiencies and rebalancing measures planned for 2021.

The headline components of the Government Plan 2021-24 proposed in relation to financial management confirm:

- **Borrowing of up to £385 million in 2021 to cover the costs of responding to the pandemic;**
- **higher expenditure than income until 2023 therefore running a budget deficit;**
- **spending on public finances and infrastructure proposed to be just under £1.05 billion in 2021, and by 2024 is predicted to reduce to £967 million. In 2018 public net revenue expenditure (excluding depreciation) was £759.3m;**

- **£117 million to be spent on capital projects (buildings, infrastructure and IT systems) in 2021. This compares to a budget of £91 million in 2020;**
- **£24 million to be spent on new projects in 2021;**
- **saving £20 million in 2021 by finding ways to work more efficiently as well as rebalancing public finances through revenue raising measures**.
- **An overall deficit of some £282m is likely for 2020 and £178m in 2021**

1.6 Building on the 2020-2023 Government Plan

The Government Plan 2020-23 review (S.R.13/2019) completed by the Panel identified 28 findings and 20 recommendations. The Ministerial response presented to the States Assembly in response to the recommendations prepared in the Panel's report advised:

- The IT focus in 2020 would be to establish foundation projects and provide a safe, secure and up to date functional base from which to build and transform services in future years. The Government would consider publishing a strategy that set out how technology will support those services.

- Government support for children (both through the tax system and through direct support) would be an integral part of the continuing agenda for the Personal Tax Review and would be carried out in conjunction with the Early Years Policy Development Board.

- A further proposition for the personal tax system reform to end the existing equalities would be lodged for debate before the Government Plan in 2020.

- Quality assurances of business cases by officers would be part of the new process for business cases, and would ensure that adequate information, including costs and benefits were available for Ministers to make informed decisions.

- In relation to the capital programme central risk and inflation funding business cases would need to be provided to Treasury and Exchequer in order that capital projects could access central risk and inflation funding to justify their need and the intention is to provide greater detail in, or alongside, the next Government Plan.

- Working protocols between Government and the States Greffe would work to:
    - Establish an annual programme of briefings, improving on the notice quality of content and participation in briefings.
    - Develop a further plan of Government business, working with the Greffe to endeavour to make sittings have a more balanced weighting of propositions, whilst also improving engagement with Scrutiny to support the work.
    - Introduce new working protocols between the Ministerial office, SPPP, other Departments and the Greffe.

- Key objective in the Treasury and Exchequer departmental delivery plan was to roll out the HMT Green Book methodology in an effective and proportionate way to ensure that the right level of information for decision making is collated based on the size of the investment, the stage of development and other relevant factors of strategic importance.

- Strive to continuously improve the information provided to support decision making. With a greater focus on outcomes for islanders, the way in which these outcomes will be delivered may need to be refined and developed. It is possible to estimate the cost of delivering an outcome based on experience and available data will be refined as options are explored and preferred solutions needed.

- The Chief Minister and Assistant Chief Minister with responsibility for People and Support, would continue to be closely involved to the investment in, and performance of, the People and Support Function.

- Greater levels of detail on pre-feasibility capital funding – the intention is to provide greater detail in, or alongside, the next Government Plan.

- The Assistant Chief Minister with responsibility for digital technology will continue to be closely involved in the constructive review and challenge of the Technology Transformation Programme strategy and delivery.

Whilst conducting their review of the Government Plan 2021-24 the Panel have been mindful of the Ministerial responses which were received from their review into the Government Plan 2020-23.

1.7 Financial Strategy

Income

The Government Plan 2021-24 is based on adopting the central scenario of the Fiscal Policy Panel's (FPP) economic assumptions. This means that there is a risk that income in 2020 might be lower than the forecasts that the Government Plan is based upon.

The Panel questioned the drivers of the income forecast at a public hearing and were advised by the Treasurer of the States that:

> *The income forecast is driven by primarily the economic forecast and our latest understanding of the outturn of current year or previous year for tax data, on that basis. It is our best forecast to oversee that, based upon that economic forecast obviously. At this point in time uncertainty is larger than it has been in recent times and then we will continue to review the forecasts twice a year.* [1]

When questioned further in this regard in the public hearing the Treasurer confirmed:

> *The figures come from a very low base, that being the 20 bases of the economy. You will see from the graph also that the dark line, which is now the current projection from the economy does not get back up to what the previous projection was. There was a structural imbalance in the plan which has been dealt with. It is not as it was predicted at the start of the economy by many other commentators, not the Fiscal Policy Panel, that there would be a bounce back right up to the previously forecasted economic levels. That is not in the forecast, it is not in the income forecast and it is not in the economy forecast. The economy forecast is showing that there will be an ongoing structural imbalance. The economy will not get back up to where it was forecast a year ago and that is consistent through the words in the plan but also the graphical representation of that for the income forecast and the economic forecast. You also see that that line, however, goes back to the sort of growth level. The growth initially comes, it is following Q2 of this year, goes up sharply, not as sharply as previous economic forecasts around the world have predicted, it then starts to flatten out and follows the trajectory of the previous modest increase forecast. Much of that averaging is done through very rapid growth early on from a very low base arising directly from the economic and health restrictions in the Island as the economy bounces back. We have seen that happening. The question is the extent to which it happens. The latest forecast suggests that it will be lesser than previously imagined and that there will be a protracted recovery, as you see from the dotted line from the previous, let us say, upside scenario compared to the downside scenario.*[2]

The Treasurer also pointed out at a public hearing:

> *It follows roughly the profile and the gradient of the economic forecast and it is worthwhile remembering that we see quite a considerable dip in 2020 so that creates quite a low base. In particular you will see that the biggest impact on the finances comes through in 2021 rather than necessarily in 2020 in terms of the reduction in the income*

[1] Transcript – Minister for Treasury and Resources – 13th November 2020 p.27
[2] Transcript – Chief Minister - 13th October 2020 p.7

> *forecast compared to a year ago. I suppose the other point that is worth underlining is that this is a forecast that is prepared, not by Ministers but prepared by officials aided on the Income Forecasting Group by 3 independent members as well. So, an increase in the number of independents on there. They provide both a challenge but also bring that with some understanding of what is happening out there in financial services in particular. The other point to make out is that when you look through the structure of our economy today, the key part of that economy being financial services has held up particularly well so far. Obviously there is great uncertainty as you have said going forward but as we do not have a large manufacturing base, for example, we are not seeing the impacts that perhaps other economies around the world would see if they had that greater diversity in the income base and the economy.*[3]

Table 1 of the Financial Annex to the plan outlines the estimated total income tax, goods and services tax, impôt duties, stamp duty, annual growth, increased collections from domestic compliance, additional tax measures, additional ISE Fees, island rates and other Government income.

The Income Forecasting Group report of States income for autumn 2020 (the IFG autumn report) acknowledges that there is a high degree of uncertainty around the trajectory of the economy:

> *There is a risk that the current economic disruption might result in a permanent adjustment to the relationship between economic variables and the tax base, under the FPP forecast, the economy is smaller throughout the period, with a gradual recovery to a lower level, and this is considered sufficient to capture the impact on taxes in the medium term.*[4]

The Panel advisor confirms:

> *The IFG report highlights a number of significant risks to the economy in the short and medium term yet to the changes to the economic forecast metrics such as GVA and average earnings are relatively marginal, yet the prolonged impact of the pandemic seems to entrench further.*[5]

[3] Transcript – Chief Minister - 13th October 2020 p.2
[4] IFG Autumn Report 2020 – Page 21
[5] Cipfa

Estimate of total States income to be paid into the Consolidated Fund for 2021-24[6]

2020 Revised Forecast (£000)		2021 Estimate (£000)	2022 Estimate (£000)	2023 Estimate (£000)	2024 Estimate (£000)
	Income Tax				
434,000	Personal Income Tax	461,000	500,000	534,000	561,000
120,000	Companies	97,000	103,000	108,000	113,000
(9,000)	Provision for Bad Debt	(6,000)	(6,000)	(3,000)	(3,000)
545,000	Income Tax Total	552,000	597,000	639,000	671,000
	Goods & Services Tax (GST)				
69,300	Goods & Services Tax (GST)	75,700	82,000	85,600	89,400
0	Import GST	0	0	0	0
8,910	ISE Fees	8,910	8,910	8,910	8,910
78,210	GST Total	84,610	90,910	94,510	98,310
	Impôt Duties				
7,544	Impôt Duties Spirits	7,185	7,293	7,476	7,701
8,717	Impôt Duties Wine	8,986	9,122	9,340	9,622
851	Impôt Duties Cider	860	855	858	868
6,031	Impôt Duties Beer	6,569	6,633	6,691	6,791
19,871	Impôt Duties Tobacco	16,463	15,715	15,933	15,352
21,944	Impôt Duties Fuel	24,993	27,517	27,895	28,307
400	Impôt Duties Goods (Customs)	200	200	200	200
2,358	Vehicle Emissions Duty (VED)	2,730	2,644	2,644	2,644
67,716	Impôt Duties	67,986	69,979	71,037	71,485
	Stamp Duty				
24,599	Stamp Duty	26,306	25,507	26,276	27,078
2,400	Probate	2,400	2,400	2,400	2,400
2,084	Stamp Duty on Share Transfer (LTT)	2,247	2,342	2,442	2,545
29,083	Stamp Duty	30,953	30,249	31,118	32,023
720,009	Central Scenario	735,549	788,138	835,665	872,818
4.7%	Annual growth %	2.2%	7.1%	6.0%	4.4%
6,350	Increased collections - Domestic Compliance	8,600	10,900	12,000	13,500
0	Additional Tax measures	0	0	0	10,000
0	Additional ISE Fees	3,500	3,500	3,500	3,500
726,359	General Tax Revenue	747,649	802,538	851,165	899,818
13,286	Island Rate Income from Parishes	13,486	13,809	14,155	14,523
9,330	Other States Income - Dividends	8,133	8,568	8,918	9,347
5,651	Other States Income - Non-Dividends	5,473	5,784	7,967	7,949
30,802	Other States Income - return from Andium Homes and Housing Trusts	31,774	32,618	33,520	34,445
59,069	Other Government Income	58,866	60,779	64,560	66,264
785,429	**Total States Income**	806,515	863,318	915,724	966,081

Personal Income Tax

Personal income tax accounts for some 60.3% of overall general revenue. Income tax estimates rather than actuals are used within the Government Plan.

The Panel advisor highlights in their report:

> *Income tax forecasts are critical to the robustness of the overall financial modelling and critical decisions on affordability at a macro level are founded upon the ability of Jersey Taxpayers to fund planned public service expenditure.*[7]

The IFG autumn report highlights that significant weight is placed on "updated data from Revenue Jersey" in this area. Operational challenges with Revenue Jersey data reporting are highlighted in the IFG autumn report:

> *A full breakdown of personal income tax assessments for the 2018 year of assessment is not yet available. There are some differences in the way that data are reported between the previous system (ITAX) and the new system (RMS) with the new system*

[6] Government Plan 2021-24 Annex, p.5
[7] CIPFA

providing greater granularity between taxable income types. Revenue Jersey are working through the data to provide a consistent series for employment income and pension income, which represents around 80% of total taxable income.[8]

Within the 2019 Government of Jersey Annual Report and Accounts, the External Auditor commented:

The estimation of the amount of revenue in advance of submission of tax returns and completion of individual tax assessments requires significant judgement. The estimate for personal income tax revenue for 2019 and the restated 2018 comparative are both derived from an economic model which required particular judgement in the selection of subjective inputs, as well as in the determination of the relationships between inputs and their relationship to the predicted level of income tax revenues. There is an increased level of estimation uncertainty due to delays in finalisation of assessments in respect of the 2018 year of assessment, increasing the sale of the estimates required. Noted 4.2 and 4.3 to the financial statements provide disclosures in relation to judgements over the recognition and estimation of personal income tax revenue. Given the level of judgement applied and the potential for manipulation, we consider this to be a fraud risk[9]

The Panel advisor in their report also highlights the need to identify the actual cash yields:

…the emphasis is placed upon economic projections rather than reality of core assessments adjusted where necessary for incremental forecasted change. The practice that permits adjustments to be treated in the balance sheet within future years avoids the required precision needed to allow considered strategic decisions to be made on the largest component of income. In such circumstances there is a risk that key decisions on overall borrowing and affordability might be made based upon potentially unreliable forecasts.[10]

The Government Plan 2021-24 also states that it will recover increased collections from Domestic Compliance tax in 2021 – 2024 totalling £45 million. This is confirmed as personal income tax which islanders have failed to pay or will fail to pay but for additional compliance measures. In 2020 the amount collected through this measure is due to fall short of predictions. The revised post lockdown target for 2020 is £6.35 million and the Government will report on its 2020 achievement at this year-end.

The Panel Advisor has confirmed:

This is something we cannot recall encountering within budget settings before.[11]

The Panel are keen to ascertain and receive further evidence to confirm:

- how such income will be generated through improved compliance;
- what could be put in place to secure optimum compliance;
- how the additional domestic tax translates into enhanced assessments that realises additional tax.

[8] [IFG Autumn Report 2020 – Page 20]
[9] [Government of Jersey Annual Report and Accounts 2019 p.173]
[10] CIPFA
[11] CIPFA

Last year the Comptroller identified that as Jersey did not have the resources of larger jurisdictions some elements in its calculations were occasionally not necessary to quantify benefits for business cases.

Comptroller of Taxes

…when one is trying to calculate the benefits for a business case, particularly in the revenue world, in my career I have relied very heavily on the availability of both the 200 statisticians, economists and operational researchers in H.M. Treasury. Obviously in Jersey we do not have that level of resource available to us. So, I have on occasion found myself in the position where I cannot really quantify benefits at the level I would wish to do, and frankly I do not think it is absolutely necessary. I do not think we can invest in that sort of resource, or if we were to invest in it, I suppose it would be through, I am assuming, an increase in further our consultancy costs. So I think I have been occasionally criticised for using the term "no brainer" but where I think something is a no-brainer, by which I mean self-evidently the right thing to do, I make the case as best I can, I think is how I would defend that. [12]

FINDING 1

The Government Plan 2021-24 adopts the central scenario of the Income Forecasting Group's (IFG) predictions after accepting the economic assumptions of the Fiscal Policy Panel (FPP). This means that there is a risk that income in 2020 might be lower than the forecasts that the Government Plan is based upon.

FINDING 2

The IFG report highlights a number of significant risks to the economy in the short and medium term yet the changes to the economic forecast metrics such as GVA and average earnings are relatively marginal, and the prolonged impact of the pandemic seems to entrench further.

FINDING 3

Revenue Jersey is unable to provide detailed information for personal taxation figures which accounts for 60.3% of overall general revenue. The Income Forecasting Group autumn report confirms operational challenges within that department.

FINDING 4

Within the 2019 Government of Jersey Annual Report and Accounts the Independent Auditor report highlighted under 'key audit matters' that the estimation of personal tax revenue in advance of submission of tax returns and completion of individual tax assessments required significant judgement and that deriving income by this type of approach incorporated an element of risk.

FINDING 5

The Panel advisor recommends that practices which permit income adjustments to be treated in the balance sheet within future years should be avoided as it does not include the required precision needed to enable strategic decisions to be made on the largest component of income. The advisor highlights that in such

[12] Corporate Services Scrutiny Panel Public Hearing with the Chief Minister, 27th September 2019, p.35

circumstances there is a risk that key decisions on overall borrowing and affordability might be made based upon potentially unreliable forecasts.

FINDING 6

Further evidence is required in relation to the proposed increase in revenue due to greater domestic compliance. Last year the amount collected through this measure fell short of predictions. Given the greater economic uncertainty this year the panel does not understand how such income will be generated through improved compliance.

RECOMMENDATION 1

To build public confidence and allow for public scrutiny, the Minister for Treasury and Resources should publish agreed performance targets for Revenue Jersey in 2021 which are aligned to strategic objectives. This should clarify, amongst other things, when the Minister has agreed that Revenue Jersey will deliver accurate information from its management information systems on income yields for personal taxation, the customer delivery expectations and complaint reporting practices, how Revenue Jersey intend to deliver personal taxation changes in agreed timeframes and what reports will be prepared to confirm domestic compliance tax income generation.

Borrowing

The Government Plan 2020 confirmed:

Borrowing is only to finance investments (or refinance liabilities) except under times of economic duress and monitor the impact on net financial assets[13]

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Funding required from Revolving Credit Facility*	335,953	70,864	(5,547)	(6,808)
Fiscal Stimulus Fund Borrowing (2020)	50,000			
Cumulative Borrowing Requirement - Covid-19	**385,953**	**456,817**	**451,270**	**444,463**
Existing borrowing - Housing Bond 2014	250,000	250,000	250,000	250,000

The Government Plan 2021-24 articulates a cumulative borrowing requirement of £385 million through a revolving credit facility to finance the costs of COVID-19 which is classified as an exemption requirement for borrowing. This excludes any costs for the Our Hospital project.

To facilitate this borrowing, it will cost approximately £27 Million from 2021 to 2024:

OI4-C-1 COVID-19 Revolving Credit Facility			
2021	2022	2023	2024
£3,746,000	£7,136,000	£8,730,000	£7,803,000

When asked about costs in relation to interest, commitment and arrangement fees in a Panel public hearing the Treasurer of the States confirmed:

In terms of commitment fees, they are paid at 35 per cent of the applicable margin, 35 per cent per annum on the applicable margin; the margin being 0.8 per cent. That works out at 0.28 per cent for a year on commitment fees. The arrangement fee was at 0.25 per cent of the available facility up to £500 million. They get paid quarterly in arrears; I think. The arrangement fee has been paid already…..the arrangement fee £1.25 million.[14]

Including the arrangement fee, the cost of borrowing is £29 Million. A borrowing policy is yet to be published by the Minister for Treasury and Resources. The Panel advisor report highlights:

A key concern is the establishment of a borrowing policy that establishes an acceptance of gap fund borrowing and extends repayment into the longer term. Behaviourally, this has the potential to erode or weaken the rigour and challenge that would normally exist around difficult and potentially challenging overall tax and spend decisions. What makes the planned level of borrowing potentially more problematic is that we do not think the total external borrowing will be able to be linked to the creation of an equivalent level of assets.[15]

The short-term borrowing strategy led by the Council of Ministers is based on the fact that the Strategic Reserve should be maintained (approximately £890 million) in these uncertain times and that borrowing will meet the shortfall caused by the pandemic and also maintain

[13] Government Plan 2021-24 p.119
[14] Transcript – Quarterly Hearing with Minister for Treasury and Resources – 14th September 2020 p.32
[15] CIPFA

investment in services to islanders as well as certain infrastructure. Ministers are looking to reduce the debt level before it is replaced by a medium-term facility. The current borrowing strategy excludes the Our Hospital project.

The Panel Advisor highlights in their report that:

> *The current resistance to using reserves to fund emergency COVID-19 spend appears to be founded on the principle that it would be better to borrow than liquidate investments based on the core assumptions that borrowing costs have been at historical lows and that the existing investments will make positive returns over the medium term. That said, there has been no opinion evidence that substantiates this level of confidence in the performance of market investments. This strategy would appear to be logical within a steady state economic horizon. However, steady state is not currently within contemplation with expected economic cycles and financial markets being significantly distorted due to the current COVID-19 pandemic.*[16]

The Government Plan confirms that the borrowing debt will be repaid by:

- The future repayment of the 2019 tax liabilities for PYB taxation will be placed into a ring-fenced sinking fund;
- Unused and uncommitted capital allocations at the end of the year
- Unspent COVID-19 allocations from 2020;
- Uncommitted Fiscal Stimulus allocations;
- A schedule of property disposals to be used to reduce the borrowing requirements and be summarised in an Estates Strategy.

The Panel Advisor raises concerns in relation to the PYB Taxation sinking fund;

> *Given the regressive nature of the value of money over time, it is difficult to ascertain what level of 'sinking fund' would need to be established and how this would keep pace with the external financing costs some 15/20 years further down the timeline. We would be of the view that this proposition to finance external borrowing costs by way of a sinking fund financed from the PYB transition is speculative at best.*[17]

The Panel Advisor goes onto highlight:

> *Given the significance of this departure from the standard financial strategy deployed by the States of Jersey, the balancing of existing reserves and augmentation of external debt finance should be highly considered and not be a reaction type response. Financing external debt repayments will be a first call on income generating capability and it is critical that income tax estimates are seen to be robust before the affordability of funding requirements is properly assessed.*[18]

When the Panel asked, in a public hearing, what evidence there was that the cost of debt would be far lower than the long-term returns on our reserves, given unprecedented global market volatility, the Treasurer of the States replied:

[16] CIPFA
[17] CIPFA
[18] CIPFA

> *Volatility is generally a short-term phenomenon, rather than a long-term phenomenon, so when we are doing our forecasting, cutting through the middle when we are looking at our long-term returns, when we are assessing the returns. We are interested in what is happening in a particular year, but I think in years when we have a very good return it might be followed by 2 bad years. Experience and history have suggested over the long term they will outperform. I have been here before talking about what I thought were historically lower rates of interest. I think we are definitely now at even lower levels of interest than those previous times. The forecast at this point suggests that that will stay with us for a while but that may change. But it would now be the case that if you look historically at the returns we have made on those funds over a period of time, rather than looking at any one, 2 or 3-year period, then the investments will outperform sovereign debt, for example, which is what we would issue in this particular instance over the long term. That is what the advice that we receive is, not just my view, certainly advisers tell us, and we can see that from the history of investments.*[19]

Reference is made in the Government Plan to a "debt strategy" which will be produced to show the Council of Ministers intends to finalise its medium term borrowing in 2022 to coincide with the Government Plan 2022 and will include consideration of the long term investment strategy of the reserves which currently supports the islands credit rating.

When questioned on the strategy for borrowing in relation to COVID the Chief Minister confirmed:

> *COVID was not exactly on the agenda and we have had to shift a whole range of stuff, a whole range of issues around that. You deal with the circumstances you are facing at the time. The shorter- term side then comes into flexibility. The R.C.F., it is not quite the same but in my simple mind it is the equivalent of an overdraft that we are taking out at the moment. We are asking for a maximum amount on that overdraft facility; that is what the permission was sought for from the Assembly. But also it is only kind of next year-ish that we will understand whether we need all of that or not but precisely because of the uncertainty areas around how badly or how well have, for example, financial services performed in terms of tax, what turns in the tax take for us, how much of the estimated spend for 2020 we have spent? All those kind of things. That is the flexibility for the next one, 2, 3 years until we get absolute certainty around what is the final level of the next debt, if you like, that we need to cover off that area, will take us into P.Y.B. (previous year basis) and C.Y.B. (current year basis) but I will not go down that line at the moment because I am sure we do not want to. I think the other measure in there … so the crucial thing in all this lot is what we call the rules; that I was very keen on and a number of us are very keen on, which says that, essentially, there are no capital receipts in the Government Plan, for example. What we have said is that if we do sell and, hopefully, we might get, for example, South Hill somewhere in that time period with some returns coming from that. If we do get returns from that, should it be sort of wrapped up in the normal Government spend? Our view at the moment is that, no, you specifically put that into the ring-fenced fund that we are talking about to repay the debt in the future; it is very focused. Any receipts that we are not anticipating, I presume if our income forecasts are better than we were expecting, any capital receipts, any efficiency that we do not identify, will also go into a fund for repayment for the debt. I think that is quite important because we want to be absolutely serious, we have got to deal with this. We*

[19] Transcript – Chief Minister - 13th October 2020 p.21

> *do not want to hamper generations for decades to come if we do not need to and that is one of the measures we can, hopefully, get their confidence that we are serious about making sure it is repaid.*[20]

When asked about the medium-term outlook for borrowing in relation to the hospital the Chief Minister confirmed:

> *Essentially, the likelihood is it is going to be a very similar strategy to previously but that is a separate decision by the Assembly, I think July-ish next year; that is what we are aiming for. That will be around the funding and once you have got certainty on the site, which then determines the costs and all the rest of it. Because there is still quite a lot of uncertainty around it, once the site is approved and then obviously because of the length of time up to that decision, about the level of continuity to build it. But the likelihood is that we would go for borrowing at this stage long term and, potentially, repaid by, number one, excess returns out of the Strategic Reserve*[21]

The Assistant Minister for Treasury and Resources was asked to confirm if the strategy for external borrowing would have been different if the new hospital had not been under contemplation replied:

> *My view is that it would not. I am well-known to have concerns about the level of borrowing and the way that we are going to repay that over the medium term. I said it before, I think anybody that stands for election in 2022 and does not have a creditable debt reduction policy is not a credible candidate in that election. Because this Government Plan will move us from our historic economic model into a model of borrowing for the costs of COVID, in effect. The Government has tried to mitigate what it can of those costs, but if you work out all the numbers there are greater costs, not just the direct costs, but also the reduction in the income line arising from the recession. There was always going to need to be some borrowing……but there is still a question going forward in future years about how we press down the growth on expenditure and how we come up with a plan, which Treasury are absolutely committed to, during the course of next year to repay that borrowing. That will not be easy and that will not be straightforward. There are concerns about how we fund that borrowing because we know that we have this large capital project in the pipeline and that we will need to borrow for the hospital. So, I think that it is the other way around. I, for one, would be more relaxed about borrowing for the cost of COVID if we did not have that large capital item coming down the line staring us in the face. We are going to have to manage those two issues very carefully.*[22]

When asked by the Panel if Ministers were retaining the Common Investment Fund balance to secure a standard and poor rating (S.& P. rating) the Chief Minister replied:

> *We are not retaining the investments to secure the rating. How we manage the debt obviously does have an impact on the S. & P. rating. The main advice I would say in practical terms, at least from my thinking, is that we are keeping the investments, if you like, in our back pocket as a reserve for unknown future shocks that may be 2 or 3 years*

[20] Transcript – Chief Minister - 13th October 2020 p.16
[21] Transcript – Chief Minister - 13th October 2020 p.16
[22] Transcript – Minister for Treasury and Resources – 13th November 2020 p.28

down the line. Essentially, the view on COVID-19, I think, this year has been we have had the health impact obviously and then that has had the short-term economic impact. What we do not know, if you go back, for example, to the 2008 financial crisis, I think that probably hit you in, let us say, 2011, there will be a time lag as to what is happening around the rest of the world and what impact that then has on us. If, for example, we were to just use half the Strategic Reserve, say, or a third to clear all this debt, that will clear the debt now when interest rates are very low, you will not really have recourse to that at some future time easily. The F.P.P. advice certainly as I have understood it and certainly the more recent one is keep the reserves reasonably intact, that is, effectively, light for a contingency event in the future and use the borrowing instead.[23]

When a similar question on the Standard and Poor's rating was raised by the Panel at the public hearing with the Minister for Treasury and Resources it was confirmed by the Minister that:

There is also a significant advantage in having those reserves. It supports our credit rating with Standard and Poor's, which is hugely important from the point of view of a credit rating but also the financial reputation about future borrowing. It is important to maintain that.[24]

FINDING 7

The cumulative borrowing requirement is £385 million in 2021 due to COVID-19. No published borrowing policy or debt management strategy has been provided by the Minister for Treasury and Resources to underpin the £385 million borrowing requirement for 2021 due to Covid-19.

FINDING 8

The Revolving Credit Facility will be utilised as the main form of borrowing. Information has not been provided to Panel as to the professional advice provided to the Council of Ministers in relation to their borrowing strategy.

RECOMMENDATION 2

To meet the principles of openness, predictability and transparency the Minister for Treasury and Resources should provide a detailed borrowing policy and debt strategy in Q1 2021 to ensure clear direction and leadership is delivered.

The debt strategy must clarify the modelling adopted by Government against best practice guidance, the Government's attitude and structure to risk and include alignment to theoretical literature on public debt management to provide assurance.

RECOMMENDATION 3

A debt management report should be produced annually by the Minister for Treasury and Resources to include the debt management policy, debt portfolio

[23] Transcript – Chief Minister - 13th October 2020 p.17
[24] Transcript – Quarterly Hearing with Minister for Treasury and Resources – 14th September 2020 p.34

information and provide context for decisions and clarify the agents remit. The first of these reports should be published before the end of 2021.

Reserves/contingency

To deal with unforeseen costs, under the Public Finance (Jersey) Law 2019 a reserve is required.

Reserves	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Reserve for centrally held items	10,782	22,060	38,774	56,601
General Reserves	54,060	22,345	7,222	7,040
Reserves Total	**64,842**	**44,405**	**45,996**	**63,641**

[25]

The Government Plan has allocated £10.7 million to a "Reserve for centrally held items" and '£54 million to a 'General Reserve' in 2021. Non-staff inflation has been reduced for 2021 as part of the rebalancing plan. There was a short explanation of these headings in the Government Plan, but no breakdown of the totals. The Panel have since been provided with a breakdown:

Reserves breakdown GP21-24	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
AME Contingency	2,000	2,000	2,000	2,000
DEL Contingency	5,000	5,000	5,000	5,000
COVID second wave contingency	40,000	-	-	-
Brexit contingency	2,000	-	-	-
Revenue consequences of capital schemes	60	345	222	40
Restructuring allocation	5,000	5,000	-	-
Assisted Home Ownership Scheme	-	10,000	-	-
General Reserves	**54,060**	**22,345**	**7,222**	**7,040**
Pay award 2021+	5,570	12,080	22,653	33,931
Pensions increases	3,992	7,562	9,401	11,361
Non pay inflation	1,220	2,418	6,720	11,309
Reserve for centrally held items	**10,782**	**22,060**	**38,774**	**56,601**
Reserves Total	**64,842**	**44,405**	**45,996**	**63,641**

In the Panel's 2019 review of the Government Plan the trade unions were critical that the Government Plan did not contain detail on what provisions have been put in place for public sector pay awards during the period. The unions have again cited the lack of clarity provided by the plan in relation to fair pay awards for public sector workers being a concern.

The trade unions have also raised concern that some members working in the public sector are currently employed on zero hours contracts and that these contracts do not offer financial or social security for those bound by them. The unions go on to clarify that studies show that working on a zero hours contract negatively impacts on the mental health of the workers as the contract fails to provide adequate protection for workers who become ill and exacerbates

[25] Government Plan 2021-24 p.128

the problem. Given the current climate with COVID-19 this could have damaging impacts on the health of colleagues and potentially their co-workers.

FINDING 9

Detail has not been provided in the Government Plan 2021-24 on provision for public sector pay awards.

FINDING 10

Trade Unions have raised concerns in relation to public sector workers employed on zero hours contracts and has advised of the negative impact on mental health and lack of adequate protection that this will have exacerbated during the pandemic situation.

RECOMMENDATION 4

The States Employment Board should immediately clarify the strategy in relation to the use of zero hours contracts in order that transparency is provided in relation to policy and the States Employment Board should confirm to the States Assembly that no public sector workers have been negatively affected due to this employment status during the pandemic.

Funds

The States of Jersey has approximately £3 billion of investments available in the Common Investment Fund.

Special funds balances	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Strategic Reserve Fund	890,300	904,900	952,900	1,003,600
Stabilisation Fund	0	0	0	0
The Health Insurance Fund	79,340	62,517	47,467	35,027
The Long-Term Care Fund	35,220	39,566	43,810	46,190
The Social Security Fund	91,746	86,020	75,294	66,818
The Social Security (Reserve) Fund	1,667,068	1,609,813	1,634,638	1,751,338
The Currency and Coinage Funds	107,800	108,600	109,400	109,400
The Jersey Reclaim Fund	14,300	14,300	14,300	14,300
Housing Development Fund	(14,665)	(13,270)	(11,815)	(10,290)
Climate Emergency Fund	3,397	3,757	4,107	3,797
Fiscal Stimulus Fund	0	0	0	0
Other Special Funds	23,634	16,325	13,929	13,929
Total	**2,898,140**	**2,832,528**	**2,884,030**	**3,034,109**

[26]

The Government Plan 2021-24 envisages growth in returns from investments over the course of the plan.

