

# Government Plan: 2020 - 2023

Corporate Services Scrutiny Panel

11th November 2019

This report forms Section 2 of the Government Plan Review Panel's report on the Government Plan – S.R.13/2019



**WE  
SCRUTINISE  
GOVERNMENT.**

**GOV  
PLAN  
2020-23**

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

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## Section 2 – Corporate Services Scrutiny Panel

### 2.1 Panel membership

The Panel is comprised of the following States Members:



[Senator Kristina Moore, Chair](#)



[Deputy Steve Ahier, Vice-Chair](#)



[Connétable Karen Shenton Stone](#)



[Connétable Richard Vibert](#)



[Deputy Jess Perchard](#)

## 2.1 Chair's Foreword

The scrutiny process is public-facing. We are, after all, asking questions of Government on behalf of the people who elected us. Yet, as with most consultations, it is often difficult to truly engage with the community, even on really important matters such as public spending and revenue-raising.

In an attempt to gain an additional insight into what people are thinking and to learn more about why they hold those views, we held a number of focus groups. These groups have provided rich and interesting feedback. They have also given a clear and timely reminder; one of the issues that most impacts upon the lives of islanders is the cost of living.

Having received that message, the Panel has looked at the plan with that question in mind and found that, rather than helping with the cost of living, the Government Plan risks taking more money out of the pockets of its people at a time of global economic uncertainty. We have heard warnings of a potential downturn in the economy from the Fiscal Policy Panel, the Income Forecasting Group and, most recently, the Business Tendency Survey.

It is for that reason that the Corporate Services Panel is pleased to bring a number of amendments to the Government Plan. In the main, they are aimed at reducing the impact of revenue-raising measures or spreading the burden of them, as we are concerned by the variety of revenue-raising exercises within this Plan and the impact they will cumulatively have upon the disposable income of islanders, particularly upon those who already find the cost of living a struggle.

We have also given serious consideration to some of the major spending plans, particularly the £100m+ projects to update technology to modernise government. Although we have concluded that for 2020 it was not prudent to amend the plans in this area - due to the need to improve cyber security- that decision comes with a health warning; we have concerns about the level of spending in this area and will look at it again next year. We would like to see the spend reduced and spread over a greater period of time in order to restrain the acceleration of Government spending. We also want to have a better understanding of how this 6th government priority will make people's lives better.

When the new Public Finances Law was agreed, it adopted a requirement to consider the sustainable wellbeing of the Island. We have been disappointed to note that there is not an adequate demonstration of this commitment within the Government Plan. In a recent informal briefing for States members, some Ministers appeared to dismiss the connection between their proposals, the cost of living, and wellbeing.

It is often said that timing is everything. As a small island nation that performs on a global stage, we weather the effects of international economic cycles just as we have felt the remnants of recent hurricanes across the Atlantic.

Alarm bells have been sounded by the Fiscal Policy Panel (FPP), the Income Forecasting Group (IFG) and the recent Business Tendency Survey. All have warned the Treasury to plan for a downturn in the economy.

In August the IFG downgraded revenue forecasts. The Treasury has followed the FPP's recommendation by proposing a transfer to the stabilisation fund in order to be prepared for a downturn in the economic cycle. But that appears to be the only measure to take into account the possibility of a slowdown in the economy. The Ministers have chosen to follow the FPP's recommendation to:

*consider implementing revenue-raising measures or expenditure cuts now, when the economy is above trend, to increase the ability of the public finances to support the economy in a future period of below trend output.*

In light of the number of various revenue-raising measures in this plan, coupled with the submissions received and evidence gathered by Panels, it is perhaps too late to be imposing these measures as a package without regard for the impact it will have on the community and its wellbeing.

The Chartered Institute of Public Finance and Accountancy have produced an assessment of the Government Plan for the Corporate Services Scrutiny Panel. They note:

*It is significant that Average Earnings retrenches by 1.4% to 2.6%. As Income Tax (personal and corporate) accounts for approximately 74.5% of all General Tax Revenue the expected Income Tax achievement of £586m this year (2019) from £544m in 2018 then grow to £614m for 2020 appears to be extremely optimistic - particularly in a climate of significant uncertainty. The FPP state that "Growth in average earnings slowed markedly in 2019 to 2.6%. In real terms, after inflation, earnings fell for a second consecutive year."*

Yet, the Government is proposing a significant increase in duties, employer's contributions, the Long-Term care charge, and an increase in the Upper-earnings limit to pay for a spending hike of 12% each year, plus a doubling of the usual capital spend. The Panel holds the view that there is insufficient evidence to demonstrate the impact that these measures will have on members of the public and we call on States Members to support our amendments in an attempt to bring some protection to those who need it.

This process has been lengthy and we have been very grateful to our officers, who have worked diligently to keep across the process and provide us with excellent advice. We have been very sad to learn that one member of the team will be leaving their role in Scrutiny soon. They have made a great contribution to our work and although we wish them well in their new job, they will be greatly missed.



**Senator Kristina Moore**

**Chair, Corporate Services Scrutiny Panel**

## 2.2 Methodology

The Proposed Government Plan<sup>1</sup> is presented as a series of Actions aimed at meeting the Government's five Common Strategic Policy priorities, as well as a new sixth priority of Modernising Government.

A supplementary document<sup>2</sup> has also been lodged to accompany the Plan, detailing planned expenditure over and above that budgeted in previous years for additional measures and capital projects.

This document provides the most detail of proposed Government expenditure for 2020, even though it only represents around 18% of the total budget, while the actions in the Plan have limited, or no, information on expenditure.

The Scrutiny review of the Government Plan has taken a thorough approach, looking at each Action, Business Case for Additional Revenue Expenditure, and Business Case for Capital Expenditure in as much detail as possible with the information provided by Government.

A summary of all Actions and Business Cases reviewed by this Panel is provided in Section X.5 below. Only those Actions that do not correspond to a Business Case are listed in the summary table.

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.

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<sup>1</sup> [P.71/2019 - Government Plan 2020-2023](#)

<sup>2</sup> [R.91/2019 - Government Plan 2020-2023: Further Information on Additional Revenue Expenditure and Capital and Major Projects Expenditure](#)

## 2.3 Findings and Recommendations

### *Key Findings*

#### FINDING 2.1

States revenue expenditure will increase from a base budget of £735 million in 2019 to £824 million in 2020 (a 12% increase).

#### FINDING 2.2

Combined capital and revenue spending will exceed £1 billion by 2023.

#### FINDING 2.3

Modernising Government accounts for £76.7m of States spending in 2020. This is larger than the allocations for improving the economy (£65.9 million) and protecting the environment (£27.8 million).

#### FINDING 2.4

The highest allocation of new investment within the Government Plan is £25.4m to Modernising Government. This compares to new investment of £20.7m in Putting Children First.

#### FINDING 2.5

The Capital programme in the Government Plan amounts to £90 million. The Fiscal Policy Panel have welcomed the investment but say that there is a “significant risk” in delivering it.

#### FINDING 2.6

There is no published IT Strategy covering all IT spending in the Government Plan.

#### FINDING 2.7

The IT spend in the Government Plan is based on the minimum period in which it could be delivered.

#### FINDING 2.8

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

#### FINDING 2.9

Duty increases are intended to promote changing behaviours around health and the environment, but it is not apparent that consideration has been given to impact on the economy or local industries such as transport and hospitality.

#### FINDING 2.10

The food costs bonus has not been reviewed since 2014. In that time, RPI has increased by 13.8%.

#### FINDING 2.11

The Government plans to use hypothecated taxes more in the future, which is contrary to the advice of the Fiscal Policy Panel.

#### FINDING 2.12

We have a number of concerns about the information provided on the Efficiencies Programme. We consider that the detail presented calls into question the deliverability of the programme.

## FINDING 2.13

Changes to end inequality in the personal tax system have been delayed due to possible adverse impacts on certain groups.

## FINDING 2.14

The Chief Minister aims to develop stronger working ties between the Government and the States Greffe, although details on what this will entail are not provided.

## FINDING 2.15

The Treasury and Exchequer Department aims to increase its tax policy team to meet tax treaty commitments and improve tax transparency.

## FINDING 2.16

The quality of information provided for additional funding for the tax policy team was poor, and not of the standard expected for a request for additional revenue totalling almost £7 million.

## FINDING 2.17

Revenue Jersey aims to increase its use of digital systems and services and gradually phase out face-to-face services.

## FINDING 2.18

The business case for additional funding for commercial services lacks the expected level of detail regarding how the Chief Operating Office aims to spend the additional revenue requested.

## FINDING 2.19

The intended outcomes for the additional funding for tax compliance are not sufficiently clear.

## FINDING 2.20

The Panel has concerns about the ability to recruit to the 21 additional tax compliance posts in 2020 and therefore that the full funding allocation might not be used.

## FINDING 2.21

The budget for Human Resources (now called People and Corporate Services) for 2020 has increased by over 100%. The rationale for this is that Human Resources has been under resourced in the past and has been an easy target for savings.

## FINDING 2.22

The Supply Jersey procurement system is due to be replaced once the Government's new integrated technology system has been implemented.

## FINDING 2.23

The information provided in support of the additional funding for the One Government project is not convincing, and lacks detailed up-to-date information.

## FINDING 2.24

The Technology Transformation Programme is planned over a 7 year period and includes spending of £42 million (Revenue) and £99 million (capital) during the next 4 years. The spending has been planned over the shortest period possible in order to release the benefits sooner.



FINDING 2.25

The business case and supporting information for the “Delivering Effective Financial Management” project lacks the level of detail we would expect for a request for additional revenue of almost £10 million.

FINDING 2.26

The business case for £20 million (£5million per year) of funding for replacement IT assets consisted of 7 words. This level of detail does not enable the Panel to have confidence in this business case.

FINDING 2.27

There is no explanation or business case provided for the capital programme central risk and inflation funding of £1 million in 2020 (£6.3 million in total over 4 years)

FINDING 2.28

We have not been provided with enough information to make an assessment of the £1 million pre-feasibility funding for the States’ Office Strategy. This is in part down to delays in the Panel receiving a briefing from ministers on the project.

### *Key Recommendations*

#### RECOMMENDATION 2.1

To build public confidence and allow public scrutiny, the Government should publish a strategy covering all Government IT projects for the next 4 years and beyond.

#### Recommendation 2.2

The Minister for Treasury and Resources should give greater consideration to children's allowances in the future and how they can be used to help families meet the rising cost of living.

#### Recommendation 2.3

The Council of Ministers should bring forward proposals in the next Government Plan to address the impact of inflation on the rising cost of essential items such as food.

#### RECOMMENDATION 2.4

The Chief Minister should lodge the Efficiencies Programme for separate debate by the States Assembly and allow for a suitable period of scrutiny beforehand.

#### RECOMMENDATION 2.5

The Minister for Treasury and Resources should aim to prioritise the changes to the personal tax system to end the existing inequalities as soon as possible.

#### RECOMMENDATION 2.7

The Chief Minister should provide greater clarity as to what the new working protocols between the Government and the States Greffe will be, and how they will affect the interaction between Government departments and the States Greffe.

#### RECOMMENDATION 2.8

The Council of Ministers should aim to ensure that a house style and minimum standard of quality is met by each business case within future Government Plans.

#### RECOMMENDATION 2.9

The Minister for Treasury and Resources should provide a clearer outline of the methodology used to calculate the figures within Treasury and Exchequer's business cases, and avoid the inclusion of guesswork at all costs, particularly in regards to cases where considerable levels of additional revenue are requested.

#### RECOMMENDATION 2.10

In future Government Plans, the Council of Ministers should aim to provide greater clarity on how additional revenue requested in business cases will be used.

#### RECOMMENDATION 2.11

The Minister for Treasury and Resources should report back to the Panel on a quarterly basis on progress in delivering the outcomes of the additional funding for domestic tax compliance.

#### RECOMMENDATION 2.12

The Chief Minister should clearly explain why a budget increase of over 100% for People and Corporate Services is necessary, and how ministers assessed and challenged the business case put forward.

#### RECOMMENDATION 2.13

The Chief Minister should provide an update to the Corporate Services Panel every six months on the progress on delivering the additional funding into People and Corporate Services.

**RECOMMENDATION 2.14**

The Council of Ministers should subject each business case to a thorough review before including them within the Government Plan.

**RECOMMENDATION 2.15**

The Assistant Chief Minister with responsibility for digital technology should remain alert to the potential flexibility of the timeframe of the technology transformation project, due to its scale and financial investment.

**RECOMMENDATION 2.16**

The Assistant Chief Minister should ensure that subsequent IT projects and their overall spend are reviewed by Officers on an annual basis for future Government Plans, with a view to re-profiling the investment over a longer period of time if deemed suitable.

**RECOMMENDATION 2.17**

The Council of Ministers should give greater emphasis in each business case as to why additional investment is required and what it will be spent on, instead of providing a statement of need.

**RECOMMENDATION 2.18**

The Council of Ministers should ensure that each business case within future Government Plan's contains an adequate level of detail to support the funding being requested.

**RECOMMENDATION 2.19**

The Minister for Treasury and Resources should provide a separate business case for central risk and inflation funding in future Government Plans explaining how the amounts have been calculated, in order to provide assurance to States Members and the public regarding the amounts requested.

**RECOMMENDATION 2.20**

The Council of Ministers should provide greater levels of detail on pre-feasibility capital funding in future Government Plans.

## 2.4 Government Plan overview and context

The Government Plan 2020-2023 sets out the Government of Jersey's detailed income and spending plans for 2020 and indicative amounts for 2021-23. As part of our review, we have looked at the overarching construction of the Government Plan, as well as the specific policy initiatives which fall within our remit.

We engaged the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide expert advice on the financial structure of the plan, and also commissioned a series of focus groups in order to understand the views of members of the public on the plan.

CIPFA were positive about the overall structure and presentation of the Government Plan, but critical of the lack of detail within it. This was particularly in relation to financial detail that should have formed the basis of the budgets included in the plan, yet was not available when CIPFA completed their work 2 months after the plan was lodged.

The Government Plan process is a new one for Jersey, replacing the previous Medium Term Financial Plan (MTFP) process, which fixed government spending over a 4 year cycle. 2019 is the final year of the current MTFP cycle, and there have been criticisms that the process is too rigid and does not allow any change to spending plans in response to emerging pressures. For example, during the public sector pay dispute over the last 12 months, the Government has repeatedly said that the rigidity of the MTFP structure has not allowed it to offer additional money to resolve the dispute.

The Government Plan brings income and spending plans together on an annual basis, while still keeping an eye on the medium-term position by providing indicative amounts for the following 3 years. This will allow spending plans to be revisited each year, and changes made should circumstances require it. For the first time, the Government Plan also links spending with outcomes and service priorities, which CIPFA have complemented.

The Government plan proposes **£824 million of spending on public services in 2020** by States departments. This compares to a budget of **£735 million in 2019**<sup>3</sup>. This is a 12% increase in spending. This amount includes **new spending totalling £81 million**<sup>4</sup> in 2020, and **£40 million of efficiency savings**<sup>5</sup>.

In addition to this, the Government plan proposes **£91 million of spending on capital projects** (buildings, infrastructure and IT systems). This compares with a budget of **£32.5 million in 2019**<sup>6</sup>.

To fund this expenditure, the Government is forecasting **income of £892 million in 2020**. The balance of spending will be paid for from accrued surpluses. There are also transfers of **£36 million to the Stabilisation Fund** (to support the Island's economy in a downturn) and **£5 million to the Climate Emergency Fund**.

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<sup>3</sup> [See Government Plan Table 56, p196-197](#). It should be noted that actual spending in 2019 is forecasted at £801 million.

<sup>4</sup> [See Government Plan Table 56, p196-197](#)

<sup>5</sup> [See Government Plan p110](#)

<sup>6</sup> [See Government Plan Table 51, p192](#). It should be noted that actual capital spending in 2019 is forecasted at £70.9 million

## 2.5 Government Spending

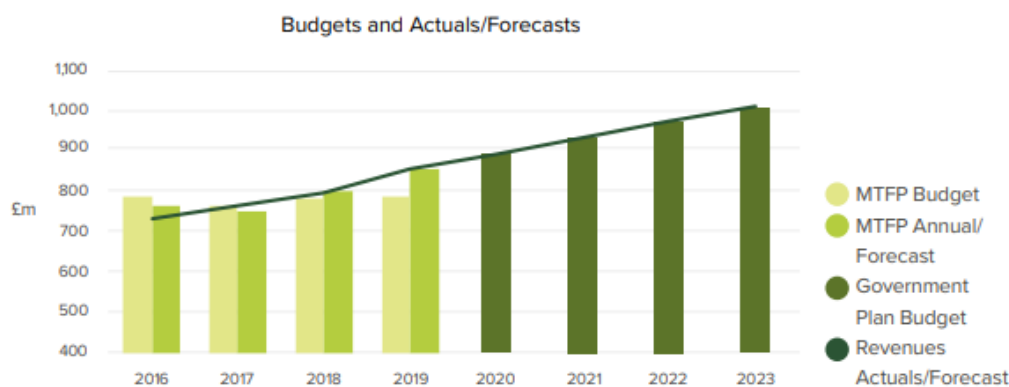
The Government Plan proposes a budget of £824 million for spending by States departments in 2020. That is an increase of £89 million (12%) compared to the 2019 budget of £735 million.

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	2020 (£000)	2021 (£000)	2022 (£000)	2023 (£000)
<b>Opening base budget</b>	<b>734,845</b>	<b>823,775</b>	<b>858,695</b>	<b>895,584</b>
New investment in CSP priorities	80,693	27,753	20,712	6,357
Inflation and Legislative Decisions	41,237	24,567	33,877	40,810
Efficiencies <sup>1</sup>	(33,000)	(17,400)	(17,700)	(18,900)
<b>Total net departmental expenditure</b>	<b>823,775</b>	<b>858,695</b>	<b>895,584</b>	<b>923,851</b>
Capital programme	90,640	91,801	87,478	78,868
<b>Total Government Net Expenditure</b>	<b>914,415</b>	<b>950,496</b>	<b>983,062</b>	<b>1,002,719</b>

In a public hearing on 10th October, the Chief Minister explained that out of the £89 million increase, around £30 million was due to projects started in 2019 that required continued funding. The remainder of the increase was for areas like Children’s Services and IT, which he referred to as “legacy issues”.

When the spending on buildings and infrastructure (the Capital programme), and the impact of inflation is taken into account, Government spending will be over £1 billion by 2023.



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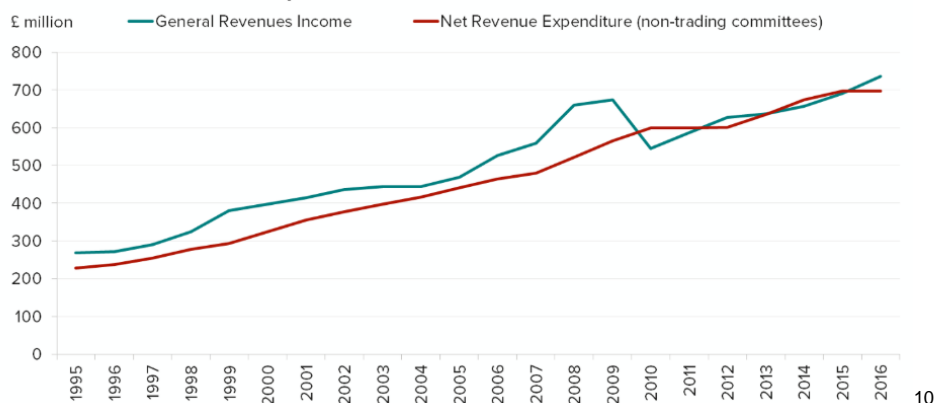
Over a longer period, it can be seen that Government spending (excluding the capital programme) increased from £522 million in 2008, to £698 million in 2016<sup>9</sup>. The latest forecast shows that 2019 spending is expected to be £800 million, rising to a budgeted amount of £924 million in 2023.

<sup>7</sup> [See Government Plan Table 56, p196-197](#). It should be noted that actual spending in 2019 is forecasted at £801 million.

<sup>8</sup> [Government Plan, Figure 6, p135](#)

<sup>9</sup> [States of Jersey income and expenditure](#), Statistics Jersey

**General funds income and expenditure 1996 to 2016**



**FINDING 2.1**

**States revenue expenditure will increase from a base budget of £735 million in 2019 to £824 million in 2020 (a 12% increase).**



**FINDING 2.2**

**Combined capital and revenue spending will exceed £1 billion by 2023.**

**Spending on Strategic Priorities**

Spending

- Children's Services and schools
- New health model and mental health
- More money for the economy, arts, culture and overseas aid
- £10m for affordable housing
- £5m for Climate Emergency Fund

A notable difference between the Government Plan and the previous MTFP is that spending is linked to the Government’s five strategic priorities. The plan also outlines the actions that the Government will take to deliver its priorities and the high level indicators which it will use to measure its progress. The plan notes that a performance framework will be published by January 2020.

CIPFA told us that this was one of the strengths of the Government Plan: *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 common within UK public bodies.*<sup>11</sup>

However, a consistent theme in our focus groups was that the Government Plan needs to have clearer measures and key performance indicators so that progress can be demonstrated.<sup>12</sup>

The “Corporate Performance Framework” which is due to be published by January 2020<sup>13</sup> might address some of these comments.

<sup>10</sup> [States of Jersey income and expenditure](#), Statistics Jersey

<sup>11</sup> CIPFA report, page 10 (See **Error! Reference source not found.**)

<sup>12</sup> [Focus Groups report](#) (in particular the “Lift Ride” comments p.39-40)

<sup>13</sup> [Government Plan, page 20](#)

The breakdown of planned spending in 2020 by strategic priority is outlined in the table below. In addition to the five Strategic priorities, the Government Plan also includes categories for spending under “Modernising Government” and “Supporting Services outside the CSP”.

<b>2020 Spending<sup>14</sup></b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
<b>Improve Wellbeing</b>	£223.9m	£21.1m	<b>£245.0m</b>
<b>Reduce inequality</b>	£188.9m	£0m	<b>£188.9m</b>
<b>Put Children first</b>	£137.9m	£5.0m	<b>£142.9m</b>
<b>Supporting services outside the CSP, inflation, efficiencies</b>	£107.6	£3.7m	<b>£111.3m</b>
<b>Modernising Government</b>	£76.8m	£28.0m	<b>£104.8m</b>
<b>Vibrant Economy</b>	£65.9m	£3.7m	<b>£69.6m</b>
<b>Protect our environment</b>	£27.8m <sup>15</sup>	£29.2m	<b>£57.0m</b>
<b>TOTAL</b>	<b>£828.8m</b>	<b>£90.7m</b>	<b>£919.5m</b>

There was a mixed reaction in the focus groups to the relative amounts for each category. Some groups questioned why “Modernising Government” had such a large budget, while others thought that this may improve efficiency within the government, particularly through better use of technology.<sup>16</sup> Some participants questioned why “protect our environment” has the lowest budget.

The Government Plan also breaks down spending at both department and ministerial level. In percentage terms, the biggest increases in spend in 2020 are in the Strategic Policy, Performance and Population Department (102%), the Chief Operating Office (73%) and the Office of the Chief Executive (51%). The lowest percentage increase is in the Customer and Local Services Department (0.5%)<sup>17</sup>. These are all new departments which have been created following the restructure of the Government during 2018/19. Their budgets were created through transfers of amounts previously held in different departments in the old structure. The transfers were detailed in a [‘Transition Report’](#) published in December 2018.

