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Deputy Sam Mézec
Chair, CSS Panel
BY EMAIL

22nd of May 2023

Dear Chair,

Re: Quarterly Hearing: Residual Questions

Thank you for your letter dated 4 May 2023 which contained some residual questions following the Quarterly Hearing held on 28 April 2023. Please see responses below.

Ministerial Priorities

1. Regarding your priority to '*review the Governments insurance strategy*'. Can you please update us on the progress made to date?
a) Can you outline the insurance options that are being investigated?

The primary objectives of the review were:

1. Review GoJ's current approach to risk and insurance against best practices and peer approaches.
2. Seek viewpoints from GoJ internal and external stakeholders to inform the future strategy and its implementation and develop a Communication and Engagement Plan to outline the stakeholder management approach.
3. Create an optimised strategy, an associated Benefit Realisation Plan and risk and insurance process maps.
4. Start to develop the governance structure for risk and insurance including the outline framework and committee arrangements.
5. Create a Risk and Insurance Strategy Roadmap with a 2-year horizon to identify the activities to be undertaken by GoJ and the areas of support to potentially be provided by Marsh Advisory and the Core Team.

The very comprehensive output of the review has only just been received by the department. It covers a variety of areas including:

- Embedding risk management
- Communication, Training and Awareness
- Improving claims management
- Improving data and information
- Increasing the integration of risk management and insurance
- Improving the transparency of insurance premium recharging
- Identifying the optimum risk retention vehicle(s)
- Third party risk management

b) When can we expect to have sight of the associated action plan linked to Government's risk appetite?

As mentioned above the content of the review is very comprehensive and it will take time to determine which areas are prioritised to provide the best value for money for the States risk and insurance programme over the long term. At this stage it is too early to be precise about when those plans will be formalised but I would be happy to share them with the Panel once they are.

2. Can you update us on your position in respect of your response to our Recommendation 18 of S.R.20/2022 regarding the Fiscal Policy Panel's recommendation and the Government's alignment or otherwise to it regarding the inclusion of speculative savings within Government Plans?

The Fiscal Policy Panel's annual report recommendation 8 says**;**

The Government Plan includes Value for Money targets for 2023 and 2024 that look are realistic and achievable. However unspecified measures have been included for future years. Speculative measures should not be included in the Government Plan. They may lead to pressures in later years if they are subsequently not found.

During the Government Plan process, Council of Ministers reviewed the savings targets across Departments in 2023 and 2024 (£20 million in each year). Council of Ministers did not include any new targets, and indeed took action to reprofile the existing £40 million target across the plan (£10 million for each year) to increase the chances of delivery. The FPP recognised this positive action:

The Panel's previous recommendation to build detailed, realistic and timebound targets for all years of the Government Plan has been met in part. The Value for Money represents a lower risk detailed plan with more achievable targets over a longer time period.

Whilst future years savings are unspecified, £10 million each year (1% of total expenditure) is far from speculative – which FPP recognise in their comments. Chief Officers will have assessed the opportunities for savings within their respective departments and portfolios. Chief Officers will develop a detailed plan for savings during 2023. In doing so, consideration will be given to whether the savings is one-off or recurring and consideration of the impact of the savings will be made. If savings identified are one-off, the value will be carried forward into the next year until a recurring savings opportunity can be realised. These plans will be monitored through this year and progress will be reported within the corporate financial report.

The FPP recognise the need for efficiencies:

The FPP recommends that efficiencies should be sought regardless of the stage of the economic cycle and the government should continue to search for efficiencies in future years.

Setting a realistic target for departments and building it into overall cash limits reaffirms our commitment to delivery of efficiencies in line with this advice.

As set out in the Government Plan, three Departments (HCS, IHE and M&D) have been prioritised for 2023 in relation to additional support, in identifying and securing improvements in VFM. In addition, a deep dive has been conducted into non-pay expenditure for HCS and IHE which provides a data-led platform to identify short and medium-term procurement and commissioning opportunities for savings and/or improved VFM. In addition, this improved evidence base will also inform the development of a longer-term procurement strategy. Furthermore, where the data lends itself to consider wider opportunities across Government, procurement opportunities will be shared across multiple departments as appropriate, which forms part of Commercial Services operating model. In addition, where applicable the VFM programme team will facilitate and coordinate learning and sharing across Departments to ensure that savings and improved VFM opportunities are optimised.

Commercial Services

3. Can you update us on the functioning of Commercial Services, the resourcing of the department and whether any challenges have been identified regarding the delivery of its services and on how these identified challenges are being addressed?

Commercial Services (CS) was established as a function in 2019 to support the GoJ commercial and procurement interests and activity through the development of a directorate focused on centralisation of strategic procurement activity, procurement process and procedures, enhancement of overall compliance through robust governance reflected in easy-to-use toolkits for end users and a data journey enabling enhanced insight-led decision making and supplier risk management. Leading and implementing a significant Social Value framework which includes initiatives from around the organisation alongside operational improvements such as a supplier code of conduct to be launched later in 2023.

During 2022 CS transferred from COO to T&E and commenced joined up working practises across the department which are still being developed. An example of this is the new Procure to Pay hub which blends skillsets and capabilities across the department. Integration into T&E will continue during 2023-24.

CS core activity enables multiple initiatives such as the VFM programme as noted previously, this demonstrates a component of what can be delivered across the organisation.