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening Balance	3,019,363	2,898,140	2,832,528	2,884,030
Returns on Investments	43,400	41,900	166,900	172,750
Operational Income	322,494	353,886	365,155	440,458
Operational Expenditure	(473,861)	(441,089)	(465,997)	(484,623)
Transfers	(13,256)	(20,309)	(14,556)	21,494
Closing Balance	**2,898,140**	**2,832,528**	**2,884,030**	**3,034,109**

[27]

[26] Government Plan 2021-24 p.164
[27] Government Plan 2021-24 p.164

The Treasurer of the States advised in a public hearing that:

> *We are taking a prudent approach in the short term. More often than not what we do with these forecasts is use the long term as the assumption because it is difficult to see in any one particular year whether there will be overperformance or underperformance compared to the income forecast. So, we generally use the medium to long-term return on those funds as advice by our investment advisers but in the initial years we have used quite a prudent approach to those. You have seen during this year quite rapid drop offs as you would expect initially followed by very rapid and very steep improvement in the stock markets, which equally people scratch their head with, and some discounting off from that position as we go through the year. Stock markets are volatile, they are always going to be volatile in the short term but at this point probably more so than previously. So, we generally in these forecasts - it is difficult to forecast any particular year - use that long-term return on the funds that we are anticipating that will underperform or overperform in any one, 2 or 3-year period.*[28]

The Panel advisor has confirmed in their report:

> *On a broad arithmetical basis, we would see this level of expectation delivering the following rates:*

Year	2021	2022	2023	2024
Indicative %	1.77%	1.45%	5.9%	6.0%

> *There is an implicit assumption that the core level of the Common Investment Fund (CIF) will not be duly impacted by any significant market downturn from year 3 of the plan as can be seen from the indicative returns highlighted – hovering around 6%. From the overall movements highlighted, the projected individual fund balances are set out with the Strategic Reserves estimated to exceed £1 billion in 2024.*[29]

Social Security Fund

The Government Plan 2021-24 outlines a significant policy change with the redirection of the States Grant (estimated £235 million) away from the Social Security Fund and primarily redirected to additional costs associated with the pandemic and to fund some capital and revenue expenditure programmes, whilst a return to balanced budgets is implemented for 2024 . The Chief Minister advised the Panel that:

> *The Social Security Reserve Fund remains in a very healthy state. I think the figure I have used is about £1.7 billion. I know Richard [Treasurer of the States] has said publicly the intention was to get it up to around 5 years' worth of spend effectively as the buffer. It is up to about 7 so it has exceeded where we wanted it to be. The advice basically, or the view has been rather that rather than essentially adding to the borrowing to put money into a reserve that does not need it and does not need for quite a considerable time, it made sense just not to make the payment in to the reserve. What we have said - that is part 1 of the picture, if you like - part 2 of the picture, which we did identify last year and was a piece of work that showed that we have been looking ahead, it just becomes more fortuitous, as it were, now, is we do need to do a piece of work looking at the size of the supplementation grant. Broadly speaking, that was forecast to*

[28] Transcript – Chief Minister - 13th October 2020 p.10
[29] CIPFA

go up to £100 million at some point in the next couple of years, which at the end of the day loosely is around 10 per cent of our spend. There is an argument that says if you go pre-Zero/Ten the contributions from employer, employee and taxpayer are about a third, a third, a third. We are talking principles here. The taxpayer contribution pre-Zero/Ten would have obviously been more balanced towards the corporate area rather than the individual. In Zero/Ten that balance shifted the other way. So, there is an argument to suggest that you should look at how that supplementation grant is funded going forward and whether … I am not saying that is where we are going to, but we might want to look at rebalancing that, so you get the proportions back to where they used to be. That has not been done obviously since 2008, 2005 or whenever, so it is a longer piece of work. On top of that, because we know we have frozen - as previous Council of Ministers did do when they had this type of crisis - the grant for 2020 with the permission of the Assembly and we are seeking the permission of the Assembly for 2021. We are flagging that we might want to do this, but the permission is purely for 2021 that we are seeking. We know that during 2021 we have to come back with a piece of work that says this is how we are going to top up the reserves. So, provided we do that in 2021 and we have a plan, there is no threat to anything; the reserve is fine. We just make sure that those plans then bring it back to the levels that we have all been talking about. But as we were saying, it is in a very healthy state at the moment. It is more than what was originally projected, and it makes sense not to borrow to pay into a reserve that does not need it.[30]

The Treasurer then confirmed:

We will see at the start of the period, at the start of 2021, forecasting about £1.7 billion on the Social Security Reserve Fund. At the end of the period more or less in the same position slightly up from that margin. Over the period, while, yes, the funding is being utilised, then we would expect - given the long-term forecast of investment returns and accepting that in the early years we forecasted a very low level historically on those returns - to get back to roughly where we are or where we will be at the end of this year.[31]

When the Panel asked the Chief Minister, who approved this change to policy it was confirmed:

To be honest, it has been all the key Ministers. I have been involved, the Minister for Social Security obviously has been involved, the Minister for Treasury and Resources has been involved and then there has been a discussion with the Council of Ministers as well. As we keep going back to this point, particularly during this year, it has been very fundamentally about the managing of the cash flow and I go back to the point, you could carry on and just make the payments in but then, ultimately, you are adding to your borrowing requirement, which did not make sense.[32]

When asked by the Panel at a public hearing if the reduction in 2020 would place a burden on future generations the Chief Minister replied:

No, I do not think it is. This had been done prior to our time as well. The first decision was you do need cash, you need cash very urgently. There was £65 million that was

[30] Transcript – Chief Minister - 13th October 2020 p.11
[31] Transcript – Chief Minister - 13th October 2020 p.11
[32] Transcript – Chief Minister - 13th October 2020 p.13

going to be paid into the fund that basically did not need it because it had £1.7 billion at least on the balance and, therefore, it made sense and the Assembly agreed with that. But we do know we have to top that up again and so we are not putting the burden down to future generations. It is looking ahead and saying that at some point you will need to top it back up. In the same way, and I will quote Terry Le Sueur of the day, I think it went up 0.5 per cent a year for a number of years. That might be an option one looks at and I would say that was very good forward thinking at the time because it built up the reserves that we have been able to bolster the Island's finances then and obviously which we are now very grateful for. I think we are going to apply that same kind of forward looking and look at the structure of what payments go out of the fund and what payments need to go in to make sure that we keep that balance going. As Richard is saying, broadly speaking, in the next 4 years the balance should remain slightly better than where we are now.[33]

The Panel advisor having taken this detail into account has highlighted in their report:

The plan does not include any impact study on the central scenario implications on the viability of this policy change or future social security funding for islanders in relation to potential changes in demand/demographic management. The Plan highlights that the net impact reduces the funding capability by approximately one year but does not elaborate on sustainability issues relating to Social Security Funds. It would seem more prudent to retain the equivalent £65.3m than weaken the existing fund, particularly when the plan is to divert some £235m covering 2021, 2022 and 2023.[34]

The Panel advisor also confirmed:

We are unsighted as to why a reserve that was initially designed to facilitate recurring revenue expenditure is being used to fund what is essentially a Capital Project.[35]

Health Insurance Fund

When reflecting on the Health Insurance Fund the Panel was keen to understand the fund sustainability and why a reserve that was initially designed to facilitate current revenue expenditure would be used to fund capital projects. In a public hearing with the Minister for Treasury and Resources the question was posed as indicated above and the reply from the Minister advised the Panel that***:***

It is being used because it is essentially a fund for the subsidisation of doctors' visits and pharmaceutical drugs essentially. So, the healthcare model from which we will be drawing on the Health Insurance Fund seemed a reasonable project on the basis that the Jersey Care Model is going to reduce costs in the long run. So, it might be a capital project initially but then the payback ... I think it is 2024 we are expecting it to start paying back and we are anticipating the payback will be about £4.4 million a year, or something

[33] Transcript – Chief Minister - 13th October 2020 p.14
[34] CIPFA
[35] CIPFA

like that. So, I see where you are saying a capital project, but it is expected to bring back revenue and the fund can sustain it at this point.[36]

FINDING 11

There is an assumption that core levels of the Common Investment Fund will not be duly impacted by any significant downturn from year 3.

FINDING 12

The Government Plan outlines a significant policy change with redirection of the Social Security fund.

RECOMMENDATION 5

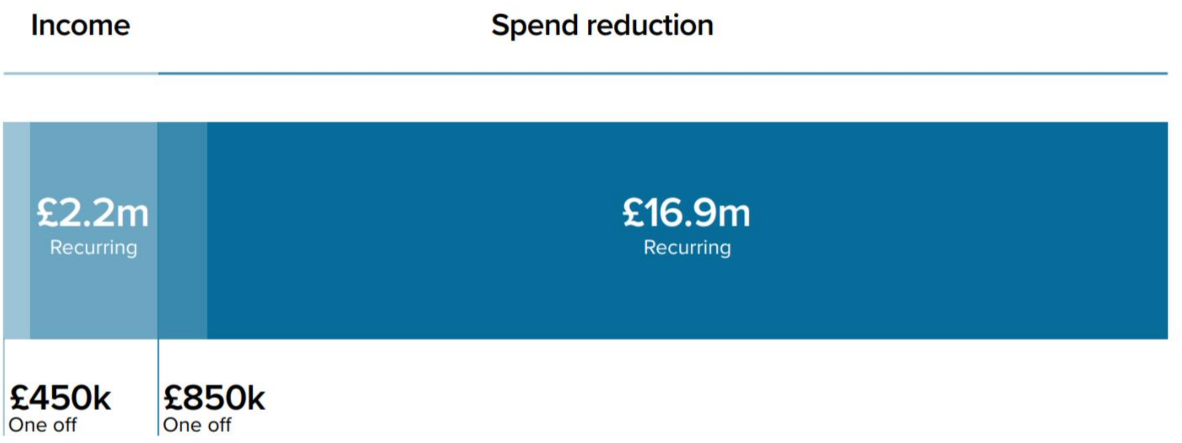
The Council of Ministers should ensure that fund supplementation principles are reviewed and agreed in Q1 2021. To ensure transparency when considering the principles an annex of analytical and advisory information should also be published.

[36] Transcript – Minister for Treasury and Resources – 13th November 2020 p.23

Efficiencies and Rebalancing

The Government Plan 2021-24 highlights that central to rebalancing budgets over the period to 2024 is a package of efficiencies and the target for 2021 is £20 million.

Allocation by Minister	2021 (£)
Chief Minister	1,303,000
Council of Ministers	5,418,000
Minister for Children and Housing	555,000
Minister for Health and Social Services	5,000,000
Minister for Home Affairs	765,000
Minister for Infrastructure	4,500,000
Minister for Social Security	442,000
Minister for Treasury and Resources	1,280,000
Ministers for Infrastructure , Environment, EDTSC	750,000
Grand Total	**20,013,000**



[37]

The Panel advisor highlights in their report to the Panel that:

> *The change towards a rebalancing narrative suggests a tacit acceptance that the required quantum of efficiency savings may not be achievable, and that wider concept of rebalancing may be more pragmatic. Additionally, the extent to which efficiencies are to be delivered from deferred growth does not provide confidence that efficiencies were actual management interventions specifically capable of being efficiency savings in nature.*
>
> *Whilst there is a schedule outlining each saving initiative the high-level rounding suggests a highly aspirational and 'broad brush' approach being taken. The background information as contained within the Plan associated with some of the larger components*

[37] Government Plan 2021-24 p.96

do not give a high level of assurance that recurring 'cashable' savings can be sustained from these initiatives.[38]

FINDING 13

The change towards a rebalancing narrative suggests an acceptance that the required quantum of effective savings may not be achievable.

[38] CIPFA

Future Income Raising Measures

Income raising measures to achieve a balanced budget by 2024 are outlined in the Government Plan 2021-24. The measures include a target of at least £10 million per annum to be delivered through tax measures. Broadening the tax base, the taxation of medicinal cannabis growing and production and stamp duty were challenged by the Panel at the public hearing with the Minister for Treasury and Resources and the Panel were advised:

> *We put in a few measures, as you have just mentioned, a tax from cannabis, I.S.E., which the Assistant Minister mentioned earlier. That has to be balanced of course with some capital projects still going ahead, for instance, investment in Fort Regent. So, what we are talking about is we hope we can achieve a balanced budget. But it is a forecast but supported by the F.P.P. (Fiscal Policy Panel).*[39]

The Minister for Treasury and Resources then explained:

> *We are looking, at increasing stamp duty. There is also I.S.E. (International Services Entities) fees, which will also increase. So that is part of that. I think that brings in about £3.5 million. I do not have the figures in front of me. But there are other areas, there is tax compliance as well, but that is separate.*
>
> ***Assistant Minister for Treasury and Resources:***
> *we are now working very closely in regard to papers and the agreement that might come out of the O.E.C.D. (Organisation for Economic Co-operation and Development) on neutral taxation and we are going to need to respond to that. It would seem that some of the response to that was tax neutrality would mean some broadening of the base. So, we have put in what we think is a very reasonable number at this stage while all that work is ongoing. We will know more about what that looks like, what our response to it will need to be, later next year. So, it will be sometimes next year that we have any ideas about what that will look like.*
>
> ***Assistant Minister for Treasury and Resources:***
> *So the broadening of the base is really connected with what was referred to earlier, the health work and an ageing out of the areas, the international tax work, and the continual working with other areas where we could broaden the 10 in financial services, for example, while maintaining tax neutrality in the same way that we did with the retail tax.*[40]

Following the Assistant Minister talking about the timeframe for corporate taxation, the Panel asked for confirmation on a timeframe:

> ***Assistant Minister for Treasury and Resources:***
> *The first thing to say is that those who need to be concerned, the Government, myself, Treasury, are absolutely committed to tax neutrality. Tax neutrality is currently delivered through Zero/Ten and it is delivered, I believe, for the Island well over its lifetime. There has been, rightly so, the difficulties around companies that are operating here that*

[39] Transcript – Minister for Treasury and Resources – 13th November 2020 p.31
[40] Transcript – Minister for Treasury and Resources – 13th November 2020 p.26

currently avail themselves of the zero, but largely, in effect, are based or headquartered somewhere else. That has been the main difficulty. We have tried to address or previously have tried to address that with the retail tax. It is that issue, together with responding to the international agenda, which we are thinking about now. I cannot give you a timescale other than to say I would expect during the course of next year some corporate refinement changes that preserve tax neutrality to be being brought forward and consulted upon. These changes, I can give assurance, are as every corporate tax refinement has been undertaken with industry and in consultation to ensure that they are best fit for Jersey going forward.[41]

FINDING 14

A target of £10 million per annum has been set in the Government Plan 2021-24 for future taxation measures. This will be delivered through tax measures, broadening the tax base, the taxation of medicinal cannabis growing and production and Stamp Duty.

RECOMMENDATION 6

Future taxation measures need to be considered in a structured format with consideration on the potential impact for islanders and businesses. Research papers should be prepared by The Minister for Treasury and Resources to consider the impact of possible taxation measures and these should be published at least six months in advance of them being lodged for debate to promote public consultation and scrutiny.

[41] Transcript – Minister for Treasury and Resources – 13th November 2020 p.32

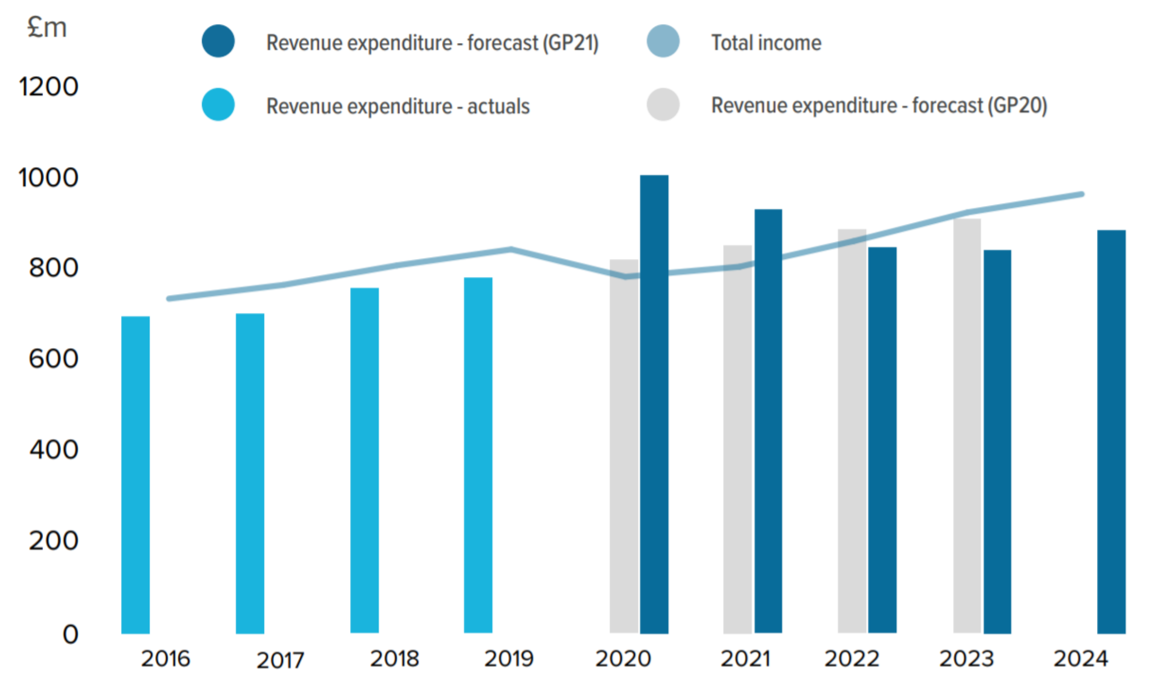
1.8 Public Sector Spending

The Government Plan proposes to spend just under £1.05 billion on public services and infrastructure in 2021:

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening base budget	823,453	822,416	822,416	822,416
Investment in CSP priorities (GP20)	15,980	31,801	35,047	29,716
New Investments (GP21)	24,713	31,837	29,045	32,566
Covid-19 / Economic Recovery	87,277	26,590	25,642	12,602
Reserves, Inflation and Legislative Decisions	62,607	56,237	78,286	98,683
Reduction in grant to Social Security Fund	(65,300)	(76,100)	(93,100)	(30,200)
Rebalancing	(18,763)	(35,426)	(54,326)	(72,826)
Total net departmental expenditure	929,967	857,355	843,010	892,957
Capital programme	117,373	98,125	81,724	74,142
Total Government Net Expenditure	**1,047,340**	**955,480**	**924,734**	**967,099**

[42]

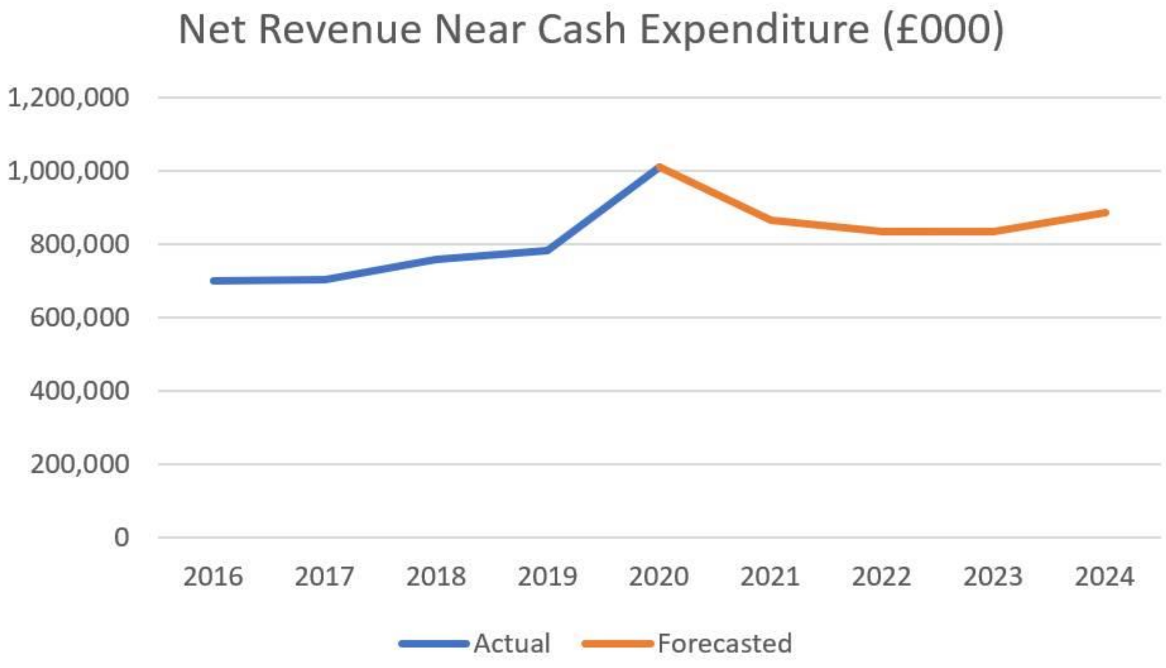
When the spending on buildings and infrastructure (the Capital programme) and the impact of inflation is taken into account, Government spending will be £967 million in 2024.



[43]

Net Revenue Near Cash Expenditure has continued to rise and is forecasted to continue to do so through this Government Plan;

[42] Government Plan 2021-24 p.125
[43] Government Plan 2021-24 p.126



[44]

In relation to expenditure the majority of participants in the Focus Groups felt that the numbers were quite optimistic given the effect of COVID-19:

"Seems a lot, is that what towns of 100k people in the UK spend in a year? Seems astronomical!"

"It brings to mind is COVID going to magically disappear?"

"Expected, no surprise, not going to be making money right now"

"It's a guess of what the figures will be, finger in the air, might be a good guess"

COVID-19 spending

The significant spend required for COVID-19 and the associated economic recovery over the lifetime of the plan amount to £152 million.

The report prepared by CIPFA highlighted that:

> *The initial response to the pandemic, in strategic financial management terms was deemed to have been positive and to be commended. The halt, defer and reduce approach was initially successful however the 2021-24 Government Plan appears to*

[44] Government Plan 2021-24 Annex p.14, Government Plan 2020-23 6-month progress review, p.114, States of Jersey Annual Report and Accounts (various)

have reinstated the focus on improvement rather than dealing with a significant structural economic shock which may require a more basic approach in the achievement of an equilibrium balance between income and expenditure.[45]

The Panel Advisor has then confirmed that this is:

Counter to what was being seen in the UK with organisations moving away from improvement related investment towards the financing of core services as a consequence of demand led pressures which was driving a return towards basic primary legislative service obligations.[46]

The Panel questioned the management of COVID costs from general expenditure at a public hearing on the 13th November 2020. The Assistant Minister for Treasury and Resources confirmed:

The budget is our best guesstimate. There is, as the Minister has just said, flexibility in there. If, on top of that, we see that departments do not spend their allocations this year, which is what I would expect and what Treasury have been trying to encourage then they will not spend up to their allocations.[47]

Investment in the Common Strategic Priorities

As well as meeting the costs of the pandemic the spend also includes an additional £41 million investment into the delivery of the common strategic priorities.

The breakdown of planned spending in 2021 and the budget given to strategic priorities in 2020 is outlined in the table below. In addition to the five strategic priorities, the Government Plan also includes a category for spend under "Modernising Government".

2020	2021	Difference	
£137,876,000	£142,826,000	4%	Revenue
£5,050,000	£10,651,000	111%	Capital
£142,926,000	**£153,477,000**	**7%**	**Put Children First total**
£223,916,000	£288,096,000	29%	Revenue
£21,080,000	£37,144,000	76%	Capital
£244,996,000	**£325,240,000**	**33%**	**Improve Wellbeing total**
£65,964,000	£91,348,000	38%	Revenue
£3,650,000	£4,135,000	13%	Capital
£69,614,000	**£95,483,000**	**37%**	**Vibrant Economy total**
£188,922,000	£161,483,000	-15%	Revenue
£0	£0	-	Capital
£188,922,000	**£161,483,000**	**-15%**	**Reduce Inequality total**
£22,795,000	£24,013,000	5%	Revenue
£29,213,000	£18,232,000	-38%	Capital
£57,008,000	**£42,245,000**	**-26%**	**Protect our environment total**
£76,761,000	£71,440,000	-7%	Revenue
£27,961,000	£40,070,000	43%	Capital
£104,722,000	**£111,510,000**	**6%**	**Modernising Government total**
£716,234,000	£779,206,000	9%	Revenue
£86,954,000	£110,232,000	27%	Capital
£808,188,000	**£889,438,000**	**10%**	**Total Investment**

[48]

[45] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.8
[46] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.3
[47] Transcript – Minister for Treasury and Resources – 13th November 2020 p.19
[48] Government Plan 2021-24 Annex p.7 and Government Plan 2020-23 p.193

There was a mix of perceptions in relation to the importance of the priorities when presented to the focus groups and scepticism regarding the trends across the years.

The Panel advisor raised concerns in their report that “foundational budgets and investment allocations appear to be more aspirational than formulated on detailed stress tested business case change plans.”[49]

The Panel noted that there was a proposed 37% increase in the budget for Vibrant Economy and a 33% increase in the Improvement of Wellbeing in 2021. The Panel was pleased to see the increased investment into supporting Islanders to live healthier, active and longer lives and creating a suitable, vibrant economy and skilled local workforce for the future in 2021. The focus groups undertaken by the Panel highlighted the need for Islanders wellbeing to be improved:

> *“Wellbeing is shocking over here, needs to improve”*

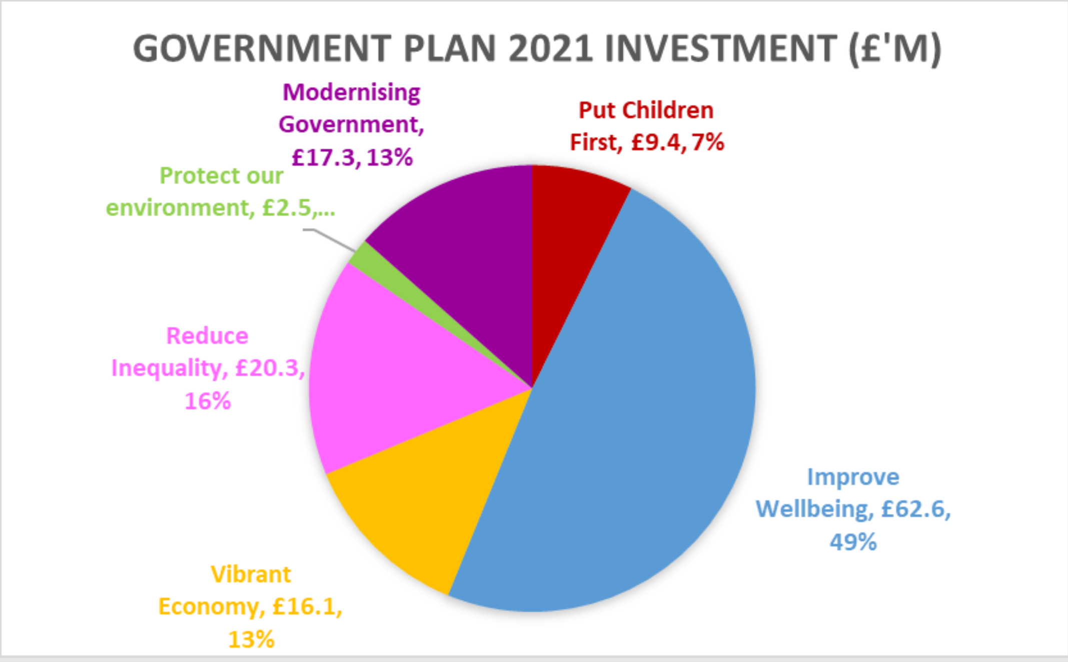
> *“Major drop off in Wellbeing”*

Concerns were also raised by the focus groups in relation to putting children first and confusion as to why vibrant economy funding decreases after 2021.

> *“Spend all this money on putting children first, why are some kids turning up to school unfed?, need the Co-op to sponsor their meals. Is this all the salaries for specialists?”*

When reviewing the breakdown, the Panel noted that there had been substantial reductions in reducing inequality and protecting our environment as is visible from the following diagram:

49 CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.7



[50]

Reduce Inequality

The Panel noted that there had been a proposed drop of 15% between 2020 to 2021 of investment allocation to reduce inequality when asked about the reprioritisation of funding away from this strategic priority at the Panel's public hearing with the Assistant Minister for Treasury and Resources on the 13th October 2020 replied:

> *The Ministers and departments have given assurances that they will continue with that work, but it might take longer. If you bear in mind that we were approving 2021 and where the other Members are on the question of what the spend might be in the future years, there are of course some issues in here that Ministers will rightly need to keep a review of. But they might, some of them, need to be stepped up in 2023. But Ministers have looked at what we can spend in 2021 in addition to the money that had extra in 2022, which is what ... in 2020, which is what we are talking about, and look at the effect of COVID will be continuing in 2021. None of those numbers seem unreasonable. But I would argue, and I did argue, that Ministers are probably not going to spend the money that they have had allocated in 2020 and therefore are very unlikely to be able to spend any additional on top of that in 2021.*[51]

In the same hearing the Minister for Treasury and Resources stated:

> *There has been, certainly in the recent few months, quite an investment to address income inequality with notable examples possibly being the voucher card scheme where £100 goes into the bank accounts, in addition to the cards of people on income support and some pension people. There has also been the agreement with Housing that we would reduce the market rents of social housing rents by 10 per cent. So, I think those points need to be made because income inequality is not being ignored by any stretch.*[52]

Protect our Environment

[50] Government Plan 2021-24 p.127
[51] Transcript – Minister for Treasury and Resources – 13th November 2020 p.15
[52] Transcript – Minister for Treasury and Resources – 13th November 2020 p.14

The Panel noted that there was a proposed 26% reduction of investment to Protect our Environment in 2021 against the 2020 allocation. A reduction in investment was planned in last year's Government Plan to £50m in 2021. When the Panel asked the Minister for Treasury and Resources to confirm why this funding allocation had been reduced in a public hearing on the 13 November 2020 and, if the Minister for Environment had been consulted, the Minister replied:

> *No Minister was very happy about having to do that understandably and Environment, especially seeing as we are in the current circumstances. But there are capital budgets involved in that percentage decrease that have not been removed but have had to be deferred in the current circumstances. We have got to, I think as the Treasurer mentioned earlier, as part of the commercial services review, look at again at waste charges, look again at how we fund the Climate Emergency Fund, for instance, which was going to be largely funded through fuel duty increases. Of course, for 4 or 5 months of this year fuel was not being consumed. So, you have to take into account all the variables. I do apologise we keep coming back to COVID, but we are reacting on a sort of day-to-day, week-to-week, hour-to-hour basis with this. Of course, it is going to affect what was predicted last year.*[53]

At the public hearing with the Chief Minister on the 13th October 2020 the Panel were advised by the Chief Executive:

> *The Economic Council is looking at a longer-term recovery programme and where new investment and longer-term changes could be made. Their independent report is going to come out and, within that, there was a challenge about green economic recovery activity. So, we probably will see that as being where some of the more longer-term measures may well be identified which will have involved third parties which will then be the subject of a conversation with the Island. That will then potentially form, longer term, some of the areas where some of the economic recovery money that is identified in the plan but is not specifically identified against lots of projects at the moment could be deployed. Also I think, Chief Minister, you have, subject to the outcome of the fiscal stimulus debate also identified a number of short-term projects to help with the economy whether it is construction or whatever which do have a green component to it and those ideas will come forward subject to the Assembly agreeing the Fiscal Stimulus Programme.*[54]

The Chief Executive also confirmed in the hearing:

> *The Government Plan last year agreed a Carbon Neutral Strategy. The strategy was produced this year that forms part of the Government Plan. It is a long-term programme that is still contained, whether it is tax measures or otherwise, in this Government Plan. It is not lost. You have to look at the 2 together in going forward but those other points that I have just said will come forward, yes, in the next few weeks and months.*[55]

[53] Transcript – Minister for Treasury and Resources – 13th November 2020 p.15
[54] Transcript – Chief Minister - 13th October 2020 p.42
[55] Transcript – Minister for Treasury and Resources – 13th November 2020 p.43

Some participants in the focus groups felt that protecting the environment numbers should not decrease as the years go on, as it is an ongoing issue:

"I think protect environment is way too low, surely it should increase with things to do with climate change, sustainability, wouldn't think it's going to be sorted by 2022 so I wouldn't have dropped it, should go up"

Modernising Government

A number of the programmes of Government which fall under the remit of the Panel are contained within the Modernising Government section of the priorities. Therefore, the Panel have throughout this report carefully considered these projects in detail. The Panel asked the Minister for Treasury and Resources at the public hearing on the 13th November 2020 to confirm if the large investment in I.T. would continue through the Government plan, or if Government would run out of money to keep them up to date or replace them. The Minister replied:

There is about, if I remember correctly, about £30 million projected to be invested in I.T. This is intended to continue on the basis that a lot of it, for instance in the Jersey Care Model, which was approved by the Assembly, is planned to reduce costs in the future, as I.T. does. We have found that to be exactly the point with Revenue Jersey. So, there will continue to be investments in I.T. and especially on the basis of how people are operating at the moment. So, many people, especially Education, need to upgrade their I.T. systems and have access to faster broadband services. We need to provide that, and you can't necessarily ... perhaps in the future things could change but at the moment there are a lot of situations with schools, with people working from home, officers working from home. So that I.T. project does need to continue. Of course, it will not be done in 2020-21, it is a 4-year programme.[56]

Within the same hearing the Treasurer confirmed:

In terms of modernising Government, modernising does not really relate to per se a department. Modernising Government is a thing that is in the Government Plan, currently, if we are referring page 191 in the appendix 3 to the main report. Some of those measures with this, you asked questions just now on financial services, Assistant Minister talked about the importance of communications. There is also a line there that relates to correcting the relevant Digital Jersey grant; there was an area in the last plan. Some of those costs are in the current Government Plan, they cannot be avoided, the insurance premiums, there is no choice. Insurance premiums have got them, they are opening in the market cheaply. Those insurance premiums have gone up and those are in there. So, they are not confined just to a best guess of the programme, rather than people just grabbing revenue policies. Those provide for the Island in programme and

[56] Transcript – Minister for Treasury and Resources – 13th November 2020 p.16

in organising people in last year's climate where I think you asked questions extensively on this area, with a profile of the revenue consequences if that happened.[57]

There was a lack of understanding in the focus groups when considering the Modernising Government section of the priorities. One group perceived that Modernising Government meant reform of the electoral system.

"For me its means reform (Modernising Government), it's like how they were changing names of buildings so silly, changing stationary "

"Why does it go up then down then up again, if they're modernising the Government why is it not going down every year, constantly going to the UK, going to 'experts' who aren't local"

The Panel advisor highlighted that across the projects categorized as Modernising Government there is an acute lack of detail on the related business cases, from proof of concept through to engagement, implementation and management of changes. The advisor suspects that the quantifiable payback across most of these projects are speculative at this stage.

[57] Transcript – Minister for Treasury and Resources – 13th November 2020 p.17

Heads of Expenditure

The Government plan also breaks down spending at both department and ministerial level. As the breakdown below confirms the largest percentage increases in spend in 2021 compared to 2020 are in Office of the Chief Executive (118%) and Reserves (48%). The biggest decrease is to the Treasury and Exchequer (48%) and IHE (31%). The majority of the increase in the Office of the Chief Executive were due to the transfer of services from other departments.

2020	***2021***	***%***	*Department*
£37,704,000	**£36,638,000**	-3%	Chief Operating Office
£147,637,000	**£160,286,000**	9%	CYPES
£90,661,000	**£91,415,000**	0.83%	Customer & Local Services
£64,402,000	**£44,571,000**	-31%	IHE
£211,387,000	**£227,435,000**	8%	Health and Community Services
£12,431,000	**£12,374,000**	0%	Overseas Aid
£54,119,000	**£56,417,000**	4%	Justice & Home Affairs
£18,951,000	**£41,316,000**	118%	Office of the Chief Executive
£12,508,000	**£9,847,000**	-21%	SPPP
£129,763,000	**£67,105,000**	-48%	Treasury and Exchequer
£0	**£87,277,000**	--	Covid-19
£32,031,000	**£31,394,000**	-2%	Non-Mins
£43,822,000	**£64,842,000**	48%	Reserve
£855,416,000	£930,917,000	9%	Total Expenditure
-£31,963,000	**-£950,000**	-97%	Efficiencies/Rebalancing
£823,453,000	£929,967,000		Total after efficiencies/rebalancing

[58]

The Panel questioned the office of the Chief Executive's increase in estimated Heads of Expenditure of 118% between 2020 to 2021, which comes under its remit, during the public hearing with the Minister for Treasury and Resources on the 13th November 2020 the question was raised as to why this expenditure was so high. The Assistant Minister for Treasury and Resources replied:

> *You have the financial services section, plus you have the economy section being accounted for correctly now, which is moving across from what was G.H.E. (Growth, Housing and Environment). It now becomes an economy function currently sitting within the Office of the Chief Executive, although it is the intention of myself and the Minister for Economic Development, Tourism, Sport and Culture to have these things changed. So that is part of the increase, and then we, of course, have communications, they saw an increased budget, and you have the ministerial support unit seeing growth in budgets as well. I do not have the individual line details but that is broadly where those changes have come from.*[59]

Focus Group on reviewing the department budgets perceived that education had improved, however mental health system was still perceived as poor. Concluded big jump in 2024 for infrastructure, housing and environment and majority agreed this was need and called for more housing.

[58] Government Plan 2021-24 Annex p.12
[59] Transcript – Minister for Treasury and Resources – 13th November 2020 p.12

Many participants asked whether the new hospital is included in the costs and confusion as to why the health spending is decreasing.

Overall participants felt that spending should continue especially on infrastructure and public services. Worry in lack of investment for Justice and Home Affairs as well as Environment, compared to Chief Operating Office, lack of awareness of happens in COO.

"The COO has 5x the amount of Home Affairs"

"Environment funding is very low, it [environment] will help well-being; I work with young people, their first priority is the environment"

When the focus groups were asked to consider additional investment which the Government Plan should consider arts, heritage and culture was perceived as an important investment for wellbeing and upholding Jersey identity. Some perceived that a 1% investment was not enough and would prefer more investment.

"It's positive, important to continue, for our identity, opera house art centre crying for more support, helps wellbeing, it's our identity, heritage brings in tourism it might help increase revenue"

"These things will never make money but they are a service, if that's what they need to be vibrant and worthwhile, go for it"

1.9 Capital Projects

The capital programme for 2021 to 2024 covers some £371.4 million of investment. Most of the source of funding comes from the Consolidated Fund, some 92.7 per cent.