<sup>14</sup> [Government Plan Table 52](#), p193

<sup>15</sup> Includes £5m Climate Emergency Fund allocation

<sup>16</sup> [Focus Groups report](#), p19

<sup>17</sup> [Figures taken from Government Plan, Table 56](#), p196-197



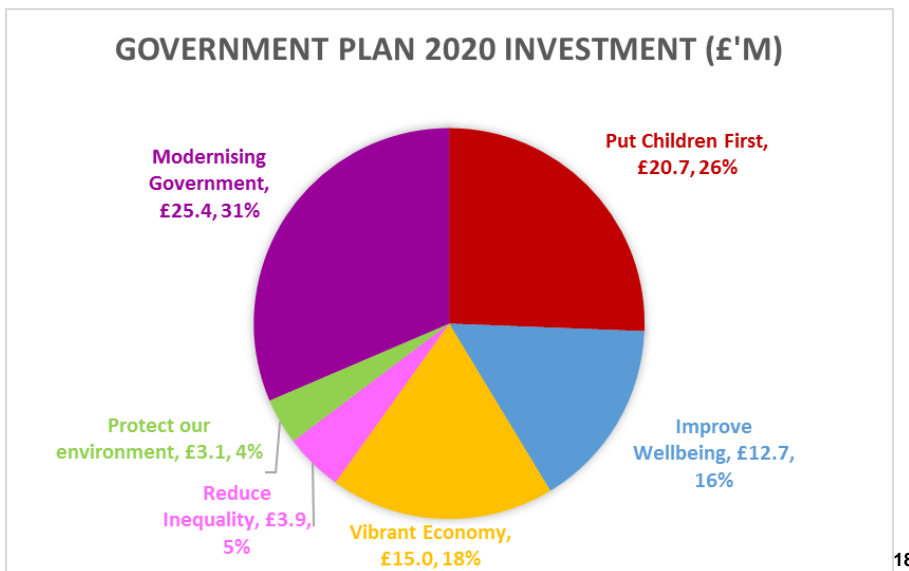
**FINDING 2.3**

**Modernising Government accounts for £76.7m of States spending in 2020. This is larger than the allocations for improving the economy (£65.9 million) and protecting the environment (£27.8 million).**

**Investment**

Included within the Government Plan is a total of £80.7m for “investment in CSP priorities”. This is new spending over and above the services that are currently delivered. Business cases for the projects that make up the total of £80.6 million have been published in a [supplementary report](#) to the Government Plan.

The scale of the investment is much larger than seen in the 2016-2019 financial cycle. In 2016 (the first year of the current Medium Term Financial Plan), investment in new projects was budgeted at £21.9 million. The figure for 2019 has been £20.5 million. The biggest single allocation of investment is to “Modernising Government” (£25.4m), followed by “Put Children First” (£20.7m).



**FINDING 2.4**

**The highest allocation of new investment within the Government Plan is £25.4m to Modernising Government. This compares to new investment of £20.7m in Putting Children First.**

**Capital spending**

In common with the “investment” in new services, the capital budget for 2020 is significantly bigger than in recent years. A total of £90.6 million is proposed to be spent on projects ranging from the sewage treatment works (£7.8m), mental health facilities (£3.9m), an Integrated Technology Solution (£7.4m) and feasibility studies for the new hospital (£5m). CIPFA told us

<sup>18</sup> Chart prepared by Scrutiny Panel



that it is unlikely that this level of investment will be achieved, and highlighted that the comparative spend in 2018 was £18m and in 2017 it was £47.6m.

CIPFA also said: *Such levels of delivery require capacity in terms of skilling and availability of suitable/contractors suppliers. We remain to be convinced that such attributes will be available to deliver the size and complexity of the investment programmes included within the Government Plan. For example, there does not appear to be a realistic overall appreciation of slippage or optimism bias*

In economic terms, the Fiscal Policy Panel welcomed the investment in the capital programme, but commented that “the scale of the expansion is clearly a significant risk within the Government Plan”.<sup>19</sup> The FPP goes on to highlight the “recent history of capital expenditure failing to be delivered on time (an issue not by any means unique to Jersey)”<sup>20</sup>.

The following graph in the FPP’s report shows the level of forecast capital spent, combining the capital programme in the Government Plan, with forecast spending by trading operations and subsidiary companies such as Andium.

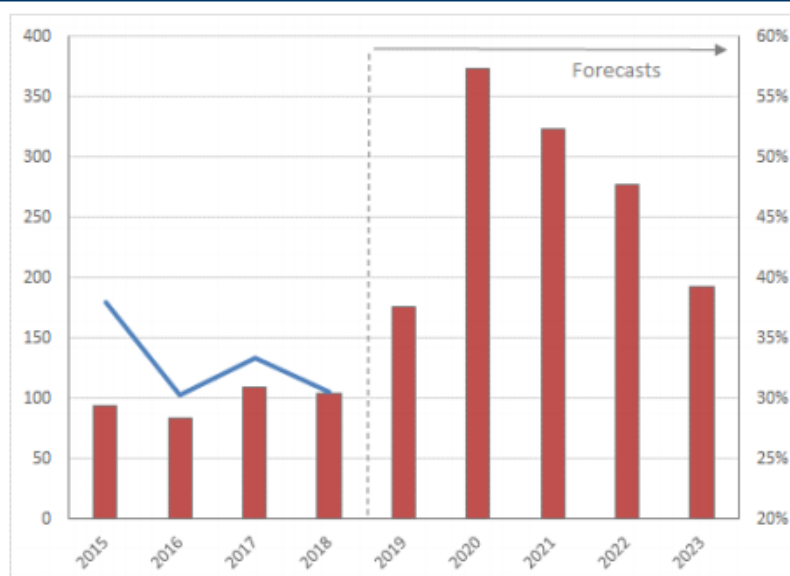
**Figure 2.6**

Capital spending, outturn and forecast cashflow

£ million (current prices) including trading operations and subsidiary companies: Andium, Ports of Jersey and JDC (LHS).

% construction GVA (RHS)

Source: Treasury and Exchequer



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We asked the Chief Minister about the inflationary impact of the capital spending in light of existing competition in the construction history. The Chief Minister told us that I.T. is a significant tranche of the spending, so would not impact on the construction industry. He also highlighted that workers could be brought in from outside the Island if required.

**Senator K.L. Moore:**

*One of the very few members of the public who were in attendance at the public meeting earlier this week on the Government Plan asked the question of the inflationary impact of such a significant amount of capital spending and how the economy can sustain that when there is already considerable competition, particularly*

<sup>19</sup> [Fiscal Policy Panel Annual Report – October 2019, p32](#)

<sup>20</sup> [Fiscal Policy Panel Annual Report – October 2019, p33](#)

<sup>21</sup> [Fiscal Policy Panel Annual Report – October 2019, p32](#)

*in the construction market. How do you propose to alleviate that pressure on the economy, Chief Minister?*

**The Chief Minister:**

*I was going to say it is a multifaceted answer again, because it is not just construction. As we said, I.T. is a significant tranche. That is not in competition with the construction industry, obviously. There is a twofold thing here. One is, which is positive both ways, in the context of Brexit if we have a slowdown this gives us some flexibility as to how we can help the economy, because potentially at the moment some of the plans, which we can talk about a bit more, if it is construction, for the sake of argument, might mean more prefab and might mean bringing staff in from outside, so you are not hitting the tighter job pool here. If that job pool slows down, you can turn that round and do more work on Island, so it will depend.*



**FINDING 2.5**

**The Capital programme in the Government Plan amounts to £90 million. The Fiscal Policy Panel have welcomed the investment but say that there is a “significant risk” in delivering it.**

### Technology spending

The Government Plan refers to a ‘technology debt’, as a result of historical lack of investment in IT.<sup>22</sup> The Plan sets out over £100 million of spending on IT projects over 4 years.

**Senator K.L. Moore:**

*Okay, but could you just remind us exactly the sum that we are looking at in terms of capital and revenue expenditure on I.T. programmes for the States of Jersey?*

**Chief Operating Officer:**

*Over the 4 years, the capital programme is, I believe, £99 million and the revenue is £42 million.<sup>23</sup>*

We note that the £42 million referred to by the Chief Operating Officer only covers the ‘Technology Transformation Programme’, however other projects also incorporate revenue spending on IT (for example £18.75 million on ‘Modernisation and Digital – enhanced capabilities’<sup>24</sup>), meaning the actual spending across the States on IT is even higher.

In 2020, the proposed new spending on IT is £32.2m.<sup>25</sup>

Most of the spending is in the later years (2023-24) of the Government Plan. We were told that was because of the need to develop detailed business cases for each project and that some projects are spread over a longer period (up to 7 years).

The biggest IT projects set out in the Government Plan are:

- £42 million - Technology Transformation Programme (Revenue project)
- £28 million - Integrated Technology Solution (Capital project)

<sup>22</sup> [Government Plan, p143](#)

<sup>23</sup> Public Hearing with Deputy Wickenden and Chief Operating Officer, 17th September 2019, p.4

<sup>24</sup> [R.91/2019](#), p104

<sup>25</sup> Capital spending of £24.4m and Revenue Spending of £6.75m

- £20 million - Replacement Assets (Capital)
- £18.75 million - Modernisation and Digital – enhanced capabilities (Revenue)
- £13.8 million - Cyber Security (Capital)
- £9 million - MS Foundation Project (Capital)

Despite the levels of spending being proposed, there is no clear IT Strategy outlined in the Government Plan or published elsewhere. We were, however, provided with a confidential Strategic Outline Business Case for a “Technology Transformation Fund”. This provides the supporting information for much of the IT spending in the Government Plan.<sup>26</sup> We are not able to publish this Business Case or question Ministers publicly on it.

We also asked about the Government’s poor track record on delivering IT projects and whether this new spending would be any different:

***Deputy K.F. Morel:***

*One of the things that bothers me, before we go into individual business cases, is the Government’s track record, and both on I.T. development and privacy, I believe the Government has got a very poor track record. Why should we trust the Government to get these things right now, given that you have had responsibility, Assistant Minister, in this area for years?*

***Assistant Chief Minister and Assistant Minister for Social Security:***

*Yes. In the past, certainly in the last term when I was head of the eGov programme, we did not really have a Corporate Portfolio Management Office that oversaw the projects. We did not have the authority and were not given the authority by the Chief Executive Officer to enforce on the Chief Officers getting information on how they were delivering projects, were they hitting their targets, were they over or underspending in those areas. That is changing in this one. We are putting together a proper Corporate Portfolio Management Office that is not done by people part-time on the side of their desk. It is going to be a proper office.*

The States has spent significant amounts on IT projects in recent years, including £50 million on the Information Services team and £20 million on capital projects in the last MTFP (2016-19)<sup>27</sup>. £15 million was also allocated from contingencies in the last year of office of the previous Council of Ministers for spending on IT related projects<sup>28</sup>. We feel that a clearer explanation needs to be provided on what previous allocations were spent on and what the outcomes have been. It appears that ministers and officers are simply blaming previous regimes, with no accountability or demonstrated benefits for the significant amounts spent in the past.

We asked about the timescales for delivering the IT programme. The Chief Operating Officer told us in a public hearing that “*We looked to see how quickly we could do this, and this is spread out over the minimum time it would take*”. He also explained that extending the time period would delay the benefits of the projects:

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<sup>26</sup> Despite the reference on page 186 of the Government Plan to an IT Investment Fund being considered, we were told in a public hearing with the Assistant Chief Minister that a decision had been taken not to proceed with a separate investment fund (Public Hearing with Deputy Wickenden and Chief Operating Officer, 17th September 2019, p.54)

<sup>27</sup> [MTFP Addition Annex](#), page 34

<sup>28</sup> From analysis of relevant ministerial decisions between 1/1/17 and 16/05/18

**Deputy K.F. Morel:**

*Why could you not spread these 4 years further? Why not? Why could you not spend half as much each year?*

**Chief Operating Officer:**

*We could. I mean, there are some burning platforms that have to be addressed.*

**Deputy K.F. Morel:**

*I appreciate that.*

**Chief Operating Officer:**

*The later you complete the longer you put off the benefits, so in terms of going back to how do you get some of these benefits in by the end of the Government Plan, like I say, we did not do the technology case as a 4-year case. If you look at the thing it is a 7-year case, because we did not think that 7 years was ... but to finish in 7 years you have to have started everything within 4 years.*

In our comments above on the capital programme, we highlighted the views of CIPFA in relation to the scale and deliverability of the capital programme in general. Given that IT spending makes up 25% of the capital programme, we are concerned that the IT programme is not deliverable in the proposed timeframe. It should also be seen in the context of significant increases in government spending in 2020.

**FINDING 2.6**

***There is no published IT Strategy covering all IT spending in the Government Plan.***

**FINDING 2.7**

***The IT spend in the Government Plan (over £100 million) is based on the minimum period in which it could be delivered.***

**RECOMMENDATION 2.1**

***To build public confidence and allow public scrutiny, the Government should publish a strategy covering all Government IT projects for the next 4 years and beyond.***

**Reserve/ Contingency**

To deal with unforeseen costs, the government usually includes a 'contingency' amount in its budgeting. Under the new Public Finance Law, this has been renamed the "Reserve".

The Government Plan allocates £33.5 million to a 'Reserve for centrally held items' and £11.6 million to a 'General Reserve'. There is a short explanation of these headings on page 136 of the Government Plan, but no breakdown of the totals. We have since been provided with a breakdown, [which we have published](#) on our website and include below.

**Reserves breakdown GP 2020-23**

<b>General reserve</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Restructuring reserve	5,650	-	-	-
Annually Managed Expenditure (AME) contingency	-	2,000	2,000	2,000
Departmental Expenditure Limited (DEL) contingency	5,000	5,000	5,000	5,000
Provision for pilot schemes	1,000	1,000	1,000	1,000
	<u>11,650</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>

<b>Reserve for centrally held items</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Pay awards	26,560	40,116	54,119	68,584
Pensions and Soc Sec increases	2,155	7,981	8,337	8,696
Non-Pay - net inflation 2020+	4,857	9,874	15,057	20,411
Revenue consequences of capital schemes	-	234	245	305
	<u>33,572</u>	<u>58,205</u>	<u>77,758</u>	<u>97,996</u>

The trade unions were critical that the Government Plan does not contain details on what provisions have been put in place for public sector pay awards during the period<sup>29</sup>, noting that, “unless there is some form of financial commitment within the budgets for future years”, the States Employment Board will be in the position of not having adequate funds approved to offer cost of living pay awards<sup>30</sup>.

From the information we have seen, there appears to be some provision in the Reserve for future increases in public sector pay. However, we cannot verify the amounts or percentage increases budgeted for,<sup>31</sup> and there is no express commitment in the Government Plan to planning for pay awards at a particular level.

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<sup>29</sup> [JCSA Prospect and Unite Submission, p.3](#)

<sup>30</sup> [JCSA Prospect and Unite Submission, p.3](#)

<sup>31</sup> We were provided with a more detailed confidential breakdown of the Reserve, but this did not show how the figures within it had been arrived at.

## 2.6 Financial forecast and the economy

We have considered the financial forecasts and economic outlook as part of our work. This includes the relevant section of the Government Plan, starting from [page 127](#). We have also reviewed the [Spring 2019 Revised Income Forecasts](#) and the Fiscal Policy Panel's [September 2019 Update](#) and [Annual Report \(October 2019\)](#).

### Economic slowdown

With regard to the economic outlook, the FPP have pointed to a global economic slowdown and the increased likelihood of 'downward pressure on Jersey's economy in 2020 than was anticipated six months ago'. As a result, the FPP's [latest economic assumptions](#) are downgraded for 2020. The forecasts remain unchanged for 2021 and 2022, but this is dependent on the outcome of Brexit and the duration of the global economic slowdown. The FPP have also provided a [further set of economic assumptions](#) for a no-deal Brexit scenario (either on 31 October, or in early 2020).

*Though GVA rose in 2018, the balance of recent indicators (in particular earnings, responses to the Business Tendency Survey and social security contributor numbers) suggests a cooling in the economy this year. Whereas the Panel's central assumption is for a continued expansion of 1% or higher for the next two years, this is highly dependent on a favourable outcome to Brexit negotiations.*

The Business Tendency Survey is a measure of business activity, as reported by the directors of private sector organisations. The Fiscal Policy Panel reports shows that responses from both finance and non-finance organisations report a dip in business activity in 2019.<sup>32</sup>

**Figure 1.11**

#### Finance business tendency

% net balance of respondents reporting an increase in business activity and future business activity (both weighted by employment). Annual average of quarterly results to June 2019.

Source: Statistics Jersey



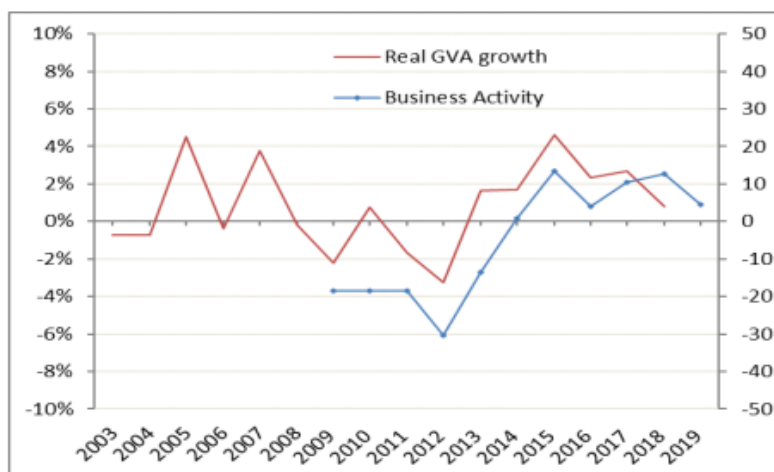
<sup>32</sup> [Fiscal Policy Panel Annual Report](#), October 2019, p12 and 15

**Figure 1.15****Non-Finance GVA Growth**

Annual real GVA growth excluding financial services and rental (left-hand scale)

Non-finance responses to business activity question averaged over each year (right-hand scale). Note: 2019 based on average of responses to "business activity" in March to June, plus "future business activity" from the June survey

Source: Statistics Jersey

**Income Forecasts**

The Government Plan is based on the FPP's Spring economic assumptions, rather than the downgraded September 2019 assumptions. This means that there is a risk that income in 2020 might be lower than the forecasts that the Government Plan is based on. This is something that CIPFA highlighted to us;

*However, at this point in time we are of the view that there may be significant risks in running with income tax yield estimates embedded within the Government Plan. The IFG based income forecasts were influenced by the FPP's spring economic assumptions.*<sup>33</sup>

When asked for the latest information on tax collection in 2019, the Treasury and Exchequer Department was not able to provide the information. CIPFA therefore have not been able to assess the likely 2019 income against the forecasts and go on to say that income tax forecasts for 2020 appear to be "extremely optimistic".

*As Income Tax (Personal and Corporate) accounts for approximately 74.5% of all General Tax Revenue the expected Income Tax achievement of £586m this year (2019) from £544m in 2018 then grow to £614m for 2020 appears to be extremely optimistic – particularly in a climate of significant uncertainty. The FPP state that "Growth in average earnings slowed markedly in 2019 to 2.6%. In real terms, after inflation, earnings fell for a second consecutive year."*<sup>34</sup>

We asked the Treasury team about the actions they would take in the event of a downturn in the economy. The Treasurer told us that one of the actions would be to stop the transfer of £36 million into the Stabilisation Fund and use that money to support government spending instead:

*"...in the event of the economic forecast changes or very likely in the case of a day one no deal we would have to consider changes to the plan. The first layer of changes to that plan would be not to put money into the Stabilisation Fund, because you would expect your income forecast to drop and the question would be: do you want to still consider the level of spending you are considering? Most economic theory will say that*

<sup>33</sup> CIPFA Report, page 11 (Error! Reference source not found.)

<sup>34</sup> CIPFA Report, page 14 (Error! Reference source not found.)

*the best a government can do for an economy that is in recession is to continue spending, and in particular on capital.*<sup>35</sup>

### **Productivity**

The Fiscal Policy Panel highlighted the longer term challenge of improving productivity. In its October report, it made the following recommendation:

*The Panel looks forward to the development of the Economic Framework and recommends that funding should be made available in future Government Plans to support initiatives with genuine potential to raise private sector productivity.*<sup>36</sup>

The Government Plan includes an action to develop an economic framework (page 60), with a 'productivity support scheme' due to be introduced in 2021 (page 65). However, there is no specific government funding for initiatives to improve productivity in 2020. The 2016-19 Medium Term Financial Plan included specific provision of £5 million per year for an 'Economic and Productivity Growth Drawdown Provision'.

We note from the evidence taken by the Economic and International Affairs Scrutiny Panel that productivity funding originally planned for 2020 was scaled back and will now be phased in in future years.

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<sup>35</sup> [Public Hearing with the Minister for Treasury and Resources](#), 3rd October 2019

<sup>36</sup> [Fiscal Policy Panel Annual Report](#), October 2019, page 42



## 2.7 Tax raising measures

The Government Plan includes a number of tax raising measures, as outlined in the following table<sup>37</sup>:

2020 Proposed revenue measures	(Benefit for taxpayers) / cost for taxpayers versus base (£000)	(Benefit for taxpayers) / cost for taxpayers versus forecast (£000)
Personal income tax threshold increases	(6,000)	Nil
GST de-minimis reduction	400	400
Alcohol duty increases	1,647	962
Tobacco duty increases	1,389	888
Road fuel duty increases	925	925
<b>General Revenue Total before earmarked road fuel duty increases</b>	<b>(1,639)</b>	<b>3,175</b>
Earmarked Road fuel duty increases - Climate Emergency Fund	1,849	1,849
<b>General Revenue Total</b>	<b>210</b>	<b>5,024</b>
<b>Social Security Contributions</b>		
Long-Term Care charge	23,700	23,700
Social Security Contribution rates - family friendly benefits	3,350	3,350
<b>Contributions Total</b>	<b>27,050</b>	<b>27,050</b>

Table 25 – Summary of revenue measures

### Tax exemption thresholds

The following tax exemption thresholds are proposed to increase by 3.1% in 2020:

- Single person exemption (increase from £15,400 to £15,900)
- Married couple/civil partnership (increase from £24,800 to £25,550)
- Second earners allowance (increase from £6,000 to £6,250)

There are no increases proposed to the child allowance (£3,000) or additional child allowance (£4,500). We note that these allowances have not been increased since before 2011<sup>38</sup>.

<sup>37</sup> [Government Plan, page 163](#)

<sup>38</sup>

<https://www.gov.je/TaxesMoney/IncomeTax/Individuals/AllowancesReliefs/Pages/AllowancesReliefs2011.aspx>

**FINDING 2.8**

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

**RECOMMENDATION 2.2**

***The Minister for Treasury and Resources should give greater consideration to children's tax allowances in the future and how they can be used to help families meet the rising cost of living.***

**Stamp Duty**

The Government Plan states that there are no changes to Stamp Duty proposed in the Government Plan, as the Housing Policy Development Board is continuing to develop its work around Housing Policy.

In our [report](#) on the 2019 Budget last year, we recommended that the Minister reduce the number of Stamp Duty Bands and take action to address the slow turnover rate in some sections of the housing market.

The Minister's [response](#) said that this would be addressed by the Housing Policy Development Board. The Panel is disappointed that no progress has been made on this matter in the last 12 months. In fact, a review of [the work of the Housing Development Board](#) in 2019 suggests that Stamp Duty has not featured in the Board's discussions.

We questioned the Minister and her Assistant Minister in a public hearing on what they are doing to address the housing crisis in 2020, and they again pointed to the work of the Policy Development Board;

**Senator K.L. Moore:**

*The Assistant Minister referred to some of the work that the Policy Development Board have looked at and my question really is the public would like to hear, rather than looking at things, what is being done to address the issues that people live with on a day-to-day basis?*

**Assistant Minister for Treasury and Resources:**

*Yes, and they will as soon as the board has finished and finalised its work.<sup>39</sup>*

In light of the lack of progress, we have lodged an amendment to increase Stamp Duty on properties above £1 million. The amended rates we have proposed are still well below the rates in England and Scotland.

**Alcohol, Tobacco and Fuel Duty increases**

The Government Plan proposes increases in alcohol duty in line with inflation for low and standard strength alcohol. Duty on high strength alcohol is increased above inflation. For example, duty on Spirits on will be increased by 10.9% above inflation. Tobacco duty is also subject to above-inflation increases.