The Panel asked the Chief Minister about what was included in the capital spend, inflationary impact of the capital spend on the construction industry and if there would likely be programme slippage as a result of challenges to the Island, capacity and drag and, the continuation of COVID-19 challenges at a public hearing:

> ***The Chief Minister:***
> *If you look at the full analysis there are things in there like legal changes, like I.T., for example, that is quite a chunk of the spend. Like I think it is the infrastructure one, which is basically tarmacking roads, like replacing assets. Once you break that down, the actual, what I will call, capital spend that is going to go into the construction industry is obviously not the full amount, so therefore somewhat less concerning than if it was the full amount. You have to remember the F.P.P. raised this last year in terms of impact on inflation and the view was that it if it was problem you could potentially flex it, you could change the timing, you could determine whether you want to do more pre-fab or something out of the Island and then bring it in which mitigates your inflationary impact in terms of workers and things like that. Bear in mind where it is probable that things may go … in other words we have got the uncertainty, so what is the impact on industry going to be the next year and the year after. It feels like there is likely to be a demand for Government projects to keep the economy … that side of the industry going. At this stage I do not have perhaps the level of concern that might have been being expressed last year.*[60]

The Chief Executive added to the Chief Minister comments at the public hearing:

> *…there is always a lag about the start of capital projects. One of the reasons why the rolling vote position changed last year was to enable us to get quite a lot of work done in that pre-feasibility so that when projects come to start, they can start within the period. Now, some of these are profiled for later, because you have to have them in the Government Plan under the Public Finance Law arrangements but a lot more are ready. The lesson we have learnt from the previous time where there was an economic impact on the Island was to have things shovel ready much earlier because otherwise you create a lag in the system which then generates further inflation into the construction industry. That is what happened. Whereas this time I think we are in a better place to be able to get key projects up and running in 2021. Then picking up on the point about I.T., over this year we have managed to ensure that we have quite a lot of the B.A.U. (business as usual) for the I.T.S.(Integrated Technology Solutions) project ready so, again, we can proceed with that in line with the revised timelines that we have identified. Hopefully the spend profiles will be much better and the construction industry are telling us that is what they are looking for".*[61]

The Treasurer also advised:

[60] Transcript – Chief Minister - 13th October 2020 p.8
[61] Transcript – Chief Minister - 13th October 2020 p.8

This plan is now on a cash flow basis as opposed to putting all of the money up front….it is assuming that we do not step up the levels of restrictions on the construction industry but obviously there is a risk there as there is a risk to other programmes across the Island as well.[62]

Information Technology Project

In 2021, the proposed spend on IT is over £33 million, and totalling over £120 million over the time span of the Government Plan 2021-24. The Panel noted that the Chief Operating Office only covers the Technology Transformation Programme, however other projects also incorporate revenue spending on IT, meaning the actual spending across the States on IT is higher. The biggest IT projects set out in the Government Plan are:

Revenue

- £47.4 million - Technology Transformation Programme (TTP)
- £21 million – Modernisation and Digital – enhanced capabilities

Capital

- £22 million – Integrated Technology Solutions
- £17.5 million – Replacement Assets
- £7.7 million – Cyber Security
- £3.67 million – MS Foundation Project
- £1 million – IT for Migration Services

When the Panel asked in a public hearing with the Chief Minister what the IT costs were in relation to modernising Government it was advised:

Chief Operating Officer:

We have got 3 of the programmes that were in last year's plan are underway already. The Cyber Programme is well advanced. The Microsoft Foundations Programme is well advanced and Integrated Technology Solution is going through procurement and we will complete the procurement stage at the end of this year to start that big implementation next year; that is replacing our core systems. If you recall and I said last year, our current accounting system is implemented in 2005, so 2003 vintage, not updated since. If you think about the technology you were using in 2003, which you think about your mobile phone, we all had Nokias. You could send a text; you could make a phone call and it had one game on it; that is the technology we are currently using to run the whole of the Government's finances. They are sitting on a set of boxes that are old, they are running on Windows 7 server, which is out of date. We have to update that. Those programmes are underway. There are some other programmes which we brought forward last year for future years. We have to do something with our paper. We have millions and millions of pieces of paper in the hospital at the moment, all in the basement. If you go into the basement it looks like the hospital is held up by the paper because it is stacked floor to ceiling. The new hospital will not have a paper storeroom. Those papers have to be scanned and archived and stored in a way that can be retrieved electronically in order to support proper patient care in the new hospital. A similar position in the tax office, we have stacks and stacks and

[62] Transcript – Chief Minister - 13th October 2020 p.10

stacks of files and paper, which again cannot be accessed easily. The new tax system is constrained by the fact it cannot easily look back at previous information because it does not exist in electronic form, it exists on paper. Obviously if you submit your tax records now online, we have our own electronic version, but all the historic stuff is all on paper. Tax officials spend a lot of their time when they are dealing with historic queries chasing around looking for bits of paper stored somewhere. We have to put all of that online. It is a big programme. We have got £500,000 in for year to start scoping work for that but to image document and store all of the paper records for tax and the hospital. We also have money in there for digitising services. We want to move more services online. Our approach to date has largely been about online input, so you will see there are lots of things now you can go online and fill forms in. What we have not done much on is online output and settled status scheme is the first time we have done online output to any significant state. If you are applying for settled status scheme you can now receive your certificate in a digital format so that you do not have to have a piece of paper and you can show it to anyone using I.T. to demonstrate that you have settled status and this is the first time we have done it. There is a lot of opportunities to do a lot more, things that we could do with online output, rather than sending bits of paper out to citizens. The other big area which has come into focus this next year, which was not in last year's plan, is health. There is a significant investment in digital health planned for next year and on to the end of 2024. That is to support the Jersey Care Model. It is to support the new hospital and also because some of those health systems are, again, horribly out of date, our patient record system is old, inflexible. It is one of the reasons why it was abandoned as a way of supporting tracking and tracing because it is so old and inflexible, and we had to go and develop our own alternative system for tracking and tracing. That is where the I.T. investments are. We also have to replace NESSIE (New Employment & Social Security Information Exchange), again, that is another 2005 vintage.[63]

The Chief Operating Officer then went onto say:

I do not know what happened in 2003, 2004 but we obviously had lots of money because we bought lots of big systems in that period and then ran out of money to keep them up to date or replace them. We are now sort of 15 years on having to deal with that legacy. That is a large chunk of modernising Government is that I.T. investment.[64]

In the previous review of the Government Plan 2020-23 by the Panel a key finding was the lack of a clear IT Strategy covering all IT spend within the Government Plan or published elsewhere. The Panel review recommended that to build public confidence and allow for public scrutiny, the Government should publish a strategy covering all IT projects for the next four years and beyond. The Government provided comment in relation to the findings and recommendations to the Panel which confirmed:

- The focus for 2020 will be establishing the foundation projects which will provide a safe, secure and up to date functional base from which to build or transform services in future years. During 2020 the Government will consider publishing a strategy that sets out how technology will support those services.

- This investment is principally in our people and our technology, the foundation of Government service delivery.

[63] Transcript – Chief Minister - 13th October 2020 p.34
[64] Transcript – Chief Minister - 13th October 2020 p.35

- The profiles set out in the TTP are illustrative. As the individual technology profile commences, a more detailed business case will be initiated, which, amongst other things, will apply a more detailed review of investment, benefits and timescales for delivery. Subject to commercial confidence the output from this work will be made available to scrutiny.

The Panel was provided with a detailed breakdown of expenditure setting out what infrastructure would need upgrading and or replacing over the period of the Government Plan following the finding by the Panel in its previous review that the business case for £20 million to fund the replacement or IT assets only consisted of 7 words and did not enable the Panel to have confidence in the business case.

The Panel has received private briefings on a Quarterly basis to provide an overview of the IT investment from a status perspective but the Panel is not able to publish the content of these briefings and a strategy document has not been prepared as far as the Panel is aware.

The Government has historically spent significant amounts on IT projects which the Panel highlighted in its previous review of the Government Plan but with no accountability or demonstrable benefits being reported for the significant amounts which were spent.

Given that IT spend makes up close to 25% of the capital programme, the Panel continue to be concerned that the IT programme is not achievable in the proposed timeline. It should also continue to be seen in the context of significant increases in Government spending in 2021.

Additional accountability and transparency by a formulated Government IT strategy is still seen as the most constructive way forward by the Panel to ensure the impact of this investment is maximised.

FINDING 15

Combined capital and revenue spend will exceed £1.05 billion in 2021.

FINDING 16

In 2021, modernising Government received a 6% increase in funding. Protecting the environment receives a 26% reduction in funding. Reducing inequality receives a 15% reduction in funding.

FINDING 17

There is no published strategy covering all IT spending in the Government Plan although this was mentioned as an action by Government following the recommendations put forward by the Panel in the previous Government Plan 2020-23.

FINDING 18

The IT spend in the Government Plan continues to be based on the minimum period in which it can be delivered. Some IT business cases are illustrative only with no timescales for delivery included and outcomes lack definition.

RECOMMENDATION 7

In order to build public confidence and allow for public scrutiny the Assistant Chief Minister with responsibility for digital technology should give priority to publishing a strategy that clearly sets out how technology investment will support and impact services for the next four years and beyond. The strategy should be completed in 2021 and include a timeframe for delivery.

1.10 Budget Measures

The headline budget measures being proposed by the Government Plan 2021-24 confirm:

- 0% increase in alcohol duty
- 41p (RPI + 5%) increase in standard tobacco duty
- £2.05 increase (RPI + 8%) increase in hand-rolling tobacco and cigars only
- 2.3p (RPI +2p) per litre increase in road fuel duty
- £3.5m total additional fees from ISE's
- 0.5% increase in income tax allowances for single, married and second earners allowances.
- First time buyers purchasing through an assisted ownership scheme will only pay stamp duty on the affordable price element

Tax exemption thresholds

The following tax exemption thresholds are proposed to increase by 0.5% in 2021:

- Single person exemption (increase from £15,900 to £16,000)
- Married couple/civil partnership (increase from £25,550 to £25,700)
- Second earners allowance (increase from £6,250 to £6,300)

There are no increases proposed to the child relief or additional child relief. The Panel notes that these reliefs have not been increased since 2011.[65] The Panel also notes that there has been no relief increase for childcare since 2017.

Stamp Duty

There have been no changes to charges in Stamp Duty/ Land Transaction Tax. The Panel believes that additional revenue can be achieved through a minimal raise. As highlighted in the Government Plan, there has been a resurgence in property transactions following the pandemic.[66]

The Panel commends a slightly reduced Stamp Duty/Land Transaction Tax has been introduced for first-time buyers purchasing through an assisted ownership scheme in that the tax will be calculated based on the affordable price rather than the market value of the property.

Alcohol, Tobacco and Fuel Duty increases

The Government Plan proposes no increase in alcohol duty. Tobacco duty and road fuel duty is subject to above inflation increases.

Alcohol Duty

In the written submission to the Panel by Randalls it is suggested that the level on a pint of beer (5%) is now one the highest in Europe and that from a pro-active approach the duty level should be decreased. Randalls highlighted concerns to the Panel for the hospitality industry from the proposal by Deputy Ash to allow licenced premises to be able to offer discounts and promotions. The submission indicates that this will encourage a 'quick race to the bottom' as one outlet after another tries to undercut their competitors in an attempt to cover lost trade due

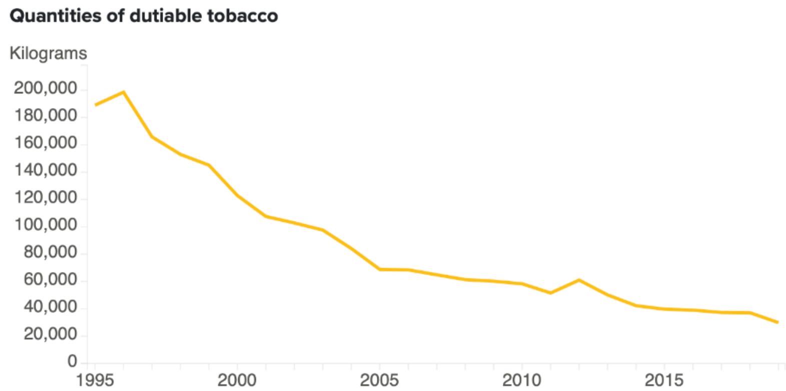
[65] https://www.gov.je/taxesmoney/incometax/individuals/allowancesrelief/pages/allowancereliefs2011.aspx
[66] Government Plan 2021-24 p.149

to the pandemic and also questions how reducing margins at this time is financially assisting those businesses who are significantly affected by closures, restricted capacity and reduced opening hours due to the pandemic. The letter concludes that a duty reduction would be a vital lifeline to a fragile industry.

Tobacco Duty

In the written submission to the Panel by CITMA, whose members comprise Fox Trading, Liberation Group, British American Tobacco and Japan Tobacco International suggest that “a significant duty increase simply makes it more likely that those consumers will purchase tobacco products from sources which do not bring tax collection.” CITMA go onto explain that “there has been a number of high-profile cases in recent years, and the further tobacco tax is pushed up, the greater the incentive for smugglers.”[67]

CITMA provided a chart with their written submission to demonstrate the quantities of dutiable tobacco imported which has fallen by 50% since 2009 against actual tobacco consumption which has only declined slightly, and not by the same proportions:



Source: Customs and immigration service

Table 5.5 Percentage of adults who smoke: by year

Percent of responses	2005	2007	2008	2010	2012	2013	2014	2015	2016	2017	2018	2019
I have never smoked / I don’t smoke	45	48	48	47	46	44	48	50	47	52	53	53
I used to smoke occasionally but don’t now	12	15	15	13	15	15	15	14	14	13	17	13
I used to smoke daily but don’t now	17	17	16	17	17	18	19	17	20	19	15	20
I smoke occasionally but not everyday	6	6	5	8	6	6	5	6	6	5	5	5
I smoke daily	19	14	16	15	16	16	14	12	13	11	10	11
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

- the proportion of smokers has significantly reduced over the period from 19% in 2005 to 11% in 2019

Source: States of Jersey Opinions and Lifestyle Survey 2019

CITMA concluded in their letter to the Panel that “the point of diminishing returns has been reached, and that large duty increases are now counter-productive in that they don’t achieve their stated health objectives.”

[67] Submission - CITIMA - Government Plan 2021 Review - 16 November 2020

Participants in the focus groups raised some interesting points in relation to alcohol duty and sympathised with the difficulties which the sector was experiencing due to the pandemic and some implied it was an important social opportunity and should be supported at this time.

In relation to the tobacco duty the participants felt this was a choice but questioned whether the increases would really stop people from smoking and thought people would just carry on and would have to pay more.

Fuel Duty

Fuel Duty is planned to increase by 2.3p per litre, with 2 pence being levied for the Climate Emergency Fund. Participants in the focus groups had some concerns about the inflationary impact of the Fuel Duty increase for low income motorists who will notice the increase the most and could struggle to get to work. The Panel is therefore not calling for further increase at this time.

Other tax measures

The Panel was pleased to see that the Food Cost Bonus increase for low income households instigated by the Panel in the last Government Plan (2020-23) had been implemented.

The Panel noted that there was no intention to increase the long-term care change in 2021 or the GST. The Panel felt that it did not receive any evidence which raised concerns in this regard.

FINDING 19

There is no increase to the child relief allowance or additional child relief allowance in the Government Plan. These allowances have not been increased since 2011.

FINDING 20

The only change to Stamp Duty is that first time buyers who purchased through an assisted ownership scheme will only pay stamp duty on the affordable price element.

FINDING 21

Duty increases are intended to promote changing behaviour around health and the environment, but it is not apparent if Government have given consideration to impacts on the economy, environment or local industries.

RECOMMENDATION 8

At a time of uncertain Government revenue, in which unprecedented borrowing is taking place, actions must be taken to build further contingency into the Government's balance sheet. As such Stamp Duty rates at the top end of the market should be increased, at a rate of 1% or 0.5%. Those purchasing properties at this value will likely be in a financially strong position and that increased Revenue can be used against the COVID-19 debt.

RECOMMENDATION 9

The Council of Ministers should prioritise measure such as an increase to child and childcare relief allowances in order to help families meet the rising cost of living. The child relief allowance has not been reviewed for 10 years and this has created a significant misalignment to the Council of Ministers priority of putting children first.

1.11 Departmental Budgets

Departmental Budgets

The Corporate Services Scrutiny Panel scrutinises the work of the Chief Minister and the Minister for Treasury and Resources. Therefore, the project policy work contained in the various actions, programmes and capital projects assigned to the Panel predominantly sit under:

Senator John Le Fondré

Chief Minister

Deputy Susie Pinel

Minister for Treasury and Resources

Departmental Heads of Expenditure

In the Government Plan 2021 - 2024, the States Assembly has been asked to approve the proposed amount to be appropriated from the Consolidated Fund for 2021, for each head of expenditure. The tables below provide a summary of the proposed "Heads of Expenditure" allocated to the Departments for 2021 and estimates produced for 2022 - 2024:

Table 10 Heads of Expenditure 2021-24

	2021 Allocation (£000)	2022 Estimate (£000)	2023 Estimate (£000)	2024 Estimate (£000)
Chief Operating Office	36,638	45,126	44,446	44,201
Office of the Chief Executive	9,233	7,799	8,456	8,495
Strategic Policy, Planning and Performance	9,847	9,011	9,201	9,201
Treasury and Exchequer	67,105	69,194	69,181	134,833

Summary Table 5(i) Proposed 2021 Revenue Heads of Expenditure[68]

	Income (£000)	Expenditure Allocation (£000)	Head of Expenditure (£000)
Chief Operating Office	1,029	37,667	36,638
Office of the Chief Executive	145	8,650	8,505
Strategic Policy, Planning and Performance	589	10,436	9,847
Treasury and Exchequer	5,261	72,366	67,105

The 2021 resources allocated to the Ministers which fall under the Panel's remit are as follows:

Resources mapped to Ministerial portfolios[69]

Minister	2021 Allocation (£000)
Chief Minister	44,379
Minister for Treasury and Resources	55,491

[68] Government Plan 2021 – 2024 Table 5 (i) p.185
[69] Government Plan 2021 – 2024 Table 11 p.131

1.12 Previously Reviewed Actions, Programmes and Capital Projects (Government Plan 2020 – 2023)

The Panel completed its review of the Government Plan 2020 – 2023 and the various actions, projects and capital projects that were assigned to it by the Government Plan Review Panel. This section provides an overview and update on each of the actions, projects and capital projects reviewed last year.

The tables immediately below identifies the projects included in the Government Plan 2020-2023, that will continue to be invested in in 2021, and indicates whether the projects are 'Complete', 'On Track', 'Reduced', 'Delayed', 'Deferred' or subject to 'Partial Deferral'.

Actions (Government Plan 2020 – 2023)				
Action	CSP reference	Page number	Six-Month Report Status	Scrutiny RAG Status
Implement agreed actions emerging from the personal tax review	N/A	65	N/A	
Introduce the first full annual programme of foresight reviews, workshops and investigations	N/A	65	N/A	
Deliver improvements to the Government Plan and business planning process	N/A	66	N/A	
Establish a rolling Efficiencies Programme	N/A	66	N/A	
Continue the review of our Fiscal Strategy and Fiscal Framework	N/A	68	N/A	
As part of the Government Plan process, continue to strengthen the long-term management of public finances and assets	N/A	68	N/A	
Prepare for the implementation of an Integrated Technology Solution	N/A	69	N/A	

Implement faster closedown of the Government's annual reports and accounts	N/A	69	N/A	
Develop an Internal Audit Strategy	N/A	69	N/A	
Foster a culture of continuous process improvement	N/A	70	N/A	
Improve ways in which we engage the public in the work of the Assembly	N/A	70	N/A	
Improve Government processes for briefing States Members	N/A	70	N/A	
Develop a forward plan of Government business	N/A	71	N/A	
Develop new working protocols	N/A	71	N/A	
Introduce new systems and guidance around Ministerial decisions	N/A	71	N/A	
Increase the diversity of candidates and provide more assistance to them to stand	N/A	72	N/A	
Identify and address principal barriers to election turnout	N/A	72	N/A	
Invite election observers in 2022	N/A	72	N/A	

Programmes (Government Plan 2020 – 2023)						
Programme	**CSP reference**	**Page number**	**Scrutiny RAG Status**	**Six-Month Report Status**	**2021 Allocation (£000) (original)**	**2021 Allocation (£000) (revised)**
Tax Policy and International team investment	CSP3-1-08	73	✔	**Complete**	1,753	1,753
Migration Policy	CSP3-2-09	75	(!)	**On track**	186	183
Census 2021	OI1-01	76	✔	**Delayed**	450	450
States Greffe extended services	OI2-01	77	✔	**Partial deferral**	534	534
Building Revenue Jersey team	OI3-01	78	(!)	**On track**	2,545	2,685
Commercial Services – enhanced capabilities	OI3-02	83	(!)	**Partial deferral**	1,450	1,450
Domestic compliance (Spend to Raise)	OI3-03	86	(!)	**Delayed**	1,562	1,562
Enabling policy excellence	OI3-04	88	✔	**On track**	80	20
Government of Jersey Bank charges	OI3-05	89	✔	**Reduced**	300	300
GST de-mininis charges	OI3-06	90	✔	**Delayed**	200	200
Increased audit fees	OI3-08	91	✔	**Partial deferral**	75	75
Modernisation and Digital – enhanced capabilities	OI3-09	92	(!)	**Partial deferral**	5,000	5,000
People and corporate services – enhanced capabilities	OI3-10	94	(!)	**Partial deferral**	7,900	7,700
Supply Jersey	OI3-12	97	✔	**Complete**	103	133
Supporting OneGov	OI3-13	98	✖	**Partial deferral**	252	252
Technology Transformation Programme	OI3-14	101	(!)	**On track**	5,000	4,567

Delivering effective financial management	OI4-01	103		Delayed	2,800	2,725
Electoral registration	OI5-01	106		On track	34	34
C&AG additional funding	OI-Non-01	107		**Complete**	25	25
Judicial Greffe additional funding	OI-Non-03	108		On track	158	158
States Assembly additional funding	OI-Non-04	109		On track	1,001	994
Viscount's department additional funding	OI-Non-05	110		Partial deferral	325	325

Capital Projects (Government Plan 2020 – 2023)						
Project	**CSP reference**	**Page number**	**Scrutiny RAG Status**	**Six-Month Report Status**	**2021 Allocation (£000) (original)**	**2021 Allocation (£000) (revised)**
MS Foundation (major project)	OI3	111		On track	5,670	2,570
Integrated Technology Solution (major project)	OI3	113		On track	9,200	9,200
Replacement Assets	OI3	115		On track	5,000	5,000
Electronic Document Management Solution	OI3	117		**N/A**	500	500
Central Risk and Inflation Funding	N/A	118		**N/A**	1,500	1,500

1.13 Update Reports on Previously Reviewed Actions, Programmes and Capital Projects

This section provides an update on the Actions, Programmes and Capital Projects that were previously reviewed by the Panel during its review of the Government Plan 2020 – 2023.

Actions

Implement agreed actions emerging from the personal tax review	
Minister(s)	**Scrutiny RAG Status 2021**
Minister for Treasury & Resources	

Six Monthly Report Status – N/A

Panel analysis

This action helps to outline the Government's commitment to modernising the Island's personal taxation system, including changes to allow married women and people in same sex relationships to file their tax returns independently of their partner. The Minister for Treasury & Resources committed to this in her response to our report on the Draft Budget Statement 2019.[70]

The Panel expressed concerns over the delivery of this project, given that the reform to the personal tax system was originally expected to be delivered within the Government Plan 2020-23. These concerns have continued following accelerated introduction of the Prior Year Basis taxation reforms, which may have implications on personal taxation as found in our review.[71]

The Minister for Treasury and Resources has reaffirmed her intention to introduce personal taxation by 2022, the Panel has decided to maintain an amber status rating as it will continue to review the reforms progress. [72]

RECOMMENDATION 10

The Minister for Treasury and Resources should prioritise the inequality changes required to the personal tax system in 2021 as this was not delivered in 2020 as promised. A timeline for delivery should be provided by the Minister to the States Assembly in Q1 2021.

Introduce the first full annual programme of foresight reviews, workshops and investigations	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister, (Strategic Policy, Population & Performance)	

[70] Government Plan 2020-23 p.72
[71] S.R.7/2020 Prior Year Basis Tax Reform Review Corporate Services Scrutiny Panel Report
[72] Letter - Minister for Treasury and Resources to Corporate Services Scrutiny Panel re Quarterly Hearing - 8 June 2020

Six Monthly Report Status – N/A

Panel analysis

This action supports the Government's work on developing a new, long-term strategic framework, and includes initiatives such as scenario modelling and identifying risks.[73]

We have not received evidence that raises any concerns.

Deliver improvements to the Government Plan and business planning process	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister, **Minister for Treasury & Resources**	

Six Monthly Report Status – N/A

Panel analysis

This action will produce a Government Plan yearly.[74] The Government Plan Review Panel has made overarching recommendations. The Panel will not be conducting any review and has assigned this action a green status.

Establish a rolling Efficiencies Programme	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister **(Chief Operating Office)**	

Six Monthly Report Status – N/A

Panel analysis

The Government of Jersey has committed to establishing an Efficiencies Programme, to deliver efficiencies of £100 million between 2020 and 2023. The Government Plan identifies the key outcomes as following:

- Reducing Duplication;
- Streamlining processes and cutting waste;
- Integrating services and functions;
- Taking a smarter and more commercial approach to contract awards and management;

[73] Government Plan 2020-23 p.94
[74] Government Plan 2020-23 p.94

- Reducing non-essential spend and developing lower-cost alternatives;
- Improving compliance in revenue collection.

The Government Plan 2021-24 has rebranded this action to “rebalancing” as there has been a shift to a broader set of financial rebalancing measures into which the efficiencies have been subsumed, incorporating of a wide range of fiscal measures, borrowing strategies, economic stimulus, treatment of funds and the delivery of savings and efficiencies.[75]

The Panel raised concerns that this action may impact public services:

> ***The Minister for Treasury and Resources:***
> *The cuts, it is why it is entitled “efficiencies”. Each department has had to go back to their workforce and, as we mentioned before, Revenue Jersey, which was brought up initially, when you are not having to employ a huge amount of people to manually input data, you then have efficiencies. I think we mentioned the police force. They have gone back to their area to see where they can make efficiencies. Every single part of every department has had to do that, where they have not been tasked with that necessarily before, so they are being asked to do that again. It will have some impact obviously if you are reducing possibly members of staff or the service delivery, cars, vans; it could have an impact*
>
> ***The Connétable of St. Peter:***
> *So we are saying that you accept there will be a negative impact on service delivery and the workforce in some cases?*
>
> ***The Minister for Treasury and Resources:***
> *There will be an impact. It might not always be negative.*[76]

The Panel was also informed that departments were unable to meet the stated efficiencies, even with additional revenue expenditure:

> ***Assistant Minister for Treasury and Resources:***
> *We have to remember, Constable, that we are used to departments telling us that they cannot make any savings and they cannot make any efficiencies. We know that the budgeted demand of efficiencies for this year was £40 million. That has not been achieved. as you will know from your other Panel. Departments try and make all sorts of ... tell us why they cannot do it and we have to go back and say: “No, you have had extra money in your budget.” Let us remember the situation the departments find themselves in. They have been asked to make efficiencies on the one hand over here of a certain amount; £40 million, over £100 million to the end of this plan. But they have been given a jolly lot more other money to spend as well. I very much expect departments and Ministers to deliver their efficiencies because they have the money available to be able to de-spend. So, it is not unusual for departments to come and tell us 101 reasons why they cannot. So that is, while that is not what your question was,*

[75] Government Plan 2021-24 p.94
[76] Transcript – Minister for Treasury and Resources – 13th November 2020 p.20

> *because can the efficiencies be delivered? Well, with the right political will and the good aim at the start of the efficiencies, I believe they can be delivered. But we are still to see them being delivered.*[77]

When questioning the efficiency targets in relation to good policy the Panel were advised by the Assistant Minister for Treasury and Resources:

> *I think it is a very good policy. I well remember former Senator Le Marquand sitting around a previous Council of Ministers table saying he would agree to an amount after he had conversations with his officials and we would say: "This is how we think we are going to deliver it but do not commit us to that methodology. We will commit. We will make the saving to our budget." That is the right way to empower Ministers and departments to make the efficiencies and the savings to their budget rather than us hold them to exactly the line item that may or may not quite deliver in the way that they had initially thought. I recognise that is an argument for you.*[78]

The Panel therefore sees this action as potentially impacting public services, changing further and not being met. It has therefore maintained a red status and will continue to review it.

Continue the review of our Fiscal Strategy and Fiscal Framework	
Minister(s)	**Scrutiny RAG Status 2021**
Minister for Treasury & Resources	✔

Six Monthly Report Status – N/A

Panel analysis

The Government Plan 2021-24 states that the fiscal framework remains an important pillar of Jersey's economic and fiscal policy and sets the medium and long-term aims that help to inform budgetary decision making, with particular regard to the balance of income and expenditure (i.e. budget deficits or surpluses).[79] Although as highlighted in this report Fiscal Strategy could be stated to be risky, the Panel has not received any evidence of concern for this action and has again rated this action as green.

As part of the Government Plan process, continue to strengthen the long-term management of public finances and assets	
Minister(s)	**Scrutiny RAG Status 2021**
Minister for Treasury & Resources	✔

Six Monthly Report Status – N/A

[77] Transcript – Minister for Treasury and Resources – 13th November 2020 p.20
[78] Transcript – Minister for Treasury and Resources – 13th November 2020 p.21
[79] Government Plan 2021-24 p.116

Panel analysis

The Panel has not received any evidence that raises concern over this action.

Prepare for the implementation of an Integrated Technology Solution	
Minister(s)	Scrutiny RAG Status 2021
Chief Minister,	

Six Monthly Report Status – N/A

Panel analysis

The Panel has been informed during briefings that this action is underway and has continued through 2020. However, it will continue to review and as such has assigned an amber status.

Implement faster closedown of the Government's annual reports and accounts	
Minister(s)	Scrutiny RAG Status 2021
Minister for Treasury & Resources	

Six Monthly Report Status – N/A

Panel analysis

This action relates to financial management, as highlighted on page 103 the Panel has questioned the necessity of OI4-01 Delivering effective financial management. We have therefore allocated as amber status, as although the action should continue, certain programmes are not deemed as needed.

Develop an Internal Audit Strategy	
Minister(s)	Scrutiny RAG Status 2021
Minister for Treasury & Resources	

Six Monthly Report Status – N/A

Panel analysis

This action describes itself as "aligned with the organisation's goals and enterprise-wide risk management framework".[80] No further information is provided on this action across the Government Plan documents.

The Panel has not received any evidence causing concern.

[80] P.71/2019, p.104

Foster a culture of continuous process improvement (within Treasury and Exchequer)	
Minister(s)	Scrutiny RAG Status 2021
Chief Minister	

Six Monthly Report Status – N/A

Panel analysis

This action explores several initiatives to improve the work within the Treasury & Exchequer department, whilst exploring new solutions for different tasks, including the possibility of introducing robotic process automation.[81]

We have not received any information that raises concerns.

Improve ways in which we engage the public in the work of the Assembly	
Minister(s)	Scrutiny RAG Status 2021
Non-Ministerial **States Greffe and Children, Young People & Educational Services**	

Six Monthly Report Status – N/A

Panel analysis

This action has been implemented through OI2-01 States Greffe extended services. The Panel has not received any evidence for concern.

Improve Government processes for briefing States Members	
Minister(s)	Scrutiny RAG Status 2021
Chief Minister (Office of the Chief Executive) and States Greffe	

Six Monthly Report Status – N/A

Panel analysis

This action is ongoing, the Panel notes some slight improvement with its own experience, however highlights that this must continue to improve in order to increase notice given, quality

[81] P.71/2019, p.104

of content and participation.[82] As discussed on page 125 the Ministerial Support Unit, which is seeking additional funding in this Government Plan, is not providing full value nor meeting this action, as such the action is rated as amber.

Develop a forward plan of Government business	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister (Office of the Chief Executive) and States Greffe	

Six Monthly Report Status – N/A

Panel analysis

Through this action, the Government intends to work with the States Greffe to provide a more even spread of work within each States Assembly sitting, whilst engaging with Scrutiny to better-support the work of Assembly members during these sittings.[83] We have not received information that raises concerns.

Develop new working protocols	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister (Office of the Chief Executive)	

Six Monthly Report Status – N/A

Panel analysis

This action is designed to improve the interactions between the Government and the States Greffe. This includes a greater level of cooperation and stronger working ties between the States Greffe and Ministerial Offices, the Strategic Policy, Performance and Performance department, and other departments.[84] As discussed on page 125 the Ministerial Support Unit, which is seeking additional funding in this Government Plan, is not providing full value, as such the action is rated as amber.

Introduce new systems and guidance around Ministerial decisions	
Minister(s)	**Scrutiny RAG Status 2021**
Chief Minister (Office of the Chief Executive) and States Greffe	

[82] P.71/2019, p.107
[83] P.71/2019, p.107
[84] P.71/2019, p.107

Six Monthly Report Status – N/A

Panel analysis

This action states that it aims to "increase consistency and enhance transparency and communications" to help Members and the public "better understand" the decisions made by Ministers.[85] The Panel has not received any evidence that raises concerns.

Increase the diversity of candidates and provide more assistance to them to stand (in States Assembly elections)	
Minister(s)	**Scrutiny RAG Status 2021**
None (PPC and States Greffe)	✔

Six Monthly Report Status – N/A

Panel analysis

This action briefly outlines a funded strategy to support potential candidates. This is expected to include better information provision, seminars, drop-ins, a helpline, and other initiatives.[86] We have not received any information that raises concerns.

Identify and address principal barriers to election turnout	
Minister(s)	**Scrutiny RAG Status 2021**
None (PPC and States Greffe)	✔

Six Monthly Report Status – N/A

Panel analysis

This action outlines a plan to dedicate a budget for the 2022 election to employ a member of staff to drive both electoral law reforms and information provision, in order to provide the opportunity to professionalise the election support and ensure that this support matches the needs of voters.[87] We have not received any information that raises concerns.

Invite election observers in 2022	
Minister(s)	**Scrutiny RAG Status 2021**
None (PPC and States Greffe)	✔

[85] P.71/2019, p.107
[86] P.71/2019, p.109
[87] P.71/2019, p.109

Six Monthly Report Status – N/A

Panel analysis

This action notes that invitations will be made in 2021 for election observers for the 2022 Jersey General Election, with additional monies being made available to ensure the observation mission is fully funded.[88] We have not received any information that raises concerns.

[88] P.71/2019, p.109

Programmes

CSP3-1-08 Tax Policy and International team investment			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Make the recent extra investment in Revenue Jersey permanent **Sustain and enhance Revenue Jersey's capabilities to develop tax policy**	Vibrant Economy	Minister for Treasury & Resources	

***Six Monthly Report Status* – Complete**

***Previous Scrutiny RAG Rating* – Amber**

Panel analysis

The business case (page 50 of R.91/2019) outlines that this programme expanded the tax policy team in order to meet tax-treaty commitments previously funded through contingency funds. The programme also sought to consolidate the doubling of the size of the Tax Policy Unit. The business case provided indicates that this could generate additional revenue of £3 million per year.

As this programme is now complete the Panel has not conducted any large review, although it has noted that initial funding requests for 2022 and 2023 have dropped to £1,650,000, reducing total cost to £6,703,000 over the life of this plan. The Panel has been informed that this reduction is predicated on a reduction in growth of the team but is highly dependent upon the demand for domestic tax-policy and international-policy reviews/changes and the expectation that resources may be freed up from domestic operations (and re-directed to policy work) as more taxpayers interact with Revenue Jersey digitally. Given the current pressures on Revenue Jersey; the decision to abolish the Prior-Year-Basis of paying taxes; and the potential levels of customer contact that may be involved in moving to Independent Taxation, the Comptroller and the Treasurer will keep this proposed reduction in growth under close review.[89]

The Panel has assigned this programme a green status, however, will review if funding requested in the next Government Plan is again altered.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,427,000	£1,753,000	£1,813,000	£1,854,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£1,753,000	£1,650,000	£1,650,000	£1,650,000

[89] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

CSP3-2-09 Migration Policy			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Complete the development of a new migration policy	Vibrant Economy	Chief Minister	(!)

***Six Monthly Report Status -* On track**

***Previous Scrutiny RAG Rating -* Green**

Panel analysis

This programme relates to the cost of internal staff providing support to the Migration Policy Development Board (MPDB), development and implementation of the policy recommendations that emerge, as well as an ongoing policy resource to maintain and further develop the revised statutory migration controls (R.91/2019 page 63).

The Panel undertook a full review of the work of the MPDB, publishing a report on 15 November 2019 which outlines its findings and recommendations.[90] The Chief Minister has lodged P.137/2020 Migration Control Policy due to be debated 1 December 2020 which will amend the Control of Housing and Work (Jersey) Law 2012 based upon recommendations of the MPDB. Although this shows some progress in development of a migration policy further work is needed. A new revenue programme has been established in the Government Plan 2021-24: CSP3-4-02 Migration Policy Implementation, which seeks to strengthen funding for Migration Control, further details can be found on page 121.

There has been a reduction in allocation of £3000 per year in 2021 and 2022, the Panel was informed that this amount relates to a minor re-allocation of the SPPP budget and that there is no impact on overall resources for the programme.[91]

The Panel has assigned CSP3-2-09 Migration Policy an amber status as although the programme is on track and funding allocation remains relatively similar to the amounts highlighted in the Government Plan 2020-2023, progress has been slow in the production of an actual migration policy with conversely little time given for scrutiny of the proposals contained in P.137/2020. The Scrutiny Liaison Committee is currently in the process of forming a Review Panel whose remit may cover this project.[92]

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£78,000	£186,000	£78,000	£78,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£183,000	£75,000	£78,000	£78,000

[90] S.R.14/2019 Population and Migration
[91] Letter- Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects – 19th November 2020
[92] Letter - to Chief Minister re Migration and Population Control Review - 19 November 2020

OI1-01 Census 2021			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Continue to develop the evidence base, long-term forecasts and modelling tools	Modernising Government	Chief Minister	

Six Monthly Report Status – **Delayed**

Previous Scrutiny RAG Rating – **Green**

Panel analysis

Although this programme was delayed during 2020, the Panel is reassured that the 2021 Census preparations are progressing well, indeed P.116/2020 Draft Census (Appointed Day) Act 202- was adopted by the Assembly on 4 November 2020. As no additional funding is required the Panel has assigned a green status to this programme.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£250,000	£450,000	£0	£0

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£450,000	£0	£0	£0

OI2-01 States Greffe extended services			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Secure improved resources for non-executive States Members	Modernising Government	Non-Ministerial	✔

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Green**

Panel analysis

Although this programme faced partial deferral due to some recruitment issues arising from the pandemic, the Panel has not had any further reason for concern following its review for the Government Plan 2020-2023, therefore this has received a green status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£539,000	£534,000	£729,000	£504,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£534,000	£729,000	£504,000	£504,000

OI3-01 Building Revenue Jersey team			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Deliver fully-functioning digital Revenue Jersey systems and services	Modernising Government	Minister for Treasury & Resources	(!)

Six Monthly Report Status - On track

Previous Scrutiny RAG Rating - Amber

Panel analysis

The Panel allocated this programme an amber status during its review of the previous Government Plan due to a number of concerns:

- The business case lacked description of how annual benefit of £3.2 million was identified[93]
- The elimination of most face to face Revenue Jersey services

The staffing levels and human resource implications for the Revenue Jersey Team has been questioned throughout 2020 by the Panel:

> ***The Minister for Treasury and Resources:***
> *I think the turnover of staff has been completely exaggerated. We totally, totally understand the pressure that Revenue Jersey has been under because not only is it introducing a whole new tax computer system to replace the 35 year-old one previously there, there has also been the move from Cyril Le Marquand House, a physical move to La Motte Street, so that put a lot of pressure on the staff. Cora could probably answer better but about 40 vacancies, so completely understaffed, which put more pressure on the others, all of which has been now resolved to the point of, I think, about 5 vacancies left.*
>
> ***Senator K.L. Moore:***
> *Minister, it is the vacancies that have caused the turnover. So we identified when the Comptroller joined you at our quarterly hearing in February where the Comptroller at the time described to us that they had filled 43 vacancies, yet there were 17 remaining to be filled at that time. Therefore, it is simple mathematics; 43 plus 17 makes 60. At the time we said: "How many people work in the department?" and we were told there were 120 roles in the department, which is why we have reached that figure of 50 per cent turnover, which I defy anyone to describe it as otherwise. So, I am a bit puzzled as to why you might think that that was an exaggerated picture… We, in holding you to account, wish to ensure that we are confident that you are confident in the abilities and the performance of your officials.*
>
> ***The Minister for Treasury and Resources:***

[93] R.91/2019 p.94

I am totally confident in the ability and performance of the officials. I can say that without any hesitation. But I cannot go into the numbers, which because of the very heavy recruitment situation I do not know what the latest as of today numbers are… In the answer to you just now, in that they have been under enormous pressures as a department, Revenue Jersey. I have already answered that, so at the risk of ... I will not repeat it …

Senator K.L. Moore:
It requires no further investigation in your mind?

The Minister for Treasury and Resources:
All we can do is what we are doing at the moment and taking very considerable care of people's concerns, their well-being I think is the word that is used a lot now, mental health issues. We do take huge amounts of concern over that.[94]

The Panel has also questioned the training that the Revenue Jersey Team receives, ascertaining that "on the job" learning is still the core training method:

Deputy Comptroller of Revenue:
When the staff join Revenue Jersey, they are given an induction programme. At the moment we are developing a number of training modules. Quite a bit of on-the-job training is being done, but together with one or 2 other staff in Revenue Jersey I have been spending some time trying to develop some structured training modules through the different tax heads to make sure that the training is built in at every stage and we are developing a training framework. We have been speaking to third-level institutions to see if we could get accreditation for that training framework. We have also spoken to the profession to see would they be interested in working with us on extending that training framework. It is something that is very much in development, but we are very conscious of expanding our training and making sure that it is of the best quality. In fact, it is not just a question of Revenue Jersey staff, it would be lovely if we could have some type of accredited tax professional training in Jersey for anybody that wants to participate in it, and that is why we have been speaking to the third-level institutions about Revenue Jersey contributing to developing something like that so it would be an offer for anybody who wanted it.[95]

The Panel has noted a drop in funding requested from 2022 onwards int this Government Plan, compared to the Government Plan 2020-23, being informed:

Treasurer of the States:
As part of the process, given the impact of COVID on both our revenues over a period of time but also the costs incurred, obviously we were asked by the Minister to look where future additional work identified in the last Government Plan could be trimmed back, refinished or removed. So these are additional amounts, but they are less than ... to a degree less than the amounts that were in the previous Government Plan. So they are growth, let us say, in supporting the particular amount in Revenue Jersey and we will keep it under review to make sure that all the savings we can deliver; we can deliver

[94] Transcript – Quarterly Hearing with Minister for Treasury and Resources – 14th September 2020 p.35
[95] Transcript – Quarterly Hearing with Minister for Treasury and Resources – 14th September 2020 p.40

to these sums but that is part of reducing the level of growth in the financial services, reducing the expenditure ... reducing the current ...

Assistant Minister for Treasury and Resources:
It is important just to give the context that last year's Government Plan had departmental growth numbers in and they were obviously provisional because we were really only agreeing one year, and then when we come to bring in what happened when we came to deliver this year's Government Plan is 2 things. One is some Ministers wanted additional money on top of the growth that had been in the plan last year, and therefore Ministers agreed that we also just need to go back and see if we cannot trim back the additional money that you had said initially you wanted. So, we then had a combination in additional money for this year of what was previously asked for, some trimmed back, and in some cases additional money that had been asked for.[96]

This causes concern that a potentially already stretched Revenue Jersey team will receive less resources:

Senator K.L. Moore:
So, what will be the impact on that department in the trimming back? What is being trimmed back

Assistant Minister for Treasury and Resources:
I am not going to go into each individual one, those individual Ministers can, but I would contend it is the other way round, of course, that if your services that are being provided today are being provided within the budgets that are allocated today, Ministers and departments might have had plans to increase a particular service or give a service differently with additional monies. So, they are not cutting back anything that is currently provided but their plans for a change or a new service is amended now. My understanding is that all Ministers and departments said that they could continue with their amended plans but they would do it either more cost effectively or on a slower basis. It would need to go back to each individual Minister for how their plans would deliver what they are wanting.

Senator K.L. Moore:
So this is Revenue Jersey, which is part of your department, Minister?

The Minister for Treasury and Resources:
Yes. As Senator Gorst said, everybody was asked to come forward, every department, to produce a way, as the Senator said, to either defer active expenditure, which had been expected in the previous and current Government Plan, or reduce the services, and everyone was asked to do that in order to meet the projected savings. Obviously, it was very difficult for some departments; more difficult for some departments than others.

Senator K.L. Moore:
Could you explain how Revenue Jersey is trimming back its growth spending, please?

[96] Transcript – Minister for Treasury and Resources – 13th November 2020 p.6

> ***The Minister for Treasury and Resources:***
> *Well, Revenue Jersey, of course, is ... it is a good question because it is in a situation where having brought in a very new computer system to replace the 35 year-old one, which we have discussed before, and the training that has taken, so it was caught in the middle of having to come up with savings and also now with the acceptance and change of P.Y.B. (prior year basis) to C.Y.B. (current year basis), I cannot remember exactly what the figure was because we have used up practically all bar 4, I think from memory, of the vacancies that we have had in order to address the situation over the last couple of years and the future situation of not having enough people to do the job. But that has been addressed. I cannot remember ... does it say in here what the actual savings or ...*
>
> ***Treasurer of the States:***
> *Ultimately, particularly in terms of Revenue Jersey, it will probably lead to some further phasing of some of the aspirations to achieve the Revenue Jersey target operating model from the perspective of, for example, how quickly we will bring on future revenues into the Revenue Jersey team with a plan already directed towards the main contributions. There are plans to bring on impôt duty, for example, there will be an impact from that and how quickly we will achieve that. We obviously have prioritised funding into commercial obligations and it is worthwhile saying I have asked the Comptroller to identify any additional funding in the near future that is needing to address customer service as we go through the move from P.Y.B. to C.Y.B. - not the other way round - and he is working on that as we speak, but that is just to see us through this particularly ... what will be a challenging time from a customer service perspective as we move from P.Y.B. to C.Y.B.*[97]

The Panel has been informed that it is unlikely that post 2024 the full £995,000 will be required as the programme will be well advanced, however we have ascertained that the estimated £200,000 costs for the implementation of the Prior Year Basis tax reforms would be in addition to this funding.[98]

This and potential "phasing" of Revenue Jersey's aspirations is worrying and vague, the Panel will continue to review the programme and has maintained its assignment of an amber status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£2,012,000	£2,545,000	£1,716,000	£1,245,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£2,685,000	£1,466,000	£995,000	£995,000

[97] Transcript – Minister for Treasury and Resources – 13th November 2020 p.6
[98] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

FINDING 22

The programme “Building Revenue Jersey team” funding has been reduced, potentially reducing aspirations for the team’s improvement.

OI3-02 Commercial services – enhanced capabilities			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Develop and start to implement enhanced capabilities for Commercial Services	Modernising Government	Chief Minister	(!)

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Amber**

Panel analysis

Last year the Panel found that the business case for this programme lacked clarity.[99] It broadly outlines the delivery of the Commercial Services' Target Operating Model, alongside enhancing compliance, developing and improving processes, broadening Strategic Category Management capabilities, and supporting the roll out of Cyber-Security and General Data Protection Regulations across the Government of Jersey's supply chain.

The 2020 Six Monthly Report stated that the pandemic created an unprecedented demand on Commercial Services, including procurement of PPE, managing airline provision and the Nightingale Wing, which showed that the Commercial Services function was under resources.[100]

The report goes on to outline that the final business case was delayed, only being agreed by the Senior Leadership Team at the end of June 2020 with a Ministerial decision signed 3 July 2020.[101] This allocated an addition £1,500,000 from the General Reserve to the Chief Operating Office (funding was held in reserve until evidence that it was required). The Panel has been unable to identify the level that this was drawn down, however as there is an additional funding request within this Government Plan: OI3-15 Commercial Services Restructure, it is assumed that the full allocation was used.

The Panel questioned the need for further new funding through an additional programme:

> ***Treasurer of the States:***
> *So, there is a piece of work going on during the year to further look at what we needed within the function called fit-for-purpose commercial services function. That led to a business case by reduction and some work done by a consultancy that led to the conclusion that in order to further this function with other, from my perspective, certainly address and improve controls around procurement, having processes there. In addition to which part of the need to deliver or rebalancing our efficiencies out to 2023 and then the additional 120 are opportunities to provide a more commercial focus to much of what we do in terms of procurement rather than just simply through the governance perspective.*

[99] R.91/2019 p.95
[100] Government Plan 2020-23 6-month progress review p.80
[101] MD-TR-2020-0084

Senator K.L. Moore:
What exactly do you mean by more commercial focus on procurement?

Treasurer of the States:
So it is fair just to point out that we have not delivered as much social value (inaudible) commercial corporations that have tendered contracts but we have been focusing on recent times in respect of more going out to tender, seeing some tenders that come about, what they will do to give back to the economy and apprenticeships. For example, on the bigger projects. So through more active contract management throughout a particular project we can go for those that do services as well.

Senator K.L. Moore:
So is the investment in this framework largely focused around additional staff and recruitment or is it I.T. (information technology) and ...?

Treasurer of the States:
Mostly around ... I was just trying to find the details in the annexe. Mostly around people. They will be using consultants in the immediate, while we find the people to put in place.

Senator K.L. Moore:
Have they been identified yet, those consultants?

Group Director, Strategic Finance:
So, we have started that work already in 2020. Obviously, resources have been moved to other matters in 2020, but we have already got some consultants on board. The numbers will be increased early in 2021. The idea is that we can make use of consultants to help grow our own. So we have people who worked in procurement previously and we are hoping to use the consultants to broaden their knowledge and their way of working. So, you will see in the annexe that the ask reduces over the plan and that is as we see the people getting that knowledge, gaining that knowledge, and then we can release the outside consultants from that point.

Senator K.L. Moore:
Is there any estimated saving derived from improved procurement?

Group Director, Strategic Finance:
Yes, there is. In fact, if I can point you to pages 80 and 81 of the annexes, it talks about the £5.4 million savings by 2024 that we are anticipating if the programme is delivered as expected.[102]

As additional funding has been requested through a separate new programme, and that completion of this programme remains unclear, the Panel has again rated this programme as amber.

[102] Transcript – Minister for Treasury and Resources – 13th November 2020 p.3

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,000,000	£1,450,000	£1,500,000	£1,550,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£1,450,000	£1,500,000	£1,550,000	£1,550,000

OI3-03 Domestic Compliance – Spend to Raise			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Implement a domestic tax compliance programme	Modernising Government	Minister for Treasury & Resources	(!)

Six Monthly Report Status – Delayed

Previous Scrutiny RAG Rating – Amber

Panel analysis

The business case for this programme highlighted that it was feasible that "£7 million in 2020", and "£13 million in 2023 and beyond", of additional Revenue could be raised.[103] The Panel has seen little evidence of this, indeed estimates have dropped:

> ***Treasurer:***
> *You will see from the forecast that we have reduced that forecast, it was £13 million I think at the end of 2023 or something like that. Under recovery has happened this year. It feels that is part of lots of questions. A lot of the work that needs to be done on domestic compliance needs to be done by visiting businesses and people. It obviously could not be done this year for very obvious reasons relating to health restrictions, which explains, to a large extent the under recovery. Nevertheless, the Comptroller is forecasting quite some recovery, about £1 million less, and then that £1 million sees its way through the forecast on an ongoing basis. So, we are not forecasting to recover all of that immediately.*[104]

The Panel queried if the programme was returning on investment:

> ***Deputy S.M. Ahier:***
> *The Spend to Raise project was delayed during 2020 but the Government Plan 6-month progress review informs the satisfactory return on investment. The original business case confirmed that it would pay for itself. What tangible evidence do you have to substantiate these statements?*
>
> ***The Minister for Treasury and Resources:***
> *Is that within this Government Plan?*
>
> ***Treasurer of the States:***
> *No, it is the usual investment. It was established by the original. So the estimates for this year are largely as a result of what else has happened this year, has meant that the estimates provided from the Comptroller have been less than £7.5 million off the top of my head, and the new profile reflects that. The Comptroller has devised a methodology*

[103] R.91/2019 p.96
[104] Transcript – Chief Minister - 13th October 2020 p.8

> *by which those are calculated from the cases that are found from the investment in people who are undertaking the compliance work.*[105]

The Panel's advisor points out:

> *Within the £20.013million efficiencies schedule there is additional increases tax revenues through the continued enhancement of domestic tax compliance valued at £1.250 million. This value, in itself appears to be inconsistent with the quoted additional yield arising from improvements in compliance work at Revenues Jersey – "Taking account of the slower-than-anticipated commencement of compliance work (resulting from lockdown), improved collection, as part of the Efficiencies Programme, is estimated to increase revenues by £6.35 million in 2020, rising to £13.5 million in 2024."18*[106] *In essence, we cannot see evidence of the payback for this £7.477 investment and how this is aligned to the additional £8.053 million for the Revenue Jersey Team and how both contribute towards both a more effective and efficient services in a way that optimizes tax yield.*[107]

The programme's funding for 2022 and 2023 has dropped from a request of £1,562,000 in the previous Government Plan to £1,505,000, with this continuing in 2024. The Panel questioned this and was informed that this reflects a number of known retirements of higher-graded staff where recruitment is likely to be prolonged.[108] The Panel has also been advised that the figure of £1,505,000 will likely be a recurring cost for some years.

The Panel has again rated this as an amber status due to the lack of evidenced return on investment of increased compliance measures and will continue to review.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,562,000	£1,562,000	£1,562,000	£1,562,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£1,562,000	£1,505,000	£1,505,000	£1,505,000

[105] Transcript – Minister for Treasury and Resources – 13th November 2020 p.10
[106] Government Plan 2021-2024 p.119
[107] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.29
[108] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

OI3-04 Enabling policy excellence			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Enabling policy excellence across the Government	Modernising Government	Chief Minister	

***Six Monthly Report Status* - On track**

***Previous Scrutiny RAG Rating* - Green**

Panel analysis

The Panel did not receive any concerning evidence of its review of the programmes business case within the Government Plan 2020-23.[109]

However, whilst the programme was on track during 2020, the allocation requests for 2021 and 2022 have dropped significantly, the Panel was concerned that this could indicate the programme is being delayed. However, when posing questions, the Panel was informed by the Chief Minister, in his letter of the 19th November 2020:

> *The Enabling Policy Excellence monies have, in part, been reprofiled. The monies available have been reduced by £60k in 2021 and by £27k in 2022, with a slight increase in monies in 2023 and 2024. It is anticipated that the impact in 2021 and 2022 will be marginal in part because the two-day policy professional workshop, which was intended for roll out in 2020, was delayed due to Covid-19. That workshop, whose development costs were incurred in 2020, will now be rolled out to staff during 2021 with minimal cost implications.*[110]

The Panel remains somewhat concerned that a 75% decrease in 2021 is predicted to only have a marginal impact, however, is accepting that the monies have needed to be reprofiled and that events scheduled and paid for in 2020 will now take place in 2021. It has therefore allocated a green status for this programme but will review if figures change drastically in the next Government Plan.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£81,000	£80,000	£87,000	£71,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£20,000	£60,000	£80,000	£80,000

[109] R.91/2019 p.98
[110] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI3-05 Government of Jersey Bank charges			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Minister for Treasury & Resources	

Six Monthly Report Status – Reduced

Previous Scrutiny RAG Rating – Green

Panel analysis

Although the programme was reduced in 2020, the Panel notes that as the business case indicates it will meet the rise of costs following a move to more digital transactions, its funding is still required.[111] The Panel has been informed that the project has established that merchant charges remain competitive and that the Government continues to get value for money for card fees and that the project has therefore been reduced to monitoring and tactical changes.[112]

The Panel has not received any further evidence that causes it concern and has therefore assigned a green rating.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£300,000	£300,000	£300,000	£300,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£300,000	£300,000	£300,000	£300,000

[111] R.91/2020 p.96
[112] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

OI3-06 GST de-mininis charges			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Minister for Treasury & Resources	

***Six Monthly Report Status* – Reduced**

***Previous Scrutiny RAG Rating* – N/A**

Panel analysis

A reduction in Goods and Services Tax de-minimus threshold from £240 to £135 was agreed by the States Assembly through the Government Plan 2020-23. An estimate of £200,000 was highlighted in the business case to allow for increase of staff to meet additional processing of declarations and responding to enquiries.[113]

In light of the potential impacts of COVID-19 implementation of the reduction, which had been scheduled for July, was deferred to October 2020.[114]

As the reduction is now in place, no further funding is requested and no evidence has been received to cause concern, the Panel has rated the programme as green.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£150,000	£200,000	£200,000	£200,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£200,000	£200,000	£200,000	£200,000

[113] R.19/2019 p.100
[114] Government Plan 2020-23 6-month progress review p.82

OI3-08 Increased audit fees			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Minister for Treasury & Resources	

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating – **Green**

Panel analysis

This programme was established to drive higher quality audit and quicker production of the States of Jersey accounts.[115] The Panel has been informed that as this area improves, there will be opportunities to improve the efficiency of external audit which could reduce costs.[116]

The Panel has not received any evidence that causes it concern for this programme or its business case and has therefore rated it green.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£75,000	£75,000	£75,000	£75,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£75,000	£75,000	£75,000	£75,000

[115] R91/2019 p.103
[116] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

OI3-09 Modernisation and Digital – enhanced capabilities			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Develop and start to implement enhanced capabilities for Modernisation and Digital	Modernising Government	Chief Minister	(!)

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Amber**

Panel analysis

This business case covers the creation of a Target Operating Model to "enhance the capabilities"[117] of the Modernisation and Digital function within the Government, and support and improve the One Government's integrated IT delivery, the Corporate Portfolio Management Office (CPMO), a cross-Government Business and Technical Architecture function. This funding will also cover the resourcing and implementation of these areas, following a joint development with Ernst & Young, and forms one of the key deliverables of the Modernisation and Digital Transformation Programme (MDTP).

The business case explains that two external reviews have been undertaken to reinforce the need to move towards a new Target Operating Model, both of which rates the Government as having a low level of maturity[118].

The business case further notes that this will address "a number of risks" on the Corporate Risk Register, and allows the CPMO to ensure that the Government has the "standards, techniques and management reporting capability" to monitor and report against programmes and projects, whilst ensuring that requirements are correctly identified, in order to allow the Government to successfully implement change and realise its benefits[119].

Alongside this, the business case divides the information capacity provided in this business case into four areas; Cyber Security, Record Management, Data Management, and Technology Operations.

The business case states that the amounts required are estimates and that further work is needed to complete the new Target Operating Model. It goes on to say that the initial estimates provided by one of the external advisors (EY) has been discounted from £6 million to £5 million[120], but no explanation has been provided of the reason or methodology for this.

The Panel has been informed by the Chief Minister that the £6 million funding represents the business as usual, ongoing, costs to maintain a functional Modernisation and Digital Directorate and has highlighted as technology becomes an even more important part of the Government's delivery of services this figure will likely increase.[121]

[117] R.91/2019 p.104
[118] R.91/2019, page 104
[119] R.91/2019, page 104
[120] Corporate Services Scrutiny Panel and Economic & International Affairs Joint Public Hearing with the Assistant Chief Minister, 17th September 2019, page 37
[121] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

Partial deferral in 2020 took place due to the difficulty of recruitment, it was envisaged that this would largely be completed by the end of that year.[122] There has been a slight movement of funds, £50,000 from 2022 to 2023 as it was felt that this better reflects the likely future cost profile of the increased resource and tooling.[123]

Following the Panel's review, we have decided to maintain this programme an amber status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£3,750,000	£5,000,000	£4,950,000	£5,050,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£5,000,000	£4,900,000	£5,100,000	£6,000,000

[122] Government Plan 2020-23 6-month progress review, page 82
[123] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI3-10 People and corporate services – enhanced capabilities			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Stabilise the current position within People Services **Addressing deficiencies within People Services** **Develop a People Strategy**	Modernising Government	Chief Minister	

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Amber**

Panel analysis

As highlighted in last year's report this programme is separated into three approaches, Stabilise, Respond and People Strategy.

The first, **stabilise**, aims to address historical and structural deficits within the Government of Jersey and establish what it describes as "basic standards and functions" [124]. The business case explains that there has not been a historic base budget for People & Corporate Services and have instead been supported by funding from Public Sector Reform and regular contingency funding. The business case further notes the conclusions of the Comptroller and Auditor General and the Public Accounts Committee regarding the under-resourcing of the Government's HR functions.

This approach's funding, which has been renamed as "**sustain**", is permanent base-funding replacing short-term and project funding:

- **2021: £2,800,000**
- 2022: £2,900,000
- 2023: £3,000,000
- 2024: £3,100,000
- Total sustain: £11,800,000

The second approach, **respond**, states that it is designed to address a "deficit" within the Government's ability to "anticipate and support the need for change in directorates".[125] The approach within the business case therefore notes a need for a short-term investment to deliver cross-Government products, including workforce planning, core training offers, induction, basic management training, and modernising processes.[126]

The Panel questioned when key programmes, such as the development of Diversity and inclusion programme, implementation of the Target Operating Model and system management in developing succession planning, automation, self-service and reduction in transactional would be completed, however was only informed:

[124] R.91/2019, p.106
[125] R.91/2019, p.107
[126] R.91/2019, p.107

"Recruitment to these vacancies has now started and new starters are taking up their post in Q4/2020. We expect the majority of roles to be filled in Q1/2021."

The Panel assumes that the actual spend for 2020 will not meet the £2.4 million allocated in the Government Plan 2020-23, and will review as needed. This year's plan seeks to allocate:

- **2021: £2,400,000**
- 2022: £2,600,000
- 2023: £2,700,000
- 2024: £2,800,000
- Total respond: £10,500,000

The third approach, **People Strategy**, noted in the business case that a strategy was in development for adoption in Q4 of 2019.[127] Funding was requested in order to "address systematically productivity, efficiency, and adoption of new ways of working and promoting opportunities for people from the Island" through "a new approach to talent management".

The Panel has been informed that progress has been made in setting out the People Strategy and priority programmes, refreshed values, policy framework and the implementation of the new business partnering model. During 2021 the Chief Minister states:

We will be implementing our workforce development planning framework (currently being piloted) which will enable succession planning. This will be at a basic level in 2021 whilst we configure and implement the Integrated Technology Solution (ITS) with key modules coming on-line from 2022. We have made good progress in the design and development of a Total Reward Review – a longer-term view of our pay strategy, policy framework and addressing in-built inequality within different pay structures. This will, by 2024, lower transactional costs and the administration of the complex set of terms and conditions and pay rules[128]

The Chief Minister in his letter of 19th November highlights that £1.5 million of the funding is related to the development of key products (such as the new learning platform, performance management system, support for staff networks and groups, apprenticeships, development programmes for management and leadership, employee value proposition), with the reduction of £1 million relation to secretariat support for the States Employment Board and Jersey Appointments Commission being merged and embedded within a wider governance function within People and Corporate Services.

- **2021: £2,500,000**
- 2022: £2,000,000
- 2023: £1,500,000
- 2024: £1,500,000
- Total people strategy: £7,500,000

The Panel noted the decrease in allocation to the programme of £2,000,000 in the 2020 to 2023 period, we were informed that this related to the delay of the implementation to the recruitment to the new target operating model, with supporting workforce management focusing on COVID-19 response.[129]

[127] R.91/2019, p.107
[128] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[129] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

During its previous review the Panel was provided with a confidential summary business case which provided additional detail on the investment. It has continued to review the actions throughout the year, and will continue to do so over the life of this Government Plan, it has therefore maintained an amber status for the programme.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£5,400,000	£7,900,000	£7,600,000	£7,300,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£7,700,000	£7,500,000	£7,200,000	£7,400,000

FINDING 23

Funding allocated to enhance People and Corporate services continue, there has been a shift from stabilising the initiatives to sustaining them.

OI3-12 Supply Jersey			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Delivery of the Commercial Strategy	Modernising Government	Chief Minister	✔

***Six Monthly Report Status* – Complete**

***Previous Scrutiny RAG Rating* – Green**

Panel analysis

The business case for this programme highlighted the need for allocation of funding for operation of Supply Jersey.[130]

As we highlighted in our report last year, Supply Jersey is to be replaced as part of the Integrated Technology Solution during 2022, however funding is allocated in 2023 to allow for the older system to be run in parallel with newer one to minimise funding risks.

The Panel has raised concerned with the increased cost of the programme highlighted in this year's Government Plan, an additional £30,000 being requested for 2021 compared to the figure highlighted in the original business case. The Panel has been informed by the Chief Minister that that this is due to an oversight in which the amounts requested in the Government Plan 2020-23 did not include the costs of support and maintenance.[131]

Following this reassurance, the Panel has rated the programme green.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£100,000	£103,000	£106,000	£109,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£133,000	£133,000	£133,000	£0

[130] R.91/2019, page 111
[131] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI3-13 Supporting OneGov			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Amber**

Panel analysis

The Panel previously raised concern over the lack of, as well as outdated nature of, financial information to underpin the business case provided for this funding to support One Government – Team Jersey partner.[132]

We have further questioned the Chief Minister on the need for the 2021 allocation:

> ***Senator K.L. Moore:***
> *Okay, thank you. The other question I think I would like to touch on while we have time is in relation to OneGov and the Team Jersey has been allocated just over £250,000 in 2021, so we assume that there has been an extension of their contract.*
>
> ***Chief Operating Officer:***
> *There has not yet been an extension of contract, although we are planning to extend the contract. I think we need to distinguish between Team Jersey and TDP because they are 2 things. They are linked at the moment, but they are 2 separate things. Team Jersey is a long-term initiative for the Government, TDP is a short-term contractor that has been brought in to develop the foundations of that programme, so we …*
>
> ***Senator K.L. Moore:***
> *How is that programme being measured in terms of its success?*
>
> ***Chief Operating Officer:***
> *As we briefed the committee on Friday, I am trying to avoid doing an hour's briefing now, the programme is in multiple parts. There are at least 5 different elements to the TDP initiative, the TDP input to the Team Jersey initiative. We were probably talking about the manager and colleague programmes because that is probably where most people focus. At the moment we are measuring satisfaction with the sessions, so 90 per cent of managers would recommend it to a colleague, which gives us … in fact the net promoter score I assume because the other 10 are not all negatives, some of them are neutral, our net promoter score is well over 80 per cent, which I think is fantastic for any programme. For the colleague programme it is not quite as high, only 80 per cent of colleagues would recommend it to a further colleague but, again, that is extremely high. We gave some good illustrations to the Panel on Friday, verbatim comments that we have had from people. At the end of every event we collect feedback from every*

132 R.91/2020, page 112

participant. It is done on a tablet or was done on a tablet; it is now some of them are done remote. When we were running the events face-to-face it was a tablet that everyone was given, and they filled in their comments anonymously. People were free to give their views, they gave them fresh as they had the programme and the majority of negative comments were about the amount of coffee and the temperature of the room, rather than the content of the programme, so that is how we are measuring. We also have just run the Be Heard Survey, which is a survey of all staff or all staff have an opportunity to provide feedback. Those results will be available later this year. There are a number of questions in there about Team Jersey, so that will give us a second measure, which is slightly more after the event when people are reflecting on it.[133]

The Chief Operating Officer went on to clarify that even if the work of TDP had not been rated highly the funding would be refocused:

> ***Senator K.L. Moore:***
> *Will that offer an opportunity to perhaps curtail that funding if it is found that through the Be Heard Survey that people do not find it is very effective?*
>
> ***Chief Operating Officer:***
> *I think it will give an opportunity to refocus the funding if we felt there was any elements that were not delivering to people. The Team Jersey programme is much more than those 2 events. It is also about the Team Jersey leads, which we have talked to you in the past about and developing a cadre of change agents, not just to support the cultural change of Team Jersey but to support other change.*[134]

The Panel has noted that the work of the Team Jersey partner was impacted by the pandemic and that its contract would need to be extended past its expiration of 31st March 2021.[135] We are therefore surprised that additional funding has not been requested and assumes that this will be coming from “underspends” or “temporary funding” or Ministerial Decision allocating from one of the Reserves. The Chief Minister has highlighted that there will be approximately 180 delivery person days outstanding when the original contract comes to an end on 31/03/21, and the extension of the contract is under negotiation, with it envisaged that this will run an additional year until 31st March 2022.[136] Using the 2020 allocation the Panel would predict an additional cost of near £2 million, it is unlikely that the larger assembly will be included in agreement of a new contract, indeed as a Panel we have not had sight of any negotiations that are currently underway.

The Chief Minister indicated that the Team Jersey programme was planned to be delivered by internal resource within People and Corporate Services from 31st March 2021, as such, funding is already included with OI3-10.[137]

The Panel believes that TDP has had ample opportunity to fulfil its contractual obligations. Although COVID-19 has certainly impacted the work of Team Jersey due to the reallocation of staff, the Panel has been informed that Team Jersey leads are now in place. As funding is allocated within OI3-10 it is believed that the programme can be continued using internal resources.

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[133] Transcript – Chief Minister - 13th October 2020 p.38
[134] Transcript – Chief Minister - 13th October 2020 p.39
[135] Transcript – Chief Minister – 9th July 2020 p.20
[136] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[137] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

The Panel has assigned this programme a red status. We believe that TDP Team Jersey Partners have had ample opportunity to meet their objectives and are no longer needed to fulfil the Team Jersey culture. The Panel has not received a copy of the contract held with TDP however assume this funding cannot be removed in 2021 due to contractual obligations. The Panel strongly believes that the 3 months of the contract should be used to hand over the programme fully to the internal team and that no extension of contract for TDP should be agreed.

It is unlikely that the States Assembly will be consulted on the negotiations, as such the Panel may bring forward propositions in the year discontinuing the likely extension of contract before agreement.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,870,000	£252,000	£0	£0

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£252,000	£0	£0	£0

FINDING 24

A further £252,000 investment into the Supporting One Gov project, for Team Jersey partner TDP, is requested in 2021 to meet contract agreements lasting to 31st March 2021. An extension of this contract is expected. Although there is no visible funding stream.