In their submission, Randalls suggested that there is a "double standard approach" at play, where alcohol sold in supermarkets "is deemed less harmful than the alcoholic drinks sold in

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<sup>39</sup> [Public Hearing with the Minister for Treasury and Resources](#), 3rd October 2019

our regulated on-licensed outlets.” They support this claim by noting that supermarkets are able to offer promotions on alcohol and are often promoted as loss leaders allowing supermarkets to cover any duty losses lost by shoppers buying high margin own-brand products.<sup>40</sup>

In the focus groups, some recognised that the tax increases might have health benefits. However, others queried whether the increases would really stop people from drinking or smoking and thought people would carry on and would just have to pay more. Social Media comments that we received tended to reflect this view. Some people also commented on the impact on tourism of continued duty rises.

Fuel Duty is planned to increase by 6p per litre. Part of this increase (4p per litre) is directed to the Climate Emergency Fund to fund work to tackle the Climate Emergency. The Government’s [initial report](#) on tackling the climate emergency indicates that further above inflation increases in fuel duty are planned for 2021 and 2022 (as set out on page 161 of the Government Plan).

Participants in the focus groups had some concerns about the inflationary impact of the Fuel Duty increase and the general pressure on motorists. We also note the comments (see page **Error! Bookmark not defined.**) of the Environment, Housing and Infrastructure Panel about the impact on the commercial sector and the lack of consultation on the increase.

#### FINDING 2.9



***Duty increases are intended to promote changing behaviours around health and the environment, but it is not apparent that consideration has been given to impact on the economy or local industries such as transport and hospitality.***

#### Other tax measures

The de-minimis level on GST is proposed to reduce from £240 to £135 from 1 July 2020. We did not receive any evidence raising concerns about this. Participants in the focus groups felt that it would not make much of a difference, as goods bought online would likely still be cheaper. The reduction would result in additional GST of approximately £5 on an item worth £240.

The Panel notes that the Food Cost Bonus for low income households (£227.00), which is intended to mitigate the impact of GST on food, was last reviewed in 2014.<sup>41</sup> A mechanism in the law to link it to inflation (RPI) was removed in 2016<sup>42</sup>. Since that time, inflation has increased by 13.8% but the food cost bonus has remained at the 2014 level. Citizens Advice Jersey told us that based on the increase in RPI, the bonus should be set at £258.25 in 2020.

The Long-Term Care Charge is planned to increase from 1% to 2% on 1 January 2020. This is a larger increase than the 0.5% increase recommended by an actuarial review of the Long-Term Care Fund in 2017. However, the proposed increase follows the advice of the Fiscal Policy Panel in March 2019 that “*increasing the rate while the economy is above trend could*

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<sup>40</sup> [Randalls Submission](#), 30 September 2019

<sup>41</sup> [Citizens Advice Submission](#), 6th November 2019

<sup>42</sup> [See P.83/2016 Draft Food Costs Bonus \(Jersey\) Regulations](#)

*allow a balance to be built up in the Fund that might allow a temporary reduction of the rate in future when the economy dips below trend.*<sup>43</sup>

The FPP commented on the proposed 1% increase in their October 2019 report: *“However, in the case of the Long-Term Care (LTC) charge, the full increase in the contribution will not be spent in 2020 but will contribute to the longer-term sustainability of the LTC Fund. Raising this additional revenue now is appropriate, and likely to be less harmful than doing so at a time when the economy is below trend.”*<sup>44</sup>

The following graph in the Government Plan shows the projected balance of the Long-Term Care Fund with and without the increase.<sup>45</sup>

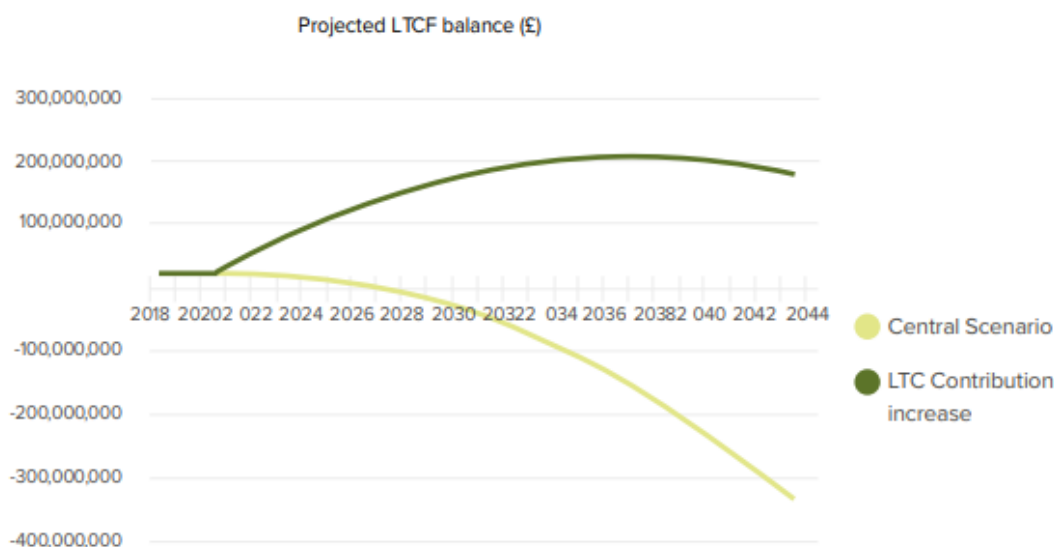


Figure 36 – Projected Long-Term Care Fund balance

Increases to social security contributions are also proposed in the Government Plan, in order to fund the provision of new family friendly employment rights and associated benefits.

- The ‘Upper Earnings Limit’ is increased from £176,232 to £250,000. This will mean additional employers social security contributions are due for people earning above £176,232.
- The contribution rate for employers will increase from 2% to 2.5% on all earnings between £53,304 and £250,000.

The proposed increases will raise £3.35 million in 2020, covering the estimated £3 million cost of the new benefits.

<sup>43</sup> [Fiscal Policy Panel Advice for the 2020-23 Government Plan](#), March 2019, page 44

<sup>44</sup> [Fiscal Policy Panel Annual Report](#), October 2019, page 29

<sup>45</sup> [Government Plan, p175](#)

**FINDING 2.10**

***The Food Costs Bonus has not been reviewed since 2014. In that time, RPI has increased by 13.8%.***

**RECOMMENDATION 2.3**

***The Council of Ministers should bring forward proposals in the next Government Plan to address the impact of inflation on the rising cost of essential items such as food.***

**Focus Group reactions to tax increases**

In the Focus Groups, there were mixed responses to the planned increases<sup>46</sup>.

*"At the moment a pack of cigarettes is around £9.80 and I think taking the price of the £10 mark will be a psychological limit to a lot of people smoking. Maybe at that point you may see a health benefit"*

*"I don't know how much this is an incentive to stop drinking, if there are people who drink and smoke too much they are going to continue to do that"*

*"I hope that that reduces the number of cars on the road"*

*"tax going up has a massive impact like buses go up, everything goes up, it's not just petrol it actually has a much wider effect"*

One particular comment in the focus groups summed up the likely impact of all the tax increases:

*"Very personally for me, my evening job, I work in pub. So immediately I am losing more customers, the ones that are in are going to spend less because of the duty rises, it will cost me more to get to and from work. My employer then has got to pay more social security for me, which they are going to end up just letting me go. Which means I will then go to income support claim more money, give less back to the government. It makes absolutely no sense whatsoever! And I know that is me personally, but there are lots more of me!"<sup>47</sup>*

**Tax policy**

The allocation of the 4p increase in Fuel Duty to Climate Emergency Work is referred to by the Fiscal Policy Panel as a 'hypothecated tax'. This where a tax is directly linked to a particular part of government spending.

The FPP also draws attention to a policy statement in the Government Plan that suggests the Government intends to use this approach more in the future and warns against it:

<sup>46</sup> [Focus Group report](#), p27

<sup>47</sup> [Focus Group report](#), p27

*“More generally, the Government Plan goes further than this, by setting out a principle that promotes hypothecation:*

*“For new areas of significant investment, such as initiatives designed to respond to the climate emergency declared by the States Assembly, investment should be tied to a funding mechanism, such as a hypothecated tax.” (p. 132)*

*This principle appears overly cumbersome and will be difficult to implement in practice. Indeed, it is not clear that the Government Plan follows this principle as there is significant new spending in priority areas that is not tied to a matched income stream.”<sup>48</sup>*



#### **FINDING 2.11**

***The Government plans to use hypothecated taxes more in the future, which is contrary to the advice of the Fiscal Policy Panel.***

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<sup>48</sup> [Fiscal Policy Panel October 2019 report](#), page 29

## 2.8 Efficiencies

The Government Plan sets out an aim to provide ‘more efficient and effective public services’ and for Government to ‘transform the way in which it delivers public services, to do more with less’. The Government has set itself a target of making £100 million of efficiencies from 2020-2023, with £40 million of that total to come in 2020.

However, the plan does not explain where the £40 million of efficiencies will come from. Instead, it provides a high level summary of £19.7 million of the efficiencies, and commits to publishing an efficiencies plan prior to the debate of the Government Plan.

The [efficiencies plan](#) was then subsequently published on 21st October 2019. This timeline has been a source of considerable frustration among Scrutiny Panels and other States Members, as it allows only 3 weeks for States Members to consider the proposed efficiencies before the deadline for lodging amendments to the Government Plan. Although Scrutiny Panel Chairs received an initial briefing on 19th September, we only received a high level summary of the efficiencies and did not have a public document on which to question ministers.

In addition, by the time the plan was published in October 2019, most Scrutiny Panels were already finalising their reports on the Government Plan. Scrutiny Panels have therefore not had the opportunity to analyse or take evidence on the proposed efficiencies.

At a technical level, it is important to note that the proposed efficiencies plan has not been brought as an amendment to the Government Plan. Therefore, the departmental allocations that States Members will be approving on 26th November are before the efficiencies have been applied. This means that there is no legal requirement for Ministers or departments to implement the efficiencies they have committed to. It will also, arguably, make it more difficult for the Assembly to track delivery of the efficiencies, as they will not be hardwired into department budgets.

The efficiencies plan sets out the Government’s definition of an efficiency and the distribution of the specific measures:

### ***Definition of an efficiency***

*Efficiency signifies a level of performance that uses the least amount of input to achieve the highest amount of output. Reflecting the broader strategic and operational objectives of the Government of Jersey, programme efficiencies include:*

#### ***1. A reduction in revenue spend, delivering better-quality services for less, through:***

- reducing non-essential spend and developing lower-cost alternatives*
- streamlining processes*
- integrating services and functions and reducing duplicate activity.*

#### ***2. More efficient collection of existing income and better debt management***

#### ***3. Increasing the Government’s revenue through further recovery of existing costs, moving towards full cost recovery of services where appropriate.***

#### ***4. The extension and increase of existing charges or introduction of new charges as revenue raising measures.***

## Distribution of efficiencies



CIPFA were provided with an early version of the efficiencies plan, which contained details of £32.78 million of the efficiencies. They drew attention to the lack of detailed information to support the proposed efficiencies and highlighted that the savings need to be cashable.

*Our concerns in this area focus on the lack of detailed information to support each strand of measure. Whilst there has been a good breakdown of source between spend reduction, cost recovery and income there is an absence of detail which we would expect to see that would provide some indication as to the maturity of approach used to 'work up' each efficiency measure. Given that the financial modelling with the overall government plan expects the realisation of the planned sums in efficiency savings we are assuming that such efficiency savings are fully cashable savings as opposed to counter-factual saving. For example detailed workings on the proposed Hospital efficiencies of £3.53m and other Health efficiencies of £2.47m would be extremely helpful. Given unrelenting service demand it is difficult to conceive that such level of cashable efficiencies exist that can be delivered in one year 2020.*

We questioned the Chief Minister about the inclusion of charges and additional tax revenues within the definition of 'efficiency':

**Senator K.L. Moore:**

*...For example, if we pick a path that £19.7 million of efficiencies that we do know about so far, £1.2 million of that is charges and subsidies and £7 million is more efficient tax collection therefore one could question whether that is a genuine efficiency because it is taking more money out of the taxpayers' purse and therefore more money out of the economy.*

**The Chief Minister:**

*Let us address the last one first. What that is about, it is not about tax measures that increase tax take from all of us in the room, if we are all taxpayers. It is about people who should already be paying tax, who either are not paying as much tax as they should be or are not paying tax when they should be. That is an efficiency measure.*

Further work needs to be undertaken to ensure that the efficiencies programme is properly scrutinised. However, we remain to be convinced that measures such as tax compliance and increasing charges for parking, passports and population licences can be described as genuine efficiencies.



We also note that the £7.35 million of additional tax revenue in 2020<sup>49</sup> requires investment of £1.6 million (as set out in the 'Domestic Compliance – Spend to Raise' business case in R.91/2019). Therefore, this "efficiency" only actually generates £5.75 million additional revenue for the States in 2020 (over the 4 years of the Government Plan, additional revenue of £41.85 million will be generated, at a cost of £6.2 million)

Some of the cross cutting efficiencies will directly impact on the workforce – for example, reducing overtime and agency staff, and "effective management of sickness". It appears that this will also include a focus on employees aged over 55:

**Voluntary redundancy and early retirement**

Currently, 22% of the workforce are aged 55 or older. Efficiencies can be achieved by identifying and encouraging those who are likely to leave the organisation to do so, either through retirement or voluntary redundancy. The role can then be analysed and assessed as to whether it should be replaced.

We are concerned about the impact that the efficiencies will have on staff morale and frontline services. The Jersey Prison Service Association (JPSA) wrote to us with concerns about further efficiencies at the prison. They noted that they had been "previously praised by the employer as one of only a few Government Departments that achieved our efficiency targets year on year." This included a review of the pay spine and banding system, a review of the OSG role, and modernising shift patterns.

The JPSA went on to say:

*"We also have concerns that any further savings, either in terms of restructuring or not replacing colleagues that leave the service, will have major consequences for the SoJPS and our ability to keep people in a safe and secure environment, rehabilitate prisoners and reduce reoffending"<sup>50</sup>.*

We also received a joint submission from the Jersey Civil Service Association and Unite.

The submission said that it was "not possible" for the unions "to have confidence that the proposed efficiencies are achievable or workable, given the absence of details with the proposed plan", and that further cuts will be "detrimental to services"<sup>51</sup>.

It went on to say that the impact of the organisational change programme on staff morale and productivity "should not be underestimated", noting that "many employees are having to re-apply for their own jobs, some face redundancy, and others are facing the prospect of their jobs being downgraded", adding that they believe it to be "inconceivable" to expect this change to not have an impact on the delivery of actions outlined in the Government Plan<sup>52</sup>.

We heard a direct account of the impact of the public sector reform programme in one of the focus group sessions, where one of the participants questioned the Government's strategic priority of 'Wellbeing' in light of their experience of the One Government reform programme:

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<sup>49</sup> [Efficiencies Plan, page 58](#)

<sup>50</sup> [Submission from the Jersey Prison Service Association](#), p.2

<sup>51</sup> [JCSA Prospect and Unite Submission](#), p.1

<sup>52</sup> [JCSA Prospect and Unite Submission](#), p.2

*"That amazes me that, that is a strategic priority on the left because I've seen the discord and the hurt, the upset and confusion. Depression of people internally that has been caused by this One Government."*

**FINDING 2.12**

***We have a number of concerns about the information provided on the Efficiencies Programme. We consider that the detail presented calls into question the deliverability of the programme.***

**RECOMMENDATION 2.4**

***The Chief Minister should lodge the Efficiencies Programme for separate debate by the States Assembly and allow for a suitable period of scrutiny beforehand.***

## 2.9 Stakeholder views

### Focus Groups

In order to better-understand the opinions of Islanders regarding the Government Plan, we commissioned the Jersey-based research company 4insight to conduct four 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; and
- 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 eight 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'.

On average, 6 of the 8 focus group participants said that they were aware of the Government Plan, although some confused it with the Island Plan. The majority had not fully read the Plan, and most had skim-read it online.

Initial perceptions of the Government Plan were not positive, with a number noting that it was not easy to read, not considerably detailed, with one describing it as containing "blue sky thinking". The primary concerns were the headline figures and the increases in spending.

The majority were also concerned over whether the forward income trend was feasible, particularly in light of Brexit.

Most believed that the overall spending was "too high" and expressed concern at the spending increase from 2019 to 2020. Most also found the figures difficult to understand, and were confused as to what the £40 million efficiencies meant and would include. The £20.3 million that is noted as "yet to be identified" was strongly questioned in all focus groups and affected the perceived credibility of the plan.

At least one person in each group thought that efficiencies would mean tax increases and job losses. Some also believed that "inflation" was often used to describe spending.

All groups questioned why "Modernising Government" received the largest budget, although some believed that this would improve efficiency within the government. Others felt that "Putting Children First" was also important, but were concerned over how it would be applied,

with some arguing that wellbeing should be implemented before this. Concerns were also raised over why “Protect our Environment” had the smallest budget, as well as how priorities such as “reduce inequality” and “vibrant economy” would be carried out and measured.

Finally, several focus group participants also commented on the lack of SMART objectives and KPIs.

The full report from 4insight in relation to the focus groups is published on our website.

### **Other submissions**

We received a submission from a member of the public with experience of UK local government. He told us that the Government Plan, in its current state, “is not ready for use”, arguing that:

*“It needs baseline evidence for why these are priorities, Ministers need to explain why they are allocating the spending they are, targets need setting and an explanation of how they will be reached, the sixth priority needs to be agreed, a system for monitoring the plan needs to be in place”<sup>53</sup>*

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<sup>53</sup> [Submission from Stuart Langhorn](#), p.2

## 2.10 Departmental Budgets and Efficiencies

The Government Plan outlines the departmental budgets ('Heads of Expenditure') that States Members will be asked to approve when the plan is debated on 26th November 2019. The budgets that fall within the Corporate Services Panel's remit are:

	Income (£'000)	Expenditure (£'000)	Head of Expenditure (£'000)
<b>Chief Operating Officer</b>	742	38,446	37,704
<b>Office of the Chief Executive</b>	648	19,599	18,951
<b>Strategic Policy, Performance and Population</b>	50	12,558	12,508
<b>Treasury and Exchequer</b>	5,814	135,577	129,763

The Treasury and Exchequer budget is particularly large as it includes £95 million of funding for the Social Security Funds.

The Departmental Business Plans which were published on 21 October provide further information on the above amounts. Although we were provided some information earlier in our review, it was received on a confidential basis and we could not ask questions publicly about it. The Business Plans also assume that the efficiencies programme will be implemented in full, whereas the figures in the Government Plan are shown before the impact of the efficiencies.

We have therefore focused our following comments on the departmental totals as set out in the Government Plan.

### Chief Operating Office

The 2020 budget for the Chief Operating Office of £37.7 million shows a 73% increase on its budget for 2019.<sup>54</sup> This increase is primarily due to additional spending on the Human Resources and IT service areas. The full details of the additional spending is set out in the separate report which contains details of all new investment ([R.91/2019](#)).

Our analysis of this additional spend is included in our comments in the second part of this report on the individual investment projects in the Government Plan and also in the section above on overall IT spending. We retain significant concerns about the overall quantum of new spending into technology in particular. We also note that spending on People and Corporate Services (i.e. Human Resources) more than doubles in 2020.

<sup>54</sup> See [Appendix 2, Table 56 of the Government Plan](#), p196

2019 Net Revenue Expenditure	Service Area	2020		
		Income	Expenditure Allocation	Net Revenue Expenditure
(£'000)		(£'000)	(£'000)	(£'000)
-	COO Directorate		550	550
1,640	Commercial Services	(100)	2,290	2,190
13,969	Modernisation and Digital	(519)	21,988	21,469
6,225	People and Corporate Services	(123)	13,618	13,495
21,834	Net Revenue Expenditure	(742)	38,446	37,704

We have not had a chance to analyse the efficiencies for the Chief Operating office in any detail, however the total of £1.5 million efficiencies means that the Department will be working to a budget of £36.2 million in 2020.

### Office of the Chief Executive

The 2020 budget for the Office of the Chief Executive of £19 million represents a 51% increase on the 2019 budget. This is mostly driven by an increase in the Financial Services and Digital service area, which has been considered by the Economic and International Affairs Scrutiny Panel as part of their work.

2019 Net Revenue Expenditure	Service Area	2020		
		Income	Expenditure Allocation	Net Revenue Expenditure
(£'000)		(£'000)	(£'000)	(£'000)
783	Chief of Staff	(200)	1,183	983
1,548	Communications	-	1,548	1,548
1,771	External Relations	(105)	3,331	3,226
8,473	Financial Services and Digital	(343)	13,537	13,194
12,575	Net Revenue Expenditure	(648)	19,599	18,951

The Office of the Chief Executive will have efficiencies of £366,000 allocated to it, meaning that it will work to a budget of £18.6 million in 2020.

### Strategic Policy, Performance and Population (SPPP)

The 2020 budget for SPPP of £12.6 million represents a 102% increase on the 2019 budget. This is primarily driven by a large increase in the budget line “public policy”<sup>55</sup>.

2019 Net Revenue Expenditure	Service Area	2020		
		Income	Expenditure Allocation	Net Revenue Expenditure
(£'000)		(£'000)	(£'000)	(£'000)
2,330	Public Policy	-	7,289	7,289
588	Strategy and Innovation	(1)	1,389	1,388
573	Corporate Planning and Performance	-	773	773
1,544	Am's Length Functions	(49)	1,946	1,897
1,161	Executive and Governance	-	1,161	1,161
6,196	Net Revenue Expenditure	(50)	12,558	12,508

The SPPP Departmental Business Plan contains a [useful breakdown](#) of the additional £6 million expenditure, showing the proportions of the relevant investment cases that relate to funding for SPPP.

This information was not available to us during our review and we have therefore not been able to assess the overall budget for the Strategic Policy, Performance and Population Department, or comment on the appropriateness of the budget as a whole.

Efficiencies of £283,000 have been allocated to the Department, meaning it will work to a budget of £12.2 million in 2020.

### Treasury and Exchequer

The Treasury and Exchequer 2020 budget of £129.8 million represents a 9% increase on the 2019 budget. However, if the grants to the social security funds are removed from the calculation, then the budget increase is 37% (2019 budget of £25.1m, compared to 2020 budget of £34.5m). This additional spending is driven by the additional investment into Revenue Jersey (£3.5m in 2020) and the ‘Delivering Effective Financial Management’ project (£2.3m in 2020).

<sup>55</sup> We have been advised that the largest contributions to the SPPP budget increase are (i) funding for the redress scheme and (ii) a continuation of funding to deliver the recommendations of the Independent Jersey Care Inquiry (together £4.4 million in 2020); as well as (iii) one off costs associated with the Island Plan and census (£1 million in 2020)

2019 Net Revenue Expenditure	Service Area	2020		
		Income	Expenditure Allocation	Net Revenue Expenditure
(£'000)		(£'000)	(£'000)	(£'000)
16,324	Performance, Accounting and Reporting	(3,822)	23,254	19,432
4,827	Revenue Jersey	(210)	9,183	8,973
425	Strategic Finance	(30)	2,605	2,575
3,131	Risk and Audit	(1,665)	4,796	3,131
433	Treasury and Investment Management	(87)	520	433
94,179	Grants to Soc Sec Funds	-	95,219	95,219
119,319	Net Revenue Expenditure	(5,814)	135,577	129,763

Efficiencies of £1.3 million have been allocated to the Treasury and Exchequer Department, meaning it will work to a budget of £128.5 million in 2020.

### Ministerial allocations

The Government Plan provides indicative amounts for the resources allocated to each Minister. The amounts for the areas within the Panel's remit are:











	2020 Allocation (£'000)	2021 Allocation (£'000)	2022 Allocation (£'000)	2023 Allocation (£'000)
<b>Chief Minister</b>	47,296	51,516	61,575	61,096
<b>Minister for Treasury and Resources</b>	35,614	37,361	36,553	36,608
<b>Non-Ministerial</b>	29,661	29,123	29,465	28,987






We have not been provided with the 2019 comparative amounts for all ministers. However, the budget allocated to the Chief Minister in 2019 was £29.235 million. The increase in 2020 equates to 62%.<sup>56</sup>











<sup>56</sup> Based on confidential service analysis for the Chief Minister provided to the Panel.