RECOMMENDATION 11

Although the funding for TDP (£252,000) in relation to Team Jersey (Supporting One Gov Programme) should be removed from the Government Plan in 2021 there may be contractual obligations necessitating the funding.

However, no further funding should be given to extend the TDP contract as they have had ample opportunity to fulfil their objectives of Team Jersey; although the latest staff survey has not yet been published, anecdotal evidence indicates that the project has not successfully improved the culture of the organisation.

OI3-14 Technology Transformation Programme			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Develop and secure funding for a multi-year Technology Transformation Programme **Technology Transformation Programme**	Modernising Government	Chief Minister	

Six Monthly Report Status - **On track**

Previous Scrutiny RAG Rating - **Amber**

Panel analysis

This business case outlines the Government's plan for improving the services within the Government of Jersey, whilst achieving "sustainable savings in operating costs". The case goes on to describe the Government as set to be "critically dependent on technology" to achieve a modernised public sector but notes that there has been a "historical lack of investment" in this area.[138]

The business case further outlines the following investment area that this project will focus on:

- Government wide capabilities;
- Front office capabilities;
- Enabling functions; and
- Security capabilities.

The business case also outlines ten projects, which includes MS Foundation, Cyber Security, the Tax System, Customer Relationship Management, and the Integrated Technology Solution. Although impacted by COVID the Chief Minister has reported that key dates for initiatives within the programme have been kept to.[139]

The Panel noted a £5 million drop in funding requested for the programme in the Government Plan 2021-24 and was informed that, based on the latest business case produced by HCS for the Electronic Patient Record, the ongoing operational costs are expected to be less than originally predicted. Also, in consultation with CLS, the approach to the ultimate replacement of the New Employment and Social Security Information Exchange system is expected to have a lower revenue cost than originally forecast.[140]

The Panel has ascertained that the £13,570,000 anticipated costs in 2024 are largely for licenses and third-party support and maintenance costs and have been advised that these

[138] R.91/2019, p.113
[139] Letter - Chief Minister to Corporate Services Scrutiny Panel re Quarterly Hearing - 16 July 2020
[140] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan Projects - 19 November 2020

may change beyond 2024, however, significant changes to the underlying requirements are not predicted.

Due to the large figure involved in this programme, as well as the variance between the Government Plan 2021-24 and Government Plan 2020-23, the Panel will continue to review, as such we have again assigned an amber status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£3,000,000	£5,000,000	£17,000,000	£17,000,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£4,567,000	£14,637,000	£14,637,000	£13,570,000

OI4-01 Delivering effective financial management			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Introduce a new performance management framework for its first full year **Deliver improvements to the Government Plan business planning process** **Delivering effective financial management** **Continue finance transformation** **Provide greater long-term financial insight** **Training strategy**	Modernising Government	Minister for Treasury & Resources	

Six Monthly Report Status – **Delayed**

Previous Scrutiny RAG Rating – **Amber**

Panel analysis

This business case aims to improve financial management within the Government of Jersey, noting that recommendations have been made over the previous years by the Comptroller & Auditor General and the Public Accounts Committee, with the report stating that it is "necessary to invest in this area"[141]. The business case further notes that the significance of technology investment, and that continuing this programme will help to ensure that "benefits are realised".[142] The Panel found last year that the business case and supporting information for the "Delivering Effective Financial Management" programme lacked the level of detail we would expect for a request for additional revenue of almost £10 million.

The Panel noted that allocation request for this programme has dropped by over £1 million for 2023,[143] on questioning we were informed:

> ***Deputy S.M. Ahier:***
> *Delivering effective financial management has been allocated £1.1 million less over the 2021-2023 period with £1 million of this in 2023. Why is this?*
>
> ***Treasurer:***
> *So that profile recognises, particularly in the latter years, the reduction in initial money that will arise, or rather the efficiencies that will arise from the investment in the*

[141] R.91/2019, p.115
[142] R.91/2019, p.115
[143] R.91/2019, page 115

integrated technology space, principally the new finance system, the system that is integrated into the H.R. (human resources), the asset management and the procurement systems.[144]

The Panel noted that the programme had been delayed in 2020, we were informed:

Deputy S.M. Ahier:
The Panel notes that the delivering effective financial management project was delayed in 2020. Will this further increase timescales for completion?

Treasurer:
Yes, we are going to revisit next year our maturity assessment, financial maturity assessment. From the piece of work we originally did when we set up our finance transformation key element, in terms of what is still ... the key element of what is still intended to be delivered is delivered through the investment in the integrated technology system that we have invested, for example, at the back of the work that was done in the risk function. We have moved from 6 finance functions to a single finance function. We have investment in training. Last year it was 8 or 9 in training, this year as well, we have got moving through the modules; so it is the latter part of this year modules in respect of trade and finance but also for the budget over this part, as the capital support, transformation work undergoing within the finance function within the team.[145]

Our advisor observed:

On delivering effective financial management (presumably more effective) we are unsighted as to the tangible benefits arising from the outputs of more effective financial management. Quickening the pace of the annual accounts closedown process does not in itself produce a position that necessarily provides more insight. However, we do recognize that improved in year financial performance reporting should aid decision making but again are unsighted on the cost benefits of this significant level of investment - presumably linked to external consultancy support. Whilst significantly improved accuracy, versatility and speed on in-year financial and operational performance may be highly desirable, such improvements require to be appropriately aligned to enhanced/diffused financial management capability and that requires upskilling and ownership around financial performance. In this way Departments can fully utilize any greater system capabilities that can be harnesses by this investment. However, in practice, without a commensurate improvement in skilling and accountability, the utility of such changes may be marginal at best.[146]

In a letter received from the Minister for Treasury and Resources the programme is defended as an enabler for the delivery of wider Government objectives as well as the more directly associated financial performance metrics, with support for the Chief Operating Office in delivering the Integrated Technology Solution.[147] This is a separate programme and as the Chief Operating Office is receiving £9,200,000 of funding in 2021 to deliver it, supporting it should not be used as justification for spending in other areas. It is noted that this programme

[144] Transcript – Minister for Treasury and Resources – 13th November 2020 p.11
[145] Transcript – Minister for Treasury and Resources – 13th November 2020 p.12
[146] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.29
[147] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

aids in delivering Zero-Based Budgeting, and training in financial management, however, there has been little tangible evidence of the benefit of these actions.

This programme has been allocated a red status as the Panel believes that this funding is not required as no evidence of the tangible benefits of the programme have been given. The Panel suggests that this funding is merely a case of throwing good money after bad, and that it will continue to achieve little in the short term. As such the Panel believes that at such an uncertain time, funding for this initiative is not a necessity. It is therefore proposed not to allocate funds to the Treasury and Exchequer Head of Expenditure for this initiative in 2021. This reduction in expenditure can act to reduce the amount of borrowing required to fund COVID-19 mitigating actions. If necessary broad aims should be met through existing capital allocation of the Integrated Technology Solution.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£2,350,000	£2,800,000	£2,300,000	£2,300,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£2,725,000	£2,300,000	£1,271,000	£1,271,000

FINDING 25

The business case and supporting information for the “Delivering Effective Financial Management” project lacked the level of detail we would expect and there has been little tangible evidence of the benefits of this programme.

RECOMMENDATION 12

The benefits of the programme OI4-01 Delivering effective financial management must be clearly evidenced. As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis.

OI5-01 Electoral Registration			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

***Six Monthly Report Status -* On track**

***Previous Scrutiny RAG Rating -* Green**

Panel analysis

This programme seeks to identify a more accurate and comprehensive electoral registration system.[148]

The Panel has not received any evidence that concern, and as such has again assigned a green status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£60,000	£34,000	£6,000	£0

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£34,000	£6,000	£0	£0

[148] R.91/2019, page 116

OI-Non-01 C&AG additional funding			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	✔

***Six Monthly Report Status* – Complete**

***Previous Scrutiny RAG Rating* – Green**

Panel analysis

This programme requested additional funding for an increase in external audit fees and was reported as complete in the Six Monthly Report, allocation requests have not changed and the Panel has not received any information that warrants concern.[149] This programme has therefore been given a green status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£25,000	£25,000	£25,000	£25,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£25,000	£25,000	£25,000	£25,000

[149] R.91/2019, p.117

OI-Non-03 Judicial Greffe additional funding			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

***Six Monthly Report Status* - On track**

***Previous Scrutiny RAG Rating* - Green**

Panel analysis

This request for funding was included due to a discrepancy in office-holder's pay within the Judicial Greffe, as well as an increase in demand of Tribunal Services.[150] The Panel has received no evidence that raises concern and has therefore given a green status rating.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£158,000	£158,000	£158,000	£158,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£158,000	£158,000	£158,000	£158,000

[150] R.91/2019, p.119

OI-Non-4 States Assembly additional funding			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
	Modernising Government	Non-Ministerial	

***Six Monthly Report Status* - On track**

***Previous Scrutiny RAG Rating* - Green**

Panel analysis

The three areas of additional investment through this programme relate to Scrutiny, Members' remuneration and the budget of the Legislative Drafting Office.[151]

Although there has been a slight drop in the investment requested the programme was on track in mid-2020, as the Panel has not received any concerning evidence, we have rated it again with a green status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,035,000	£1,001,000	£1,034,000	£904,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£994,000	£1,019,000	£881,000	£881,000

[151] R.91/2019, p.120

OI-Non-5 Viscount's department additional funding			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

Six Monthly Report Status - **Partial deferral**

Previous Scrutiny RAG Rating - **Green**

Panel analysis

This request for funding allowed for of a number of staff, software maintenance, knowledge management and Officeholders Pay Review.[152]

The programme was partially deferred in 2020 due to recruitment issues; however, the Panel has not received any further information that causes concern and has therefore issued a green status.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£325,000	£325,000	£325,000	£325,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£325,000	£325,000	£325,000	£325,000

[152] R.91/2019, p.121

Capital Projects

OI3 MS Foundation (major project)			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

Six Monthly Report Status - **On track**

Previous Scrutiny RAG Rating - **Green**

Panel analysis

This project aims to deliver common software, productivity and information sharing tools, including upgrading systems to Windows 10 and Office 365.[153]

With the increase in home working this project was accelerated in areas to allow for an increase in cloud computing and use of Office 365, necessitating a revision to the original planned deployment.[154] The Panel was informed:

> *The most immediate impact has been on the MS Foundations Programme. COVID-19 caused the programme to revise its plans rapidly in order to support the rapid rollout of Microsoft Teams to over 2,000 colleagues to enable them and their teams to continue to collaborate and communicate whilst working remotely. Had we not already had piloted MS365 and had the programme mobilised then this would have been a much more difficult task.*[155]

The Panel noted that funding for the project has been reduced and extended into 2022. On questioning we were informed that, due to COVID-19, the full deployment of Windows 10 and MS365 will take longer than originally planned. However, there has been a reduction in costs as the original model assumed, the Government would undertake a significant Partner procurement for MS365 (Microsoft 365) rollout, however the unexpected and forced acceleration due to COVID-19 led to a different approach of using internal and local based contract resource. It has also been ascertained that non-compliant kit in the W10 (Windows 10) upgrade project has instead been replaced through the Asset Replacement capital programme, with further savings from the procurement of the MS365 adoption partner which have come in much lower than the business case had assumed.[156]

Overall, the Panel is satisfied that the project is progressing and as such has assigned a green status to it.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£3,330,000	£5,670,000	£0	£0

[153] R.91/2019, p.174
[154] Government Plan 2020-23 6-month progress review, p.84
[155] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan Projects - 19 November 2020
[156] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan Projects - 19 November 2020

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£2,570,000	£1,100,000	£0	£0

OI3 Integrated Technology Solution (major project)			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Technology Transformation Programme	Modernising Government	Chief Minister	

***Six Monthly Report Status* - On track**

***Previous Scrutiny RAG Rating* - Amber**

Panel analysis

This project, as outlined in its business case,[157] aims to introduce technology capabilities across Government, providing support for finance, HR and procurement activities that replaces the current JD Edwards, People link, Talent link and Supply Jersey systems.

The Panel notes that areas of public interest, such as reporting on procurement will eventually be improved by the project:

> ***Head of Business Support, Chief Operating Office:***
> *As you know, we have detailed the real fundamental problem we have in producing some of the detail required within that because we do not hold the centralised procurement records in one place that we can easily pull that data from. That will only be solved in full by the Integrated Technology Solution, which I am sure as you know will begin work at the start of next year. Then hopefully we will be able to then see the output of that in the beginning of 2022. Just to explain, we say "consultants" but that is obviously made up of a lot of very different buckets of people. So, there may be interims who come in to do a substantive post in the short term. That is sometimes classed as consultants. We have contractors coming to support programmes individually. That is sometimes called consultants. Then we have bigger consultancy contracts with accountancy firms or ... those are all within the bucket of what we look at. But as a Government, we treat those in very different ways, and rightly so. We will not be following the same process for a very big contract with an accountancy firm, for example, as we would do with an interim, an individual, who would go via the States Employment Board. So, the complexity in this area is quite vast and, therefore, having it in one place at the moment with our current systems and processes just is not there. We do not have the systems and processes and that is why we have invested so much and put so much emphasis on delivering the Integrated Technology Solution to be able to, therefore, report and provide all this centralised recording for you.*
>
> ***The Connétable of St. Peter:***
> *I think that my next question follows on from that technology solution, which includes a requirement for timesheet capability which allows assignment of individuals to projects, which would include consultants' time and which will allow you to report the data from 2023. Is that still your target?*

[157] R.91/2019, p.175

> ***Head of Business Support, Chief Operating Office:***
> *Yes, I think that will come ... obviously I.T.S. (Integrated Technology Solution) is hoping to deliver it at the start of 2022, so I think that will come in during that period. But I think perhaps that date was given to allow the organisation to learn and make sure we are recording, et cetera, properly and then deliver the figures from 2023.*[158]

The project links to the Technology Transformation Programme, commented on above (page 101). We have also commented up the overall IT spending (page 51)

The Panel noted that this project has increased in funding requirement, with an additional £1.4 million in 2023, however has been informed that re-planning has enabled the initiatives to continue to progress and maintain key dates.[159]

As concerns have been raised over the Government's spend on this project, and time to completion, its status remains amber and the Panel will continue to review.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£7,400,000	£9,200,000	£11,400,000	£0

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£9,200,000	£11,400,000	£1,400,000	£0

[158] Transcript – Quarterly Hearing with Chief Minister – 1st October 2020 p.24
[159] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan Projects - 19 November 2020

OI3 Replacement assets			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
Technology Transformation Programme	Modernising Government	Chief Minister	

***Six Monthly Report Status -* On track**

***Previous Scrutiny RAG Rating -* Amber**

Panel analysis

The business case for this project stated only that the funding request was only for "Replacement costs of various IT infrastructure assets".[160]

Again, no information has been provided in the Government Plan detailing why replacement assets are needed, however the 2020 six monthly report details asset replacement has been re-prioritised during the pandemic to support remote working through firewalls and direct access servers, and on improving system reliability and stability within the data centres. It goes onto that the project would then refocus on desktop solution for Health and Community Services, back-up solution and updating hardware asset support.[161]

Furthermore, the Chief Minister has highlighted in his letter of the 19th November 2020:

> *This funding is in place to cover both planned and unplanned replacement of IT assets. The Government has an extremely broad and varied estate and at any time assets are either reaching the end of their useful life, are found not to be performing as required or simply break down. This funding is provided to ensure that M&D has budget to deal with the replacement of assets in a timely manner to protect the integrity of the IT infrastructure. It is analogous to the funding provided to IHE/JPH to ensure that the physical estate is maintained in good order. Any funding not required in year is returned to Treasury.*[162]

Within the same correspondence the Chief Minister identified that this funding was used to replace non-compliant IT kit in the W10 (Windows 10) upgrade project, although this is not mentioned within the Government Plan.

Although the requested yearly funding drops in 2024 we still have concerns that the figure lacks the necessary provision of information to be transparent, and the project has therefore again received an amber rating as the Panel will continue to review.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£5,000,000	£5,000,000	£5,000,000	£5,000,000

[160] R.91/2019, p.176
[161] Government Plan 2020-23 6-month progress review, p.85
[162] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£5,000,000	£5,000,000	£5,000,000	£2,500,000

OI3 Electronic Document and Records Management (major project)			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
Technology Transformation Programme	Modernising Government	Chief Minister	

***Six Monthly Report Status* - N/A**

***Previous Scrutiny RAG Rating* - Amber**

Panel analysis

The business case for the project outlines the need to provide electronic documents that can be used and shared across departments, and, where appropriate, between Islanders and the Government. This will replace physical record stores that are being held across the Island. The business case also states that this will assist departments in adhering to "respective retention schedules and adherence to Data Protection, Health and Safety and Public Records legislation".[163]

The Panel has only received small amounts of information on this project within private briefings and will therefore continue to review.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£0	£500,000	£1,000,000	£1,000,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£500,000	£1,000,000	£1,000,000	£0

[163] R.91/2020, p.184

Central Risk and Inflation Funding			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
		Minister for Treasury & Resources	

***Six Monthly Report Status* - N/A**

***Previous Scrutiny RAG Rating* - Amber**

Panel analysis

No business case for this project is provided, however page 135 of the Government Plan details that this is a separate Reserve Head of Expenditure for provision against risk and inflation outside the individual capital budget allocations, which enables reduction in funding required overall.[164]

Our advisor commented:

> *It is noted that the central reserve for risk and inflation relating to the Capital Programme has remained at similar levels to previous versions of the Plan yet the quantum and nature of the Capital Programme has changed. Given the historically low levels of general inflation, this type of reserve would appear to be maintained as a 'hedge' against unforeseen risks. In such circumstances, the profiling of exposure appears to be based upon guesswork rather than tracking capital spends*[165]

When questioned why there has been no change in the Reserve for Central Risk and Inflation Funding the Minister for Treasury and Resources informed us that certain projects such as Our Hospital, hold their own risk and inflation funding.[166]

The Panel still holds some concern of this funding and will continue to review. As such the project is rated as amber.

Funding allocations approved in Government Plan 2020-2023:

2020	2021	2022	2023
£1,000,000	£1,500,000	£1,800,000	£2,000,000

Funding allocation requests in Government Plan 2021-2024:

2021	2022	2023	2024
£1,500,000	£1,800,000	£2,000,000	£2,000,000

[164] Government Plan 2021-24, p.135
[165] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.29
[166] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

FINDING 26

There is little explanation or business case provided for the capital programme central risk and inflation funding, and individual projects may include their own contingency funding.

1.14 New Programmes and Capital Projects Identified in the Government Plan 2021 – 2024

New Programmes Requiring Additional Revenue Expenditure

The table below identifies the programmes that will receive first-time investment in 2021 or later and were therefore not included in the Government Plan 2020-23.

New Additional Revenue Expenditure Programmes: Government Plan 2021 - 2024				
Programme	**CSP reference**	**Page number**	**Scrutiny RAG Status 2021**	**2021 Allocation (£000)**
Migration Policy Implementation	CSP3-4-02	121		0
Commercial Services Restructure	OI3-15	123		2,500
Re-organisation Ministerial Support Unit	OI3-17	125		1,390
Re-organisation - Communications	OI3-18	128		623
Office Modernisation	OI3-21	131		0
COVID-19 Revolving Credit Facility	OI4-C-1	132		3,746
Insurance premium	OI4-2	134		2,194
CAG Inflation	OI-NON-08	135		13
Election 2022	OI-NON-09	136		0
Bailiff's Office - additional for Crown appointment pension increase awarded by SEB	OI-NON-10	137		80

New Capital Expenditure in the Government Plan 2021 - 2024

The table below identifies the capital projects that will receive first-time investment in 2021, and were therefore not included in the Government Plan 2020-23.

New Capital Expenditure projects: Government Plan 2021 – 2024				
Capital Project	**CSP reference**	**Page number**	**Scrutiny RAG Status 2021**	**2021 Allocation (£000)**
IT for Migration Services	OI3	138	(!)	1,000
Office Modernisation (Major Project)	OI3	140	(!)	650

Reports on New Programs Requiring Additional Revenue Expenditure

The following section provide the Panel's analysis of each new additional revenue expenditure project.

CSP3-4-02 Migration Policy Implementation			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Vibrant Economy	Chief Minister	

Business Case: Overview

The business case for the project highlights that funding is requested to support a possible future expansion of the operational team required to maintain the revised controls following recommendations by the Migration Policy development Board and proposed amendment of the control of Housing and Work (Jersey) Law 2012.[167] The business case also mentions the capital allocation of £1 million to meet the costs of IT development to support a set of more responsive migration controls, this is discussed further on page 138 of this report.[168] This is to match the Council of Ministers pledge to reduce reliance on inward migration in the Common Strategic Policy.

A savings proposal for next year's plan is mentioned, seeking to increase the fees collected under the Control of Housing and Work Law to provide an additional £600,000 of annual income, however the Chief Minister did not give any further details when requested.[169]

The business case highlights that the programme will have implications for community, environmental and economic wellbeing.

2021	2022	2023	2024
£0	£108,000	£108,000	£108,000

Panel Analysis

As highlighted on page 75, discussing continuing allocation to CSP3-2-09 Migration Policy, the Panel undertook a full review of the work of the MPDB, publishing a report on 15 November 2020 which outlines its findings and recommendations.[170]

It has been highlighted to the Panel that the funding requests for CP3-2-09 Migration Policy in the Government Plan 2020-23 were made ahead of knowing the final recommendations of the MPDB and which recommendations would be taken forward by the Chief Minister or agreed by the Council Of Ministers, the impact of Brexit, the design of the UK's new immigration system and the extent to which we might use existing technology, systems and processes to instigate the intent of proposition P.137/2020.

[167] P.137/2020 Migration Control Policy
[168] Government Plan 2021-24 Annex, p.70
[169] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[170] S.R.14/2019 Population and Migration

In a response letter to Panel requests the Chief Minister stated that the additional funding would be required to support operational and administration costs of improving control systems including:

- *the operation of simplified and amalgamated systems required to apply for various permissions required to, live in and work in Jersey;*
- *to operate enhanced controls that provide more responsive control for the Government*
- *to provide a system that is simple for businesses to use;*
- *to provide timely and detailed data for politicians and the public to understand the current level of migration and allow for more responsive controls to be implemented;*
- *give improved treatment to new migrants and the provision of clear rights to new residents to maximise their social inclusion.*[171]

As this new investment does not seek to allocate funds until 2022 the Panel has not conducted any further review at this time, however, will do so for the Government Plan 2022-25 and as such have assigned an amber status. The Scrutiny Liaison Committee is currently in the process of forming a Review Panel whose remit may cover this project.[172]

FINDING 27

Migration Policy Implementation will request an additional £108,000 from 2022 and with an additional request for capital allocation of £1 million to meet the costs of IT development for migration in 2021.

[171] Letter- Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects – 19th November 2020
[172] Letter - to Chief Minister re Migration and Population Control Review - 19 November 2020

OI3-15 Commercial Services Restructure			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Business Case: Overview

The business case outlines that the creation of the Commercial Services Department to enable a modern and effective public sector, however "the resources did not match that of the full aspirations of the services".[173] As such funding allocation to the department was agreed in the Government Plan 2020-23 (under OI3-02),[174] with a further one off allocation granted by the Chief Minister in 2020 through Ministerial Decision.[175]

The additional request in this year's Government Plan will aim to drive:

- Re-imagined and rationalised processes and guidance
- Implementation of a new Social Value Framework
- Consistency across Government, cross Government planning
- Increased commercial and procurement capability
- Supply chain development
- Enhanced commercial and procurement assurance
- Improved supplier and scenario risk management
- Optimise Government funding commitments

The business case goes on to highlight an envisaged saving of £5.4 million per annum by 2024 if the programme is fully implemented.

Impact on Sustainable Wellbeing is described as enabling the realisation of all strands of CSPs, with the possibility to increase employment opportunities in the island through the social value framework, increased use of on island suppliers, enabling of carbon neutral targets. It is also highlighted that the potential development of a Commercial Academy may, in future, enable the nurturing of home-grown commercial talent, reduce unemployment in the Island.

2021	2022	2023	2024
£2,500,000	£2,310,000	£1,680,000	£1,535,000

Panel analysis

The Panel was somewhat surprised to see a further request to enable the development of the Commercial Services Department following the request for continuing allocation under "OI3-02 Commercial Services Enhanced Capabilities" of £1,450,000 in 2021, together the two programmes would equate to an allocation of £3,950,000 in that year.

[173] Government Plan 2021-24 Annex p.80
[174] R.91/2019 p.95
[175] MD-TR-2020-0084

Although the business case outlines some new outcomes from this programme, they are closely related to those already to be achieved by OI3-02:

New outcome OI3-15	Enhancement of O13-02
Implementation of a new Social Value Framework	Re-imagined and rationalised processes and guidance (toolkits etc)
Consistency across Government, cross Government planning	Increased commercial and procurement capability
Improved supplier and scenario risk management	Supply chain development
	Enhanced commercial and procurement assurance

The Panel understands the drive for continued improvement, however, the OI3-02 allocation for 2020 was £1 million, this increasing to £2.5 million with the further allocation through the Ministerial Decision. The Chief Minister has elaborated that this was to maintain those elements of OI3-02 as it has become apparent that "Commercial Services was not set up or structured to support the current demands of the wider organisation, let alone the growing demands of future operations and unforeseen events", indeed he also highlights that issues such as Brexit and COVID-19 have shown the need for professional commercial and procurement services able to continue to deliver the best outcomes possible for the organisation during both normal and challenging times.[176]

The Panel accepts that there is benefit in optimising commercial capability, with, as the Chief Minister highlights, upcoming implementation of the Jersey Care Model, building of a new Hospital, delivering Office Modernisation and estates rationalisation, and delivering carbon neutrality and sustainable transport amongst others including potentially a prolonged response to COVID-19.[177] However, as highlighted by our advisor:

> *In relation to the Commercial Services restructure, in the context of deferment, we cannot see what the payback from this additional £8 million of investment will bring to Government capability.*[178]

The Panel highlights that this funding is largely enhancement of the existing programme, now that a full review into the commercial services is complete it would not expect to see additional requests for funding in future Government Plans. This will continue to be monitored and has therefore been allocated an amber status.

FINDING 28

Additional funding for Commercial Services is requested as those predicted in the previous Government Plan did not meet the full aspirations of the service.

[176] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[177] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[178] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.29

OI3-17 Re-organisation Ministerial Support Unit			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Business Case: Overview

The business case identifies that the Ministerial Support Unit (MSU) was established to consolidate management of Government business and political engagement.[179] This is achieved through responsibility of strategic coordination and oversight of Ministerial business and supporting of departments in governance arrangements. Furthermore, the unit enables the work of the Council of Ministers in meeting the CSPs and maintains relationships and arrangements between Ministers, Director Generals, senior leadership teams and other department officials.

The business case outlines a newly developed PAC Tracker reporting system enabling regular reporting to Senior Leadership Team, Council of Ministers, Public Accounts Committee, Comptroller & Auditor General and Risk & Audit Committee on the progress being made in implementing recommendations, allowing the Chief of Staff to monitor the delivery of those recommendations.

It is outlined that the Chief of Staff Office and MSU have been funded to date by temporary funding sources, stating that a settled structure has now been established so a permanent funding settlement is required and that this was discussed and agreed as part of the 2020 Government Planning arrangements with an agreement to bring forward in the 2021 Plan (once the Target Operating Model arrangements had settled).

2021	2022	2023	2024
£1,390,000	£1,390,000	£1,390,000	£1,390,000

Panel analysis

The Panel has heard praise of the Ministerial Support Unit when raising questions on the increase in public sector staff numbers, specifically within that Unit:

> ***Chief Executive:***
> *So, the Ministerial Support Unit delivers a really important job if you want to maintain good, strong, democratic governance, in the same way that last year there was additional support put in for Scrutiny and for States Members. It is really important. If you want my professional view, looking from the outside in when I arrived, I was surprised at the paucity of support for Ministers and for States Assembly Members. I personally still think it is not good enough and it should be more. So, I think it is a deficit that has had to be dealt with. For other people that may not be seen as a priority, but unless you get your democratic processes working right, then there is a fundamental problem that then ensues in all organisations. That is not to say you should be top heavy, but I think in the context of where jurisdictions are, this is where you have to take*

[179] Government Plan 2021-24 Annex p.83

some choices. We did not invest enough in our people; we are now investing more in our people. We did not invest in our technology; we have more people doing technology. But that is why there will be some areas that will see growth.

The Chief Minister:
I think the skeletally thin argument or whatever the adjective was is the one that the C. and A.G. definitely commented on.

Senator K.L. Moore:
Well, you yourself, though, Chief Minister, often berated Ministers in the past when you were in this role for not making severe enough cuts and telling them that they should pare them back. You have expressed I think recently that you now see things in a different light.[180]

The Treasurer and Assistant Minister for Treasury and Resources also made comments:

Senator K.L. Moore:
If I could just ask a question about that, from recollection the ministerial support unit, the additional £1.3 million annually, which is quite a considerable increase given that Ministers have a much higher level of support than they did prior to 2018. Could you describe what exactly is planned for that additional £1.3 million?

Treasurer of the States:
Basically, just before the Minister speaks, what is provided with that budget is almost entirely something that is currently provided by a series of other officers through these years. We need to be regularising that so that there is funding in place rather than being an increase in spend from where it has been this year into 2024. So this is the budget that previously was provided through good old-fashioned clericals.

Assistant Minister for Treasury and Resources:
I can confirm the Treasurer is correct so, rather than taking bits of money from here, there and everywhere at the end of the year to deal with the budget, it is at the start of the year this is the budget that is required, so it looks like an increase in the budget, as you have said, and as the Treasurer has said. But I think also I supported a new one. It is made up of what - from the U.K. (United Kingdom) Government system - you would think of as private secretaries and they work directly with Ministers to manage papers, manage diaries, manage appointments, take notes when Ministers are in meetings. Then as you know from elsewhere, the idea is to allow smooth operation of Government, to make sure things are recorded, to make sure things are acted upon. That is currently done as a central unit and what I would hope to see during the course of the coming year, now that the budget has been formally brought together in the Office of the Chief Executive, is that there were a number of enhancements that could be delivered. It will be delivered on the existing budget, to how they operate. Private secretaries, and thereafter the traditional P.A. (personal assistant) support functions as well. Private secretaries need to, not only have a seat in the central unit, but they also need to have a seat in the department so that they can ensure that Ministers are better - and we heard

[180] Transcript – Quarterly Hearing with Chief Minister – 1st October 2020 p.36

> *some of this during the debate this week - connected and have a better relationship with their department as well as the central function. So there was a desire when they were created to make sure that Ministers were connected with the central function. You could say that has worked, but there has been, for a number of Ministers, a disconnect between themselves and the department and we have heard some of that frustration during the course of this week. That really does need to be challenged because private secretaries work for Ministers even though they have a line manager through the civil service structure.*[181]

The Panel has ascertained that the allocation of the £5.5 million is only related to staff costs within the Chief of Staff Office and the Ministerial Support Unit and the Chief Minister has indicated that the allocation is made from net of transfers from other departments which were incorporated in the 2020 base budget.[182]

The Chief Minister has also indicated that OI2-01 States Greffe extended services was prioritised over this programme in the Government Plan 2020-23, in order to ensure the right resources were in place to support the political machinery of the States Assembly.[183] Upon further investigation the Panel has received costings for actual and forecasted spends for 2019 and 2020 which would support the amount requested in this programme for 2021.

The Panel understands the importance of supporting Ministers undertake their work. However, at a time that the Government is actively planning to borrow whilst running a budget deficit, the Panel is highly concerned at the further increase the Head of Expenditure for the Office of the Chief Executive. The Panel understands that this growth request is only related to staff costs the Chief of Staff Office and the Ministerial Support Unit already in place and defunding the programme would run a high risk of redeployment and redundancy implications. As such we have assigned the programme a red status and will be reviewing the action throughout 2021. The Chief Minister must provide tangible evidence as to the benefit of this programme in order to justify the increase in spending.

FINDING 29

Employment funding for the Ministerial Support Unit is not properly in place even though staff are employed to fulfil the roles and the unit's structure has been in existence following the new Machinery of Government changes in 2018, necessitating a growth bid in this financially challenging year. This should have been a higher priority for the Chief Executive.

RECOMMENDATION 13

The benefits of the new programme OI3-17 Re-organisation Ministerial Support Unit must be clearly evidenced to justify the new additional expenditure within the Office of The Chief Executive.

As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis.

[181] Transcript – Minister for Treasury and Resources – 13th November 2020 p.13
[182] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[183] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI3-18 Re-organisation - Communications			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Business Case: Overview

The business case outlines that a review of Government spending on marketing and creative agencies, held in 2018, identified that it would be more cost effective to establish an internal design team.[184] It is stated that the benefits of the internal Marketing, Digital and Design team has now been proven.

It is highlighted that the design team has been funded through "recharging" projects that required their services and would have otherwise used external agencies, which is administratively burdensome. To avoid cost inflation **new** projects will not be allocated communications budgets unless the Director of Communications has confirmed that the need cannot be met internally.

Furthermore, the business case outlines that previously distributed roles in internal communications have now been centralised in a specialist Internal and Change Communications team, costs of which had been met through temporary funding sources.

The benefits of a "hub and spoke" model of communications is stated as being beneficial during the COVID-19 response

The business case emphasises that effective communication enables the Government to achieve its sustainable wellbeing objectives by communicating with Islanders, stakeholders and employees, providing information about services, informing them about their legal obligations, notifying them about deadlines, publicising Government performance, encouraging them to take action, and alerting them to changes that affect them

Moreover, the case points out that the Communications Directorate helps to support and defend the reputation of Jersey and the Government internationally.

2021	2022	2023	2024
£623,000	£623,000	£623,000	£623,000

Panel analysis

If this programme is approved the Net Revenue Expenditure of Communications will be £2,238,000.[185] The Chief Minister has pointed out that the reorganisation of the Communications Directorate was made up of three distinct points, primarily amalgamation of existing communication officers spread throughout different departments in the Government into a professional core Directorate, and then the two outlined within the business case for

[184] Government Plan 2021-24 Annex p.85
[185] Government Plan 2021-24 Annex p.30

OI3-18: the creation of Marketing, Digital and Design team; and the Internal and Change Communications team.[186]

In his letter of the 19th November 2020 the Chief Minister highlights:

> *The benefits of internally resourcing a Marketing, Digital and Design Team have been proven to provide better value for money, and enable more consistent and coherent output, it is proposed that additional base budget funding is provided to replace the recharge model.*[187]

The 2020 communications plan outlines that the Internal and Change communications team, comprising of six, manage communications that affect public service employees, from pay to restructuring, Team Jersey culture change to celebrating successes.[188]

In the communications plan the Marketing, Digital and Design team is described as a team of eight managing and implementing design, marketing and digital communication services across all Government departments, including social media.[189]

The Panel understands the importance of the work of the Communications Directorate. However, at a time that the Government is actively planning to borrow whilst running a budget deficit, the Panel is highly concerned at the request for the increase in the Head of Expenditure for the Office of the Chief Executive to fund actions that are already taking place within base budget. However, as the Internal Communications and Marketing, Digital and Design teams are already in place it is understood that not accepting this growth bid may have redeployment and redundancy implications, which the Panel would prefer to avoid at this time.

The Chief Minister must provide tangible evidence to the benefits of the programme and the Communications Directorate must run as efficiently as possible. Actions such as charging those departments who require communication activity may help to meet the additional cost of the Marketing, Digital and Design team, and this should be transparently documented with any communication requests unable to be fulfilled also to be transparently shared.

As such the Panel has allocated a red status to the programme and will reviewing in 2021.

FINDING 30

Employment funding for the Communications Directorate is not properly in place even though staff are employed to fulfil the roles and the increase in size of the Directorate primarily followed a review in 2018, necessitating a growth bid in this financially challenging year.

RECOMMENDATION 14

The benefits of the new programme OI3-18 Re-organisation Communication must be clearly evidenced to justify the new additional expenditure within the Office of The Chief Executive.

As such the Chief Minister should introduce performance measurements to be shared publicly on a bi-annual basis. The income to the Communications

[186] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[187] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020
[188] Government of Jersey Communications Plan 2020 p.42
[189] Government of Jersey Communications Plan 2020 p.42

Directorate of charging departments for their services, and what this has been spent on should also be shared with Scrutiny on a bi-annual basis.

OI3-21 Office Modernisation			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Business Case: Overview

No business case is provided for this new programme.

2021	2022	2023	2024
£0	£0	£0	£5,000,000

Panel analysis

The Panel notes that no business case has been provided for this programme, however, an additional request for capital expenditure, which has business case included, is detailed in the plan, and has been reviewed in this report on page 140.

On questioning the Panel was informed the £5 million is an estimate of rent payable in the event the option to purchase is not exercised on practical completion. The Chief Minister has highlighted that this is a worst-case scenario and that the Council of Ministers is still considering options that include purchasing the building on practical completion.[190]

Although the Panel notes the sensible action of including potential office expenditure, this will require further review, as such the Panel has rated this programme with an amber status.

FINDING 31

The Office Strategy, or Office Modernisation project, will cost £650,000 in 2021 for legal, procurement and project management costs. No business case is provided for £5,000,000 potential allocation in 2024, it is ascertained that this is for potential lease costs.

[190] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI4-C-1 COVID-19 Revolving Credit Facility			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status 2021
		Minister for Treasury & Resources	(!)

Business Case: Overview

As outlined in the business case the financial strategy set out in this Government Plan seeks to borrow to manage the delivery of policy caused by the COVID-19 pandemic, and further support any capital expenditure, investments, public services or economic policy of the Government over the life of the Government Plan.[191] Borrowing costs relate primarily to the Revolving Credit Facility (RCF) that was agreed with locally based banks in May 2020, which is initially available for a period of two years, further evolution of the Government's debt strategy is ongoing.

The business case highlights the potential impact of COVID-19 on the Sustainable Wellbeing of the Island, and that implementation of the RCF will allow maximum flexibility to meet the risks of this impact.

2021	2022	2023	2024
£3,746,000	£7,136,000	£8,730,000	£7,803,000

Panel analysis

The Panel has been reviewing the use of the Revolving Credit Facility since its inception by the Minister for Treasury and Resources during the 2020 pandemic. The estimated cost of this borrowing has varied since this point, and has even been updated between the Panel receiving a draft of this Government Plan and its publication:

> ***Treasurer:***
> *The costs vary as the profile of the borrowing varies... I think your question is probably hinting at the Word document that we provided to you 2 weeks ago had different numbers. We said at that point we were doing checks through all the numbers and we found that those numbers were still using earlier forecasts at the level of debt that we may take on and they are now more representative of the interest that would arise on the profile of debt that we have in the plan...*[192]

It was also highlighted that the RCF will be replaced with a medium-term facility once more certainty over elements, such as the Hospital, has been established:

> ***Treasurer:***
>
> *… we anticipate that halfway through that period we will turn that into medium-term debt, so it goes halfway through. SO, it is recorded through a revolving credit facility but it*

[191] Government Plan 2021-24 Annex p.89
[192] Transcript – Chief Minister - 13th October 2020 p.22

anticipates that we will move the revolving credit facility into a more medium or longer-term debt into the future. I think it is in the narrative but on the tables we are still saying revolving credit facility. In the narrative we talked about once the Assembly being invited to take the decision in respect of the hospital and once we have taken lots of the measures that the Chief Minister has talked about to make sure that we have paid that debt down in respect of COVID-19 as much as possible, we then will be in a position to start issuing medium-term debt to replace the R.C.F.

The Chief Minister:
If you like we can take you over our facility and once we know what the balance is we then crystallise it into a 15-year repayment loan.[193]

The Panel has noted that the Government is operating in uncertain times and agrees that allowing flexibility is beneficial in this situation. However, as no debt strategy has been established, and estimated costs continue to change, the programme has been rated as amber.

[193] Transcript – Chief Minister - 13th October 2020 p.24

OI4-2 Insurance premium			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Minister for Treasury & Resources	

Business Case: Overview

As outlined in the business case the Government is required insurance cover to manage the many risks it faces, this includes policies for a number of the States Owned Entities, Arm's Length Organisations and a range of other related bodies.[194]

A regular retender during 2019 and early 2020 has resulted in a significant increase of premiums of £2.2 million per annum. This is notably linked to property insurance and specialist insurance for the energy from waste plant.

The need for additional investment is also mentioned in the business case, in that there is a contractual commitment to meet the insurance premium. The Government is developing a more strategic approach to increase value for money when meeting insurance needs, however insurance resources within the Government are increasingly stretched due to increasing number and complexity of claims leading to the need for external administrative and legal advice at market rates.

The impact of this programme on Sustainable Wellbeing is detailed as:

- Community – through cover for liability claims against the Government
- Environmental – if there are issues of an environmental nature the Government will have insurance policies to respond
- Economic – through business interruption insurance for those Government organisations impacted by such losses for example during the COVID-19 pandemic or through the refunds to parents through the school's travel insurance policies.

2021	2022	2023	2024
£2,194,000	£2,612,000	£2,612,000	£2,612,000

Panel analysis

The Panel is understanding of the need for the Government insurance policies and sympathetic of increased costs due to hardening of the insurance market. However, the business case outlines that the allocation request is also in place to fund the results of the insurance strategy chosen solution and it is unclear why this will incur further costs when it is stated that the strategy will aim to provide optimal value for money. It has been confirmed that if there are further unexpected increases, departments will be expected to do their best to manage costs internally and, if this proves impossible, the General Reserve will be used.[195]

As such the Panel has rated this programme with an amber status.

[194] Government Plan 2021-24 Annex p.90
[195] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

OI-NON-08 CAG Inflation			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

Business Case: Overview

The business case outlines that this funding request by the Comptroller and Auditor General (C&AG) ensures that funding is increased in line with commitments under index-linked contracts, over the term of the Government Plan.[196] It is also noted that a revised estimate cost was submitted by the Acting Chair of the Public Accounts Committee which was received too late to accommodate within the Government Plan, however the Minister for Treasury and Resources has committed to meet the additional funding required available in 2021 from the General Reserve.

The business case notes that the work of the C&AG helps ensure that services are delivered in an economic, efficient and effective manner, supporting all Islanders and all the principles of the delivery of the Common Strategic Policy and, as such, supporting the Sustainable Wellbeing of all Islanders.

2021	2022	2023	2024
£13,000	£31,000	£53,000	£75,000

Panel analysis

The Panel has not received any evidence to cause concern for this programme and as such as assigned a green status.

[196] Government Plan 2021-24 Annex p.94

OI-NON-09 Election 2022			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

Business Case: Overview

The Judicial Greffe has requested a one-off payment in 2022 to meet costs it incurs during the Election, namely for office accommodation, temporary staff, IT and publication costs.[197]

The Sustainable Wellbeing impact is highlighted as:

- Community – ensuring the democratic process
- Economic – promoting Jersey as a safe, fair and just place in which to do business and trade
- Environmental – Allowing democratic means of shaping Jersey's natural environment and global commitments

2021	2022	2023	2024
£0	£100,000	£0	£0

Panel analysis

The Panel has not received any evidence that causes concern has therefore assigned a green status.

[197] Government Plan 2021-24 Annex p.95

OI-NON-10 Bailiff’s Office - additional for Crown appointment pension increase awarded by SEB			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Non-Ministerial	

Business Case: Overview

This funding has been requested to meet an increase to pension payments for all Crown Appointments, approved by the States Employment Board in 2019.[198]

The Sustainable Wellbeing of the Bailiff’s chambers are detailed as:

- community and economic wellbeing through an effective and fair judiciary function, supporting and promoting events and Jersey’s key community anniversary events and representing and promoting the Island’s interests to international visitors and key regional diplomats

2021	2022	2023	2024
£80,000	£80,000	£80,000	£80,000

Panel analysis

No submissions or evidence has been received by the Panel that causes concern around this programme, it has therefore been assigned a green status.

[198] Government Plan 2021-24 Annex p.96

Reports on New Capital Expenditure Projects

The following section provide the Panel's analysis of each new capital expenditure project.

OI3 IT for Migration Services			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
		Chief Minister	

Business Case: Overview

The business case outlines that migration is necessary to bring in new skills and experience, and to help businesses grow, suggesting that successive Governments have sought economic growth driven by productivity improvements, and not migration.[199]

It goes on to highlight that the Council of Ministers has pledged to reduce reliance on inward migration in the Common Strategic Policy and that this will be done alongside work to deliver a more sustainable economic future based around productivity and skills.

It concludes by outlining that during the last ten years the resident population has increased by 11,700 and that a practical, deliverable migration control policy will balance the need to bring in new skills and experience to support business with the impacts such migration has on island living, in particular the challenges to housing affordability and environmental sustainability.

It does not mention what IT systems for Migration Services are needed.

2021	2022	2023	2024
£1,000,000	£0	£0	£0

Panel analysis

The Panel is somewhat surprised that the business case does not discuss, let alone provide evidence for, the need for funding of IT for Migration Services. Little is mentioned on the need for this funding, simply stating that recommendations of the Migration Policy Development Board include providing accurate and regular performance management information to Ministers responsible for setting policy guidelines and ensuring that businesses have an accurate picture of the ongoing impact of the controls across business sectors and provide reassurance and transparency to the public.[200]

The business case for CSP3-4-02 Migration Control Policy does, however, mention the request in two lines:

> *A capital allocation of £1 million is proposed in the 2021 Government Plan to support the costs of IT development to support a set of more responsive migration controls.*[201]

[199] Government Plan 2021-24 Annex p.99
[200] Government Plan 2021-24 p.65
[201] Government Plan 2021-24 Annex p.70

It was understood through P.137/2020 Migration Control Policy, due to be debated 1 December 2020, that this funding will develop and implement new IT system with associated operational processes and collation of migration data.[202] This was further confirmed when the Panel received a response to a request for further information:

> *The likely need for an improved IT system was identified last year but a decision was taken to make a bid for in this year's Government Plan once the project was further advanced. Following COM agreement of the migration control policy lodged as P.137/2020 this scheme is currently being scoped.*[203]

The Panel notes funding of CSP3-2-09 Migration Policy, review of which is described on page 74 of this report.

Due to this the Panel has rated this project as amber and will continue to monitor.

RECOMMENDATION 15

Quality Assurance practices for business cases must be a priority for the Council of Ministers in 2021. Standardised and clear information will significantly aid transparency. Any professional judgements used to supplement business case information must be clearly highlighted. Outcomes should be clearly defined and developed prior to the adoption of a business case to support investment benefits. The quality assurance practices should be highlighted in the Government Plan six-month report in 2021 and inconsistency reviews completed and flagged.

[202] P137/2020 p.38
[203] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

OI3 Office Modernisation (Major Project)			
Link to Government Plan Action(s)	**Link to Common Theme(s)**	**Minister(s)**	**Scrutiny RAG Status 2021**
	Modernising Government	Chief Minister	

Business Case: Overview

The business case for this project outlines that funding is requested to continue to progress the Office Modernisation programme as outlined in the Strategic Outline Case approved by the Council of Ministers in September 2019.[204]

It highlights that the programme is still in a pre-feasibility phase, but once completed is suggested that it will enable the Government to more effectively discharge its duties to support Ministers, the States Assembly and the public it serves by bringing together colleagues across the public service and provide an outstanding customer hub for Islanders.

The business case states that the Government has reviewed the principles of the Strategic Outline Case to assess the implications of the pandemic on the project and considers that the case to build a new office remains valid, as it will deliver a noteworthy economic stimulus and a range of benefits for the organisation.

It goes on to suggest that the contractual arrangements of the development of the new office arrangements will be finalised in the Government plan 2021-25, with anticipation that a new building will be operational by early 2024.

It is stated that this project will impact Sustainable Wellbeing by enabling the Government of Jersey to more effectively discharge its duties to support Ministers, the States Assembly and the public.

2021	2022	2023	2024
£650,000	£460,000	£2,340,000	£0

Panel analysis

The Panel has continued to question the progress of the Office Strategy, being informed that despite COVID the procurement programme for a developer has remained on track:[205]

> ***Deputy S.M. Ahier:***
> *Thank you. I will move on to office strategy. How is the office strategy progressing and has the procurement programme for a developer been completed?*
>
> ***The Chief Minister:***
> *Right, I think the office strategy is progressing well, again bearing in mind we have been going through COVID. I do not want to comment too much because we are still in that kind of tender evaluation process, but it is in a good place. I believe we are expecting the next stage before the end of October.*

[204] Government Plan 2021-24 Annex p.107
[205] Letter - Chief Minister to Corporate Services Scrutiny Panel re Quarterly Hearing - 16 July 2020

Chief Executive:
That is right.

The Chief Minister:
At that point hopefully we will be able to comment at that point or very shortly thereafter we will be able to give you full briefings.

Deputy S.M. Ahier:
Previously, you stated that the decision was going to be made by the end of September so why has there been a delay?

Chief Executive:
So, we announced to the Panel previously that that was going to be delayed because of COVID. So that was announced earlier on. We extended the procurement timelines accordingly and we are only about a month behind schedule, Deputy. [206]

The Panel has questioned the various programmes and projects making up the Office Strategy, ascertaining that the costs outlined for this capital project include legal, procurement and project management costs of over the 3-year period up until practical completion and staff move costs to the new building.[207] The Panel noted that £1 million was allocated to a capital programme Office Strategy (GP20-PFV-08-N) which enabled prefeasibility and procurement to identify a preferred developer site and detailed design scheme.

This project is ongoing and incurring relatively large costs, as such it has been assigned an amber status and the Panel will continue to review.

[206] Transcript – Quarterly Hearing with Chief Minister – 1st October 2020 p.38
[207] Letter - Chief Minister to Corporate Services Scrutiny Panel re Government Plan projects - 19th November 2020

1.15 Efficiencies

The Government Plan 2020-2023 set out the ambition to achieve £100 million of efficiencies, with the first £40 million to be achieved in 2020. The plan for £40 million in 2020 was published in October 2019 and a performance update was included in the Government 6-month report, published in August 2020.

The Government Plan 2021 – 2024 sets out the 2021 plan to deliver £20 million of efficiencies and other rebalancing measures.

Rebalancing and Efficiencies

The Government Plan 2021 – 2024 provides a table which shows the £20 million of efficiencies and rebalancing measures in 2021, subtotalled against each Minister or the Council of Ministers.

The table below shows the efficiencies and rebalancing totals for each Minister under the Panel's remit:

Summary Table 1 Efficiencies and Rebalancing Measures 2021 – allocation by Minister	
	2021 (£000)
Council of Ministers	5,418
Chief Minister	1,303
Minister for Treasury and Resources	1,280

The summary description of proposals reviewed by the Panel for each Minister are set out in the table below:

Efficiencies and rebalancing summary descriptions					
Minister	**Department**	**Summary description**	**Recurring or One-Off**	**Budget Impact**	**2021 Value (£)**
Chief Minister	COO	Transfer technology functions from CYPES and HCS into Modernisation and Digital continuing the application of OneGov principles	Recurring	Spend reduction	900,000
Chief Minister	SPPP	Defer the implementation of the Public Services Ombudsman for one year.	One off	Spend reduction	378,000
Chief Minister	COO	Merge the support and re-plan commissioned research projects for the States Employment Board	Recurring	Spend reduction	200,000

		and Jersey Appointments Commission			
Chief Minister	COO	Review and renegotiate the GoJ print contract securing some of the reductions in print volumes derived from an increase in home working and continued investment in technology	Recurring	Spend reduction	100,000
Chief Minister	SPPP	Defer the development of policy for Financial independence in old age by one year	One off	Spend reduction	50,000
Chief Minister	SPPP	Deferred Island Plan Review activity from 2020	One off	Spend increase	(325,000)
Minister for Treasury and Resources	T&E	Reduce cash handling fees by increasing non-cash payment options	Recurring	Spend reduction	30,000
Minister for Treasury and Resources	T&E	Increase tax revenues through the continued enhancement of domestic tax compliance	Recurring	Income	1,250,000

Analysis summaries

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	COO	Transfer technology functions from CYPES and HCS into Modernisation and Digital continuing the application of OneGov principles	Recurring	Spend reduction	900,000

Panel Analysis

In July 2020 the Panel received a briefing from the Assistant Chief Minister, Deputy Wickenden, on the Technology Transformation Programme in which transfer of technology functions were discussed.[208] We are pleased to see that this is progressing. However, our advisor has raised questions over this recurring efficiency in that it would be wholly dependent and contingent upon associated capital projects being delivered without slippage. The Panel will continue to review the transfer of technology function into Modernisation and Digital.

[208] Minutes of Corporate Services Scrutiny Panel meetings, 21st July 2020

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	SPPP	Defer the implementation of the Public Services Ombudsman for one year.	One off	Spend reduction	378,000

Panel Analysis

The deferral of the Public Services Ombudsman is concerning. The Children, Education & Home Affairs Panel have conducted assessment into the impact and reason for this spend reduction and an amendment has been lodged.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	COO	Merge the support and re-plan commissioned research projects for the States Employment Board and Jersey Appointments Commission	Recurring	Spend reduction	200,000

Panel Analysis

The Panel has met with the States Employment Board and Jersey Appointments Commission on a number of occasions throughout the year, we were not informed of this spend reduction. However, it does not cause the Panel a concern.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	COO	Review and renegotiate the GoJ print contract securing some of the reductions in print volumes derived from an increase in home working and continued investment in technology	Recurring	Spend reduction	100,000

Panel Analysis

The Panel notes the increase in home working and is pleased that a renegotiation of the Government of Jersey's print contract has taken place to reflect reduction in printing volumes. It can be pointed out that home working patterns will likely change which my impact this recurring spend reduction, as such the Panel will question the Chief Minister in due course.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	SPPP	Defer the development of policy for Financial	One off	Spend reduction	50,000

		independence in old age by one year			

Panel Analysis

Developing policy to improve financial independence in old age was an action highlighted in the Government plan 2020-23 as an element of the Social Security Review.[209] As this action will help to reduce income inequality and improve standards of living the Panel is concerned that the policy development has been delayed, it will question the progress of the action in 2021.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Chief Minister	SPPP	Deferred Island Plan Review activity from 2020	One off	Spend increase	(325,000)

Panel Analysis

The Island Plan Review Programme was delayed due to COVID-19, with a shorter-term "bridging" plan in development to meet the 2021 to 2025 gap,[210] the Panel notes the increased cost in this regard and will continue to monitor.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Minister for Treasury and Resources	T&E	Reduce cash handling fees by increasing non-cash payment options	Recurring	Spend reduction	30,000

Panel Analysis

The Panel has questioned evidence of increase use of non-cash payment options and ascertained that the figure is based upon review of cash transactions for Les Quennevais School, Fort Regent and Springfield as well as the cash received within the Customer and Local Services department.[211] It will continue to evaluate the Treasury and Exchequer in this regard.

Minister	Department	Summary description	Recurring or One-Off	Budget Impact	2021 Value (£)
Minister for Treasury and Resources	T&E	Increase tax revenues through the continued enhancement of domestic tax compliance	Recurring	Income	1,250,000

[209] Government Plan 2020-23 p.85
[210] Gov.je "About the Island Plan Review" [online] retrieved 21.11.2020
[211] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

Panel Analysis

The Panel has questioned the evidence of increased revenue from domestic tax compliance, with our advisor highlighting that the value appears to be inconsistent with expected beneficial improvements in tax yield as a result of acquiring improved compliance.[212] The Panel has been informed that the aggregated value of the return will be up to £51.35 million and we will continue to review this stated increase in income.[213]

[212] CIPFA Report Government Plan Covid-19 Recovery Planning Response, p.7
[213] Letter - Minister for Treasury and Resources re Government Plan 2021- 24th November 2020

1.16 Conclusion

Since the Government Plan 2021-2024 was lodged on 12th October 2020 the Panel has reviewed the various programmes and capital projects that were allocated to it by the Government Plan Review Panel this year and last. The Panel had to undertake its review within a short timeframe and, whilst this has been challenging, we have endeavoured to undertake a thorough and in-depth analysis of the elements under our remit. This work has allowed us to determine a number of things. Firstly, the status of projects approved last year and whether the money has been spent as planned and appropriately. Secondly, whether the investment sought for new programmes and projects was both suitable and sufficient.

Overall, the Panel is satisfied with the majority of programmes and capital projects it reviewed (old and new) with regard to either their current status or the rational for the request for additional funds and the breakdown of how the funds would be allocated. However, the Panel also holds a number of concerns following its evidence gathering, which are summarised below:

Programme/Capital Project	Reason	Scrutiny RAG Status
CSP3-2-09 **Migration Policy**	Although the programme is on track and funding allocation remains relatively similar to the amounts highlighted in the Government Plan 2020-2023, progress has been slow in the production of an actual migration policy with conversely little time given for scrutiny of the proposals contained in P.137/2020, therefore further review will need to take place in 2021.	
OI3-01 **Building Revenue Jersey team**	The Panel has raised concerns throughout 2020 to the status of Revenue Jersey. Our review of the Government Plan 2021-24 has not alleviated this and raised questions around potential "phasing" of its aspirations. We will therefore continue to examine the progress of the programme.	
OI3-02 **Commercial services – enhanced capabilities**	The Panel has raised concerns over additional funding requested for Commercial Services (OI3-15) as it aims to deliver very similar functions (or enhancement of those in place). The Panel will be reviewing both programmes further in 2021.	

OI3-03 **Domestic Compliance – Spend to Raise**	The Panel has again rated this as an amber status due to the lack of evidenced return on investment of increased compliance measures and will continue to review in 2021.	
OI3-09 Modernisation and Digital – enhanced capabilities	The Panel has decided to maintain an amber status as it believes that continued scrutiny of the £5 million to £6million annual spend is required.	
OI3-10 **People and corporate services – enhanced capabilities**	The Panel will continue to review the progress of this programme throughout 2021 as it covers a large area of interest to the Panel, it has therefore maintained an amber status.	
OI3-13 **Supporting OneGov**	The Panel has assigned this programme a red status. We believe that TDP Team Jersey Partners have had ample opportunity to meet their objectives and are no longer needed to fulfil the Team Jersey culture. The Panel has not received a copy of the contract held with TDP however assume this funding cannot be removed in 2021 due to contractual obligations. The Panel strongly believes that the 3 months of the contract should be used to hand over the programme fully to the internal team and that no extension of contract for TDP should be agreed.	
OI3-14 **Technology Transformation Programme**	Due to the large figure involved in this programme, as well as the variance between the Government Plan 2021-24 and Government Plan 2020-23, the Panel will continue to review, as such we have again assigned an amber status.	
OI3-15 **Commercial Services Restructure**	The Panel highlights that this funding is largely an enhancement of the existing programme (OI3-02), now that a full review into the commercial services is complete it would not expect to see additional requests for funding in future Government Plans. This will continue to be monitored	

	and has therefore been allocated an amber status.	
OI3-17 **Re-organisation Ministerial Support Unit**	The Panel is concerned at the additional allocation of funds to the Office of the Chief Executive.	
OI3-18 **Re-organisation - Communications**	The Panel is concerned at the additional allocation of funds to the Office of the Chief Executive.	
OI3-21 **Office Modernisation**	The Panel has noted that this potential £5 million spend in 2024 will need to be reviewed to ensure it is only used if necessary.	
OI4-01 **Delivering effective financial management**	This programme has been allocated a red status as the Panel believes that this funding is not required as no evidence of the tangible benefits of the programme have been given.	
OI4-2 **Insurance premium**	It has been confirmed that there are further unexpected increased costs due to the insurance strategy, the departments will be expected to do their best to manage costs internally, if this proves impossible the General Reserve will be used. The Panel will therefore keep this under review	
CSP3-4-02 **Migration Policy Implementation**	As this new investment does not seek to allocate funds until 2020 the Panel has not conducted any further review at this time, however, will do so for the Government Plan 2022-25 and as such have assigned an amber status.	
OI4-C-1 **COVID-19 Revolving Credit Facility**	The Panel has noted that the Government is operating in uncertain times and agrees that allowing flexibility is beneficial in this situation. However, as no debt strategy has been established, and estimated costs of borrowing continue to change, the programme has been rated as amber.	

OI3 **Integrated Technology Solution (major project)**	As concerns have been raised over the Government's spend on this project, and time to completion, its status remains amber and the Panel will continue to review.	
OI3 **Replacement assets**	Although the requested yearly funding drops in 2024 we still have concerns that the figure lacks the necessary provision of information to be transparent, and the project has therefore again received an amber rating as the Panel will continue to review.	
OI3 **Electronic Document and Records Management (major project)**	The Panel has only received small amounts of information on this project within private briefings and will therefore continue to review in 2021.	
OI3 **IT for Migration Services**	An additional investment in IT with a vague business case. The Panel will continue to review.	
OI3 **Office Modernisation (Major Project)**	This project is ongoing and incurring relatively large costs, as such it has been assigned an amber status and the Panel will continue to review.	
Central Risk and Inflation Funding	When questioned why there had been no change in the Reserve for Central Risk and Inflation Funding the Minister for Treasury and Resources informed us that certain projects such as Our Hospital, hold their own risk and inflation funding. The Panel still holds some concern of this funding and will continue to review. As such the project is rated as amber.	

The Panel have recommended three amendments to the Government Plan as follows:

1. To increase the stamp duty on properties over £2m by between 0.5% and 1%.

2. To increase the Child Tax allowance to £3060 and the Additional Child Allowance to £4590.

3. To increase Child Care Tax Relief to £6,273 and Enhanced Child Care Tax Relief to £16,320.

1.17 Witnesses and Evidence Gathered

Public hearings were held with the following Ministers:

- Chief Minister
- Minister for Treasury and Resources

Responses to **written questions** were received from the following Ministers:

- Chief Minister
- Minister for Treasury and Resources

Advisor **interview** with

- Richard Bell – Treasurer of the States

Requests for **written submissions** were sent to 26 stakeholders and responses were received from the following:

- Citizens Advice Jersey
- Randalls
- Unite the Union
- Channel Island Tobacco Importers and Manufacturers' Association
- Broadlands
- Thompson Estates
- Children's Commissioner
- (one further submitter wished to remain anonymous)

To view all the submissions, responses to written questions and public hearing transcripts, please visit the review page on the States Assembly website.

Documents reviewed:

- Government Plan 2021-24
- Annex to Government Plan 2021-24
- Proposition to Government Plan 2021-24
- Government Plan 2020-23 – 6-month progress update
- Government of Jersey Annual Report and Accounts 2019 including external auditor's opinions
- COVID-19 Financial Updates (weekly)
- Results from the Jersey Opinion and Lifestyle Survey
- R54/2020: Recovery Plan
- Jersey Fiscal Policy Panel Reports
- Income Forecasting Group Autumn Report
- Proposal for payment of the Prior Year Basis Tax
- Corporate Services Scrutiny Panel – Prior Year Basis Tax Reform Report
- Public Finances (Jersey) Law 2019
- Various Ministerial Decision Reports.

The Panel also commissioned a researcher as outlined in Appendix 2 to complete **focus groups** with members of the public.

The Panel also commissioned an **Advisor** to assist with its work as outlined in Appendix 3 with the attached report being delivered by CIPFA to aid the Panel's work.

Appendix 1

Terms of Reference

Government Plan 2021 - 2024
Terms of Reference

1. To undertake a review of the sections/projects of the Government Plan 2021- 2024, as allocated[214] by the Government Plan Review Panel.

2. To determine whether those projects align with Ongoing Initiatives, Common Themes and, ultimately, Common Strategic Priorities.

3. To consider whether the resources allocated to the projects is sufficient or excessive.

4. To review of the success or otherwise of projects agreed in the previous Government Plan for 2020.

Budget

- To examine income raising proposals
- To look at how spending will be funded
- To clarify how States expenditure has materially evolved
- To look at individual departmental budgets and their feasibility based on future spending
- To look at the deliverability of capital projects
- To consider rebalancing and borrowing plans being sufficient or excessive to meet stated aims.

Financial, economic and growth forecasts

- To examine the levels of income against expenditure
- To examine the assumptions made for the economic forecasts
- To look at the impact of the financial and economic forecasts in Government Plan 2021 on the Stabilisation Fund
- To look at the impact of Covid-19 on the 'financial envelope'

Design and implementation of the Government Plan

- To look at reserves; their use, and how they are allocated
- To consider how the treatment of contingencies/reserves, or any other areas of non-routine proposals have evolved in respect of the Government Plan
- To consider the overall fiscal soundness of the Government Plan

[214] Projects will not directly align with Scrutiny Panels and most will involve multiple ministerial portfolios. Rather than split out projects into elements amongst various Panels, each project will be scrutinised in its entirety by a single Panel.

Appendix 2

Focus Groups engagement brief

In order to better-understand the opinions of Islanders regarding the Government Plan, the Panel commissioned the Jersey-based research company 4insight to conduct three focus groups with members of the public to gather their views on the Government Plan.

Specific objectives were established for the focus groups, which were as follows:

- Analysing awareness and knowledge of the Government Plan, and how aware they were of Government communications through traditional and social media;
- Public opinions of the direction of the Government Plan and its over-arching economics, particularly in light of headline figures;
- Views on the Government's plans to introduce £40 million of efficiencies and their approach;
- Gain an understanding of public opinion on specific potential headline tax-raising measures in the Government Plan, such as duty rises and tax exemption thresholds;
- Opinions on the amount of money going into new projects in 2020 relative to their priorities such as Putting Children First;
- Views on the levels of transparency of the Government Plan.

Participants were recruited and screened through a screener questionnaire. This was designed to provide a mix of social demographics for the general public, including age, income level, employment status, Parish, gender, and ethnicity.

Each group consisted of five respondents and lasted between 90-110 minutes. All were conducted through a 4insight-prepared topic guide and included stimulus such as a slideshow to prevent 'group think'.

The full report from 4insight in relation to the focus groups is published on our website.

Appendix 3

Chartered Institute of Public Finance and Accountancy – Government Plan 2021-2024 Report

See overleaf

Government Plan

Covid-19 Recovery Planning Response

Corporate Services Scrutiny Panel

December 2020

Contact

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Contents

Executive Summary

1.1 In August 2020, the States of Jersey commissioned CIPFA Business - Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountancy) to support the work of the Corporate Services Scrutiny Panel (CSSP) in the Review of the Jersey Government's Covid-19 Response and Recovery approach. This report seeks to support the Panel's work by commenting upon the latest draft version of the Government Plan 2021-24 and Financial Annex as well as the associated Proposition in accordance with Article 9(1) of the Public Finance (Jersey) Law 2019.

1.2 The revised Government Plan 2021-2024 endeavours to incorporate a 'best estimate' position of the impact of Covid-19 within the island's strategic financial strategy. The focus appears to be less of a recovery plan than anticipated and more of accommodating impacts within an iteration on the original direction of travel set out within the 2020-2023 Government Plan. At the outset of the Covid-19 lockdown arrangements we were impressed by the agility of the States of Jersey in allocating resources from central reserves through the Consolidated Fund directly to front line services to cover the immediate costs associated with the effects of COVID-19. This level of responsiveness was delivered at a time when it was predicted that *"public revenues in 2020 would be £106 million below their autumn 2019 forecasts, and that revenues will remain below the previous forecasts for the whole of the next Government Plan period and are likely give rise to a structural imbalance in public finances"*.[1] The Halt, Defer and Reduce approach taken by Departments to "stop and not start, defer and change "[2](highlighted in April 2020) exemplified an emerging financial strategy that provided much needed agility in redirected cash towards front line support. The revised Government Plan 2021-2024 appears to have restored previously scheduled improvement aspirations, moving on from the immediacy of challenges presented by front line supporting demands. This is counter to what we are increasingly seeing in the UK with organisations steadily moving away from improvement related investment towards the financing of core services as a consequence of demand led pressures driving a return towards meeting basic primary legislative service obligations.

1.3 The financial modelling within the Government Plan retains robust integration and coverage. Its strengths include the clarity and transparency it provides over the core public services within Jersey as a micro-state and the way expenditure is planned to readily match available source funding. Given the complexity and range of disparate public service activities this is type of framework is not, within our experience, common amongst public service provider organisations. Whilst the Government Plan 2020-2024 still provides a highly integrated strategic financial model that should allow some high level agility, we have concerns around the validity or strength of core assumptions that underpin key areas within the financial modelling. These key areas include:

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[1]Economic Recovery In-Committee Debate - 29th May 2020 – Page 2

[2] Covid-19 – Treasury and Exchequer – 24 April 2020 – slide12

- Borrowing Strategy and Reserves
- Personal Income Tax
- Social Security Contributions
- Efficiencies and rebalancing
- New Projects
- Returning to balance

Borrowing Strategy and Reserves

1.4 A borrowing strategy has been formulated to help finance the costs of Covid – 19 costs which is estimated to exceed £400 million in addition to infrastructure investment including 'Our Hospital'. Provisional estimates on the latter may exceed £500 million. This strategy includes for borrowing up to £406 million to 2022 by administered through a Revolving Credit Facility which will in itself cost approximately £27.4million to facilitate. It is proposed that this external borrowing be financed through the issuance of a Bond and a component of the strategy is to broadly maintain current level of reserves approximating at some £3 billion. A cumulative external borrowing requirement of some £444 million has been established to 2024. The current resistance to using reserves to fund emergency Covid-19 spend appears to be founded on the principles that it would be better to externally borrow than liquidate investments based on the core assumptions that borrowing costs have been at historical lows and that the existing investments will make positive returns over the medium term. That said, there has been no opinion evidence offered that substantiates this level of confidence in the performance of market investments. This strategy would appear to be logical within a steady state economic horizon. However, steady state is not currently within contemplation with expected economic cycles and financial markets being significantly distorted the current Covid-19 global pandemic.

1.5 In order to finance the levels of debt envisaged, in terms of external debt repayments, the Plan proposes to establish a 'sinking fund' created with the transitional tax debt created within arrangements transitioning tax payers from Prior Year Basis (PYB) to Current Year Basis (CYB) assessment with such transitional arrangement payments becoming a source of external debt repayment over the long term. Given the regressive nature of the value of money over time, it is difficult to ascertain what level of 'sinking fund would need to be established and how this would how is this would keep pace with the external financing costs some 15/20 years further down the timeline. We would be of the view that this proposition to finance external borrowing costs by way of a sinking fund financed from the PYB transition is speculative at best. Given the significance of this departure from the standard financial strategy deployed by the States of Jersey, the balancing of existing reserves and the augmentation of external debt finance should be highly considered and not be a reaction type response. Financing external debt repayments will be a first call on income generating capability and it is critical that Income Tax estimates are seen to be robust before the affordability of funding requirements is properly assessed.