## 2.11 Full list of Actions, Programs and Capital Projects Reviewed





Actions			
Action	CSP reference	Page number	Scrutiny RAG Status
Implement agreed actions emerging from the personal tax review	N/A	<a href="#">45</a>	
Introduce the first full annual programme of foresight reviews, workshops and investigations	N/A	<a href="#">46</a>	
Deliver improvements to the Government Plan and business planning process	N/A	<a href="#">46</a>	
Establish a rolling Efficiencies Programme	N/A	<a href="#">47</a>	
Continue the review of our Fiscal Strategy and Fiscal Framework	N/A	<a href="#">48</a>	
As part of the Government Plan process, continue to strengthen the long-term management of public finances and assets	N/A	<a href="#">48</a>	
Prepare for the implementation of an Integrated Technology Solution	N/A	<a href="#">49</a>	
Implement faster closedown of the Government's annual reports and accounts	N/A	<a href="#">49</a>	
Develop an Internal Audit Strategy	N/A	<a href="#">49</a>	
Foster a culture of continuous process improvement	N/A	<a href="#">50</a>	
Improve ways in which we engage the public in the work of the Assembly	N/A	<a href="#">50</a>	
Improve Government processes for briefing States Members	N/A	<a href="#">51</a>	
Develop a forward plan of Government business	N/A	<a href="#">51</a>	

<b>Develop new working protocols</b>	N/A	<a href="#">52</a>	
<b>Introduce new systems and guidance around Ministerial decisions</b>	N/A	<a href="#">52</a>	
<b>Increase the diversity of candidates and provide more assistance to them to stand</b>	N/A	<a href="#">52</a>	
<b>Identify and address principal barriers to election turnout</b>	N/A	<a href="#">53</a>	
<b>Invite election observers in 2022</b>	N/A	<a href="#">53</a>	

Additional Revenue Programs			
Action	CSP reference	Page number	Scrutiny RAG Status
<b>Tax policy and international team investment</b>	CSP3-1-08	<a href="#">53</a>	
<b>75 Anniversary Liberation Day</b>	CSP3-2-01	<a href="#">55</a>	
<b>Migration Policy</b>	CSP3-2-09	<a href="#">56</a>	
<b>Census 2021</b>	O11-01	<a href="#">57</a>	
<b>States Greffe extended services</b>	O12-01	<a href="#">57</a>	
<b>Building Revenue Jersey team</b>	O13-01	<a href="#">58</a>	
<b>Commercial Services – enhanced capabilities</b>	O13-02	<a href="#">60</a>	
<b>Domestic compliance (Spend to Raise)</b>	O13-03	<a href="#">62</a>	
<b>Enabling policy excellence</b>	O13-04	<a href="#">63</a>	
<b>Government of Jersey Bank charges</b>	O13-05	<a href="#">64</a>	


<b>Increased audit fees</b>	O13-08	<a href="#">65</a>	
<b>Modernisation and Digital – enhanced capabilities</b>	O13-09	<a href="#">65</a>	
<b>People and corporate services – enhanced capabilities</b>	O13-10	<a href="#">67</a>	
<b>Supply Jersey</b>	O13-12	<a href="#">67</a>	
<b>Supporting OneGov</b>	O13-13	<a href="#">70</a>	
<b>Technology Transformation Programme</b>	O13-14	<a href="#">72</a>	
<b>Delivering effective financial management</b>	O14-01	<a href="#">77</a>	
<b>Electoral registration</b>	O15-01	<a href="#">78</a>	
<b>C&amp;AG additional funding</b>	OI-Non-01	<a href="#">79</a>	
<b>Judicial Greffe additional funding</b>	OI-Non-03	<a href="#">79</a>	
<b>States Assembly additional funding</b>	OI-Non-04	<a href="#">80</a>	
<b>Viscount's department additional funding</b>	OI-Non-05	<a href="#">81</a>	

Capital Expenditure Programs			
Action	CSP reference	Page number	Scrutiny RAG Status
<b>Office Strategy (Pre-feasibility vote)</b>	OI3	<a href="#">82</a>	
<b>MS Foundation (major project)</b>	OI3	<a href="#">83</a>	

<b>Integrated Technology Solution (major project)</b>	O13	<a href="#">84</a>	
<b>Replacement assets</b>	O13	<a href="#">86</a>	
<b>Electronic document management solution</b>	O13	<a href="#">86</a>	
<b>Central risk and inflation funding</b>	Not applicable	<a href="#">87</a>	

## 2.12 Reports on Specific Actions and Business Cases

### *Actions not linked to a Business Case*

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

### **Summary Report**

- This action ([p.72 of the Government Plan](#)) 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.
- The Government Plan states on [page 164](#) that the review of Personal Taxation is "now concluding" and that Ministers will be bringing in-principle recommendations for change to the States Assembly, with an aim to introduce equal taxation from the 2021 tax year.
- We were originally told that the changes would be included in the Government Plan<sup>57</sup>. However, we understand that the necessary changes to the tax system are more complicated than originally anticipated, so the Minister has not yet been able to lodge the proposals.
- The Comptroller of taxes explained to us in a public hearing that a move to independent taxation could have an adverse impact on lower income married couples and that more work was therefore needed to mitigate that impact.

#### **Comptroller of Taxes:**

*...All of the work that has been done, and there has been a great deal of consultation, focus groups, surveys and so on, does tend to indicate that Islanders prefer to move to a system of independent taxation. Where the devil is in the detail is that from our analysis to date we think that there could be over 8,000 married couples, they tend to be lower income married couples, who would end up paying a lot more tax if we did just move to a pure form of independent taxation. So what Ministers have asked us to do is obviously work out options and ways of still going in that direction but try to mitigate the impact on lower income married people.*

- We have some concerns over the deliverance of this project, given that the reform to the personal tax system was originally expected to be delivered within the Government Plan, and has now been pushed back. We have received a briefing from officers on why this has happened, but nonetheless believe that that this reform should be prioritised and introduced as soon as possible.

<sup>57</sup> [Quarterly Hearing with the Minister for Treasury & Resources, 13th June 2019, p.5](#)

**FINDING 2.13**

***Changes to end inequality in the personal tax system have been delayed due to possible adverse impacts on certain groups.***

**RECOMMENDATION 2.5**

***The Minister for Treasury and Resources should aim to prioritise the changes to the personal tax system to end the existing inequalities as soon as possible.***

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

**Summary Report**

- This action ([page 94](#)) supports the Government’s work on developing a new, long-term strategic framework, and includes initiatives such as scenario modelling and identifying risks.
- We have not received evidence that raises any concerns.

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


**Summary Report**

- A Government Plan will be published annually, and it is expected that improvements identified from the current process will influence the drafting of the 2021 Government Plan, as this action notes on [page 94](#).
- The Chief Minister was questioned by the Government Plan Review Panel on how he intends to deliver improvements to subsequent Government Plans during a public hearing on the 20th October 2019. His response was to highlight the need to get “ahead of the curve in terms of provision of information and bringing it all together” and highlighted efficiencies as another area of improvement<sup>58</sup>.
- The Chief Minister further noted that there will be “updates linked to financial progress”, “some learning about the granular detail that is required by Scrutiny” and it would not

<sup>58</sup> [Government Plan Review Panel Public Hearing with the Chief Minister, 10th October 2019, pp. 36-7](#)

simply be the case that the next Government Plan would be a matter of “repeating everything that we have already produced”, given that some work was already in progress<sup>59</sup>.

- The Government Plan Review Panel has made overarching recommendations in relation to the business planning process and we hope that these are taken up by the relevant ministers.


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

## Establish a rolling Efficiencies Programme

### Summary Report


- 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;
  - Reducing non-essential spend and developing lower-cost alternatives;
  - Improving compliance in revenue collection.
- The Government Plan includes a breakdown of £19.7 million of efficiencies that were identified to June 2019. It is intended that £40 million of efficiencies will be delivered in 2020, with £20 million of efficiencies delivered each year in between 2021 and 2023.
- We have considered the efficiencies programme as a whole earlier in this report and the Government Plan Review Panel has also commented on it in their report.
- We have a number of concerns about the way that the Government has handled this programme, and the way that they have chosen to deliver it. This is primarily due to the length of time it has taken to provide a public-facing document setting out the full intended efficiency savings for 2020, alongside the lack of detail that this document contains. We find it difficult to be confident in the deliverability of this action, given this lack of information and limited time to scrutinise.

<sup>59</sup> [Government Plan Review Panel Public Hearing with the Chief Minister, 10th October 2019, p. 37](#)

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


### Summary Report

- The only additional information provided on this action is the statement that the review of the fiscal strategy and fiscal framework will consider “changes being introduced”<sup>60</sup> ([page 101](#)).
- During our public hearing with the Minister for Treasury & Resources, the Treasurer of the States noted that the Fiscal Framework “will change to a degree, no doubt, over time, but at the heart of it is to have surpluses and put them in reserves during good years or during healthy...”<sup>61</sup>.
- We have not received any information that raises concern about this action.

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

### Summary Report

- This action ([page 102](#)) will be delivered by the Treasury & Exchequer Department. We have not taken any specific evidence on it and have no information that raises concern about this action.

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


<sup>60</sup> [P.71/2019, p.101](#)

<sup>61</sup> [Quarterly Hearing with the Minister for Treasury & Resources, 3rd October 2019, p.31](#)




**Summary Report**

- The action ([page 103](#)) states that this will replace “outdated and standalone systems”<sup>62</sup>, which are “no longer fit for purpose”. The Integrated Technology Solution is a major capital project in R.91 ([page 175](#)), with a total investment of £7,400,000 in 2020, with a total spend of £28,000,000 by 2022.
- This action appears to relate to an earlier action on page 98 of the Government Plan to develop and secure funding for the Technology Transformation Programme, and also to the relevant revenue and capital and investment bids.
- We have raised concerns elsewhere in this report about the levels of IT spending and therefore assessed this action as amber.

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

**Summary Report**

- This action ([page 103](#)) aims to enable the department for Treasury & Exchequer to produce and publish more timely reporting and financial management. The Panel questioned the Minister for Treasury & Resources on this action during a Quarterly Hearing on 3rd October 2019. The Minister confirmed that a quicker reporting process would not lead to less accurate and detailed reports<sup>63</sup>.
- We have not received any information that raises concern about this action.

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

**Summary Report**


- This action ([page 104](#)) describes itself as “aligned with the organisation’s goals and enterprise-wide risk management framework”<sup>64</sup>. No further information is provided on this action across the Government Plan documents.
- Nonetheless, we have not received any information that raises concerns about this action.

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<sup>62</sup> [P.71/2019, p.103](#)


<sup>63</sup> [Quarterly Hearing with the Minister for Treasury & Resources, p.47](#)

<sup>64</sup> [P.71/2019, p.104](#)

Foster a culture of continuous process improvement (within Treasury and Exchequer)	
Minister(s)	Scrutiny RAG Status
Minister for Treasury & Resources	

### Summary Report

- This action ([page 104](#)) 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. In a Quarterly Hearing with the Panel on the 3rd October, the Minister revealed that the department was “starting to implement some automation” within their controls, which they have set a savings target against<sup>65</sup>.
- 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
Non-Ministerial States Greffe and Children, Young People & Educational Services	

### Summary Report

- This action ([p.106](#)) will involve an expansion of the communications support within the States Greffe to meet the demands of States Members, alongside a greater level of digital development and funded education strategy. This includes upgrades to Hansard and States Assembly Webcasting.
- No funding or additional information is included within the Government Plan.
- We have not received information that raises concerns.

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

<sup>65</sup> [Quarterly Hearing with the Minister for Treasury & Resources, p.4](#)


**Summary Report**

- This action ([page 107](#)) outlines plans to establish an annual programme of briefings, working with the States Greffe, covering scheduled events, such as the release of the accounts, topical updates around issues such as migration or housing, and open slots where initiatives can be launched. The intention is to increase the notice, quality of content, and participation in briefings. No additional information has been provided on this action outside of the summary within the Government Plan.
- No funding or additional information is included within the Government Plan.
- We have not received any information that raises concerns.

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

**Summary Report**

- Through this action ([page 107](#)) 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.
- No funding or additional information is included within the Government Plan.
- We have not received information that raises concerns.

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

**Summary Report**

- This action ([page 107](#)) 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 Population department, and other departments.
- No funding or additional information is included within the Government Plan.
- We have concerns about the interaction between the Government and Scrutiny Panels during the course of our review of the Government Plan, particularly with regard to the lack of information provided. We therefore assess this action as amber.



**FINDING 2.14**

***The Chief Minister aims to develop stronger working ties between the Government and the States Greffe, although details on what this will entail are not provided.***



**RECOMMENDATION 2.7**

***The Chief Minister should provide greater clarity as to what the new working protocols between the Government and the States Greffe will be, and how they will affect the interaction between Government departments and the States Greffe.***

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


**Summary Report**

- This action ([page 107](#)) 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.
- No funding or additional information is included within the Government Plan.
- We have not received information 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
None (PPC and States Greffe)	


**Summary Report**

- This action ([p.109](#)) 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.
- We have not received any information that raises concerns.

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

### Summary Report


- This action ([page 109](#)) 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.
- We have not received any information that raises concerns.

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

### Summary Report

- This action ([page 109](#)) 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.
- We have not received any information that raises concerns.

### Business Cases for Additional Revenue Expenditure

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
<ul style="list-style-type: none"> <li>• Make the recent extra investment in Revenue Jersey permanent</li> <li>• Sustain and enhance Revenue Jersey's capabilities to develop tax policy</li> </ul>	Vibrant Economy	Minister for Treasury & Resources	

### Summary Report

- This business case ([page 50 of R.91/2019](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £1,427,000
  - 2021: £1,753,000

- 2022: £1,813,000
  - 2023: £1,854,000
  - Total: £6,847,000
- This business case requests £1,427,000 for 2020, with a total spend of £6,847,000 by 2023, to expand the tax policy team in order to meet tax-treaty commitments. The business case provided indicates that this could generate additional revenue of £3 million per year.
  - This additional revenue also includes the funding of “around 22 staff years”<sup>66</sup> to help meet these commitments, and will include work relating to economic substance and commitments entered into under the Common Reporting Standard (CRS) and Base Erosion and Profit Shifting (BEPS) initiative.
  - The business case further includes the claim that there are “greater” and “impossible-to-quantify” benefit attaches to passing OECD peer reviews and retaining high ratings for tax transparency. It also states that they “conservatively” estimate that these benefits will yield “a further £3 million yearly” in the event of a healthy International Finance Centre and associated corporate tax reviews<sup>67</sup>.
  - Finally, the revenue will also consolidate the doubling of the size of the Tax Policy Unit, which was approved by the previous Council of Ministers.
  - The language used in this business case gave us some concerns, particularly the use of terms such as “no-brainer” and “no more than a guess”. It gives the appearance of a rushed process to develop the business cases, with insufficient time to check and quality control the information presented to States Members and the public.
  - We raised this in a public hearing with the Chief Minister and it was acknowledged by the Treasurer of the States<sup>68</sup>. We hope that the process will be improved in future, with a better quality of output. The use of phrases such as “no more than a guess” suggests a lack of clear methodology used to arrive at these sizeable figures.
  - The Comptroller of Taxes explained to us the difficulties in calculating reliable forecasts of benefits:

***The Connétable of St. Martin***

*...you state that you might be able to obtain direct identifiable benefits of £3.2 million in the Building Revenue Jersey business case, but that you could obtain much more if you had greater operational research capability. How much more would you estimate you could obtain were you to have these capabilities?*

***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*

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<sup>66</sup> [R.91/2019, p.50](#)

<sup>67</sup> [R.91/2019, p.50](#)

<sup>68</sup> [Corporate Services Scrutiny Panel Public Hearing with the Chief Minister, 27th September 2019, p.35](#)

*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 “nobrainer” 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.*

- We have not received any evidence that raises concerns outside of the language used and the reliability of the estimating process.



#### FINDING 2.15

***The Treasury and Exchequer Department aims to increase its tax policy team to meet tax treaty commitments and improve tax transparency.***



#### FINDING 2.16

***The quality of information provided for additional funding for the tax policy team was poor, and not of the standard expected for a request for additional revenue totalling almost £7 million.***



#### RECOMMENDATION 2.8

***The Council of Ministers should aim to ensure that a house style and minimum standard of quality is met by each business case within future Government Plans.***

CSP3-2-01 75th Anniversary Liberation Day			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
	Vibrant Economy	Non-Ministerial	

### Summary Report


- The business case in R.91/2019 ([p.52](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £485,000**
  - Total: £485,000
- This provides a total of £485,000 to the Bailiffs Chambers for the organisation of the 75th Anniversary of Liberation Day. The business case includes a detailed breakdown of the specific costs, including allocations to parishes and for arts, culture and heritage events.
- We have not taken evidence on this business case during public hearings and we have not received any evidence that raises concerns.

CSP3-2-09 Migration Policy			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Complete the development of a new migration policy</li> </ul>	Vibrant Economy	Chief Minister	

### Summary Report


- The business case in R.91/2019 ([page 63](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £78,000**
  - 2021: £186,000
  - 2022: £78,000
  - 2023: £78,000
  - Total: £430,000
- This business case provides funding to cover the cost of internal staff providing support to the Migration Policy Development Board, alongside the development and implementation of the policy recommendations that will emerge, alongside the resources to maintain and further develop revised statutory migration policies.
- The business case further notes that recommendations that lead to a change in operational practice will have their costs considered separately at that time, with fees already charged for permissions under the Control of Housing & Work Law under consideration, and another possibility being to increase these fees to ensure that any additional controls are cost neutral to the Government.
- However, we note that the efficiencies programme includes plans to increase these fees, so additional increases to offset costs in the future may not be possible.
- We have undertaken a review of Population & Migration in Jersey, with a focus on the remit and work of the Migration Policy Development Board. Our report on this review was due for publication at a similar time to this report and sets out our views on this area in greater detail.
- Because this additional revenue business case only concerns the hiring of additional staff for developing a new migration policy, we do not have any concerns relating to this business case, and our views on the Government's approach to developing a new migration policy are dealt with separately in our report on the Policy Development Board's work.



O11-01 Census 2021			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Continue to develop the evidence base, long-term forecasts and modelling tools</li> </ul>	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([page 92](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £250,000**
  - 2021: £450,000
  - Total: £700,000
- This business case provides funding to run the 2021 Jersey Census, and which will provide the evidence required for policy and operational decisions across the whole of government.
- The business case states that this is currently the only means to produce an accurate population and demographic information for Jersey.
- We have not taken evidence on this business case during public hearings and we have not received any evidence that raises concerns.


O12-01 States Greffe extended services			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Secure improved resources for non-executive States Members</li> </ul>	Modernising Government	Non-Ministerial	

### Summary Report

- The business case in R.91/2019 ([page 93](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £539,000**
  - 2021: £534,000
  - 2022: £729,000
  - 2023: £504,000
  - Total: £2,306,000
- This business case covers three significant enhancements to the services provided by the States Greffe. These are provision of enhanced support for States Members (particular research support), enhanced public engagement to implement commitments made by the

Privileges and Procedures Committee in 2017 (including communications, e-petitions and website editing), and the provision of a dedicated budget for elections to ensure that the Greffe can enhance its focus on seeking higher voter turnout.

- The business case further notes that it relates to the following Common Strategic Policy ongoing initiatives:
  - CSP OI 2 Ongoing Initiative – A States Assembly and Council of Ministers that work together for the common good;
  - CSP OI 3 Ongoing Initiative – A modern, innovative public sector that meets the needs of Islanders effectively and efficiently; and
  - CSP OI 5 Ongoing Initiative – An electoral system which encourages voter turnout and meets international best practice.
- This funding would provide for a mixture of additional staff, with additional resources provided for projects such as the 2022 election.
- We have not taken evidence on this business case during public hearings and we have not received any evidence that raises concerns.

OI3-01 Building Revenue Jersey team			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>• Deliver fully-functioning digital Revenue Jersey systems and services</li> </ul>	Modernising Government	Minister for Treasury & Resources	

### Summary Report

- The business case in R.91/2019 ([page 94](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £2,012,000**
  - 2021: £2,545,000
  - 2022: £1,716,000
  - 2023: £1,245,000
  - Total: £7,518,000
- This business begins by stating that it believes that it can “*ascribe identifiable annual benefit over the same period of at least £3.2 million – probably much more if we had the operational-research capability to quantify the harder-to-quantify benefits arising from transformation-led improvements*”<sup>69</sup>. We note, however, that the business case does not include methodology relating to how this figure was arrived at.
- We have highlighted earlier in this report the evidence provided by the Comptroller of Taxes about the lack of capacity to make reliable forecasts for inclusion in the business cases. When we questioned the Comptroller about this particular business case, we received the following reply.

<sup>69</sup> [R.91/2019, p.94](#)

**The Connétable of St. Martin**

*The £3.2 million, that is the result of an accurate quantitative analysis or rough estimate?*

**Comptroller of Taxes**

*No, I always try to be very honest about these things, where I am guessing I say I am guessing.<sup>70</sup>*

- All funding for the Revenue Transformation Programme came from the 2016-19 Medium Term Financial Plan and will end at the end of 2019. This additional funding will allow the Treasury department to implement the recommendations of the Personal Tax Review and develop a more sophisticated risking system.
- The business case also includes around £120,000 annually to maintain a Taxes Helpdesk for an additional four years, which has been funded from contingency since 2017. After that point, the business case suggests that Revenue Jersey's strategy will have "eliminated most face-to-face services"<sup>71</sup>.
- During our Quarterly Hearing with the Minister for Treasury & Resources, the Comptroller noted that his intent to gradually reduce these services due to the high cost and alleged inefficiency:

**Comptroller of Taxes**

*... It has always been my intention over time gradually to reduce face-to-face interventions because they are very high cost and they are not the most necessarily effective way of engaging with taxpayers. I am not sure that is appropriate in Jersey. I think Jersey people place a very high premium on face to face, so it may be that it does run longer. I do not think that is necessarily entirely the decision of the Comptroller alone in our new model because customer and local service, which is of course a new part of the government operating model, I think has quite a big say in how we interface with taxpayers. So I think as long as the whole government thinks providing face-to-face help desk services is right we will continue to do it.*

**FINDING 2.17**

**Revenue Jersey aims to increase its use of digital systems and services and gradually phase out face-to-face services.**

<sup>70</sup> [Corporate Services Scrutiny Panel Quarterly Hearing with the Minister for Treasury & Resources, p.46](#)

<sup>71</sup> [R.91/2019, p.94](#)

**RECOMMENDATION 2.9**

***The Minister for Treasury and Resources should provide a clearer outline of the methodology used to calculate the figures within Treasury and Exchequer's business cases, and avoid the inclusion of guesswork at all costs, particularly in regards to cases where considerable levels of additional revenue are requested.***

O13-02 Commercial services – enhanced capabilities			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Develop and start to implement enhanced capabilities for Commercial Services</li> </ul>	Modernising Government	Chief Minister	

**Summary Report**

- The business case in R.91/2019 ([p.95](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £1,000,000**
  - 2021: £1,450,000
  - 2022: £1,500,000
  - 2023: £1,550,000
  - Total: £5,500,000
- This business case states that it would allow the Government to deliver its Commercial Strategy component of the Government Plan.
- This includes 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.
- We questioned the Chief Operating Officer about the support of this rollout in our joint public hearing with the Economic & International Affairs Scrutiny Panel on the 17th September 2019.
- When asked what will be achieved by this funding, the Chief Operating Officer provided the following answer:

**Senator K.L. Moore:**

*What is going to be achieved from the further funding to enable the Commercial Services function to deliver the following projects that are listed in the business case that we have, and the public has in R.91?*

**Chief Operating Officer**

*What we currently have at the moment is a piece of work being done to scope out what that will be, so because we do not have a commercial function today, although we have*

*a commercial director, we have a Procurement function, but it only does some procurement activity. It does not do full commercial activity. We have a piece of work ongoing that will report in January to scope out what that will be.*

**Senator K.L. Moore**

*Okay, so forgive me for pushing the point, but for the last 2 years we have been hearing that our contracts are not good enough and that we are wasting money because of them, and this process that we are going through is aiming at driving better value for money and making savings for the public by doing this, yet we are told that this piece of work is not going to start until January of next year. Why was it not higher up the list? It is one of the core pieces. It was identified as one of the core failures in our system that was wasting money for us.*

**Chief Operating Officer**

*We are doing some basic work on new contracts, but the broader work, the Procurement team is a very small team and we need the resources to do the work and they do not have the funding this year to do it.<sup>72</sup>*

- The business case lacks clarity over what the funding will be spent on and uses terms such as “Develop our people” without explaining them. We have therefore rated it amber.