Personal Income Tax

1.6 Personal Income Tax accounts for some 60.3% of overall general revenue income whilst Corporate Tax some 16.7%. Income Tax forecasts are critical to the robustness of the overall financial modelling and critical decisions on affordability at a macro level are founded upon the ability of Jersey Taxpayers to fund planned public service expenditure. As Personal Income Tax estimates used within the annual accounts and the Government Plan are now largely based on economic forecasts rather than real time assessment or sensitivity analysis around actual tax yield, we believe that there is significant risks around the relative accuracy associated within these forecasts. The External Auditor raised this precise point in relation to the 2019 Annual Accounts as a key audit issue.

1.7 The Income Forecasting Group (IFG) is a key contributor in the formulation of Income Tax forecasts and is informed by the Economic updates provided by the island's Fiscal Policy Panel (FPP). Whilst the IFG acknowledges the severe economic disruption arising from Covid-19, it does not propose to adopt its own 'downside' forecast which was calculated as a "£50 million decrease from the base forecast for spring 2020 and £54 million less than the base case for 2024 which reflected "*the assumption of more significant structural impacts arising from the Covid-19 pandemic*." [3]

1.8 Using central scenario based assumptions, the revised year on year Income Tax increases look extremely optimistic growing from 2020 to 2024 by some 27.3% or £127m. To move from a pre-covid position of £585m in 2019 to a 2024 position of £671m of £86m or 14.7% is also considered to be highly optimistic in the context of the unprecedented nature of the pandemic and the high level of downside risks associated with the UK position on a no-deal Brexit. Given that the Fiscal Policy Panel has recently predicted a severe recession in 2020, this expected growth profile appears to be aspirational and it may have been more prudent to use the IFG's 'downside scenario. Using this lower ranged Income Tax forecasts would widen the gap between expenditure and income accordingly within the Government Plan modeling.

Social Security Contributions

1.9 The revised Government Plan outlines a significant fiscal policy change with the redirection of standard Social Security contributions away from the usual destination of the Social Security Fund and redirected to Covid-19 activities. The Plan does not include any impact study on the central scenario implications on the viability of this policy change or future social security funding for islander beneficiaries in relation to potential changes in demand/demographic management. The Plan highlights that the net impact reduces the funding capability by approximately one year but does not elaborate on sustainability issues relating to Social Security Funds. It would seem more prudent to retain the equivalent £65.3m than weaken the existing Fund, particularly when the plan is to divert some £235m covering 2021, 2022 and 2023.

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[3] Income Forecasting Group - Report on the revised forecast of States income for autumn 2020 – P15

Efficiencies and rebalancing

1.10 The Plan advises that central to rebalancing budgets over the period to 2024 is the delivery of the package of efficiencies totaling some £20m targets for 2021, in addition to a £100m target or annual recurring savings per annum by 2023. The change towards a rebalancing narrative suggests a tacit acceptance that the required quantum of efficiency savings are no longer achievable. Additionally, the extent to which efficiencies are to be delivered from deferred growth does not provide confidence that efficiencies were actual management interventions specifically capable of being efficiency savings in nature. We are advised that the efficiency targets have already been taken off Department Budgets in a way that suggests a 'salami sliced' approach. It is likely that Managers will be primarily controlling the pace of spend rather than addressing the fundamentals on direct management intervention through service redesign. Direct management intervention of stopping or slowing activity is not related to the delivery of more efficient services. Within the updated plan the allocation of efficiency savings totaling some £20.13m is scheduled for delivery in 2021.

1.11 In the absence of defined programmes, we do not recognise a 'salami sliced' approach as meeting good practice and failure to meet a revised expenditure/income target on such efficiency savings may have negative implications on the ability of Departments to meet standard operational service delivery if bottom line budgets are to be contained. There is little evidence that collectively the schedule of efficiencies has been based on a strict value for money (VfM) approach, rather such changes, including planned changes, have been driven by the acute demand for the realisation of cashable savings to bridge the budget setting gap - containing a base budget requirement for significant savings irrespective of the impact on service. The larger components of the scheduled 2021 savings appear to be highly aspirational. For example, the £5m to be released from a zero based budget review at HCS, the release of funds from GHE in respect of the hospital maintenance programme of £4million, managing inflationary pressures around Government generating savings of £3.7million and £0.9 million associated with OneGov Modernisation Programme. In context, these broad estimates do not appear to be realistic and we have yet to see evidence that demonstrates that a high level of assurance can be obtained that shows that recurring 'cashable' savings can be sustained from these initiatives:

1.12 Within the Government Plan there is a recognition that both core activities and efficiencies need to be adjusted to reduce expenditure and maximize income to rebalance the financial model. In this endeavor the role of efficiencies becomes less prominent. Whilst this rebalancing approach may appear to be nebulous, without any clear change efficiency savings and Modernising Government investments, it does signal that the Government of Jersey is open to reworking underperforming or undeliverable efficiency savings. This is going to be more important where the focus is moved from more non-critical improvement investments and efficiency improvements back to protecting critical core service delivery although a stated policy on external borrowing may dilute the rigour applied to the pursuance of efficiency savings should the affordability of non-delivery becomes accepted.

Modernising Government

1.13 Embedded within the Plan includes projects within a Modernising Government category accounting for a spend in excess of £127 million to be delivered by 2024: Within this grouping are a number of disparate projects. It is not clear how the current Pandemic will affect the pace of implementation or the more significant structural and process change.

1.14 Securing improvements in Domestic Tax Compliance delivered with an investment of £6.077 million appears to be a 'spend to raise' investment. Within the £20.013million efficiencies schedule there is additional increases tax revenues through the continued enhancement of domestic tax compliance valued at £1.250 million. This value, in itself appears to be inconsistent with expected beneficial improvements in tax yield as a result of acquiring improved compliance. We also think there should be improved clarity on the expected payback for this £6.077 million investment and how this is aligned to the additional £6.141 million allocated for the Revenue Jersey Team in respect of how both investments totalling some £12.218 million are designed to drive higher tax yields.

1.15 The common theme across the projects categorized as Modernising Government is an acute lack of detail on the related business cases, from proof of concept through to the engagement, implementation and management of such changes. We suspect that the quantifiable payback across most of these projects are speculative at this stage.

Returning to Balance

1.16 Notwithstanding a forecasted deficit of some £282 million in 2020 (this year), deficits are forecasted through 2021 and 2022 as £178.1 million and £49.6 million respectively with a surplus position returning in 2023. These bottom line positions are contingent upon all of the core assumptions within the financial modeling being delivered. Such is the element of volatility around forecasted income and elements of expenditure arising from the impact of the Pandemic on planned activities that possibly material deviations from the core assumptions outlined within the revised plan may require additional changes (and agility) around tax and spend decisions.

1.17 During our review we have expressed some concerns about the strength of the assumptions underpinning key tax and spend assumptions. Due to the high level of integration within the financial modelling, the sensitivity to marginal changes to income and expenditure may produce significant shifts in bottom line deficits through the 'gearing effect'. During the course of the plan, key assumptions around a number of critical income and expenditure components may need to be revisited and this may materially change the overall bottom line position on future deficits. Given the current unprecedented level of uncertainty we would recommend that the Government Plan 2021-2024 is updated every six months and recalibrated for pressures and opportunities as they emerge.

Concluding Comments

1.18 We concluded that for the 2020-2023 Government Plan, foundational budgets and investment allocations appear to be more aspirational than being formulated on detailed stress tested business case change plans. Whilst we fully appreciate that the changing focus on Covid-19 has brought different priorities, previously identified issues continue to be prevalent and may even be amplified within the 2021-2024 Plan. This includes a continuing level of optimism bias across personal tax income, lack of detail behind the ability to deliver efficiency savings and around service change investment. It may well be that these issues have been exacerbated by the management challenges posed by the pandemic. If so, the reliability of the Government Plan 2021-2024 may be impaired and it is important that the States of Jersey address issues on weaknesses within the Government Plan primarily relating to transparency, detail and reliability.

1.19 The initial response to the pandemic, in strategic financial management terms was deemed to have been extremely positive and to be highly commended. The Halt, Defer and Reduce approach was initially successful however the 2021-2024 Government Plan appears to have reinstated the focus on improvement rather than dealing with a significant structural economic shock which may require a more basic approach in the achievement of an equilibrium balance between income and expenditure. Whilst the model projects significant deficits across 2020 to 2022 the high level of integration within the financial modelling requires the core assumptions over key elements of income and expenditure to be fully delivered. Our overall concern would be that given that we believe that some of the key assumptions within the Plan to be over optimistic, in reality the bottom line deficits may be higher and potentially extend across the years covered by the Plan. Another key concern is the creation of a borrowing policy that establishes an acceptance of gap fund borrowing (<u>including a cumulative external borrowing of some £444 million to 2024</u>) and is designed to extend repayment into the longer term. Behaviorally this has the potential to erode or weaken the rigour and challenge that would normally exist around difficult and politically challenging overall tax and spend decisions. Some commentators would say that such an approach displaces the burden to future generations of tax payers although the establishment of a sinking fund is designed to stop that from happening. What makes the planned level of borrowing more problematic is that we do not think that total external borrowing will be able to be linked to the creation of equivalent level of assets and that some of the expenditure effectively covers non-recurring revenue related consumption based expenditure.

1.20 In summary, the 2021-2024 Government Plan sets out a financial strategy which seeks to restore stability in the face of an unprecedented global economic event (outwith the conflict of war) as well as accommodating pre-covid plans for transformational change through Modernising Government in addition to providing the finance to deliver the most significant infrastructure project in the history of the public service in Jersey–Our Hospital. As currently constituted, the plan is adaptable and covers the key areas of financial stability. However, if the plan is to properly inform tax and spend decisions then it needs to reflect core assumptions that are robust and founded upon stress tested workings rather than been generated by politically driven outcomes. In this regard the Government of Jersey has much more to do.

1.21 Finally we would wish to take this opportunity to record our sincere gratitude to Members of the States Assembly and Civil Service at the Government of Jersey for the provision of extremely valuable support in the course of our work.

Introduction

Context

2.1 In August 2020, the States of Jersey commissioned CIPFA Business - Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountancy) to support the work of the Corporate Services Scrutiny Panel (CSSP) in the Review of the Jersey Government's Covid-19 Response and Recovery approach. This report seeks to support the Panel's work by commenting upon the latest draft version of the Government Plan 2021-24 and Financial Annex as well as the associated Proposition in accordance with Article 9(1) of the Public Finance (Jersey) Law 2019.

Evidence

2.2 Given pandemic related constraints our approach was focus mainly through a desk top review of available evidence. Sources of evidence are outlined in more detail in Appendix but include:-

- Document Review – Government Plan submission and supporting documents
- Attendance at Scrutiny Panel Meeting
- Reports received from Treasury & Exchequer
- Meeting with Richard Bell – Director General and Treasurer to the States of Jersey
- CIPFAStats data

The Government Plan 2021-2024

2.3 The Government Plan 2021-2024 (being an iteration on the 2020-2023 plan architecture) sets out a high level operational and fiscal strategy and the proposition in receiving this plan requires the approval of the appropriations from the Consolidated Fund, the movement between other funds and reserves, the appropriate income raising (income tax and impots) and the appropriate parameters around income and expenditure estimates.

Financial modelling

2.4 The overall modelling on financial forecasts is back at page 110 within the Plan with the following:

> *"…Ministers have articulated a plan to return to balanced budgets by 2024, whilst maintaining investment and spend, thereby assisting the economy. This plan also preserves the Strategic Reserve to maintain resilience against potential future shocks*

to the economy and instead proposes borrowing to meet the impacts of Covid-19 on our finances and laying out a plan for the repayment of that debt."

Beyond the obvious 2020 deficit position the table below shows a surplus position being reinstated by 2023 - all subject to all of the core assumptions within the plan being delivered:[4]

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
General Revenue Income	806,515	863,318	915,724	966,081
Net departmental expenditure	(929,967)	(857,355)	(843,010)	(892,956)
Depreciation	(54,646)	(56,699)	(58,838)	(59,275)
Forecast (deficit) / surplus	**(178,098)**	**(50,736)**	**13,876**	**13,851**

2.5 The revised bottom line deficits and surpluses are contingent upon the following income forecasts will be delivered[5]:

	2021 £'000	2022 £'000	2023 £'000	2024 £'000
General Revenue Income				
Income Tax	552,000	597,000	639,000	671,000
Goods and Services Tax	84,610	90,910	94,510	98,310
Impots Duty	67,986	69,979	71,037	71,485
Stamp Duty	30,953	30,249	31,118	32,023
Island Wide Rate	13,486	13,809	14,155	14,523
Other Income (Dividends)	8,133	8,568	8,918	9,347
Other Income (Non-Dividends)	5,473	5,784	7,967	7,949
Other Income (Return from Andium)	31,774	32,618	33,520	34,445
Central Scenario	794,415	848,918	900,224	939,081
Domestic Compliance	8,600	10,900	12,000	13,500
Additional Tax measures	0	0	0	10,000

[4] Government Plan 2021-2024 -- Extract from Table 3 – Overall Position (Financial Forecasts) – Page 110

[5] Government Plan 2021-2024 Annex - - Extract from Table 2 – Financial Forecasts) – Page 6

Additional ISE Fees	3,500	3,500	3,500	3,500
General Revenue Income	806,515	863,318	915,724	966,081
Departmental Expenditure				
Departmental Net Revenue Expenditure*	(866,075)	(832,609)	(835,573)	(886,374)
Total Reserves	(64,842)	(44,405)	(45,996)	(63,641)
Rebalancing expenditure	950	19,659	38,559	57,059
Departmental expenditure	**(929,967)**	**(857,355)**	**(843,010)**	**(892,956)**
Forecast operating Surplus / (Deficit)	(123,452)	5,963	72,714	73,125
Depreciation	(54,646)	(56,699)	(58,838)	(59,275)
Total Surplus/Deficit	**(178,098)**	**(50,736)**	**13,876**	**13,850**

2.6 The latest update reveals that:

- That an overall deficit of some £282m is likely for 2020 (this year) - £178m in 2021
- Income is now £96m lower (previously £107m) with incomes set to be some £395m lower than approved within the 2020-23 Government Plan
- Covid related expenditure is likely to be approximately in excess of £400m – previously reported approximately £255m with approximately £250m additional in this year alone 2020

2.7 Inherent within the financial modelling is the position of the Consolidated Fund – which is effectively the 'current account' for all Government operations. The opening balance has been used to finance short term Covid-19 costs and the integrated nature of the revised financial strategy channels all of the assumptions on each component of the Proposition through it with a zero balance being delivered at the end of year[6]:

[6] Government Plan 2021-2024 -- Extract from Table 28 – Consolidated Fund – Page 163

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening balance	**228,914**	**0**	**0**	**(0)**
Adjustment in respect of Personal Taxation Accrual	(318,342)			
Opening Balance restated on a cash basis	**(89,428)**	**0**	**0**	**(0)**
General revenues income	806,515	863,318	915,724	966,081
Departmental expenditure	(929,967)	(857,055)	(843,010)	(892,956)
Forecast Operating Surplus/(Deficit)	**(123,452)**	**5,963**	**72,714**	**73,125**
Major projects				
Capital Programme	(117,373)	(98,125)	(81,724)	(74,142)
Transfers				
HIF to Consolidated Fund Revenue	11,300	13,000	12,160	7,825
Charitable Funds to Consolidated	1,044	989		
Fund Loans Funds to Consolidated Fund	0	5,700	0	0
Criminal Offences Confiscation Fund to Consolidated Fund	1,956	1,609	2,396	0
Consolidated Fund Float				
Consolidated Fund Working Balance	(20,000)			
Net movement in borrowing required	335,953	70,864	(5,547)	(6,808)
Closing balance	**0**	**0**	**(0)**	**0**

Government Plan 2021-2024

3.1 We had initially thought that the amended Government Plan would take the form a Covid-19 Recovery Response Plan, however, the revised Plan appears to be an iteration of the Plan that had been formulated pre-Covid-19 with Covid-19 impacts embedded where necessary. Our comments from our review of the revised Government Plan focus on the five areas outlined below:

- Borrowing Strategy and Reserves
- Personal Income Tax
- Social Security Contributions
- Efficiencies and rebalancing
- New Projects
- Returning to balance

Borrowing Strategy and Reserves

3.2 The Government Plan articulates a borrowing strategy to help finance the costs of Covid – 19 on which broad estimates forecast overall exposure costs to exceed £400 million[7] as well as other significant investment requirements. The borrowing strategy is built on the retention of reserves which are invested through the Common Investment Funds (CIF) with external loan repayments being financed through the retention and diversion of returns from arrangements arising from transitioning Prior Year to Current Year Personal Tax assessments by way of establishing a 'sinking fund':

"We are proposing to borrow up to a maximum of £336 million next year, in addition to the Fiscal Stimulus Fund (£50 million) to cover the costs of responding to the pandemic. This will provide flexibility and allow further work to proceed to minimise the scale of longer-term debt, required to replace the short-term facility in next year's Government Plan.

The annual financing costs of this debt have been included in the Government Plan, but debt has to be repaid and Ministers propose that, should the States Assembly approve plans to move to Current Year Basis (CYB) taxation, the future repayments of the 2019 tax liabilities for Previous Year Basis (PYB) taxpayers will be paid into a ring-fenced sinking fund to repay much, if not all, of this debt.This will support the actions we are taking to restore public finances, while maintaining the strength of our reserves in order to respond to future shocks."[8]

3.3 The sinking fund is therefore established from the transition from Prior Year Basis (PYB) to Current Year Basis (CYB) transitional arrangements is effectively the main source of

[7] Government Plan 2021-2024 – Page 13

8 Proposed Government Plan 2021-24 – P13/14

external debt repayment. Given the regressive nature of the value of money over time, it is difficult to ascertain what level of 'sinking fund would be established and how this would how is this would keep pace with the external financing costs some 15/20 years further down the timeline. We would be of the view that this proposition to finance external borrowing costs by way of a sinking fund financed from the PYB transition is speculative at best.

3.4 The strategy also provides for the engagement of a Revolving Credit Facility provided by external financial institution(s). Part of the rationale for external borrowing within the Revolving Credit Facility is to set up a future strategy for the issuance of a Public Bond to allow 'Our Hospital' to proceed as well as other significant infrastructure investments to be financed. This was not clearly signposted within the Government Plan yet costs of the revolving credit facility is forecast at approximately £27.415m[9] excluding any 'breakage charges' for not meeting the minimal level of borrowing. Such Revolving Credit Facility Costs cost are profiled in the context of the overall Covid-19 related spend as follows:

Covid Programme	2021 Allocation (£000)	2022 Allocation (£000)	2023 Allocation (£000)	2024 Allocation (£000)
Covid-19 Nightingale Field Hospital	8,380	0	0	0
Covid-19 Payroll Co-Funding Phase III	11,300	0	0	0
Covid-19 Revolving Credit Facility	3,746	7,136	8,730	7,803
Covid-19 - Other	4,475	2,205	1,220	250
Economic Recovery	15,500	12,000	12,000	0
Covid-19 Income Support Costs	7,498	5,249	3,692	4,549
Covid-19 Schools catch-up programme	904	0	0	0
Covid-19 Test & Tracing Programme 2	30,000			
Covid-19 Vaccine	5,474	0	0	0
Grand Total	**87,277**	**26,590**	**25,642**	**12,602**

Table 6 - Profile of COVID-19 proposed spend

3.5 In setting up a Bond issuance, we are advised that retained Treasury Management Advisors had provided the Minister with a strategy to optimise the Island's credit rating. Obtaining and maintaining a strong credit rating is critical if there is a prima facie need to externally borrow. Bond finance comes with additional governance costs relating to providing stakeholders with regular assurance around financial performance and affordability. The resultant formulation of a strategy, included the need to retain significant reserves/CIF investment and externally borrow the balance to enable to finance support for the economy and Covid-19 impacts, is essentially preparatory to securing the level of financing options for our New Hospital. Excluding any borrowing for 'Our Hospital' the Plan anticipates the following profile of borrowing[10]:

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[9] Government Plan 2021-24 – Table 6 – Page 126

[10] Government Plan 2021-24 – Table 4 – Page 119

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Funding required from Revolving Credit Facility*	335,953	70,864	(5,547)	(6,808)
Fiscal Stimulus Fund Borrowing (2020)	50,000			
Cumulative Borrowing Requirement - Covid-19	**385,953**	**456,817**	**451,270**	**444,463**
Existing borrowing - Housing Bond 2014	250,000	250,000	250,000	250,000

Table 4 - Cumulative borrowing requirement

3.6 The resistance to using reserves to fund emergency Covid-19 spend appears to be founded upon the principle that it would be better to externally borrow than liquidate CIF investments based on the assumptions that borrowing costs have been at historical lows and that the existing investments will make positive returns over the medium term. This would appear to be sensible in a steady state economic horizon – unlike the present economic climate. Indeed this is articulated as follows:

"Ministers are proposing utilising short-term borrowing facilities in 2021, given the enduring high levels of uncertainty. In 2021, when there is less uncertainty and a final decision relating to Our Hospital has been made, we will propose the nature of longer-term debt issuance to replace the short-term facilities. A draft strategy for medium to longer term debt has been formulated. However, this strategy will benefit from greater certainty as the global pandemic evolves and once a budget for the Our Hospital project is agreed.

All borrowing must ultimately be paid for. We have made allowance for forecast interest on this debt and Ministers propose that the repayment of the debt will be from the payment of the 2019 Previous Year's Basis taxpayers' liability over the next 15 years or more, if the States Assembly agrees to the Treasury Minister's plans to move everyone to a Current Year Basis.

These payments are time limited and avoid the need to raise taxes to pay off the debt." [11]

3.7 A key concern is the establishment of a borrowing policy that establishes an acceptance of gap fund borrowing and extends repayment into the longer term. Behaviorally, this has the potential to erode or weaken the rigour and challenge that would normally exist around difficult and politically challenging overall tax and spend decisions. What makes the planned level of borrowing potentially more problematic is that we do not think that total external borrowing will be able to be linked to the creation of an equivalent level of assets. We are also aware of problems encountered by organisations that have drawn down Bond Finance in advance of a specific need. These typically present as a sub-optimal treasury management position.

3.8 Investment performance through the first six months of 2020 has been problematic, The States of Jersey have approximately £3 billion of investments available within the CIF.

11 Proposed Government Plan 2021-24 – P13/14

During this first six months of 2020, due to the volatility of the markets as a result of Covid-19 a £102.6m or 5.2% loss was sustained on investments held against the Social Security Reserve Fund. Any forecasts on returns on investments is going to involve an element of risk and movements in the reserves are highlighted below covering this period:

	Value 31/12/19	Value 30/06/20	YTD Gain / Loss		YTD Drawings
Investment Assets	£m	£m	£m	%	£m
Social Security (Reserve) Fund	1986.7	1864.2	(102.6)	(5.2%)	(19.9)
Strategic Reserve	921.8	874.2	(41.5)	(4.5%)	(6.1)
Stabilisation Fund	50	50.7	0.7	1.5%	0.0
Consolidation Fund	139.9	102.6	0.4	0.3%	(37.7)
Currency and Coinage Funds	55.5	53.9	(1.6)	(2.9%)	0.0
Jersey Reclaim Fund	16.6	16.1	(0.4)	(2.6%)	(0.1)
Health Insurance Fund	95	86.2	(3.4)	(3.6%)	(5.4)
Housing Development Fund	40.9	18.2	(0.7)	(1.6%)	(22.0)
Long Term Care Fund	16.3	16.2	(0.1)	(0.4%)	0.0
Ecology Fund	0.5	0.4	(0.0)	(4.2%)	(0.1)
CI Lottery Fund	0.1	0.1	0.0	0.3%	0.0

3.9 We understand from the antecedent planning that a 'liquidity ladder' is being used to retain investment positions on assets that are deemed to have a higher cost/benefit if liquidated in the short term. Within the updated Plan there is an indication of why this approach has been taken and again reference is made to the proposal to pay any external finance charges:

"Ministers are proposing utilising short-term borrowing facilities in 2021, given the enduring high levels of uncertainty. In 2021, when there is less uncertainty and a final decision relating to Our Hospital has been made, we will propose the nature of longer-term debt issuance to replace the short-term facilities. A draft strategy for medium to longer term debt has been formulated. However, this strategy will benefit from greater certainty as the global pandemic evolves and once a budget for the Our Hospital project is agreed.

All borrowing must ultimately be paid for. We have made allowance for forecast interest on this debt and Ministers propose that the repayment of the debt will be from the payment of the 2019 Previous Year's Basis taxpayers' liability over the next 15 years or more, if the States Assembly agrees to the Treasury Minister's plans to move everyone to a Current Year Basis. These payments are time limited and avoid the need to raise taxes to pay off the debt." [12]

3.10 Reference is made to the future "long term debt issuance to replace short-term facilities" obviously with a view to retain and grow existing reserves. This appears to be similar to a previous 'Pre-hedging strategy for a public bond issue' provided by the same Treasury

[12] Proposed Government Plan 2021-24 – P13/14

advisers[13] in relation to fund a new Hospital in the context of outlining some of the preparatory steps that would need to be considered.

3.11 The rationale for not touching the Strategic Reserve is laid out on page 80 of the Plan:

"Faced with this financial challenge, the Council of Ministers strongly believe that the Strategic Reserve should be maintained in these uncertain times and, instead, we propose to borrow to meet the shortfall caused by the pandemic and to maintain investment in services to Islanders, as well as in vital infrastructure. This decision is also informed by the likelihood that the cost of debt will be far lower than the long term returns on our reserves.

The immediate future remains highly uncertain and the Ministers are therefore proposing the use of short-term debt facilities ahead of further action to reduce the debt level before it is replaced by medium term facilities.

This Government Plan seeks approval to utilise £336 million in 2021 from the Revolving Credit Facility of £500 million obtained by the Minister for Treasury & Resources in May 2020."

3.12 No evidence has been made available to demonstrate that the "cost of debt will be far lower than the long term returns on our reserves". Additionally, no assessment has been made of all of the set up fees and additional governance measures (required to provide on-going assurance to stakeholders) that will be generated through on-going recurring costs throughout the life of the issuance.

3.13 On investment performance the Plan envisages significant growth in returns from investments as outlined below for the Strategic Fund and overall Reserves funds:

Table XX - Strategic Reserve Fund	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening balance	876,000	890,300	904,900	952,900
Return on investments	14,300	14,600	48,000	50,700
Closing balance	**890,300**	**904,900**	**952,900**	**1,003,600**

13 Treasury Management Advice Paper – January 2017

	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Opening Balance	3,019,363	2,898,140	2,832,528	2,884,030
Returns on Investments	43,400	41,900	166,900	172,750
Operational Income	322,494	353,886	365,155	440,458
Operational Expenditure	(473,861)	(441,089)	(465,997)	(484,623)
Transfers	(13,256)	(20,309)	(14,556)	21,494
Closing Balance	**2,898,140**	**2,832,528**	**2,884,030**	**3,034,109**

3.14 On a broad arithmetical basis we would see this level of expectation delivering the following rates:

Year	2021	2022	2023	2024
Indicative %	1.77%	1.45%	5.9%	6.0%

3.15 There is an implicit assumption that the core level of the CIF will not be unduly impacted by any significant market downturn from year 3 of the Plan as can been seen from the indicative returns highlighted above – hovering around 6%. From the overall movements highlighted above, the projected individual Fund balances are set out below with the Strategic Reserve estimated to exceed £1 billion in 2024:

Special funds balances	2021 (£000)	2022 (£000)	2023 (£000)	2024 (£000)
Strategic Reserve Fund	890,300	904,900	952,900	1,003,600
Stabilisation Fund	0	0	0	0
The Health Insurance Fund	79,340	62,517	47,467	35,027
The Long-Term Care Fund	35,220	39,566	43,810	46,190
The Social Security Fund	91,746	86,020	75,294	66,818
The Social Security (Reserve) Fund	1,667,068	1,609,813	1,634,638	1,751,338
The Currency and Coinage Funds	107,800	108,600	109,400	109,400
The Jersey Reclaim Fund	14,300	14,300	14,300	14,300
Housing Development Fund	(14,665)	(13,270)	(11,815)	(10,290)
Climate Emergency Fund	3,397	3,757	4,107	3,797
Fiscal Stimulus Fund	0	0	0	0
Other Special Funds	23,634	16,325	13,929	13,929
Total	**2,898,140**	**2,832,528**	**2,884,030**	**3,034,109**

3.16 On debt repayment, the proposal to establish a 'Sinking Fund' –("*we will establish a sinking fund for the debt and use receipts from property disposals, and from the change to Prior Year Basis taxation system - subject to approval by the States Assembly - to fund* *the repayment of the debt proposed in this Government Plan."*[14]) is to facilitate repayment of Financing Costs on some £444.5m of external debt will be significant. The notion that part of this will be financed by the future repayments of the 2019 tax liabilities for Previous Year Basis (PYB) taxpayers will logically mean that such liabilities will not be included within Income Tax income profiles. Given that Income will be first call on external debt repayment, any dampening of Income Tax income may be self-defeating over the medium and longer term.

3.17 Income Tax yields and investment returns will be pivotal to the ability to repay borrowing. Income Tax as the core element of income that finances state expenditure will be deemed to be first call on external debt repayment. The challenge with that is that any significant external financing charges correspondingly reduces the level of the ability of the States to finance operational recurring expenditure.

Personal Income Tax

3.18 Table 1 of the Financial Annex Part 1 to the Plan outlines the estimated total States Income to be paid into the Consolidated Fund. Members may recall that the balance on the Consolidated Fund in 2020 is/has been used to enable covid-19 related cash requirements to be expedited:

2020 Forecast (£000)		2021 Estimate (£000)	2022 Estimate (£000)	2023 Estimate (£000)	2024 Estimate (£000)
	Income Tax				
434,000	Personal Income Tax	461,000	500,000	534,000	561,000
120,000	Companies	97,000	103,000	108,000	113,000
(9,000)	Provision for Bad Debt	(6,000)	(6,000)	(3,000)	(3,000)
545,000	**Income Tax Total**	**552,000**	**597,000**	**639,000**	**671,000**
	Goods & Services Tax (GST)				
69,300	Goods & Services Tax (GST)	75,700	82,000	85,600	89,400
8,910	ISE Fees	8,910	8,910	8,910	8,910
78,210	**GST Total**	**84,610**	**90,910**	**94,510**	**98,310**
	Impôt Duties				
7,544	Impôt Duties Spirits	7,185	7,293	7,476	7,701

[14] Proposed Government Plan 2021-24 – P80

8,717	Impôt Duties Wine	8,986	9,122	9,340	9,622
851	Impôt Duties Cider	860	855	858	868
6,031	Impôt Duties Beer	6,569	6,633	6,691	6,791
19,871	Impôt Duties Tobacco	16,463	15,715	15,933	15,352
21,944	Impôt Duties Fuel	24,993	27,517	27,895	28,307
400	Impôt Duties Goods (Customs)	200	200	200	200
2,358	Vehicle Emissions Duty (VED)	2,730	2,644	2,644	2,644
67,716	**Impôt Duties**	**67,986**	**69,979**	**71,037**	**71,485**
	Stamp Duty				
24,599	Stamp Duty	26,306	25,507	26,276	27,078
2,400	Probate	2,400	2,400	2,400	2,400
2,084	Stamp Duty on Share Transfer (LTT)	2,247	2,342	2,442	2,545
29,083	**Stamp Duty**	**30,953**	**30,249**	**31,118**	**32,023**
720,009	**Central Scenario**	**735,549**	**788,138**	**835,665**	**872,818**
4.7%	Annual growth %	2.2%	7.1%	6.0%	4.4%
6,350	Increased collections - Domestic Compliance	8,600	10,900	12,000	13,500
	Additional Tax measures			0	10,000
	Additional ISE Fees	3,500	3,500	3,500	3,500
726,359	**Total General Tax Revenue**	**747,649**	**802,538**	**851,165**	**899,818**
13,286	Island Rate Income from Parishes	13,486	13,809	14,155	14,523
9,330	Other States Income - Dividends	8,133	8,568	8,918	9,347
5,651	Other States Income - Non-Dividends	5,473	5,784	7,967	7,949
30,802	Other States Income - return from Andium Homes and Housing Trusts	31,774	32,618	33,520	34,445
59,069	**Other Government Income**	**58,866**	**60,779**	**64,560**	**66,264**
785,429	**Total States Income**	**806,515**	**863,318**	**915,724**	**966,081**

3.19 Notwithstanding our previous comments on Income Tax year on year growth,(especially given the potential retrenchment arising from the pandemic, the revised year on year increases look extremely optimistic growing from 2020 to 2024 by some 27.3% or £127m. Indeed, the 2019 overall outturn for Income Tax was £585m. Notwithstanding the highly disruptive economic shock linked to the global pandemic, the estimated difference between the 2019 outturn and the 2020 forecast is only a drop of £31 million or 5.3% in Income Tax (Personal and Corporate)– see below:

Central Forecast £'000	2019 (Outturn)	2020	2021	2022	2023	2024
Income Tax	585,000	554,000	558,000	603,000	642,000	674,000
GST	89,704	78,210	84,610	90,910	94,510	98,310
Impôts Duty	62,879	67,716	67,986	69,979	71,037	71,485
Stamp Duty	34,898	29,083	30,953	30,249	31,118	32,023
Bad Debts	(3,235)	(9,000)	(6,000)	(6,000)	(3,000)	(3,000)
Other Income	71,434	59,069	58,866	60,779	64,560	66,264
Total States Income	**840,680**	**779,079**	**794,415**	**848,918**	**900,224**	**939,081**
Autumn 2019 (forecast)*	850,986	875,459	909,802	947,762	985,010	
Variation	(10,306)	(96,380)	(115,387)	(98,844)	(84,786)	
	-1.2%	-11.0%	-12.7%	-10.4%	-8.6%	

3.20 To move from a pre-covid position of £585m in 2019 to a 2024 position of £671m of £86m or 14.7% is seen as highly optimistic given the unprecedented nature of the pandemic and the high level of downside risks associated with the UK position on a no-deal Brexit. The updated Fiscal Policy Panel have revised their previous forecasts and have predicted a severe recession for 2020.

3.21 Personal Income Tax accounts for some 60.3% of overall general revenue income whilst Corporate Tax some 16.7%. Forecasts on Corporate Tax are regarded as being more straightforward to predict and Revenues Jersey is able to secure significant intelligence on the financial performance of the Finance Sector which is core to the latter element of tax yield. Income Tax estimates rather than actuals are used within the annual accounts process as well as the Government Plan. Such estimates are now largely based on forecasts produced by the Jersey Economics Unit, with any differences between current and prior years made when assessments are finalized. There is a lack of real time assessment or sensitivity analysis around actual tax yield used in key financial actuals. The emphasis is placed upon economic projections rather than the reality of core assessments adjusted where necessary for incremental forecasted change. The practice that permits adjustments to be treated in the balance sheet within future years avoids the required precision needed to allow considered strategic decisions to be made on the largest components of income. In such circumstances there is the risk that key decisions on overall borrowing and affordability might be made based upon potentially unreliable forecasts.