**FINDING 2.18**

***The business case for additional funding for commercial services lacks the expected level of detail regarding how the Chief Operating Office aims to spend the additional revenue requested.***




**RECOMMENDATION 2.10**

***In future Government Plans, the Council of Ministers should aim to provide greater clarity on how additional revenue requested in business cases will be used.***

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<sup>72</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel’s Public Hearing with the Assistant Chief Minister, pp.32-3](#)

OI3-03 Domestic Compliance – Spend to Raise			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Implement a domestic tax compliance programme</li> </ul>	Modernising Government	Minister for Treasury & Resources	

### Summary Report

- The business case in R.91/2019 ([p.96](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £1,562,000**
  - 2021: £1,562,000
  - 2022: £1,562,000
  - 2023: £1,562,000
  - Total: £1,562,000
- This business case aims to continue the proposed 2019 investment in domestic compliance resources, with an increase from £850,000 to £1,562,000 from 2020. The government estimates within this business case that this shall return additional tax revenues “approaching £13 million annually by 2023”<sup>73</sup>.
- The business case also states that there is an opportunity to re-invest savings delivered during the current MTPF “over £1 million annually from 2020”<sup>74</sup>.
- In common with other Revenue Jersey business cases, this one states that Revenue Jersey is “not yet able to quantify Jersey’s tax gap”. However, it estimates that, should the proposed 2019 investment be approved, “it is feasible to recover around £5 million in additional revenue yield in 2019”, with further investment increasing this sum to “£7 million in 2020”, and “£13 million in 2023 and beyond”<sup>75</sup>.
- In spite of the figures quoted in this business case, no methodology on how these figures were reached have been provided, making it difficult for us to scrutinise what is committed to.
- The business case further notes that there will be an increase in 21 full time-employees from 2020 onwards, including two additional staff years for the Treasury’s central dept management team and an employee for the Law Officers’ Department to cope with additional work brought by these additional activities. The business case also seeks confirmation of an addition four full-time employees to support compliance activities with regard to the extension of reporting requirements to “0% companies” in response to the EU Code of Conduct Group’s work on economic substance.

<sup>73</sup> [R.91/2019, p.96](#)

<sup>74</sup> [R.91/2019, p.96](#)

<sup>75</sup> [R.91/2019, p.96](#)

- The business case concludes that it “pays for itself” and the other two business cases in R.91/2019 and will provide “around a further £40 million over the four-year period”<sup>76</sup>. Again, the methodology for how this figure was reached has not been provided.
- We have commented earlier in this report on the classification of additional tax revenues as an ‘efficiency’. We are also aware of recent public comments from the Comptroller of Taxes about the high number of vacancies in the Taxes office. This raises concerns about whether it will be possible to recruit the 21 additional staff envisaged by this business case. We therefore do not have confidence that this project can be delivered and have rated it amber.

**FINDING 2.19**

***The intended outcomes for the additional funding for tax compliance are not sufficiently clear.***

**FINDING 2.20**

***The Panel has concerns about the ability to recruit to the 21 additional tax compliance posts in 2020 and therefore that the full funding allocation might not be used.***

**RECOMMENDATION 2.11**

***The Minister for Treasury and Resources should report back to the Panel on a quarterly basis on progress in delivering the outcomes of the additional funding for domestic tax compliance.***

O13-04 Enabling policy excellence			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>• Enabling policy excellence across the Government</li> </ul>	Modernising Government	Chief Minister	


**Summary Report**

- The business case in R.91/2019 ([page 98](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £81,000**
  - 2021: £80,000
  - 2022: £87,000
  - 2023: £71,000
  - Total: £318,000
- This business case outlines the government’s desire for a “step change” in how it develops public policy and strategy, allowing the Government to respond to issues including

<sup>76</sup> [R.91/2019, p.97](#)

migration, putting children first, and protecting and sustaining the Island’s economy. The business case further outlines that a small amount of funding will underpin an in-house “fundamental change process”, and help to realise the intention of the relevant Target Operating Model.

- We have not taken evidence on this business case during public hearings and we have not received any evidence that raises concerns.

O13-05 Government of Jersey Bank charges			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
	Modernising Government	Minister for Treasury & Resources	

### Summary Report

- The business case in R.91/2019 ([p.99](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £300,000**
  - 2021: £300,000
  - 2022: £300,000
  - 2023: £300,000
  - Total: £1,200,000
- This business case covers the cost of bank charges for online payments, and notes the growth in the number of customers paying for Government services by digital channels. The increase in funding will cover the costs involved with providing customers with “digital channels for Tax, Social Security, Invoices, and other government services”<sup>77</sup>.
- The business case further states that it is “necessary” to establish a sustainable Government of Jersey Bank Charges and Merchant Fees budget to support the government’s “digital priorities”<sup>78</sup>.
- We questioned the Treasurer of the States on the potential savings this business case may yield during our Quarterly Hearing with the Minister for Treasury & Resources on the 3rd October 2019. His response was as follows:

**Treasurer of the States:**

*There have been savings made over recent times in the Treasury. We have seen a reduction in particular in the number of cash transactions and some of those savings were delivered through the previous M.T.F.P. or the current M.T.F.P. For example, we were on the path of closing the tills at Cyril Le Marquand House before we started to talk about moving into Broad Street. We consolidated that into a cashiering function within La Motte Street, but that is largely as a result of having seen reduction in the number of cash*


<sup>77</sup> [R.91/2019, p.99](#)

<sup>78</sup> [R.91/2019, p.99](#)




*transactions that we see going across our tills. Those have been replaced by direct debits or other digital payment means.<sup>79</sup>*

- We have not received any evidence that raises concerns for this business case.

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

### Summary Report

- The business case in R.91/2019 ([page 103](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £75,000**
  - 2021: £75,000
  - 2022: £75,000
  - 2023: £75,000
  - Total: £250,000
- This business case increases the existing audit fee budget to enable investment across the States of Jersey to “drive a consistent standard and effective group audit as the group boundary is expanded”<sup>80</sup>, alongside a commitment towards producing and auditing the States of Jersey accounts faster.
- We have not received any evidence that raises concerns about this business case and its requested additional revenue.

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

### Summary Report

- The business case in R.91/2019 ([p.104](#)) requests additional revenue for 2020-23 as follows:

<sup>79</sup> [Corporate Services Scrutiny Panel Quarterly Hearing with the Minister for Treasury & Resources, 3rd October 2019, p.39](#)

<sup>80</sup> [R.91/2019, p.103](#)

- **2020: £3,750,000**
  - 2021: £5,000,000
  - 2022: £4,950,000
  - 2023: £5,050,000
  - Total: £18,750,000
- This business case covers the creation of a Target Operating Model to “enhance the capabilities”<sup>81</sup> 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<sup>82</sup>.
  - 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<sup>83</sup>.
  - 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<sup>84</sup>, but no explanation has been provided of the reason or methodology for this.
  - We questioned the Chief Operating Officer on this during a public hearing on 17th September 2019. The Chief Operating Officer explained that £1 million was removed because he believed the figure and EY’s model was “quite rich” and that some of the plans could be undertaken on a “flexible basis, rather than having a larger standing army”<sup>85</sup>.
  - The business case includes a number of initiatives at risk if the funding is not approved. It states that key roles such as Corporate Data Manager, Corporate Records Manager and

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<sup>81</sup> [R.91/2019, p.104](#)

<sup>82</sup> [R.91/2019, p.104](#)


<sup>83</sup> [R.91/2019, p.104](#)

<sup>84</sup> [Corporate Services Scrutiny Panel and Economic & International Affairs Joint Public Hearing with the Assistant Chief Minister, 17th September 2019, p.37](#)

<sup>85</sup> [Corporate Services Scrutiny Panel and Economic & International Affairs Joint Public Hearing with the Assistant Chief Minister, 17th September 2019, p.37](#)

Data Protection Officer would not be filled. It is surprising that these posts are not already accounted for in departmental base budgets and are dependent on a new investment bid being approved.

- The business case also states that “any new departmental initiatives requiring central IT support would not be initiated.”
- We have been provided with a confidential outline business case to support this investment request. However, we have not had the time in this review to properly scrutinise it. In light of this and our general concerns about the amount of spending on IT in this Government Plan, we have rated this case amber.

OI3-10 People and corporate services – enhanced capabilities			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>• Stabilise the current position within People Services</li> <li>• Addressing deficiencies within People Services</li> <li>• Develop a People Strategy</li> </ul>	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([p.106](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £5,400,000**
  - 2021: £7,900,000
  - 2022: £7,600,000
  - 2023: £7,300,000
  - Total: £28,200,000
- This business case consists of three “approaches”, which are designed to improve the capabilities and capacities required for “a modern people management function”<sup>86</sup>. These are as follows:
  - **Stabilise:**
    - **2020: £2,800,000**
    - 2021: £2,880,000
    - 2022: £2,970,000
    - 2023: £3,060,000
    - Total: £11,710,000

<sup>86</sup> [R.91/2019, p.106](#)

- This approach aims to address historical and structural deficits within the Government of Jersey and establish what it describes as “basic standards and functions”<sup>87</sup>. 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.
- **Respond:**
  - **2020: £2,400,000**
  - 2021: £2,520,000
  - 2022: £2,630,000
  - 2023: £2,740,000
  - Total: £10,290,000
  - This approach states that it is designed to address a “deficit” within the government’s ability to “anticipate and support the need for change in directorates”<sup>88</sup>. 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<sup>89</sup>.
  - The approach further states that key activities are at “risk” were this approach not approved, those including a revised 2020 Performance Management process, the implementation of recommendations by the Comptroller & Auditor General, a response to the Phase One TDP Team Jersey report, a careers website, and the creation of the government’s Corporate Services division<sup>90</sup>.
- **People Strategy:**
  - **2020: £200,000**
  - 2021: £2,500,000
  - 2022: £2,000,000
  - 2023: £1,500,000
  - Total: £6,000,000
  - This approach notes the development of a ‘People Strategy’ that is currently under development during Q3/4 of 2019 for adoption in Q4, in order to reflect the “ambitions of the Government Plan” and “address the financial challenges”<sup>91</sup>. The business case states that in order for this Strategy to operate, it requires funding 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

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<sup>87</sup> [R.91/2019, p.106](#)

<sup>88</sup> [R.91/2019, p.107](#)

<sup>89</sup> [R.91/2019, p.107](#)

<sup>90</sup> [R.91/2019, p.107](#)

<sup>91</sup> [R.91/2019, p.107](#)

management”

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- We noted that this business case includes an expansion of Human Resources (now called “People and Corporate Services”), despite previous efforts to streamline this department. We questioned the Chief Minister on this issue during our public hearing with him on 27th September 2019. His response was that staff numbers in this area would rise from “about 51 to 95”<sup>93</sup>.
- The Chief Executive further explained that People Services had been underfunded in the past and had been a target for savings:<sup>94</sup>.

**Chief Executive:**

*“...People Services has a 30 per cent short-term or agency factor. Its unstable workforce means that we are not able to provide the continuing high standard of service that we need to support our people, so this will stabilise some of that and, as the Chief Minister says, that will put numbers back in, which have been previously taken out without any regard, because there was not a centralised People Services until very late in the last Government’s arrangements and people had always gone to those areas to make reductions*

- Earlier in the hearing, the Chief Minister had provided us with a more detailed explanation of the implications that this business case would present to the government’s HR function, and told us that its current state was “significantly under resourced”:

**The Chief Minister**

*To give a higher level I suppose on the H.R., which you are touching on, if you go to page 106 in the R.91 document, that identifies some of the investment that is going into the people at the H.R. area, the people in the corporate services side, and that splits between 2021 where we have got £7.9 million and 2020 we have got £5.4 million, and the rest of the numbers are on the page. I think it is the 2021 is the split where £3 million is staff and £4.9 million is basically non-staff, which will include I.T. What we are saying is we know we have to invest in certain areas, that is some of the spend side, which is about getting the team correct, and I think the quote on the bottom of that case says the C. and A.G. (Comptroller and Auditor General) has quoted to S.E.B. (States Employment board) that the budget for human resources management is beyond lean. In other words, it is significantly under resourced.*<sup>95</sup>

- The requested additional revenue of £28,200,000 for HR is clearly a significant amount. We have been provided with a confidential summary business case which provides additional detail on the investment. While recognising the issues highlighted to us about previous underinvestment and targeting for savings, it is not clear that this requires a budget increase of over 100% (The overall HR budget will increase from £6.2m in 2019 to

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<sup>92</sup> [R.91/2019, p.107](#)

<sup>93</sup> [Corporate Services Scrutiny Panel, Public Hearing with the Chief Minister, 27th September 2019, p.39](#)

<sup>94</sup> [Corporate Services Scrutiny Panel, Public Hearing with the Chief Minister, 27th September 2019, p.39](#)

<sup>95</sup> [Corporate Services Scrutiny Panel Public Hearing with the Chief Minister, 27th September 2019, p.10](#)

£13.5m in 2020). We are not certain that ministers have provided enough challenge to the amounts requested.



#### FINDING 2.21

*The budget for Human Resources (now called People and Corporate Services) for 2020 has increased by over 100%. The rationale for this is that Human Resources has been under resourced in the past and has been an easy target for savings.*



#### RECOMMENDATION 2.12

*The Chief Minister should clearly explain why a budget increase of over 100% for People and Corporate Services is necessary, and how ministers assessed and challenged the business case put forward.*



#### RECOMMENDATION 2.13

*The Chief Minister should provide an update to the Corporate Services Panel every six months on the progress on delivering the additional funding into People and Corporate Services.*

O13-12 Supply Jersey			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Delivery of the Commercial Strategy</li> </ul>	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([p.111](#)) requests additional revenue for 2020-23 as follows:
  - 2020: £100,000
  - 2021: £103,000
  - 2022: £106,000
  - 2023: £109,000
  - Total: £418,000
- This business case outlines a request for additional revenue for the operation of Supply Jersey, noting that this area has been historically funded through underspends and carry forwards without a secure allocated budget. The case further notes that the previous funding “will cease at the end of 2018”, thereby ending the current financial provision associated with operating Supply Jersey. The business case also states that the lack of an appropriate budget allocation to address this will cause “operational consequences and result in legal ramifications” due to the government defaulting on contractual obligations with Supply Jersey’s supplier<sup>96</sup>.

<sup>96</sup> [R.91/2019, p.111](#)

- The business case notes that there are over 3,500 internal users and 6,306 external suppliers using Supply Jersey, with a total of 28,493 requisitions in the first six months of 2018, creating a total value of £75.1 million, leading the business case to describe this request as “essential”<sup>97</sup>.
- From our review of other business cases in the Government Plan, we understand that Supply Jersey is set to be replaced as part of the Integrated Technology Solution major capital project (p.175), which carries capital investment and Revenue funding until the end of 2023. We were therefore surprised to see that it was necessary to continue funding the old system over the same period.
- We questioned the Chief Minister and Chief Executive on this issue during our public hearing with them on the 27th September 2019. The Chief Executive explained that this would ensure that the present system would be maintained “in terms of the necessary changes over the intervening period from today until the point that it is replaced”<sup>98</sup>.
- The Chief Executive added further:

**Chief Executive:**

*It is very clear because you have to have a cut-over period. When any systems transfer you run a parallel system at some point. In 2022 you set it up. You have then got to take a huge number of arrangements into the new system and you cut over. Having done quite a lot of system handovers in the past, if you do not budget for that properly you have a very significant risk in the transfer of data from 2 systems, so you normally parallel run. You have a cut-over system and you would normally do that over a 12-month period, in order to be able to deal with your financial management.*<sup>99</sup>

- In a separate public hearing, the Assistant Chief Minister confirmed that a replacement for Supply Jersey had not yet been located, due to the additional revenue not yet being agreed<sup>100</sup>.
- Following these explanations and a separate briefing that we received from the Assistant Chief Minister, we are satisfied that the funding is necessary and that there is a suitable plan to replace Supply Jersey in due course.



**FINDING 2.22**

***The Supply Jersey procurement system is due to be replaced once the Government’s new integrated technology system has been implemented.***


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<sup>97</sup> [R.91/2019, p.111](#)

<sup>98</sup> [Corporate Services Scrutiny Panel, Public Hearing with the Chief Minister, 27th September 2019, p.44](#)

<sup>99</sup> [Corporate Services Scrutiny Panel, Public Hearing with the Chief Minister, 27th September 2019, p.44](#)

<sup>100</sup> [Corporate Services Scrutiny Panel, Public Hearing with the Chief Minister, 27th September 2019, p.45](#)

O13-13 Supporting OneGov			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([page 112](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £1,870,000**
  - 2021: £252,000
  - Total: £2,122,000
- This business case outlines a request for additional funds to support the One Government – Team Jersey project. The case further outlines that this is to meet the demands arisen from the “level of unprecedented change in the Government of Jersey”, and will support the “transformational change required”<sup>101</sup>.
- The business case further includes the inclusion of some external consultancy support for their “Team Jersey partner” to accelerate change and help transfer skills into the organisation<sup>102</sup>.
- We are aware that significant amounts have been allocated to this project during 2018 and 2019 and are concerned that more funding is now needed for 2020. This spending comes on top of an allocation of £5.4 million in 2020 for the HR Department.
- The business case refers to 2018/19 spending requirements and appears to have been written some time ago. In comparison to other business cases, it is relatively short and lacking in detail. The confidential supporting information that we have been provided with is dated 31 August 2018. It is not clear that the amounts requested have been reviewed and challenged prior to inclusion in the Government Plan.
- The Government Plan Review Panel questioned the Chief Executive about this and were told that the amounts requested are in line with the agreed tender:

#### **Deputy K.F. Morel**

*... “Supporting OneGov - Team Jersey” page 112 and we have got £1.87 million which just says: “Actions required to support OneGov. This will include a culture change programme” but does not tell me how much the culture change programme is going to cost during that year: “a review of performance management” but does not tell me how much that performance management is going to cost: “leadership development” and it does not tell me how, so do you understand what I mean? That is the level of detail that I find shocking that was not available in this document...*

c<sup>101</sup> [R.91/2019, p.112](#)

c<sup>102</sup> [R.91/2019, p.112](#)



*...How can you then know whether you are spending appropriately? I need to know. The culture change programme, if that is say £500,000 or £100,000, that as a scrutineer helps me understand the value for money that you are getting.*

### **Chief Executive**

*It is very simple. There was a tender with a pricing, which has been viewed by Scrutiny before, which went through each and every one of those prices.<sup>103</sup>*

- We do not find the financial information presented in this business case to be convincing and it does not appear that the investment case has been subjected to review and challenge before being approved for inclusion in the Government Plan.




#### **FINDING 2.23**

***The information provided in support of the additional funding for the One Government project is not convincing, and lacks detailed up-to-date information.***



#### **RECOMMENDATION 2.14**

***The Council of Ministers should subject each business case to a thorough review before including them within the Government Plan.***

<b>O13-14 Technology Transformation Programme</b>			
<b>Link to Government Plan Action(s)</b>	<b>Link to Common Theme(s)</b>	<b>Minister(s)</b>	<b>Scrutiny RAG Status</b>
<ul style="list-style-type: none"> <li>• Develop and secure funding for a multi-year Technology Transformation Programme</li> <li>• Technology Transformation Programme</li> </ul>	Modernising Government	Chief Minister	

### **Summary Report**

- The business case in R.91/2019 ([p.113](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £3,000,000**
  - 2021: £5,000,000
  - 2022: £17,000,000
  - 2023: £17,000,000
  - Total: £42,000,000

<sup>103</sup> [Government Plan Review Panel Public Hearing with the Chief Minister, 10th October 2019, p.26](#)

- During a joint hearing between the Corporate Services and the Economic & International Affairs Scrutiny Panels with the Assistant Chief Minister regarding IT Strategy, the Chief Operating Officer explained the purpose of the business case<sup>104</sup>.

**Chief Operating Officer:**

*The Technology Transformation Programme business case was put together to support the overall portfolio, so there are 10 elements in which tax has already funded, so 9 to come. Each one of those will have its own business case, so the Technology Transformation Programme sits at the top. The cyber security O.B.C. is a subset of that.*

**Deputy K.F. Morel:**

*So, what does the Technology Transformation Programme do rather than just sit at the top? What does it do?*

**Chief Operating Officer:**

*It created that vision of where we are going to go in the next 7 years. What do we want to invest in?*

- Although the supporting Strategic Outline Business Case sets out the 7 year plan (starting in 2019), this timeframe is not made clear in this business case. As highlighted earlier in this report, the IT spending has been planned over the minimum period possible. This was clear in the evidence provided to us by the Chief Operating Officer:

**Chief Operating Officer**

*The later you complete the longer you put off the benefits, so in terms of going back to how do you get some of these benefits in by the end of the Government Plan, like I say, we did not do the technology case as a 4-year case. If you look at the thing it is a 7-year case, because we did not think that 7 years was ... but to finish in 7 years you have to have started everything within 4 years.*<sup>105</sup>

...

**Senator K.L. Moore**

*Yes, absolutely, but it does go back to the Deputy's question though in terms of these items or these benefits are not going to make a massive difference to the general public on a day-to-day basis, therefore there is an opportunity to spread the cost over a greater number of years potentially, and that I assume is a political direction in terms of who has directed the timescale here.*

**Chief Operating Officer**

*We looked to see how quickly we could do this, and this is spread out over the minimum time it would take. There are some obvious drop points where you would think ideally you would have these in place, so if you take the electronic document record management system, the 2 big volumes of paper records are health and tax. What you*

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<sup>104</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel's Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.46](#)

<sup>105</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel's Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.39](#)

*want to avoid is building a new hospital with a big store full of these paper records and then coming along a year later and digitising them all. You have got to digitise them before you build the hospital. Similarly, if we build a new headquarters building for the civil service you do not want to build a new headquarters with a big tax store in it and then digitise the records a year later.* <sup>106</sup>

- During the same hearing, the Assistant Chief Minister with responsibility for the IT strategy explained that he believed that a delay to this programme would have a direct effect on frontline services:

**Senator K.L. Moore**

*I would like to hear from the Assistant Chief Minister on this in terms of the political prioritisation around these enormous sums of money.*

**Assistant Chief Minister and Assistant Minister for Social Security**

*We have certainly robustly discussed such things in the C.O.M [Council of Ministers], but there is a misunderstanding. These projects, as we do them, are about providing better front-line services for health and education and other areas. It is about trying to make it more efficient and provide better services to our customers, which are the Islanders. So, putting these things off is putting off benefits that will directly affect the way that we treat and serve our customers.* <sup>107</sup>

- 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<sup>108</sup>.
- 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.
- The case outlines that cash releasing benefits are conservatively estimated to reach around £70 million over the 2020 – 2025 period, with the capital implications described in the Capital section of the Government Plan. The capital projects are examined later in this

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<sup>106</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel’s Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.40](#)

<sup>107</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel’s Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.43](#)

<sup>108</sup> [R.91/2019, p.113](#)

report and also in the report by the Economic & International Affairs Scrutiny Panel, in addition to our analysis of IT spend in [2.6](#).

- We were concerned that some of the IT spend in the Government Plan might be duplicated, however were told that this is not the case:

### **Chief Operating Officer**

*So, we will then produce ... so this is a portfolio review that requires £99 million of capital and £42 million of revenue over the 4-year period. We will then create individual business cases to say: "This is the business case that draws down under the I.T.S. (Integrated Technology Solution) because it will cost this much" of which we have approximated £40 million in that £141 million total spend, so each one will then prove its business case, which will allow us to draw against it to add up to the total portfolio. At the portfolio level I think the numbers are right. Will each individual business case come in exactly? Will I.T.S. be £40 million and will cyber be £10 million? I do not know, but I believe at a portfolio level ...*<sup>109</sup>



#### **FINDING 2.24**

***The Technology Transformation Programme is planned over a 7 year period and includes spending of £42 million (Revenue) and £99 million (capital) during the next 4 years. The spending has been planned over the shortest period possible in order to release the benefits sooner.***



#### **RECOMMENDATION 2.15**

***The Assistant Chief Minister with responsibility for digital technology should remain alert to the potential flexibility of the timeframe of the technology transformation project, due to its scale and financial investment.***




#### **RECOMMENDATION 2.16**

***The Assistant Chief Minister should ensure that subsequent IT projects and their overall spend are reviewed by Officers on an annual basis for future Government Plans, with a view to re-profiling the investment over a longer period of time if deemed suitable.***

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<sup>109</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel's Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.47](#)

OI4-01 Delivering effective financial management			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>• Introduce a new performance management framework for its first full year</li> <li>• Deliver improvements to the Government Plan business planning process</li> <li>• Delivering effective financial management</li> <li>• Continue finance transformation</li> <li>• Provide greater long-term financial insight</li> <li>• Training strategy</li> </ul>	Modernising Government	Minister for Treasury & Resources	

### Summary Report

- The business case in R.91/2019 ([page 115](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £2,350,000**
  - 2021: £2,800,000
  - 2022: £2,300,000
  - 2023: £2,300,000
  - Total: £9,750,000
- 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 noting that it is “necessary to invest in this area”<sup>110</sup>. The business case further notes that the significance of technology investment, and that continuing this programme will help to ensure that “benefits are realised”<sup>111</sup>.
- We questioned the Treasurer of the States on this business case during our Quarterly Hearing with the Minister for Treasury & Resources on 3rd October 2019. His response was that it was necessary to invest in the Government’s IT structure:

#### **Treasurer of the States**

*...the replacement of, in particular, JD Edwards and in replacing JD Edwards, which apparently was last changed in 2005, we have been working through an outline business case, which will be available, as to what we need to do to make the changes*

<sup>110</sup> [R.91/2019, p.115](#)

<sup>111</sup> [R.91/2019, p.115](#)

there. Part of the work that has been undertaken in the due diligence report by the Chief Minister, but it also falls out of previous C. and A.G. (Comptroller and Auditor General) reports, implicit is that we need to invest in our I.T. There are a number of reasons why we need to invest in our I.T., I touched on earlier that we have poor integration across systems which means that we have a lot of manual intervention across those systems. That is talking about different systems being the H.R. system, the payroll system, government systems and the finance system, which means we have a great deal of duplication that is undertaken. 2005 is a long time in I.T. development. We have an overdependence at the moment on extracting data from our systems, putting them into spreadsheets and all the risks that I am sure our colleagues behind us will no doubt tell you about in terms of risks of spreadsheets, and the C. and A.G. has previously commented upon that.<sup>112</sup>

- We have received additional confidential supporting information for this business case, but do not consider that the case is adequately made for the additional investment requested.




#### FINDING 2.25

**The business case and supporting information for the “Delivering Effective Financial Management” project lacks the level of detail we would expect for a request for additional revenue of almost £10 million.**



#### RECOMMENDATION 2.17

**The Council of Ministers should give greater emphasis in each business case as to why additional investment is required and what it will be spent on, instead of providing a statement of need.**


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

### Summary Report

- The business case in R.91/2019 ([page 116](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £60,000**
  - 2021: £34,000
  - 2022: £6,000
  - Total: £100,000
- This business case outlines that this is for a project to replace the currently, largely paper-based system of voter registration with a modern, digital system, as part of the ongoing Common Strategic Priority Initiative “An electoral system which encourages voter turnout and meets international best practice”.

<sup>112</sup> [Corporate Services Scrutiny Panel Quarterly Hearing with the Minister for Treasury & Resources, p.40](#)

- We have not received any information on this business cases that raises concerns.

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

### Summary Report


- The business case in R.91/2019 ([page 117](#)) requests additional revenue of £25,000 each year for the period 2020-23.
- This business case provides additional funding to cover the following components within the Jersey Audit Office:
  - An increase in the cost of the external audit of the States' accounts following retendering;
  - External professional support assistance for the Comptroller & Auditor General to improve the reviews and reporting on information technology governance and controls;
  - Increases in the fees of the Comptroller & Auditor General following the appointment of a new office holder who will take up the post from January 2020.
- We have not received information on this business case that raises concerns.

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

### Summary Report

- The business case in R.91/2019 ([p.119](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £158,000**
  - 2021: £158,000
  - 2022: £158,000
  - 2023: £158,000
  - Total: £632,000
- The business case contains two breakdowns of individuals components of the requested additional revenue. These are as follows:
- **Additional funding for Office-holders Pay Review (£80,000 per year from 2020-2023)**

- The business case notes that the States HR have accepted that there is an “anomaly”<sup>113</sup> in respect of the pay of certain office-holders within non-ministerial departments such as the Viscount’s department and Judicial Greffe. A review has been conducted to bring these office-holders’ pay into line with the reward under the LOD pay scales, which is represented by this table.
- **Additional funding for Tribunal Service (£43,000 per year from 2020-2023)**
- The business case explains that the workload of the Tribunal Service has continued to increase with limited resources, making it necessary to provide additional resources to meet these requirements. The business case further notes that it is “not possible” to meet these demands with the current number of Judicial Greffe employees, and is “not realistic”<sup>114</sup> to outsource or provide an alternative service for this function.
- We have not received any information about this business cases that raises concerns.

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


### Summary Report

- The business case in R.91/2019 ([page 120](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £1,035,000**
  - 2021: £1,001,000
  - 2022: £1,034,000
  - 2023: £904,000
  - Total: £3,974,000
- The business case explains that this additional investment relates to Scrutiny (as requested by the Chairman’s Committee), Members’ remuneration, and putting the budget of the Legislative Drafting Office on a sustainable footing, having been formally transferred to the States Greffe in January 2019.
- We welcome the additional funding for the scrutiny function and have no particular comments on the other areas.

<sup>113</sup> [R.91/2019, p.123](#)

<sup>114</sup> [R.91/2019, p.119](#)



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

### Summary Report

- The business case in R.91/2019 ([p.121](#)) requests additional revenue for 2020-23 as follows:
  - **2020: £325,000**
  - 2021: £325,000
  - 2022: £325,000
  - 2023: £325,000
  - Total: £1,300,000
- The business case contains additional breakdowns of individuals components of the requested additional revenue. These are as follows:
- **Additional funding for Court Service/Inquest Officer (£43,000 per year from 2020-2023)**
  - This position will allow the Viscount's Department to successfully deal with the increasing volume of work that it is required to undertake by hiring an additional member of staff, and notes that failure to approve this role will lead to the department not being able to "provide services to the Court or other Departments"<sup>115</sup> such as the Magistrate's Court Greffe, States of Jersey Police, and the department for Health & Social Services to a "satisfactory standard"<sup>116</sup>.
- **Additional funding for Finance Officer (£56,000 per year from 2020-2023)**
  - This position provides additional support to ensure that contingency cover and support for the finance manager is provided, and to ensure that appropriate standards are met when handling assets. The business case goes on to state that it will also provide some finance support to other Non-Ministerial departments.
- **Additional funding for Saisie/Court Officer (£48,000 per year from 2020-2023)**
  - This position will allow the Viscount's department to deal with the increasing levels of Saisie work and the nature of assets seized by the department, whilst also allowing greater levels of responsiveness to international requests.


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<sup>115</sup> [R.91/2019, p.121](#)

<sup>116</sup> [R.91/2019, p.121](#)

- **Additional funding for Software Maintenance (£25,000 per year from 2020-2023)**
  - This will allow the department to move away from existing software suppliers and, and notes that the annual cost of software maintenance is set to increase. The business case notes that the department is “fully prepared”<sup>117</sup> for the capital cost of the replacement, but that project sponsors were unable to calculate the annual revenue cost of supporting the new system until a supplier is identified.
- **Additional funding for Knowledge Management (£113,000 per year from 2020-2023)**
  - The business case explains that this additional revenue will allow the department to “implement processes for efficient and effective management of information held electronically in the Judicial Greffe and Viscount’s department” which totals at least 1.8 million items<sup>118</sup>.
- **Additional funding for Office-holders Pay Review (£40,000 per year from 2020-2023)**
  - The business case notes that the States HR have accepted that there is an “anomaly”<sup>119</sup> in respect of the pay of certain office-holders within non-ministerial departments such as the Viscount’s department and Judicial Greffe. A review has been conducted to bring these office-holders’ pay into line with the reward under the LOD pay scales, which is represented by this table.
- We have not received any information on this business case that raises any concerns.

### *Business Cases for Capital Expenditure*

O13 MS Foundation (major project)			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
	Modernising Government	Non-Ministerial	

### **Summary Report**

- The business case in R.91/2019 ([page 174](#)) requests funding for 2020 and outlines indicative funding for 2021-23 as follows:
  - **2020: £3,330,000**
  - 2021: £5,670,000
  - Total: £9,000,000
- The business case explains that this provides the funding needed to continue with the MS Foundation Programme, which is currently ongoing within the States and Government of


<sup>117</sup> [R.91/2019, p.122](#)

<sup>118</sup> [R.91/2019, p.122](#)

<sup>119</sup> [R.91/2019, p.123](#)


Jersey. This moves operating systems to a cloud based solution to allow more flexible and productive digital tools, such as upgrading systems to Windows 10 and Office 365.

- The business case further notes that this delivers some of the investment in IT capability that is a key component of the additional revenue and capital spend requested in the Government Plan for the 'Modernising Government' common theme.

OI3 Integrated Technology Solution (major project)			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>• Technology Transformation Programme</li> </ul>	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([page 175](#)) requests funding for 2020 and outlines indicative funding for 2021-23 as follows:
  - **2020: £7,400,000**
  - 2021: £9,200,000
  - 2022: £11,400,000
  - Total: £28,000,000
- The business case for this capital project argues that Jersey will become “critically dependent” on technology to achieve its aims, and must deal with a substantial “technology debt” brought about by a “historic lack of investment in capability, and a shortfall in capacity to handle current demand”.
- A breakdown of the five key areas of ‘introduction of Technology capabilities’, which are as follows:
  - Government wide capabilities;
  - Front office (islander facing) capabilities;
  - Enabling functions; and
  - Security capabilities.
- This project will replace the current JD Edwards, Peoplelink, Talentlink and Supply Jersey systems.
- The business case also notes that this capital project aligns with the Future Jersey vision and the priorities set out in the Common Strategic Policy, with particular reference to the government’s aim to “explore and use the opportunities offered by Digital” and the ongoing initiative of the government to provide “a modern, innovative public sector that meets the needs of Islanders effectively and efficiently.”
- This project is linked to the Technology Transformation Programme (requesting £42 million of spending over 4 years) which we have commented on above (page 73). Our comments on the overall IT spending (page 18) are also relevant.

O13 Replacement assets			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Technology Transformation Programme</li> </ul>	Modernising Government	Chief Minister	

### Summary Report

- The business case in R.91/2019 ([p.176](#)) requests funding for 2020 and outlines indicative funding for 2021-23 as follows:
  - 2020: £5,000,000
  - 2021: £5,000,000
  - 2022: £5,000,000
  - 2023: £5,000,000
  - Total: £20,000,000
- The business case explains that this capital will cover the replacement costs of “various IT assets”, but does not elaborate any further on the assets set to be replaced or provide a breakdown of spending.
- We consider that such lack of detail in a government business case for £20 million funding is unacceptable. We questioned the Assistant Chief Minister with responsibility for the government’s IT Strategy about this in a public hearing:

**Deputy K.F. Morel**

*Can you understand how unhappy the public are when they see £20 million of their money being wanted and spent on 7 words? Can you not see that incongruity?*

**Assistant Chief Minister and Assistant Minister for Social Security**

*It says it is for various I.T. asset replacements.*

**Deputy K.F. Morel:**

*Yes, but you do not then say what those assets are. I would expect that to be ...*

**Assistant Chief Minister and Assistant Minister for Social Security**

*Do you want a list of 15 monitors, 25 servers?*

**Deputy K.F. Morel:**

*It is longer than 7 words.*

**Assistant Chief Minister and Assistant Minister for Social Security**

We do not know if they will break during the next year.

**Senator K.L. Moore**

If that is the case you could say: "On a year-on-year experience the States of Jersey finds that X number of computers break down and generally what you would expect when you employ 7,000 people that you would need a replacement of X, Y and Z." Some information, rather than 7 words.<sup>120</sup>

- When the Chief Minister was questioned about the length during a public hearing on the 20th September, he argued that the detail "probably is sufficient" given what it intends to spend, and that further information would be provided<sup>121</sup>.
- We have received a table from the government that provides a breakdown of the assets that this capital project will deliver. The relevant amounts are commercially sensitive, but for transparency, we have provided a redacted version of the table below.

M &amp; D Government Plan - Capital

Replacement assets		2020	2021	2022	2023	Total Gov plan
Indicative Costs		£'000	£'000	£'000	£'000	£'000
Desktop Upgrades	IT					
Income/Payment Management System (ICAR) platform refresh	IT			-	-	
Content management system refresh (SharePoint Upgrades)	IT	-		-	-	
E-Forms system refresh	IT	-	-			
Data Warehouse Platform Refresh	IT	-	-	-		
IT Integration Layer platform refresh	IT					
HRIS & Erostering Platform Refresh	IT	-		-	-	
IT Desktop for Health and Community Services	IT					
Server - HP3 Par	IT					
Virtual Web Appliance	IT					
SAN SERVER	IT					
Corporate Storage Solution	IT					
Azure	IT					
Replacement desktop/laptops	IT					
Software purchase/ refresh	IT					
Server - HP3 Par	IT					
Backup solution	IT					
<b>Total</b>		<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>20,000</b>

- The level of detail provided in the published business case was clearly inadequate and we would not expect to see a similar situation arise in future Government Plans.

<sup>120</sup> [Corporate Services and Economic & International Affairs Scrutiny Panel's Joint Public Hearing with the Assistant Chief Minister regarding IT Strategy, p.50](#)

<sup>121</sup> [Quarterly Hearing with the Chief Minister, p.18](#)

**FINDING 2.26**

**The business case for £20 million (£5million per year) of funding for replacement IT assets consisted of 7 words. This level of detail does not enable the Panel to have confidence in this business case.**

**RECOMMENDATION 2.18**

**The Council of Ministers should ensure that each business case within future Government Plan's contains an adequate level of detail to support the funding being requested.**

O13 Electronic Document and Records Management (major project)			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
<ul style="list-style-type: none"> <li>Technology Transformation Programme</li> </ul>	Modernising Government	Chief Minister	

**Summary Report**

- The business case in R.91/2019 ([page 184](#)) is due to begin in 2021 and outlines indicative funding until 2023 as follows:
  - 2020: £-**
  - 2021: £500,000
  - 2022: £1,000,000
  - 2023: £1,000,000
  - Total: £2,500,000
- The business case is designed 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”.
- Funding is not requested for 2020, and we have therefore not reviewed this business case in any detail.

Central Risk and Inflation Funding			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
		Chief Minister	

**Summary Report**

- R.91/2019 ([page 129](#)) requests funding for 2020 and outlines indicative funding for 2021-23 as follows:

- **2020: £1,000,000**
  - 2021: £1,500,000
  - 2022: £1,800,000
  - 2023: £2,000,000
  - Total: £6,300,000
- There is no detailed explanation of this funding bid within the R.91/2019 report. However, [page 142 of P.71](#) explains that this capital project creates a separate reserve head of expenditure that holds a provision for risk and inflation outside of the individual capital budget allocations, centralising the funding under the management of the department for Treasury & Exchequer.
  - We do not have enough information to assess the reliability of this funding request and have rated it as amber.

**FINDING 2.27**

***There is no explanation or business case provided for the capital programme central risk and inflation funding of £1 million in 2020 (£6.3 million in total over 4 years)***

**RECOMMENDATION 2.19**

***The Minister for Treasury and Resources should provide a separate business case for central risk and inflation funding in future Government Plans explaining how the amounts have been calculated, in order to provide assurance to States Members and the public regarding the amounts requested.***

Pre-feasibility vote – Office Strategy			
Link to Government Plan Action(s)	Link to Common Theme(s)	Minister(s)	Scrutiny RAG Status
		Chief Minister	

**Summary Report**

- This allocation of £1 million for the States' Office Strategy forms part of the wider pre-feasibility vote of £11.2 million. The Assembly is asked to approve the overall allocation of £11.2 million, but we understand that the exact allocation of this funding could change, depending on the status of the underlying projects.
- Nevertheless, a notional allocation of £1 million of this budget to the Office Strategy is significant. We were offered a briefing on this strategy during our review, however the briefing was cancelled twice by ministers and we have not yet been offered a new date. The confidential supporting information we were provided with to supplement the business cases only contained a single paragraph of explanation for this funding bid, which did not explain the significant amount requested.
- We do not have enough information to assess the reliability of this funding request and have rated it as amber.

**FINDING 2.28**

***We have not been provided with enough information to make an assessment of the £1 million pre-feasibility funding for the States' Office Strategy. This is in part down to delays in the Panel receiving a briefing from ministers on the project.***

**RECOMMENDATION 2.20**

***The Council of Ministers should provide greater levels of detail on pre-feasibility capital funding in future Government Plans.***

### Full list of Amendments

Stamp Duty	Increase stamp duty rate for properties above £1 million
Housing Deposit Scheme	Allocate £5 million in 2020 for a loan deposit scheme for first time buyers
Long Term Care	Reduce the proposed increase to Long Term Care from 1% to 0.5%
Child Tax Allowance	Increase tax allowances for children
Food Costs Bonus	Increase the Food Cost Bonus in line with inflation



## 2.13 Witnesses and Evidence Gathered

Jersey Prison Services Association

Jersey Civil Service Association Prospect / Unite

Randalls

Stuart Langhorn

4insight Report on Focus Groups

CIPFA Report on the Government Plan

Public Hearing with Assistant Chief Minister Scott Wickenden regarding IT Infrastructure

Public Hearing with the Chief Minister regarding the Government Plan

Quarterly Hearing with the Chief Minister regarding the Government Plan

Public Hearing with the Minister for Treasury & Resources regarding the Government Plan

Quarterly Hearing with the Minister for Treasury & Resources regarding the Government Plan

## Appendix 1: Terms of Reference for the Corporate Services Scrutiny Panel

1. Note that sections/projects of the [Government Plan](#) will be allocated to Panels by the Government Plan Review Panel (GPRP) on a 'best fit' basis.
2. Undertake an in-depth review of the allocated sections/projects of the Government Plan 2020, considering:
  - a) Whether funded projects meet the Ongoing Initiatives, Common Themes and, ultimately, Common Strategic Priorities?
  - b) Ensuring that the projects and amendments to be lodged are consistent with the requirements of the [Public Finances \(Jersey\) Law 2019](#).
  - c) The level of resourcing, of all forms, allocated to projects and whether this is sufficient or excessive to enable the project meet its stated aims.
  - d) If project resource allocation is appropriate in relation to overall departmental budgets?
  - e) Whether funded projects align with Departmental objectives? [NB: if and where they exist]
  - f) Whether or not there are clear lines of accountability for each project?
  - g) The ongoing sustainability of projects.
3. Provide the GPRP with a report and any amendments by the date agreed.
4. Budget:
  - a) To examine income raising proposals
  - b) To look at how spending will be funded
  - c) To clarify how States expenditure has materially evolved
  - d) To look at individual departmental budgets and their feasibility based on future spending
  - e) To look at the deliverability of capital projects
5. Financial, economic and growth forecasts:
  - a) To examine the levels of income against expenditure
  - b) To examine the assumptions made for the economic forecasts
  - c) To look at the impact of the financial and economic forecasts in Government Plan 2020 on the Stabilisation Fund and more widely
  - d) To consider the economic sustainability of Government Plan 2020
6. Design and implementation of the Government Plan 2020:
  - a) To consider what allowance is made for the possible structural deficit in 2020 and beyond the period of the Government Plan
  - b) To look at reserves; their use, and how they are allocated
  - c) To consider, in the light of the [2016-2019 MTFP](#) and [Transition Report](#), how the treatment of contingencies/reserves, or any other areas of non-routine proposals have evolved in respect of the Government Plan 2020

- d) To identify the variances from budget of the MTFP 2016-2019/Transition Report, and any lessons learnt and to consider any effect upon the Government Plan 2020
- e) To consider the overall fiscal soundness of the Government Plan 2020

## **Appendix 2: Chartered Institute of Public Finance and Accountancy – Government Plan 2020-2023 Report**

See overleaf

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

**CORPORATE SERVICES SCRUTINY PANEL**

**GOVERNMENT PLAN 2020-2023**

**18 October 2019**

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**CIPFA FINANCE ADVISORY**



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Certificate No. 5631/06

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## APPENDICES

Appendix 1	CIPFA FM Model – Relevant Statements of Good Practice
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## 1. Background

1.1 In September 2019, 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 in the assessment of the Government Plan 2020-2023. This report outlines CIPFA's position on this work to 18 October 2019.

### Context

1.2 The scope of our review covered the proposed Government Plan which was lodged au Greffe on 23 July 2019 by the Council of Ministers in pursuant of Article 9(1) of the Public Finances (Jersey) Law 2019.

### Evidence

1.3 Primary sources of evidence collected included:-

- Document Review – Government Plan submission and supporting documents
- Attendance at Scrutiny Panel Meeting
- Reports received from Treasury & Exchequer
- Meetings with Senior Finance Staff in Treasury & Exchequer and Strategic Policy Performance and Population
- CIPFA data

1.4 It should be recognised that this assessment work is carried out on a restricted set of evidence and we are awaiting as at 18 October 2019 key background data on:

- Staffing numbers and analysis
- Subjective analysis
- Departmental Business Plans including CYP detail
- Personal Income Tax yield for 2019

### Application

1.5 The Government Plan 2020-2023 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 appropriate income raising (income tax and impots) and the appropriate parameters around income and expenditure estimates. From 2020 the Government Plan proposes a variation in tax and this will be enacted<sup>1</sup> subject to States approval. The Plan also proposes to vary Social Security funding arrangements. The proposition includes the approved establishment of a Climate Emergency Fund.

1.6 The Government Plan seeks to adopt a detailed one year plan within a rolling four year cycle covering relevant income and expenditure. Unlike previous Medium Term Financial Plans (MTFP) this rolling 4 yearly approach allows for a significantly greater degree of agility/flexibility in recalibrating approaches to developing fiscal issues.

<sup>1</sup> Articles 11 and 12 of the Public Finances (Jersey) Law 2019 requires separate legislation to be lodged

## **2. Assessing the Government Plan 2020-2023**

- 2.1 We assessed the Government Plan against specific aspects of relevant components of the Five Star CIPFA Financial Management Model. ‘The Five Star’ CIPFA Financial Management Model (FM) Model is the “gold standard” globally for best practice on Financial Management in the Public Services and is used extensively in North America, the Middle East, Australasia and throughout the United Kingdom.
- 2.2 The Five Star Financial Management Model is based on the core elements of the CIPFA Financial Management Model. The Model is recognised by HM Treasury as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by the Finance Leadership Group of HM Treasury (FLG) as the framework to be used for financial management self-assessments. The Model uses a scoring system to provide an objective measure of financial management capability including the identification of strengths, weaknesses and areas for improvement.
- 2.3 The Five Star CIPFA Financial Management Model is based on 30 statements of best practice. Each of these statements is supported by a series of up to 18 questions which both explain the scope of the statement and help evaluate the extent to which the statement applies to the organisation. Each statement is scored on a scale from 0-4 (in increments of 0.25) based on the strength of evidence that supports the extent that the attributes of best practice actually exist and are being applied.
- 2.4 Our assessment is based on a mix of evidence obtained through document review and meetings with Government staff. However, it should be noted that our assessment has been limited by the lack of the availability of key information as set out in paragraph 1.4 above. Any conclusion drawn from our work should be assessed in the context of the unavailability/absence of key evidence.