3.22 Within the 2019 Government of Jersey Annual Report and Accounts, the External Auditor commented that the estimation of the income derived from this type of approach imported an element of risk and highlighted this issue as a 'key audit matter':

"The estimation of the amount of revenue in advance of submission of tax returns and completion of individual tax assessments requires significant judgement. The estimate for personal income tax revenue for 2019 and the restated 2018 comparative are both derived from an economic model which requires particular judgement in the selection of subjective inputs, as well as in the determination of the relationships between inputs and their relationship to the predicted level of income tax revenues. There is an increased level of estimation uncertainty due to the delays in finalisation of assessments in respect of the 2018 year of assessment, increasing the scale of the estimates required. Notes 4.2 and 4.3 to the financial statements provide disclosures in relation to judgements over the recognition and estimation of personal income tax revenue. Given the level of judgement applied and the potential for manipulation, we consider this to be a fraud risk."[15]

3.23 The level of uncertainty on Tax Income was also acknowledged within the latest Income Forecasting Group's Report. On page 21 the IFG acknowledged that *"There is a risk that the current economic disruption might result in a permanent adjustment to the relationship between economic variables and the tax base. Under the FPP forecast, the economy is smaller throughout the period, with a gradual recovery to a lower level, and this is considered sufficient to capture the impact on taxes in the medium term."*

3.24 The IFG report highlights a number of significant risks to the economy in the short and medium term yet the changes to the economic forecast metrics such as GVAs and Average Earnings are relatively marginal yet the prolonged impact of the pandemic seems to entrench further. This narrative is inconsistent with the relatively marginal changes in Revenue Income forecasts when there was a previous revision in May 2020. In summary, the IFG's report narrative would be more consistent with taking the "Downside Forecast" calculated as a "£50 million decrease from the base forecast for spring 2020 arising from the extended period of reduced economic activity. The downside forecast for 2024 is £54 million less than the base case, reflecting the assumption of more significant structural impacts arising from the Covid-19 pandemic."

3.25 As the Independent Auditor has highlighted that the recognition of Personal Income Tax revenue by way of estimates represents some risk and the IFG report narrative acknowledges a high degree of uncertainty around the trajectory of the economy, it may be more appropriate and prudent to use the IFG's downside forecasts than the mid-range forecasts that have changed little since May of 2020.

3.26 The additional Domestic Compliance Tax income totalling £45m of extra Tax recovery is something we cannot recall encountering within Budget setting. This is £45 million of personal income tax which islanders have failed to pay or will fail to pay <u>but for the</u>

[15] Government of Jersey Annual Report and Accounts 2019 – Key Audit Matters - Page 173

additional compliance measures. As with base Income Tax estimates it would be highly appropriate to seek evidence of how:

- Such additional income will be generated through improved compliance
- Identifying examples of what could be put in place to secure optimum compliance; and
- How this additional Domestic Tax compliance translates into enhanced assessments that realises additional tax.

3.27 Additional tax yield arising from this set of measures appears to be counterfactual rather than leading to extra tax yield through the capturing of tax which taxpayers should have paid but had not due to process weaknesses or tax evasion - not avoidance.

Social Security Contributions

3.28 In addition to the reported significant deterioration in the investment value of Social Security Funds (over the first 6 months of 2020), a significant fiscal policy change has led to Social Security contributions being redirected to Covid-19 activities as follows:

"Following a States debate in 2020, it was agreed that no grant would be paid into the Social Security Fund in 2020 to allow £65.3 million to be allocated to support Covid-19-related financial pressures. Additionally, due to the exceptional financial pressure being faced by the Government as a consequence of the pandemic, it is being proposed that the States Grant is not paid in 2021, 2022 and 2023, allowing an additional estimated £235 million to be allocated to urgent financial pressures. This critical element will support the Government in managing the lost income and additional costs associated with the pandemic and help to fund our capital and revenue expenditure programmes, whilst we implement a plan to return to balanced budgets by 2024."

"At the end of 2019 the assets held in the Social Security Funds represented more than seven years of fund expenditure. These assets form an important part of the overall financial stability of the Island and play a significant role in our credit rating."

"By the end of 2024 the value of the funds is estimated to hold six years of fund expenditure. This still represents a significant investment in the pension provision of future generations of Islanders and is in excess of the target of five times spend established 20 years ago."

3.29 Whilst we recognise the concepts involved in helping businesses and self-employed manage their cash flow in deferring contributions, we have yet to see any impact study on the central scenario implications on the viability of future social security funding for islander beneficiaries in relation to potential changes in demand/demographic management.

3.30 In summary, the Plan does not set out what the potential impact will be on the overall sustainability of Social Security Funds as a result of the redirection other than a reduction on fund capability by about one year at current rates. In the absence of relevant background analysis it would seem more prudent to retain the equivalent £65.3m within the existing Fund – particularly when the plan is to divert some £235m covering 2021, 2022 and 2023.

Efficiencies and rebalancing

3.31 The Plan advises that central to rebalancing budgets over the period to 2024 is the package on efficiencies of £20m targets for 2021, in addition to a £100m recurring target per annum by 2023. The change towards a rebalancing narrative suggests a tacit acceptance that the required quantum of efficiency savings may not be achievable and that wider concept of rebalancing may be more pragmatic. Additionally, the extent to which efficiencies are to be delivered from deferred growth does not provide confidence that efficiencies were actual management interventions specifically capable of being efficiency savings in nature.

3.32 We are advised that the efficiency targets have already been taken off Department Budgets in a way that suggests a 'salami sliced' approach is being employed. In practice, Managers will be more likely to adjust and control the pace of spend rather than addressing the fundamentals on direct management intervention through service challenge and redesign should difficulties arise. In the absence of defined programmes we do not recognise this approach as meeting good practice and failure to meet a revised expenditure/income target on such efficiency savings may have negative implications on the ability of Departments to meet standard operational service delivery if bottom line budgets are to be contained. The overall Budget and Medium Term Financial Planning setting process within the formulation of the Government Plan has been the principal driver for the articulation of the individual efficiency savings lines. However there is little evidence that collectively the schedule of efficiencies has been based on a strict value for money (VfM) approach, rather such changes, including planned changes, have been driven by the acute demand for the realisation of cashable savings to bridge the budget setting gap – including the financing of the Modernising Government Programme - containing a base budget requirement for significant savings irrespective of the impact on service.

3.33 The updated Plan outlines the allocation of efficiency savings aggregating to the £20.013 million for 2021. Whilst there is a schedule outlining each saving initiative the high level roundings suggest a highly aspirational and 'broad brush' approach being taken. The background information as contained within the Plan associated with some of the larger components do not give a high level of assurance that recurring 'cashable' savings can be sustained from these initiatives. These include the £5 million zero based budget review at HCS, the release of funds from GHE for hospital maintenance programme of £4 million, managing inflationary pressures around Government of £3.7 million, and the OneGov Modernisation of £0.9 million[16]:

Minister	Depart-ment	Summary description	Recurring or one-off	Budget impact	2021 value (£)
Chief Minister	COO	Transfer technology functions from CYPES and HCS into Modernisation and Digital continuing the application of OneGov principles	Recurring	Spend reduction	900,000
Chief Minister	SPPP	Defer the implementation of the Public Services Ombudsman for one year.	One off	Spend reduction	378,000
Chief Minister	COO	Merge the support and re-plan commissioned research projects for the States Employment Board and Jersey Appointments Commission	Recurring	Spend reduction	200,000
Chief Minister	COO	Review and renegotiate the GoJ print contract securing some of the reductions in print volumes derived from an increase in home working and continued investment in technology	Recurring	Spend reduction	100,000
Chief Minister	SPPP	Defer the development of policy for Financial independence in old age by one year	One off	Spend reduction	50,000
Minister for Children and Housing	SPPP	Defer the development of policy for Long term housing by one year	One off	Spend reduction	25,000
Minister for Children and Housing	CYPES	Redesign the therapeutic support model for children with complex needs (including neuro assessment)	Recurring	Spend reduction	200,000
Minister for Children and Housing	CYPES	Review and realign the commissioned budget available for antenatal services with demand. Note there will be no reduction to the service	Recurring	Spend reduction	180,000
Minister for Children and Housing	CYPES	Review and realign the budget for care leavers with demand. Note there will be no reduction to the service	Recurring	Spend reduction	100,000
Minister for Children and Housing	CYPES	Review and realign the budget for intensive fostering with demand. Note there will be no reduction in the service	Recurring	Spend reduction	50,000
Minister for Health and Social Services	HCS	Implement proposals from the HCS Zero Based Budget exercise once approved by the Minister	Recurring	Spend reduction	5,000,000
Minister for Home Affairs	JHA	Sell a domestic dwelling no longer required by the Fire and Rescue Service whilst compensating for the reduction in rental income (prudent estimate pending valuation)	One off	Income	450,000
Minister for Home Affairs	JHA: SoJP	Through the application of enhanced workforce planning implement a vacancy factor equivalent to approximately 1% of staff costs	Recurring	Spend reduction	215,000
Minister for Home Affairs	JHA	Continue the digital transformation of GST and Customs services	Recurring	Spend reduction	50,000
Minister for Home Affairs	JHA	Continue the organisational implementation of electronic rostering to replace paper based rostering processes	Recurring	Spend reduction	50,000
Minister for Home Affairs	JHA: SoJP	Restructure the Intelligence Administration function to reflect known leavers and vacancies	Recurring	Spend reduction	20,000
Minister for Infrastructure	IHE	Revise and release a portion of the budget for the Health Estate in light of progress made with backlog maintenance and to reflect capital allocations within the HCS budget	Recurring	Spend reduction	4,000,000
Minister for Infrastructure	IHE	Reduce a portion of the property maintenance budget to reflect a reprioritisation of assets requiring maintenance; informed by the Office Accommodation Project	Recurring	Spend reduction	300,000
Minister for Infrastructure	IHE	Re-structure Facilities Management across Government to create one centralised function with hub and spoke delivery aligned with the OneGov principles	Recurring	Spend reduction	200,000
Ministers for Infrastructure , Environment, EDTSC	IHE	Development of an IHE TOM to include reviews of the overall structure, sports division, business administration and the transfer of customer facing services to CLS	Recurring	Spend reduction	750,000
Minister for Social Security	CLS	Defer the implementation of the Care needs at home project by one year	One off	Spend reduction	400,000
Minister for Social Security	CLS	Continued review of, and improvement, to customer services	Recurring	Spend reduction	61,000
Minister for Treasury and Resources	T&E	Reduce cash handling fees by increasing non-cash payment options	Recurring	Spend reduction	30,000
Council of Ministers	Central	Increase income from new charges, and increased cost recovery of existing charged services, based on the initial implementation of a fees and charges framework	Recurring	Income	950,000
Council of Ministers	Central	Continue to manage inflationary pressures across government by retaining the budget for non-pay inflation and seeking best commercial outcomes to contract management	Recurring	Spend reduction	3,718,000
Council of Ministers	Allocated by depart-ment	Continue the best practice of reviewing and securing recurring reductions in non-staff budget including locking in some of the spend reductions evidenced during COVID-19	Recurring	Spend reduction	750,000
Chief Minister	SPPP	Deferred Island Plan Review activity from 2020	One off	Spend increase	(325,000)
Minister for Social Security	JHA	Restructuring advisor posts	One off	Spend increase	(19,000)
Minister for Home Affairs	JHA	Restructure of frontline posts to resource JCIS/SOJPS dog handler	One off	Spend increase	(20,000)
Subtotal excluding incremental tax revenue					**18,763,000**
Minister for Treasury and Resources	T&E	Increase tax revenues through the continued enhancement of domestic tax compliance	Recurring	Income	1,250,000
Total					**20,013,000**

[16] Government Plan 2021-2024 Annex – Page 112

3.34 We would have thought that the successful delivery of the recurring cashable £900,000 of Modernisation and Digitalisation of One Gov would be wholly dependent and contingent upon associated capital projects being delivered without slippage. On deliverability, there appears to be a lack of risk stress testing and we have still to see a risk assessment on the deliverability of these recurring and non-recurring savings. We would expect an assessment on how specific Departmental Chief Officers will be able to deal with the impact of such budget reductions without a detrimental effect on service delivery performance. Delivery on the full £100m over the life of the Government Plan still appears to highly optimistic particularly as current prevailing operating conditions constitute a substantial set of risks to non-achievement.

3.35 As with Income Tax estimates, the nature of key components of specific efficiency savings within the £20.013million total appear to be highly aspirational rather than founded upon robust stress tested business cases.

3.36 In respect of 'rebalancing' the Government Plan proposes a rigourous application of scrutiny on the control expenditure and the introduction of rebalancing measures:

> *"Efficiencies and other rebalancing measures approved through the Government Plan debate will result in cash limit reductions and/or income forecast increases at departmental budget level. The performance of each proposal will then be tracked monthly through the finance budget monitoring process and, where appropriate, with additional qualitative information provided through a project management system."*[17]

3.37 Within the Government Plan there is a recognition that both core activities and efficiencies need to be adjusted to reduce expenditure and maximize income under the overarching One Government principles :

> *"At the time of writing, the impacts of Covid-19 are still readily apparent and the effect on Government finances is considerably greater than the impact of efficiencies. As described in the 2020 Government Plan Six Monthly Report – multiple approaches will be required to balance Government finances, including a wide range of fiscal measures, borrowing strategies, economic stimulus, treatment of funds and the delivery of savings and efficiencies. This represents a shift to a broader set of financial re-balancing measures into which the efficiencies have been subsumed."*[18]

3.38 Whilst this rebalancing approach may appear to be nebulous, with limited clarity on efficiency savings and Modernising Government investments, it does signal that the Government of Jersey is open to rework underperforming or undeliverable efficiency savings. This level of change capability over policy is going to be more important where

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[17] Government Plan 2021-2024 – Page 61

[18] Government Plan 2021-2024 – Page 60

the focus is moved from more non-critical improvement investments and efficiency improvements back to protecting critical core service delivery.

3.39 At the outset of the Covid-19 lockdown arrangements we were impressed by the agility in allocating from central reserves through the Consolidated Fund to front line services to cover the immediate costs associated with the effects of COVID-19 at a time when it was predicted that "public revenues in 2020 would be £106 million below their autumn 2019 forecasts, and that revenues will remain below the previous forecasts for the whole of the next Government Plan period and are likely give rise to a structural imbalance in public finances".19 The resulting Halt, Defer and Reduce approach taken by Departments to "*stop and not start, defer and change* "[20],highlighted in April 2020, exemplified an emerging financial strategy that provided much needed agility in redirected cash towards front line support. A demonstrable requirement to re-balance and create control over the equilibrium between income and expenditure. However, the revised Government Plan 2021-2024 appears to have restored scheduled improvement aspirations, moving on from the immediacy of challenges presented by front line supporting demands. This is counter to what we are increasingly seeing in the UK with organisations steadily moving away from improvement related investment towards the financing of core services as a consequence of demand led pressures driving a return towards meeting basic primary legislative service obligations.

New Projects

3.40 On the basis of value, new projects within the Modernising Government category account for an ambitious investment at a level of £127.2 million to 2024 within an extract from the Government Plan 2021-2024[21]:

[19] Economic Recovery In-Committee Debate - 29th May 2020 – Page 2

[20] Covid-19 – Treasury and Exchequer – 24 April 2020 – slide12

[21] Government Plan 2021-2024 – Annex – Pages 197 - 198

CSP Priority	Sub-priority	GP Ref	Programme	Programme Description	2021 Revised Allocation (£000)	2022 Revised Allocation (£000)	2023 Revised Allocation (£000)	2024 Allocation (£000)	BAU YES/ No
Modernising Government	Non-Ministerial expressions of interest	GP20-OI-Non-01	Comptroller and Auditor General additional funding	C&AG	25	25	25	25	Yes
			Comptroller and Auditor General additional funding Total		25	25	25	25	
		GP20-OI-Non-03	Judicial Greffe additional funding	Office Holders Pay Review	80	80	80	80	Yes
				Tribunal Service	78	78	78	78	Yes
			Judicial Greffe additional funding Total		158	158	158	158	
		GP20-OI-Non-04	States Assembly additional funding	Additional legal drafters	258	258	258	258	Yes
				States Assembly additional funding	736	761	623	623	Yes
			States Assembly additional funding Total		994	1,019	881	881	
		GP20-OI-Non-05	Viscount's Department additional funding	Court Service/Inquest Officer	43	43	43	43	Yes
				Finance Officer	56	56	56	56	Yes
				Knowledge Management	113	113	113	113	Yes
				Office Holders Pay Review	40	40	40	40	Yes
				Saisie/Court Officer	48	48	48	48	Yes
				Software Maintenance	25	25	25	25	Yes
			Viscount's Department additional funding Total		325	325	325	325	
		GP20-OI-Non-06	Legal Aid Office	Legal Aid Office	400	400	400	400	Yes
			Legal Aid Office Total		400	400	400	400	
		GP20-OI-Non-07	Probation Service additional funding	Probation Service BaSS Projects	35	35	35	35	Yes
			Probation Service additional funding Total		35	35	35	35	
	Non-Ministerial expressions of interest Total				1,937	1,962	1,824	1,824	
	A new, long-term strategic framework	GP20-OI1-01	Census 2021	Census 2021	450	0	0	0	No
			Census 2021 Total		450	0	0	0	
	A new, long-term strategic framework Total				450	0	0	0	
	A States Assembly and Council of Ministers that work together for the common good	GP20-OI2-01	States Greffe extended services	States Greffe extended services	534	729	504	504	Yes
			States Greffe extended services Total		534	729	504	504	
	A States Assembly and Council of Ministers that work together for the common good Total				534	729	504	504	
	A modern, innovative public sector	GP20-OI3-01	Building Revenue Jersey Team	Building Revenue Jersey Team	2,685	1,466	995	995	Yes
			Building Revenue Jersey Team Total		2,685	1,466	995	995	
		GP20-OI3-02	Commercial Services - enhanced capabilities	Commercial Services - Target Operating Model	1,450	1,500	1,550	1,550	Yes
			Commercial Services - enhanced capabilities Total		1,450	1,500	1,550	1,550	
		GP20-OI3-03	Domestic Compliance ('Spend to Raise')	Domestic Compliance ("Spend to Raise")	1,562	1,505	1,505	1,505	Yes
			Domestic Compliance ('Spend to Raise') Total		1,562	1,505	1,505	1,505	
		GP20-OI3-04	Enabling policy excellence across the Government	Enabling Policy Excellence across the Government	20	60	80	80	No
			Enabling policy excellence across the Government Total		20	60	80	80	
		GP20-OI3-05	Government of Jersey Bank charges	Government of Jersey Bank Charges	300	300	300	300	No
			Government of Jersey Bank charges Total		300	300	300	300	
		GP20-OI3-06	GST de-minimis changes	GST de-minimis changes	200	200	200	200	No
			GST de-minimis changes Total		200	200	200	200	
		GP20-OI3-07	Guernsey-Jersey Joint Working Programme	Guernsey-Jersey Joint Working Programme	40	40	40	40	Yes
			Guernsey-Jersey Joint Working Programme Total		40	40	40	40	
		GP20-OI3-08	Increased audit fees	Increased audit fees	75	75	75	75	Yes
			Increased audit fees Total		75	75	75	75	
		GP20-OI3-09	Modernisation and Digital - enhanced capabilities	Modernisation & Digital - Target Operating Model	5,000	4,900	5,100	6,000	No
			Modernisation and Digital - enhanced capabilities Total		5,000	4,900	5,100	6,000	
		GP20-OI3-10	People and Corporate Services - enhanced capabilities	People & Corporate Services - People Strategy	2,500	2,000	1,500	1,500	No
				People & Corporate Services - Respond	2,400	2,600	2,700	2,800	No
				People & Corporate Services - Sustain	2,800	2,900	3,000	3,100	Yes
			People and Corporate Services - enhanced capabilities Total		7,700	7,500	7,200	7,400	
		GP20-OI3-11	Policing 2020-23	Policing 2020-2023	1,630	1,784	1,907	2,046	No
			Policing 2020-23 Total		1,630	1,784	1,907	2,046	
		GP20-OI3-12	Supply Jersey Maintenance, Licencing and Procure to Pay analysis	Supply Jersey Maintenance, Licencing & Procure to Pay Analysis	133	133	133	0	Yes
			Supply Jersey Maintenance, Licencing and Procure to Pay analysis Total		133	133	133	0	
		GP20-OI3-13	Supporting One Gov - Team Jersey (HR/OD strategic partner)	Supporting One Gov - Team Jersey (HR/OD strategic partner)	252	0	0	0	No
			Supporting One Gov - Team Jersey (HR/OD strategic partner) Total		252	0	0	0	
		GP20-OI3-14	Technology Transformation Programme	Revenue Impact of IT Investment Fund	4,567	14,637	14,637	13,570	No
			Technology Transformation Programme Total		4,567	14,637	14,637	13,570	
	A modern, innovative public sector Total				25,614	34,100	33,722	33,761	

3.41 Within the Modernising Government category there are a number of disparate projects that seek to provide more effective impacts, save the increased audit fees, Insurance Premium and the Revolving Credit Facility. It is not clear how the current Pandemic will affect the pace of implementation on the more significant structural and process change. In relation to the Commercial Services restructure, in the context of deferment, we cannot see what the payback from this additional £6 million of investment will bring to Government capability.

3.42 We have already commented upon the Covid-19 Revolving Credit Facility (and related £27.415 million of linked costs) and the link with external borrowing in the face of maintaining existing levels of reserves.

3.43 On delivering effective financial management (presumably more effective) we are unsighted as to the tangible benefits arising from the outputs of more effective financial management. Quickening the pace of the annual accounts closedown process does not in itself produce a position that necessarily provides more insight. However we do recognize that improved in year financial performance reporting should aid decision making but again are unsighted on the cost benefits of this significant level of investment - presumably linked to external consultancy support. Whilst significantly improved accuracy, versatility and speed on in-year financial and operational performance may be highly desirable, such improvements require to be appropriately aligned to enhanced/diffused financial management capability and that requires upskilling and ownership around financial performance. In this way Departments can fully utilize any greater system capabilities that can be harnesses by this investment. However, in practice, without a commensurate improvement in skilling and accountability, the utility of such changes may be marginal at best.

3.44 It is noted that the central reserve for risk and inflation relating to the Capital Programme has remained at similar levels to previous versions of the Plan yet the quantum and nature of the Capital Programme has changed. Given the historically low levels of general inflation, this type of reserve would appear to be maintained as a 'hedge' against unforeseen risks. In such circumstances, the profiling of exposure appears to be based upon guesswork rather than tracking capital spends. We are assuming increased Audit Fees will allow the Comptroller and Auditor General to increase capabilities within that service. Together with increased Audit Fees and additional Insurance Premium exposure, these additional investment requirements appear to have only a minimal link to the concept of Modernising Government. Such projects appear to be more aligned to existing commitments or marginal structural change whereas there appears to be more of a linkage with this concept relative to the Jersey Bank charges which are designed to enable and facilitate electronic payment for Government services.

3.45 Securing improvements in Domestic Compliance delivered with an investment of £6.077 million (£1.562 million in 2021, £ 1.505 million in each of 2022, 2023 and 2024) appears to be a 'spend to raise' investment. Within the £20.013million efficiencies schedule there is additional increases tax revenues through the continued enhancement of domestic tax compliance valued at £1.250 million. This value, in itself appears to be inconsistent with the quoted additional yield arising from improvements in compliance work at Revenues Jersey – "Taking account of the slower-than-anticipated commencement of compliance work (resulting from lockdown), improved collection, as part of the Efficiencies Programme, is estimated to increase revenues by £6.35 million in 2020, rising to £13.5 million in 2024."[22] In essence, we cannot see evidence of what the payback for this £6.077 investment looks like and how this is aligned to the additional £6.141 million investment in the Revenue Jersey Team (£2.685 million in 2021, £1.466 million in 2022, £0.995 million in both 2023 and 2024). It is difficult to see how both planned investments totalling some £12.218 million contribute towards both a more effective and efficient services in a way that optimizes tax yield.

3.46 We found it difficult to track changes between 2020-2023 commitments and refined 2021-2024 additional spend and at this point in time have been unable to reconcile such movements. Notwithstanding this position and based on the materials supplied to us, a recurring theme across the projects categorized as Modernising Government is a lack of detail surrounding the related business cases, from proof of concept through to the engagement, implementation and management of such changes.

Returning to balance

3.47 Notwithstanding a forecasted deficit of some £282 million in 2020 (this year), deficits are forecasted through 2021 and 2022 as £178.1 million and £50.7 million respectively with a surplus position returning in 2023. These forecasted deficits are contingent upon all of the core assumptions within the financial modeling being delivered. On the high level metrics, as highlighted in Section 2 above, the latest update reveals that:

- Income is now £96m lower (previously £107m) with incomes set to be some £395m lower than approved within the 2020-23 Government Plan

- Covid related expenditure is likely to be approximately in excess of £400m – previously reported approximately £255m with approximately £250m additional in this year alone 2020

3.48 Such is the element of volatility around forecasted income and elements of expenditure, arising from the impact of the Pandemic, that potential material deviations from the core assumptions outlined within the revised Plan may require recalibration leading to additional changes (and agility) around tax and spend decisions.

3.49 During our review we have expressed some concerns about the strength of the assumptions underpinning key tax and spend assumptions. Due to the high level of

[22] Government Plan 2021-2024 – Page 119

integration within the high level financial modelling, the sensitivity to marginal changes to income and expenditure may produce significant shifts in bottom line deficits arising from the ’gearing effect’. During the course of the Plan, key assumptions relating to a number of critical income and expenditure components may need to be further revisited. Such recalibration may consequently change the overall bottom line position on future deficits and in turn, impact corporate decision making on tax and spend. Given the unprecedented level of uncertainty we would recommend that the Government Plan 2021-2024 is updated every six months and recalibrated/‘fine-tuned’ and adapted for pressures and opportunities as they emerge.

Building upon the 2020-2023 Government Plan

4.1 Within our previous assessment of the Government Plan 2020-23 we made positive comments about the Government Plan's attributes in bringing operational policy and financial strategy together. Indeed, we were of the view that the Government Plan 2020-2023 was "*well-constructed and we would commend the articulation and incorporation of explicit corporate objectives within a financial plan. The GP seeks to provide the stability to enable such objectives to be delivered over the four year period whilst enabling agility to recalibrate for any unforeseen events or over/underperformance.*[23]" "*The Government Plan 2020-2023 is a bold and ambitious plan. It is essentially a fiscal framework which incorporates unparalleled levels (in respect of Jersey) of transformational change*".

4.2 We identified the following high level strengths:

- Architecture/structure of the Government Plan is comprehensive and well presented
- In context the information is presented in a user friendly format, is intelligible and accessible to non-expert users
- The Government Plan clearly outlines service priorities in a way that previous MTFPs have not and attempts to integrate priorities with estimated/planned financial exposure – this is not commonly evident within UK equivalents
- On financial strategy formulation there is clear strategic direction, strong corporate co-ordination and for the first time real direction on performance management delivery and officer accountability
- Concentration on cross cutting approaches to efficiencies
- Elimination of the reservation of funds for Capital Project approval
- Incorporation of Balance Sheet management within the Plan (we had been previously critical of the absence of this within previous MTFP reviews)

4.3 These attributes were considered to highlight examples of good practice. Given our experience of evaluating financial strategy modeling (across a wide range of organisations across the world), on a comparative basis, we considered the Jersey Government Plan 2020-2023 as an exemplar. However, within the same review we did highlight what we thought to be weaknesses in terms of a lack of detail underpinning:

- Basic departmental service plans and staffing structures
- Lack of detail behind transformational change project business cases
- Aspirational Income Tax forecasts
- Absence of assurance around efficiency savings proposals

[23] CIPFA – Corporate Services Scrutiny Panel – Review of the Government Plan 2020-2023 – Page 20

4.4 We concluded that for the 2020-2023 Government Plan, foundational budgets and investment allocations appear to be more aspirational than being formulated on detailed stress tested business case change plans. Whilst we fully appreciate that the changing focus on Covid-19 has brought different priorities, the above developmental issues appear to still exist and be prevalent within the revised Government Plan 2021-2024. This includes a continuing level of optimism bias across personal tax income, lack of detail behind the ability to deliver efficiency savings and around service change. It may well be that these issues have been amplified by the management challenges posed by the pandemic. If so the reliability of the Government Plan 2021-2024 may be impaired and it is important that the States of Jersey address issues on transparency, detail and reliability.

Issues and Recommendations

5.1 Five key issues were identified as requiring development during our assessment. The issues outlined below are have some causal linkages and therefore potential accompanying recommendations may be interdependent. These recommendations have been translated into a more detailed Improvement Plan which will be agreed with the Corporate Services Scrutiny Panel.

Summary area	Issues	Recommendation
		Financial sustainability
Revised Borrowing Strategy, affordability and linkages to Reserves	**Full retention of reserves and gap funding of up to £406 million met by external borrowing via a £27.4 million Revolving Credit facility. The establishment of a sinking fund composed of receipts mainly from transitional arrangements arising from the change from Prior Year Tax to Current Year Tax assessment, to finance external borrowing costs is regarded as speculative**	**Blended approach of reserve utilisation and external borrowing with financing costs being met by existing Income Tax streams. A 'balanced' approach would provide a more realistic and stable outlook on medium and longer term borrowing costs**
		Personal Income Tax
Personal Income Tax Estimates	**Importation of high risk on the reliability of Income Tax estimates used within the Annual Accounts and Government Plan**	**Revenue Jersey system based data needs to be significantly enhanced and Personal Tax forecasts/estimates subjected to independent stress testing. In the interim, the utilization of the lower ranged Income Tax forecasts should be used within Government Plan modelling in a way that will allow a more prudent/considered approach to be taken on overall strategic financial modelling - in the context of the extent of volatility arising from the pandemic and potential UK impacts of a no deal Brexit position**

		Efficiency savings
Efficiency savings	**Central to rebalancing budgets is £20 million target for 2021 in addition to £100 million of annual recurring savings by 2023. Within the schedule of planned savings there is a high level of aspirational efficiency savings which have been already 'top sliced' from Departmental budgets. Some savings proposals lacked validity – at worst some components could be aligned to unrequired budget. There is not enough evidence to demonstrate that some of the significant efficiency savings proposals are realistic and will not impose significant impacts on normal activity funding should they not be delivered at departmental level. There is little evidence that collectively the scheduling of planned efficiencies has been based on a strict value for money approach and that service redesign is going to be delivered in a way that produces recurring cashable savings based on real change rather than stopping or changing the pace of activity**	**There needs to be a more realistic approach to gap funding efficiency savings formulation with business cases for each component being independently risk tested and validated by a form of external scrutiny.** **It is critical that the States re-appraise their budget setting process and recalibrate the process by using more of a credible 'bottom up' approach rather than deploying top-down top slicing. Each departmental Directorate should be fully involved and signed up to the delivery of each efficiency saving initiative. In relation to in-year performance management, delivery of each savings initiative should be transparently tracked and risk rated with each Directorate being fully accountable for delivery performance on a monthly reporting cycle.** **Departments should also be incentivised to return unrequired budget early within the financial year for redistribution where necessary**
		New Projects/Investment
Modernising Government – rigour on pay back and implementation	**Acute lack of background on the strength of the relevant business cases that underpin the schedule highlighting Modernising Government initiatives to be delivered by 2024. There is insufficiently detail on non-financial and financial payback. Examples of this include additional**	**As with efficiency savings, improved assurance is needed over the validity of both business case and prospectivity of implementation of New Projects within the expected investment cost estimates and scheduled timeline.**

	£6.141 million investment in the Revenue Jersey Team and £6.077 million in securing an improved level of Tax compliance. It is difficult to see what the actual impact of this overall £12.218 million investment will be in securing higher tax yields. There is an absence of an assessment of the linked technical capacity (island and external) to ensure these projects are delivered successfully.	
		Government Plan Updates
Returning to balance	**Forecasted deficit of some £282 million in 2020), deficits are forecasted through 2021 and 2022 as £178.1 million and £50.7 million respectively with a surplus position returning in 2023. These bottom line positions are contingent upon all of the core assumptions within the financial modeling being delivered.** **Such is the element of volatility around forecasted income and elements of expenditure arising from the impact of the Pandemic on planned activities that possibly material deviations from the core assumptions outlined within the revised plan may require additional key changes (and agility) around tax and spend decisions.** **During our review we have expressed some concerns about the strength of the assumptions underpinning key tax and spend assumptions. Due to the high level of integration within the**	**Given the current unprecedented level of uncertainty we would recommend that the Government Plan 2021-2024 is updated every six months and recalibrated for pressures and opportunities as they emerge.**

financial modelling, the sensitivity to marginal changes to income and expenditure may produce significant shifts in bottom line deficits through the 'gearing effect'. During the course of the plan, key assumptions around a number of critical income and expenditure components may need to be revisited and this may materially change the overall bottom line position on future deficits.

Appendices

Appendix I: Evidential Sources

List of Interviewees - 1

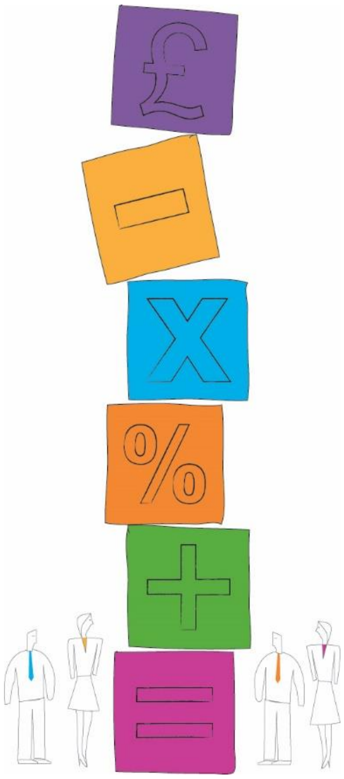
	Forename	Surname	Job Title
1	Richard	Bell	Treasurer to the States and Director General

List of Documents Reviewed

The documents reviewed by CIPFA included but were not limited to the following:

- Government Plan 2021-2024
- Master Annex to Government Plan 2021-2024
- Rebalancing Growth Review 2021-2024
- Government Plan 2020-2023 – 6 Months Progress Update
- Government of Jersey Annual Reports and Accounts 2019 including External Auditors opinion
- Debt Financing Options for the New Hospital – Refreshed- September 2019
- 2021 – 2024 Government Plan – Proposition – 28 September 2020
- Ratification of CoM Workshop decisions on Finance Workstreams – 4 September 2020
- Covid-19 Funding Framework & Scheme – March 2020 – Treasurer of the States
- Covid-19 Financial Update - Financial Update - Treasury & Exchequer – 24 April 2020
- Government Plan 2021-24 Committee and Panel Officers Update
- Results from the Jersey Opinion and Lifestyle Survey and the Government Plan Priorities Survey - Anuschka Muller, Director Strategic Planning and Performance – 4 September 2020
- R54 – 2020 Recovery Plan
- New Growth Funding for the Government Plan 2021-2024
- Jersey Fiscal Policy Panel – Annual Report – October 2020
- Jersey Fiscal Policy Panel - FPP supports Government Plan’s short-term economic stimulus and borrowing; but highlights need to return to sustainable government finances – October 2020 Press Release
- Income Forecasting Group (IFG) - Report on the revised forecast of States income for autumn 2020

- R122 – Proposals for the payment of the 2019 Tax Liability of Prior Year Basis Taxpayers
- P147 – 2020 – Draft Finance (2021 Budget) (Jersey) Law 202
- Ministerial Decision Reports – various – allocation of reserves to meet emergency funding pressures due to the impact of Covid-19



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