### **Approach taken in assessing the strength of the Government Plan 2020-2023**

- 2.5 In developing a valid assessment methodology we applied an approach using the most relevant statements and supporting questions from the CIPFA FM Model to the Government Plan 2020-2022 (GP). Our approach focussed on the attributes of the:-
- Architecture and construction of the GP
  - Assessment of key foundational assumptions used within the GP including departmental/service business plans and business case workings
  - Arrangements set out in the GP for securing delivery and performance management
- 2.6 In terms of our approach in testing the GP, we modified our standard methodology to test only those relevant statements (using supporting questions) that would cover this restricted assessment. We identified five statements that we considered to be relevant and appropriate in the assessment of the GP where we would expect the fundamental attributes of good practice to be evident within the GP. Each statement is supported by questions which seek to cover a range of relevant evidence which assists with statement scoring – these are outlined



in Appendix 1. Scoring rises from 0 to 4 in increments of 0.25. Scoring is represented at a high level with a “traffic light” (RAG Rating) approach associated with the following ranges:-

Rating	Qualifying Scoring	
*****	4.0	World Class
	3.75	Totally evidenced
	3.50	Strong
****	3.25	Highly evident
	3.0	Highly evident
***	2.75	Evident
	2.50	Mostly
**	2.25	Competent
	2.0	Basic
*	1.75	Lower than basic
	1.5	Minimal
	1.25	Weak
	1.0	Weak
	0.75	Inadequate
	0.5	Inadequate
	0	Not at all

### Evidence and statement scoring

- 2.7 It should be recognised that this assessment work is carried out on a significantly limited set of evidence and should be seen as specific to the GP as submitted rather than an indicator of the overall strength of financial management capability at the Government of Jersey. Having carefully considered all the relevant available evidence, our scoring for each of our relevant statements in relation to the GP is as follows:

Statement	Statement narrative	Gov. Plan 2020-23 Indicative scoring	Global Average scoring
L3 Delivering Accountability	Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes.	2.75	3.00
L4 Supporting Performance	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	2.25	2.50
L6 Enabling Transformation	The organisation’s leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	2.75	2.25
PR1 Delivering Accountability	Budgets are accrual-based and robustly calculated	2.00	2.50
PR10 Supporting Performance	The organisation’s medium-term financial planning process underpins fiscal discipline, is focussed upon	2.75	2.50

	<b>the achievement of strategic priorities and delivers a dynamic and effective business plan.</b>		
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- 2.8 The statements within the FM Model are configured to fit a matrix on Financial Management styles and management dimensions. On Financial Management styles the FM Model has three – Delivering Accountability, Supporting Performance and Enabling Transformation. The model has four Financial Management Dimensions of Leadership, People, Processes and Stakeholders.
- 2.9 In our experience Delivering Accountability style of financial management scores best. This is an area that is heavily regulated and prescribed by HM Treasury and Cabinet Office best practice. Delivering Accountability is also most closely related to the traditional role of financial capability. Typically there should be a pattern of progression in scoring with the highest being Delivering Accountability style and the lowest being Enabling Transformation with a stepped progression between the financial management styles. However the above indicative scoring is slightly different in that elements of Enabling Transformation and Supporting Performance appearing to be comparable with some core Delivering Accountability attributes – albeit that this exercise has significant limitations. This is typically a feature of those organisations who have prioritised transformational change.

**Leadership – Delivering Accountability/Supporting Performance/Enabling Transformation**

- 2.10 Based on the evidence presented to date our high level comments underpinning our scoring are outlined below.

<b>Delivering Accountability</b>	<b>L3</b>	Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes.	<b>2.75</b>
	<b>L4</b>	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	<b>2.25</b>
<b>Enabling Transformation</b>	<b>L6</b>	The organisation’s leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	<b>2.75</b>

- 2.11 Statement L3 has 3 strands, bringing together the matching of resources to organisational priorities, monitoring to ensure those priorities are achieved and the establishment and review of financial management policies. In this respect our evidence derived from the GP, supporting documents and oral evidence from our meetings suggest that, at a high level, (and for perhaps the first time) corporate priorities have been identified and incorporated within a financial strategy in a way that seeks to determine clarity of objectives and secure the accountability of the services to deliver required outcomes through an allocation process. The

GP is well set out and appears to be comprehensible to the non-financially aware reader – minimising technical terms where possible.

- 2.12 For L4 the FM Model expects there to be a clear integrated strategy with appropriate linkage between business plans, workforce strategy, and underpinning financial strategies (including procurement strategy, asset management strategy etc.), i.e. a medium-term financial strategy, that demonstrates that resources are in place to deliver the planned actions. Whilst high level direction of priorities are well set out and a delivery approach is core to the GP, there is no evidence that the financial model is built from operational service planning and the allocation of resources appears driven by a top down approach rather than bottom up in the formulation of budgets and allocations. The allocation and detail relating to the figures for current year priority revenue investment (CYP), efficiency savings, capital investment and core base estimates appear to be aspirational rather than formulated at a granular level. The degree to which efficiency savings are deliverable as well as the containment of expected budget pressures will significantly determine the extent that outturn will come within the expected budgetary position. This will include the deliverability of CYP and capital investment.
- 2.13 A key supporting question is “Does the medium-term financial plan draw together realistic estimates of funding to support the achievement of strategic objectives?” We have requested information on Income Tax yields as we envisage that tax generation will be significantly influenced by the prevailing macro-economic position as well as potential transformational change impacts to the public services in Jersey itself. At present we are unsighted on the detail behind tax yields. The latest Fiscal Policy Panel’s key economic metrics (September 2019) forecast a downward trend and income estimates were formulated by the Income Forecasting Group (IFG) using the FPP’s spring indicators. Such spring indicators reflected a more buoyant position. We are also unsighted on the current year’s overall actual income tax position. This lack of evidence on the robustness of income estimates is problematic and our scoring is reflective of that position.
- 2.14 Whilst the GP is well constructed, the lack of alignment with service planning and its lack of granularity in terms of the lack of supporting workings is its principal weakness. A significant contributing factor may be the lack of operational financial strategies that should integrate with operational activities i.e. Service Plans without adequate financial information. The fact that the financial estimates appear to be embryonic and are being developed using a ‘top down’ vision approach may well be contributing factors.
- 2.15 For the transformation style, statement L6 covers the integration of financial management approach and resources driving the change agenda. This statement considers issues such as performance and cost measures or risk. It is recognised that for some organisations with robust internal controls and entrenched cultural barriers to change, the ability to stimulate transformational capacity can be difficult due to the inherent inflexibility of internal controls which restricts transformational capability. A feature of transformational capability is the ability to look at alternative (often radically different) delivery models. The GP is strong on setting out the change agenda at a high level and tries to provide a balance between the required investment and financing that additionality. The lack of granularity is certainly a challenge to meeting the attributes associated with this statement and our scoring is lower than it would have been had a basic level of detail had been available. That said, scoring specifically on the GP within this exercise is markedly higher than our global average.

## Processes – Delivering Accountability/Supporting Performance

<b>Delivering Accountability (PR1)</b>	<b>PR1</b>	Budgets are accrual-based and robustly calculated	<b>2.00</b>
<b>Supporting Performance (PR10)</b>	<b>PR10</b>	The organisation’s medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	<b>2.75</b>

2.16 Statement PR1 covers with the mechanics of Budget Setting in depth, however our evidence, or the lack of it, does suggest the deployment of a largely incremental budget setting process with savings plans being largely formulated using a ‘salami sliced’ approach. There appears to be a lack of a ‘bottom up approach to base budget setting. During the course of our meetings we were advised that some elements of zero based budgeting and outcomes based budgeting were being used – however we have not received any evidence on the deployment of these techniques or even a hybrid approach.

2.17 Efficiency savings and CYP investment have been allocated to the services. However, it is difficult to determine the level of detail behind the sums involved and the robustness/efficacy of the figures. Key supporting questions include:

*“Are forecast or actual budget variances and trends reflected in the budget setting process?”*

*“Are cost reductions, growth and savings options identified and reliably costed as part of the budget process?”*

*“Does a risk assessment of material items of income and expenditure inform budget setting, and their reporting to the board with financial implications, mitigating actions and contingency provisions?”*

*“Are managers fully involved in setting their budgets, working with finance staff, so that they take ownership?”*

2.18 We had some difficulty in positively identify attributes that adequately answer these questions in the affirmative. In the absence of supporting evidence the figures presented within the financial modelling component of the GP suggest that the foundational budgets and allocations are more aspirational than being formulated on a stress tested and challenged business cases for service change.

2.19 PR10 addresses the critical area of medium term financial planning and how financial strategy is underpinned by key funding assumptions, strategic service planning and analysis. PR10 can be linked to statement L4, however the focus on PR10 is more about the actual processes used in crafting in Medium Term Financial Plan component within the wider GP. Whilst we have scored this at 2.75 we are largely basing our scoring upon the ‘strapline’ of the statement in the absence of key evidence. There is some significant evidential issues to be addressed so

our scoring should be treated with some caution. For example, the link between investment led service changes and required staffing implications remains unclear. Financial strategy does not appear to be fully informed by a bottom up analysis of costs and income. We are not sighted on any service business planning. The CYP and Efficiency Savings components of the financial modelling appears to set more indicative/aspirational targets rather than developing a step by step guide on how re-engineering is going to be achieved. There is the sense that there is difficulty in establishing, with any precision, an optimal staffing structure for any planned level of service reengineering and eventual service delivery. In this respect the GP as a Medium Term Financial Plan appears to be more conceptual than founded upon a fully integrated and detailed approach. However, whilst formulated on a 'top down' high level approach, the GP is comprehensive and the plan appears to allow some agility in recalibrating activity.

2.20 The absence of real connectivity with supporting strategies on the detailed numbers is problematic (referred to in L4 comments) and suggests that significant elements of detail are still to be 'worked up'. A major challenge will be overcoming negative perceptions on the ability to deliver savings and related service change against the backdrop of previous difficulties encountered across MTFP I and MTFP II. However, a real improvement over the approaches used in the construction of previous MTFPs is the attempt to model corporate priorities alongside their financing with a focus on the delivery of outcomes. Such an improvement is reflected within our scoring.

### 3 Strengths and specific areas of concern

#### Strengths - summary

3.1 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. High level strengths which include the following:

- 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)

#### Specific areas of concern

3.2 From an interim assessment of the available evidence we would draw the Panel's attention to the following five areas of concern –some of which may be dealt with by additional evidence.

- Budget construction
- Income estimates – optimism bias
- Delivering required savings – lack of detail
- Investment capability – Capital as well as CYP Revenue
- Corporate Finance Strategy

#### Budget construction

3.3 We were unable to obtain service business plans or specific service budgets formatted within a subjective analysis. For example:

##### **Expenditure**

Employee Costs

Property Costs

Supplies and Services

Transport Costs

Administrative Costs and other overhead

Financing costs

##### **Income**

Service Income  
Recharges  
Grants etc.  
Other income

- 3.4 Best practice advocates a ‘bottom up’ approach to budget construction including aspects of zero based and outcome based budget methodologies. The Government Plan 2020-2023 appears to be predominately constructed using a ‘top down’ approach. This type of approach is commonly used when organisations find themselves constrained by time and capacity issues. The main concern with this approach is that budgets are not constructed with an acceptable level of precision and that final positions are aspirational rather than founded on actual commitments. Key assumptions may lack validity and not be adequately stress tested. A key problem within UK Local Government Budget setting is a lack of robustness in setting of the ‘balanced’ annual budget. In some cases there has been an undue reliance on the achievement of unrealistic efficiency savings and income growth. Whilst the Government Plan has obvious strengths there are aspects that bear some similarities to the challenges currently faced within the UK local authority environment.
- 3.5 Overall we would expect the Plan to provide evidence that departmental operational plans are ‘welded’ to financial planning in a way that ensures that operational planning and financial planning synchronise and are both realistic and achievable. At this stage, we did not get sense that the Government Plan has been constructed in this way. The risks on the potential lack of precision cannot be overstated.

### **Income Estimates**

- 3.6 Incorporated within our previous review work on MTFP 1 and 2 we raised concerns about the formulation of income estimates in the context of prevailing economic trends and suggested that there may have been an element of optimism bias in the budget setting process. We recognise the work of the Income Forecasting Group (IFG) including the robust advice provided by the Fiscal Policy Panel (FPP), shapes and influences the determination of key income forecasts and estimates. However, at this point in time we are of the view that there may be significant risks in running with current income tax yield estimates embedded within the Government Plan. The IFG based income forecasts were influenced by the FPP’s spring economic assumptions. The table below highlights the expected movements and revised forecasts for taxation and duty for spring 2019 together with a comparison with the Budget 2019 (September 2018) forecast per r107-2019 <sup>2</sup>.

<sup>2</sup> IFG - Income Forecast Group (“IFG”) Report on the Revised Forecast of States Income from Taxation and Duty for Spring 2019 Page 3

States Income from Taxation and Duty	Actual	Spring 2019 forecast				
	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
- Income Tax	544,444	586,000	614,000	645,000	675,000	707,000
- GST	92,937	93,443	95,519	97,554	99,750	101,888
- Impôt Duties	62,463	65,756	65,741	65,686	65,694	65,764
- Stamp Duty	34,502	35,891	37,118	38,105	39,770	41,020
<i>Higher Scenario</i>	<i>734,346</i>	<i>804,886</i>	<i>847,129</i>	<i>898,441</i>	<i>951,000</i>	<i>1,007,430</i>
<b>Central Scenario</b>	<b>734,346</b>	<b>781,090</b>	<b>812,378</b>	<b>846,345</b>	<b>880,214</b>	<b>915,672</b>
<i>Lower Scenario</i>	<i>734,346</i>	<i>757,276</i>	<i>777,783</i>	<i>794,907</i>	<i>810,896</i>	<i>826,503</i>
<b>Annual Growth %</b>		<b>6.4%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>4.0%</b>	<b>4.0%</b>
Budget 2019 (Sept 2018) Forecast	716,362	756,509	788,169	818,000	850,101	885,159
<i>Budget 2019 measures adopted</i>	-	1,303	1,176	1,176	1,176	1,176
Budget 2019 Forecast incl adopted Budget measures	716,362	757,812	789,345	819,176	851,277	886,335
<i>Variation to Budget 2019 (Sept 2018) Forecast incl adopted Budget measures</i>	<i>17,984</i>	<i>23,278</i>	<i>23,033</i>	<i>27,169</i>	<i>28,937</i>	<i>29,337</i>

3.7 Using a central scenario approach there was an expected overall upward shift of 6.4% from 2018 to 2019 outturns then a further 4% upward movement from 2019 to 2020.

3.8 As we are currently unsighted as to current 2019 income yield performance it is difficult to validate the base transition from 2019 to 2020 and beyond. In previous scrutiny work we have been previously critical of what we saw as a failure to adjust financial strategy in line with the very latest intelligence. This had particular resonance with the projected deteriorating Income Tax yield position at the time.

3.9 We note that a change in accounting treatment of personal income tax to recognise all personal income tax in the year it arises is incorporated within the income estimates – effectively a move to current year assessment tax yield for the purposes of states income. This accords with the matching principle embedded within prevailing Internal Financial Reporting Standards (IFRS) and we note that it transfers the impact of income tax liability into current year income with current year liability being assumed to be higher than the previous years. The impact of this acceleration has been quantified as being £11 million in 2020 rising to £13 million. Whilst we would welcome improved alignment with accounting standards it is important that the estimate formulation methodology for Personal Tax figures within the Budget and GP accurately reflect the actual impact. Arguably, using previous year liability figures should have provided more certainty with Personal Income Tax yield estimates. In this context it will be interesting to assess the accuracy of the assumptions behind the revised tax estimate bases set going forward.

3.10 The Government Plan makes some modifications to the IFG presented figures and page 153 outlines the finalised figures:



2019 Forecast (£000)	Tax/duty	2020 Estimate (£000)	2021 Estimate (£000)	2022 Estimate (£000)	2023 Estimate (£000)
586,000	Income Tax	614,000	645,000	675,000	706,000
93,443	GST	95,919	98,353	100,551	102,689
65,756	Impôt duties	70,365	72,806	75,313	77,025
35,891	Stamp duty	37,118	38,105	39,769	41,020
781,090	Central scenario	817,402	854,264	890,633	926,734
4.70%	Annual growth %	4.60%	4.50%	4.30%	4.10%
2,000	Domestic Compliance	7,000	9,600	11,900	13,000
783,090	General Tax Revenue	824,402	863,864	902,533	939,734

3.11 An obvious area of concern is the expected 7.6% growth in Income Tax between the 2018 actual of £544,444 and £586,000 base for 2019 (the current year) particularly in the context of the FPP's latest September economic metrics forecasts. This is approximately £42 million of growth. The latest key metrics taken from the FPP's latest September Bulletin are outlined below together with the relative shifting from the March position used to construct the Government Plan's income assumptions by the IFG:

1. **Updated base case forecast**

<i>% change unless otherwise specified</i>	2017	2018	2019	2020	2021	2022	Trend 2023+
Real GVA	0.4	2.5	0.9	1.0	1.3	0.8	0.6
RPI	3.1	3.9	2.8	2.4	2.6	2.7	2.6
RPIY	3.2	3.5	2.6	2.3	2.5	2.6	2.5
Nominal GVA	3.6	6.0	3.5	3.3	3.8	3.4	3.1
GOS (including rental)	-0.7	7.7	3.3	3.0	3.5	3.2	3.2
Financial services profits	-6.6	8.3	2.0	2.0	3.1	3.3	3.4
Compensation of employees	7.6	4.7	3.6	3.5	4.0	3.5	3.1
Employment	2.3	1.4	1.0	0.2	0.8	0.5	0.4
Average earnings	2.6	3.5	2.6	3.3	3.2	3.0	2.7
Interest rates (%)	0.3	0.6	0.7	0.6	0.5	0.5	0.5*
House prices	2.9	7.1	6.3	5.4	4.5	3.6	2.7
Housing transactions	6.7	7.2	7.0	3.0	3.2	2.3	1.5

2. **Change since March 2019**

	2017	2018	2019	2020	2021	2022	Trend 2023+
Real GVA	0.0	+0.9	-0.1	-0.4	0.0	0.0	0.0
RPI	0.0	0.0	-0.3	-0.2	+0.1	+0.1	0.0
RPIY	0.0	0.0	-0.3	-0.2	+0.1	+0.1	0.0
Nominal GVA	0.0	+0.9	-0.4	-0.6	+0.1	+0.1	0.0
GOS (including rental)	0.0	+1.9	+0.1	-0.6	0.0	0.0	0.0
Financial services profits	0.0	+4.3	0.0	-0.9	0.0	0.0	0.0
Compensation of employees	0.0	+0.2	-0.9	-0.7	+0.1	+0.1	0.0
Employment	0.0	+0.4	+0.5	-0.5	0.0	0.0	0.0
Average earnings	0.0	0.0	-1.4	-0.2	0.0	+0.1	0.0
Interest rates (%)	0.0	0.0	-0.1	-0.3	-0.5	-0.6	-0.6*
House prices	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing transactions	0.0	0.0	+4.0	-1.0	0.0	0.0	0.0

\*Interest rate assumption for 2023 only

3.12 Whilst GVA has shifted down a marginal 0.1 to 0.9%, it is significant that Average Earnings retrenches by 1.4% to 2.6% from 4.0%.

3.13 Income Tax (Personal and Corporate) accounts for approximately 74.5% of all General Tax Revenue. The expected Income Tax achievement of £586 million this year (2019) from £544 million in 2018 is expected to grow further to £614 million for 2020. This appears accelerated increase appears to be extremely optimistic – particularly in a climate of significant uncertainty. The FPP state that “Growth in average earnings slowed markedly in 2019 to 2.6%. In real terms, after inflation, earnings fell for a second consecutive year.” Similarly, due to increasingly challenging trading conditions it is not certain that previous tax measures on large Corporate Retailers<sup>3</sup> will deliver expected yields. The impact of widening the definition of a Financial Services company to enhance a 10% capture on profits was also geared at generating additional tax income. It is not clear at this point in time if both these measures, which were estimated as bringing in an additional £8.7 million in 2019 will deliver such income expectations.

3.14 It should also be noted that if public sector reform produces a significant reduction in public sector staffing numbers this may have a material impact on future tax yields covered by the plan as well as the impact on pension fund contributions.

3.15 Whilst we acknowledge that the IFG have taken a central scenario we would, at the time of writing, suggest that it may have been more prudent to take a midpoint position between the Lower and the Central Scenario in order to formulate the base income estimates. Given the overall level of economic uncertainty it would be our view that the current income tax revenues estimates within the plan are optimistic and there will be downside risks of expected income tax levels not being fully achieved. We would recommend that in light of the latest FPP metrics the income figures should be subject to downward revision.

<sup>3</sup> Large Corporate Retailers are subject to tax at a higher rate from Year of Assessment 2018 if they have taxable profits of at least £500,000 per annum. Where taxable profits are more than £500,000 but less than £750,000 per annum, tapering relief is applicable with the effective rate of tax will increase on a sliding scale from 0% to 20%. Where the taxable profits are £750,000 or more per annum, the applicable tax rate will be 20%. A larger corporate retailer is a company where 60% of its trading turnover is from retail sales to customers in Jersey; and retail sales to customers in Jersey are equal to or greater than £2m per annum. Retail sales will not include wholesale supplies or the provision of services.

## Delivering required savings

- 3.16 The Government Plan sets out some high level detail of £19.7m of efficiency savings which has recently been increased to £32.78m as part of an overall target of £40m to be delivered for 2020. These savings are within an expected achievement of an overall objective of £100m over the duration of the plan to 2023. We understand that there is further work underway to identify the remaining £7m of the £40m savings but at this point in time there is no available evidenced based outcome of such work.
- 3.17 We are advised that the planned efficiencies comprise a range of proposals at both departmental and cross cutting level. The introduction and identification of cross-cutting initiatives is a marked improvement from change proposals incorporated within previous MTFPs and suggests a strong corporate drive to eliminate duplication and provide more effective outcomes for public service users.
- 3.18 The 2020 Efficiencies update highlights the spread of efficiency savings across departments. Undoubtedly there has been significant background work in trying to assess the extent of efficiencies and how these can be delivered/achieved.
- 3.19 Our concerns in this area focus on the lack of detailed information to support each strand of efficiency saving measure. Whilst there has been a good breakdown of source between spend reduction, cost recovery and income, there is an absence of detail which we would expect to see that would provide some indication as to the maturity of the approach used to 'work up' each efficiency measure. Given that the financial modelling with the overall Government Plan expects the realisation of the planned sums in efficiency savings, we are assuming that such efficiency savings are fully cashable savings rather than counter-factual saving. For example, detailed workings on the proposed Hospital efficiencies of £3.53m and other Health efficiencies of £2.47m would be extremely helpful. Given unrelenting service demand it is difficult to conceive that such level of cashable efficiencies can be delivered in one year 2020.
- 3.20 Overall we simply do not have any detail that would allow a robust assessment on the efficacy of the critical assumptions underpinning each strand of the efficiency savings programme and the relative risks attached to such assumptions. Historically there has not been a great track record of achievement of cashable savings in Jersey relative to the expectations around achievement.
- 3.21 Whilst we fully appreciate that some of the efficiencies will arise through the investment programme, (for example the utilisation of digital/new technologies, service integration and a revised Target Operating Model (TOM)), the detail should be embedded within the investment proposals. In the cross-over between investment and efficiency savings through transformational change we would expect to see a sufficiency of detail on both capital/investment outcomes and investment related efficiency savings that will be realised. Unfortunately, there does not appear to be the detail on either within the Government Plan or supporting documentation.

## Investment capability

3.22 Over the course of the Plan it is anticipated that some £349 million of capital investment will be achieved. This is outlined within the overall modelling below with some £90.6 million of capital investment planned for 2020 and £80.7 million of revenue investment CYP:

	2020 (£000)	2021 (£000)	2022 (£000)	2023 (£000)
Opening base budget	734,845	823,775	858,695	895,584
<b>New investment in CSP priorities</b>	<b>80,693</b>	<b>27,753</b>	<b>20,712</b>	<b>6,357</b>
<b>Inflation and Legislative Decisions</b>	<b>41,237</b>	<b>24,567</b>	<b>33,877</b>	<b>40,810</b>
<b>Efficiencies<sup>4</sup></b>	<b>(33,000)</b>	<b>(17,400)</b>	<b>(17,700)</b>	<b>(18,900)</b>
<b>Total net departmental expenditure</b>	<b>823,775</b>	<b>858,695</b>	<b>895,584</b>	<b>923,851</b>
<b>Capital programme</b>	<b>90,640</b>	<b>91,801</b>	<b>87,478</b>	<b>78,868</b>
<b>Total Government Net Expenditure</b>	<b>914,415</b>	<b>950,496</b>	<b>983,062</b>	<b>1,002,719</b>

3.23 We do not have sight of the current 2019 Capital expenditure (CapEx) outturn but the 2018 equivalent was approximately £18 million excluding trading funds and the 2017 figure was £47.6 million with £40.9 million in 2016. Expected levels of investment over the plan of £349 million have never been higher. Given the level of natural slippage across most capital programmes and the extent that departments will need to 'gear up' for such increased levels, it is difficult to envisage that this level of investment will be delivered to plan. Unlike the proposed level of efficiency savings there is some (but variable) granularity on the individual programme workstreams. These are included as appendix 4 of R.91/2019 - further information in respect of the additional revenue and capital expenditure referred to in the Government Plan.

3.24 In terms of Capital Investment activity the following table summarises the main investment activities<sup>4</sup>:

Capital Programme area	2020 £0	2021 £0	2022 £0	2023 £0	Totals £0
Pre feasibility vote	11,200.00	1,700.00	250.00	0.00	13,150.00
Discrimination law, safeguarding and regulation of care	2,500.00	2,600.00	2,600.00	2,000.00	9,700.00
Schools extensions and improvements	2,000.00	5,701.00	5,650.00	1,750.00	15,101.00
Infrastructure including the Rolling Vote	24,050.00	22,370.00	20,650.00	23,150.00	90,220.00
Information Technology	25,461.00	31,393.00	23,871.00	10,100.00	90,825.00
Replacement Assets	10,085.00	8,360.00	5,884.00	8,627.00	32,956.00
Estates including New Schools	14,344.00	18,177.00	26,773.00	31,241.00	90,535.00
Central Risk and Inflation Funding	1,000.00	1,500.00	1,800.00	2,000.00	6,300.00
<b>Totals</b>	<b>90,640.00</b>	<b>91,801.00</b>	<b>87,478.00</b>	<b>78,868.00</b>	<b>348,787.00</b>
Jersey Fleet Management	1,000.00	1,000.00	1,000.00	1,000.00	4,000.00
Jersey Car Parking	553.00	22.00	6,040.00	3,058.00	9,673.00
<b>Total Trading Funds</b>	<b>1,553.00</b>	<b>1,022.00</b>	<b>7,040.00</b>	<b>4,058.00</b>	<b>13,673.00</b>

<sup>4</sup> R91 – 2019 – Appendix 3 Summary –Pages 126 to 129

3.25 Key projects reflect Government priorities. Notable investments include:

Investment	£,000
Integrated Technology Solutions	28,000
Cyber	13,800
Sewage Treatment Works	11,850
Health Service Improvements	20,000
Rouge Bouillon Site review outcome	14,000

3.26 The management of capital contracts across the UK public services has been historically difficult with optimism bias and failure to manage complex projects with specialist contractors being consistent contributing factors. There is a real risk that with the level of expected staffing change that there will be difficulties in finalising robust project costed specifications, applying optimal procurement and applying efficient performance management awarding to ensure projects are effectively delivered. For example, should a number of key people leave the service as a result of workforce planning change measures through planned public sector reform, it may be possible that there will be a loss of experience and corporate memory that could potentially impair optimal investment specification formulation. Such enhanced levels of capital programme delivery require additional capacity in terms of skilling and availability of suitable/contractors/suppliers. We remain to be convinced that such attributes will be fully available to deliver the size and complexity of the investment programmes included within the Government Plan. For example, there does not appear to be a realistic overall appreciation of programme slippage/optimism bias.

3.27 We are advised that Departments spent £30.7 million on net CapEx in the first 6 months of 2019 and are forecasting to spend £70.9 million by the end of the current year<sup>5</sup>. This includes significant projects which have been running over a number of years including the new Les Quennevais School and the Sewage Treatment Works. Expanding total capital expenditure from approximately £18 million to £71 million in successive years is a considerable achievement although we are unsighted on the detail behind the key assumptions that underpin the 2019 forecasted outturn of £70.9 million. Despite the significant increase in planned 2019 CapEx we would still have concerns around the available capacity and capabilities to deliver the capital investment of £349 million over the relevant four year plan in addition to any scope to move forward on the Our Hospital Project<sup>6</sup>.

## CYP

3.28 In relation to CYP, the additional £80.693 million has been allocated and incorporated within the objective analysis contained within the GP. However, we are unsighted on how this revenue expenditure is being spent on a subjective analysis basis. As a consequence it is extremely difficult to categorise this additional investment into revenue type staffing, property and supplies inputs etc. In respect of budget construction we have already highlighted that there is a lack of evidence that points to a bottom up approach being taken in the construction of revenue estimates and this would include CYP investment. We would naturally expect that the £80.693 million CYP investment is capable of being broken down into

<sup>5</sup> <https://statesassembly.gov.je/assemblyreports/2019/r.115-2019.pdf>

<sup>6</sup> £349 million includes some £6.6 million of Pre-feasibility Vote capital expenditure on 'Our Hospital'

a subjective analysis and that key staffing and supplies expenditure resources can be readily identified.

- 3.29 If there is sufficient maturity in the investment concept that has been established for each CYP, such investment expenditure components should be capable of identification and analysis by Subjective headings. Generally, the nature of Capital expenditure is substantially related to asset creation and the utilisation or economic payback of that asset for periods in excess of one year. The nature of this type of expenditure is usually very different to CYP revenue exposure. The size of the CYP revenue type expenditure investment is highly significant and clearly mapped to corporate priorities. However, the nature of it is such that we don't get a sense of how such CYP investment will translate into outcomes. Best practice would require departmental service plans to detail the construction of this additional revenue expenditure by investment type and by subjective analysis. This information should be wholly embedded within service plans – welding operational and financial plans together. If this information is being currently 'worked up' and lacks maturity it may weaken the level of reliability and assurance which the plan seeks to achieve. Incorporating aspirational and embryonic estimates into the Plan without the detail and challenge is inconsistent with the high level messaging that the GP seeks to achieve.
- 3.30 On the wider economic prospects for Jersey the FFP's September report highlights an increased vulnerability from both a global slowdown and uncertainties linked to the UK's position within the EU. The downward revision reflects an element of pessimism and that is factored into the downward adjustment on key economic metrics- "With the prospects for Jersey's economy looking somewhat weaker in the short term<sup>7</sup>." Outwith external factors there is also the impact on Jersey as a result of the implementation of the investment programme and in many ways the plan points to investment which should stimulate an element of economic growth. However, we are uncertain about the degree to which the dependency on the 'size' public sector changes in Jersey as a result of the impacts of various strands of the GP including a radical redesign of the workforce to accommodate transformational change. This would include the stimulus effect of investment or indeed potential inhibitors arising from negative impacts on GVA and revenues. Indeed, questions may arise about the availability of market capacity within the island itself and extent of potential 'leakage' of investment outwith the island where external contractors are being deployed for larger projects.
- 3.31 In summary there is not enough precision and sense of capacity to assess whether the GP will act as a stimulus or otherwise. Indeed, in reality it may have a largely neutral effect if major transformational change is not achieved in the short to medium term.

### **Corporate Finance Strategy**

- 3.32 The overall interaction of funds and the movement on these key funds is outlined with the Plan, with a marked overall trajectory of growth:

<sup>7</sup> Jersey's Fiscal Policy Panel –Updated Economic Assumptions -23 September 219 – Page 3

Special funds balances	2020 (£000)	2021 (£000)	2022 (£000)	2023 (£000)
<b>Strategic Reserve Fund</b>	<b>887,200</b>	<b>927,200</b>	<b>969,800</b>	<b>1,014,400</b>
<b>Stabilisation Fund</b>	<b>86,500</b>	<b>103,400</b>	<b>120,600</b>	<b>138,000</b>
<b>The Health Insurance Fund</b>	<b>107,300</b>	<b>116,900</b>	<b>126,100</b>	<b>135,300</b>
<b>The Long-Term Care Fund</b>	<b>44,400</b>	<b>63,200</b>	<b>79,600</b>	<b>93,900</b>
<b>The Social Security Fund</b>	<b>101,350</b>	<b>100,436</b>	<b>102,794</b>	<b>113,734</b>
<b>The Social Security (Reserve) Fund</b>	<b>1,923,300</b>	<b>2,029,000</b>	<b>2,142,700</b>	<b>2,262,800</b>
<b>The Currency and Coinage Funds</b>	<b>115,400</b>	<b>115,400</b>	<b>115,400</b>	<b>115,400</b>
<b>The Jersey Reclaim Fund</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>	<b>16,500</b>
<b>Housing Development Fund</b>	<b>226,200</b>	<b>227,400</b>	<b>228,700</b>	<b>229,800</b>
<b>Climate Emergency Fund</b>	<b>4,455</b>	<b>4,005</b>	<b>4,705</b>	<b>5,405</b>
<b>Other Special Funds</b>	<b>24,186</b>	<b>18,396</b>	<b>18,396</b>	<b>18,396</b>
<b>Total</b>	<b>3,536,791</b>	<b>3,721,837</b>	<b>3,925,295</b>	<b>4,143,635</b>

- 3.33 Historically Jersey has done exceptionally well with in the management of investments but there now exists a level of uncertainty relative to Brexit, consistently low interest rates and instability within the wider world economies that potentially threaten the size of investment returns. We understand that headroom will be required for 'Our Hospital' and there may be a future requirement to provide finance or underwrite borrowing for public sector housing (Andium Homes). The above extrapolation of the above growth in funds is contingent on the Government Plan 2020-2023 financial model being delivered. Where investment return expectations are not realised in reality there will be the need to consider additional measures such as increasing taxes although we do understand that the Plan restates and expands upon Tax Policy
- 3.34 Whilst the aggregate year on year increases in the above funds reflect expectations on performance in the delivery of the Government Plan, there will need to be some realism and agility applied to recalibrate expectations on the balances. The current Plan does not readily expand on how that will be achieved in practice.
- 3.35 On financial strategy and the corporate management of assets we do not see any linkage narrated on how asset replacement investment decisions and the depreciation figures imported within the final accounts are taken into account within the GP.

## 4 Concluding comments

- 4.1 Overall the Government Plan 2020-2023 clearly attempts to provide balance between resilience and financial stability over the longer term whilst delivering unparalleled levels of investment and transformational change. The GP is highly ambitious and is, in our opinion, significantly stronger than the previous MTFP versions on bringing together corporate policy delivery within an overall financial model. There is a bringing together of financial and expected operational policy performance in a way that was not evident within MTFP I and MTFP II. Our assessment against CIPFA's Five Star Financial Management Model highlighted some strengths but a number of deficiencies against best practice.
- 4.2 In terms of strengths the GP is 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. We are pleased that the Plan incorporates a number of our recommendations relating to previous MTFP scrutiny work including :
- The flexibility derived from adopting a rolling' four year approach
  - Elimination of ring fencing of capital investment resources at project approval stage
  - Arrangements for improve accountability for the delivery of financial performance at the services – e.g. CYP investment as well as base service budgets
  - Improved articulation of service outcomes against departmental/service budgets
  - More explicit balance sheet management
- 4.3 However, there is a marked lack of transparency on the detail behind a number of key components of the GP that should be foundational to a robust Government Plan that includes an embedded MTFP. This lack of transparency covers:
- Detail behind basic departmental service plans (including demographic and economic service demand expectations) including staffing structures
  - Base budget construction and how this is integrated within service planning
  - Efficiency savings – absence of detail and workforce implications and the extent that such efficiency savings are cashable rather than counter-factual
  - Detail behind CYP investment including required additional staffing, consultancy and service enhancement and in-year change costs
  - Capital investment –particularly the detail behind significant IT and service change re-engineering investment
  - Capital and CYP investment performance management - there does not appear to be a realistic overall appreciation of slippage or optimism bias and how that would impact carry forwards to successive financial years
- 4.4 In essence, the acute lack of detail and associated levels of assurance on basic departmental service plans and staffing structures cast some doubt on the robustness of the overall GP. As highlighted within our Five Star assessment, the lack of alignment with underpinning service planning and a lack of granularity in terms of the lack of supporting workings are the principal weaknesses. The foundational budgets and investment allocations appear to be more aspirational than being formulated on detailed stress tested business case change plans.



- 4.5 The absence of core detailed workings, core assumption risk testing and service plan information is disappointing as the GP has the potential to be an exemplar in the approach being taken to assimilate financial strategy with corporate objectives. We accept that the GP tries to provide stability over the rolling four year period with only the first year of detail. However, we would be of the view that there is a lack of evidenced based detail for even year one (2020) notwithstanding years 2 to 4 (2021-2023).
- 4.6 Whilst the available supporting documentation aims to achieve a comprehensive approach, such documentation does not provide the appropriate level of assurance that there is consistently available detailed workings behind investment and savings proposals. However, such is the level of transformational change it is appreciated that it may not be possible at this time to provide detailed financial estimates of change and efficiency programmes. However we were expecting more detail to be available. It may well be the case that in reality Capital and CYP investment forecasts and cost exposure will prove to be significantly over optimistic and this may be matched or 'balanced' by reductions in actual outturns achieved on Tax Yield and other revenues.
- 4.7 In respect to embedded Income Tax Estimates, given the latest downward revision of economic metrics by the FPP we would advocate a more prudent approach be taken in the formulation of Income Tax Estimates. For example, as highlighted in paragraph 3.15 it may be more prudent to take a midpoint position between the Lower and the Central Scenario in the establishment of the relevant base income figures.
- 4.8 There is no doubt that the GP strategy keenly focusses on delivering transformational change and value for money. Together with the attributes listed above, the GP as currently constituted highlights a significant change of direction on financial strategy formulation and should be commended on a number of levels.
- 4.9 The GP should provide high level assurance on financial stability and in many ways it appears to do that, especially through its inherent level of flexibility and visibility on movements on reserves. It should help inform future tax and spend decisions but at this time, the GP may not provide the appropriate level of detailed transparency and level of detail on the impacts of the high levels of transformational change that will allow an accurate appreciation and full consideration of all risks relevant to future tax and spend decisions. It is hoped that any subsequent revisions/modifications of the GP going forward through 2021 and beyond include significantly more granularity.
- 4.10 Finally we would wish to take this opportunity to record our sincere gratitude to Members of the States Assembly, Management and Staff at the Government of Jersey for the provision of extremely valuable support in the course of our work.

**CIPFA Financial Management Model – Extract of Relevant Statements and Supporting Questions**

<b>Delivering Accountability – Leadership</b>
<b>L3 Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes.</b>
1. The annual budget setting and allocation process is based on sound evidence of costs and income together with an assessment of sensitivities to external and internal influencing drivers of change?
2. Are taxes, fees, charges and other sources of income including transfers set in accordance with a robust fiscal/ financial strategy in full alignment with the delivery of strategic objectives and outcomes?
3. Does the budget process demonstrate that resources are allocated in alignment with strategic objectives and facilitates the conversion of strategy into the operational delivery of outcomes?
4. Does the board review activity levels, actual spend, balance sheet items, and forecast outturn against the budget, at a minimum quarterly, to ensure the organisation will not overspend and that income and expenditure are in line with budgets and agreed policy, and is achieving planned outcomes?
5. Do the management team review activity levels, key performance indicators, actual spend, balance sheet items, and forecast outturn against the budget monthly, to ensure the organisation will not overspend and that income and expenditure are in line with budgets and agreed policy, and is achieving planned outcomes?
6. Does the organisation have arrangements which allow the budget and financial strategy to be recalibrated in response to unforeseen fiscal events – eg unfavourable tax yields, reduced external funding, etc?
7. Are there appropriate arrangements in place for reporting and managing the financial performance of each of the organisation’s delivery partnerships and collaborative arrangements?
8. Does the board/leadership team pack contain a financial summary which transparently highlights performance?
9. Is financial information relevant, clearly presented, timely and comprehensible to the non-financial reader? Does this apply to board member reports as well as management team reports?
10. Are there processes to adjust budgets in year and to seek board or management team level approval if activities major programmes are varied by more than pre-set tolerances and are such decisions transparent, justified and made in accordance with the organisation’s rules?
11. Is the board/management team responsive to changes in financial assumptions impacting performance and adapt decision making to deliver corrective action?

12. Has the organisation a declared policy on treatment of over- and under-spending, including end of year flexibility?
13. Are financial management policies reviewed regularly and updated?
14. Are financial management policies communicated to managers and the management team, widely understood and consistently applied?

<b>Supporting Performance – Leadership</b>
<b>L4 The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focused business objectives and priorities.</b>
1. Does the medium-term financial plan project forward the financial position for at least three years and based upon based on analysis of cost and income implications of policy choices?
2. Is the medium-term/longer-term financial plan embedded within the organisation’s corporate business plan?
3. Does the corporate business plan demonstrate how resources are allocated strategically to deliver the organisation’s aims, objectives and priorities?
4. Are operational plans fully aligned with the medium-term/longer-term financial plan?
5. Does the medium-term financial plan draw together realistic estimates of funding to support the achievement of strategic objectives?
6. Is the corporate business plan developed in collaboration and align with delivery partners and stakeholders?
7. Are outcome focussed targets and performance indicators clearly set out in corporate business plan and related operational plans?
8. Does the medium-term financial plan examine scenarios to develop financial flexibility, adequate contingency and reserves, based on a risk assessment and sensitivity analysis?
9. Does the leadership team approve and understand the demand management strategies for demand led services and activities?
10. Does the board and management team regularly review priorities to enable resources to be redirected from areas of lesser priority, not relying principally on pro rata cuts to generate savings?
11. Are individual delivery partnerships and related financial impacts evaluated to ensure they are linked clearly to policy objectives and organisational goals/outcomes?
12. Does the leadership team consider alternative arrangements where performance of a partnership is not meeting expected levels?
13. Are there clear financial management policies that together underpin sound and sustainable long term finances?

14. Do financial management policies support strategic business aims, resilience and financial standing?
15. Does the organisation prepare a workforce strategy and is this aligned and embedded with the corporate plan?
16. Are workforce related performance, costs and liabilities incorporated within strategic planning formulation e.g. pension liabilities, sickness and absence?

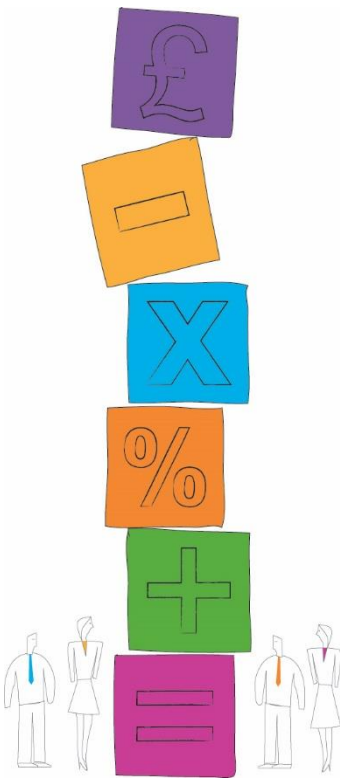
<b>Enabling Transformation – Leadership</b>
<b>L6: The organisation’s leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.</b>
1. Does the board and the management team rethink and reformulate its business model to respond to a changing environment incorporating future financial scenarios?
2. Is an understanding of financial implications, opportunities and risks integral to developing new business models and alternative service delivery mechanisms?
3. Are performance and cost measures, including comparative and ‘best in class’ information, used by the board and senior managers to indicate business areas where radical rethinking of delivery is needed?
4. Does the leadership team actively develop mechanisms to secure new capacity and resources for the organisation?
5. Are funds earmarked to facilitate innovative or invest to save projects?
6. Are financial and service benefits clearly defined and integral to the realisation of benefits from change programmes and drawn up, before embarking on such programmes?
7. Does the board reporting strike an appropriate balance between ‘business as usual’ and development/change activities?
8. Is a joined-up/cross-cutting approach adopted in change plans and reflected in budgets and accountability?
9. Are affordability, value for money and risk transfer/management calculations an integral part of project appraisal and business plans?
10. Has the organisation a track record in change management, including delivering planned outcomes within budget and realising required service benefits?
11. Is the organisation prepared to stop projects that lose sight of planned benefits for planned resource inputs?

**Delivering Accountability - Processes****PR1 Budgets are accrual based and robustly calculated**

1. Is the budget setting process accrual based and formulated upon a 'bottom up approach'?
2. Does the budget setting process incorporate aspects of outcomes based budgeting, targeted zero based budgeting and/or activity based costing approaches?
3. Does the organisation prepare its budget in accordance with its corporate objectives, strategies and medium-term financial plan?
4. Are forecast or actual budget variances and trends reflected in the budget setting process?
5. Are revenue and capital budgets based on plans and projections about resource needs, pay and inflation, productivity levels, and income?
6. Are cost reductions, growth and savings options identified and reliably costed as part of the budget process?
7. Does a risk assessment of material items of income and expenditure inform budget setting, and their reporting to the board with financial implications, mitigating actions and contingency provisions?
8. Are fees, charges and concessions, including new options, related to policy objectives and reviewed annually?
9. Are the revenue consequences of the capital programme and other expenditure commitments, including the consumption of capital (e.g. depreciation) fully reflected in revenue budgets?
10. Is the reporting of cashable efficiency gains reconciled with and fully reflected in the budget setting process?
11. Are managers fully involved in setting their budgets, working with finance staff, so that they take ownership?

**Supporting Performance - Processes****PR10 The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective Business Plan.**

1. Does the organisation produce a medium-term financial plan covering a minimum period of three years?
2. Is the medium-term financial plan consistent with the organisation's aims and objectives and is reflective of a business plan for the organisation?
3. Does the organisation use formal processes to link the medium-term financial plan to other organisational plans (e.g. IT strategies, workforce strategy, asset management plans and service development plans)?
4. Does the organisation use formal processes to link the medium-term financial plan to the annual operational budgets?
5. Does the medium-term financial plan fully reflect the implementation of new technology to workflow processes and impacts on the workforce and overheads?
6. Does the medium-term financial plan consider options for new sources of income, new ways of reducing costs and of attracting additional sources of funding?
7. Does the medium-term financial plan incorporate the organisation's asset management planning including an assessment of the condition, sufficiency and suitability of assets in the light of business needs?
8. Does the organisation automatically recalibrate its medium-term financial plan for any changes arising from budget setting, forecasting or actual performance monitoring processes?
9. Does the medium-term financial plan take account of local and national priorities, changing legal requirements, demographic trends and demand levels and national standards?
10. Does the organisation's medium-term financial plan reflect joint planning with partners and other stakeholders - do delivery partners' financial plans link with the medium-term financial plan?
11. Is the medium-term financial plan regularly reviewed and approved by the board?



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