CS acts as a strategic advisor across multiple commercial and procurement activities but, is also asked to support many of the operational procurement activities across the SoJ. In addition, CS have played a significant role in assuring sufficiency of supply and continuity of service across a number of supply chain issues such as: supplier liquidation.

CS has played a primary role and lead from a professional perspective across a number of global and local economic and health events, such as protecting the island from shortages in the run up to a potential BREXIT (Day 1 No Deal); representing our interests in subsequent International Trade Agreement's procurement chapters; the Island's COVID response from creating air-bridges, procuring medical equipment and PPE from around the world; identifying and assuring an on-island testing facility; and ensuring the supply of vaccines for islanders. The more recent major incidents have all been enabled by CS, as have multiple Ministerial initiatives including access to free period products for women, girls and anyone else who needs them.

Recruitment has been challenging, as we are struggling to attract the level of skills required to deliver our services, this has meant that we have expanded our approach to recruitment and development through a 'grow our own' initiative to cover roles that were previously hoped to be filled by more experienced individuals who could hit the ground running, whilst this is positive it does also mean that capability and capacity are still being developed.

There are 37 permanent individuals currently employed within CS, all are Jersey based. These include apprentices, individuals on secondment and a number who are on development paths as mentioned previously. The skillsets range from Procurement and Social Value through to Contracting and Supply chain Analysis.

4. Can you update us on the progress of the Revenue Jersey Transformation Programme?

Key projects in the Revenue Transformation Programme for delivery in 2023 include the introduction of Independent Taxation (which we discussed in some detail at the hearing); the introduction of the Jersey Tax Professional Qualification (which launched successfully in January 2023 with a first cohort of participants well into their studies); and work on integrating the collection of social-security contributions into Revenue Jersey; the extension of the Economic Substance Law to partnerships (and, later, trusts); and the introduction of a range of online forms to help improve customer service. I am pleased to say that this is all broadly on track.

5. Can you update us on the customer service levels for Revenue Jersey and any current concerns that have been identified?

Customer service continues to improve as historic (Covid-related) backlogs diminish. The introduction of online forms (replacing e-mail boxes) has helped improve service, ensuring that customers provide all relevant information early on. Revenue Jersey is answering the vast majority of written enquiries within 5 working days.

The average waiting time on telephones is a little over 5 minutes and the average call time (where a "once and done" approach is employed) is a little under 6 minutes. Callers are now advised of the probable waiting time to be served which can help them decide whether to call at a less busy time.

These service levels compare favourably with other tax administrations which publish comparable statistics.

a) Are you aware of the strengths and weaknesses in respect of service administration in order to better target how to improve processes and customer service?

The Comptroller regularly assesses functions of the tax administration against international best practice and standards promulgated by the OECD and IMF. Information about the governance of Revenue Jersey is available on Revenue Jersey's website. Revenue Jersey's managers and teams employ "Lean" tools and techniques to analyse service issues and make in-flight service improvements.

b) Has an independent audit process been undertaken recently, or is this something that is being considered?

In accordance with Article 7 of the Revenue Administration (Jersey) Law 2019, the Comptroller of Revenue places his books at the disposal of auditors annually as part of the process of auditing the annual accounts. It is noted that a review of Revenue Jersey rations is planned by the C&AG for 2025.

The Comptroller agrees other specific audits with the Chief Internal Auditor, as required. Additionally, Revenue Jersey faces international peer reviews of aspects of its administration on a regular basis.

These are conducted by tax officials from other jurisdictions and are conducted under the auspices of the OECD. The last review – into data safeguarding protocols and information security – received a positive rating both for revenue Jersey and other parts of Government involved in managing Revenue Jersey's systems.

6. Is Revenue Jersey appropriately resourced currently, particularly considering that personal tax return assessments are now well underway?

Revenue Jersey continues to seek to fill a number of vacancies. As I said at the January 2023 hearing and in response to OQ82/2023, Revenue Jersey is well-resourced financially having received further funding from this Government in its first Government Plan. I do continue to keep resourcing under review given the fast-moving nature of changes in the international-tax landscape. And the Comptroller continues to deploy resources flexibly according to risk and to manage the various statutory deadlines which create peaks of work.

However, it is increasingly the case that an ever expanding volume of work, compounded by difficulties in recruitment, are resulting in a growing pressure upon resources available for the necessary level of compliance activity to ensure that the risk of fraud and error is minimised.

7. Can you update us on the 2022 year of assessment tax returns so far?

a) How many returns have been received and assessed to date?

For the week ending 28 April 2023, Revenue Jersey had received just over 28,000 returns of a possible 65,000. Around 24,500 had been assessed and issued by that date. More than 12,200 were filed online.

b) How does this progress compare to previous years, or is it too early to make a comparison?

For the week ending 29 April 2022, Revenue Jersey had received just over 25,000 returns of a possible 65,000. Just over 18,600 had been assessed and issued by that date. More than 10,300 were filed online.

c) Do you anticipate an increase in the uptake of online returns this year?

Uptake was a little under 50% for 2022 (2021 year of assessment) and the Comptroller expects to see another increase this year now that the "JerseyMe" identity verification service is available as an alternative to "Yoti". This enables people without smartphones to use the service.

We continue to encourage taxpayers to file early and to file online as this is the best way to remove volatility from ITIS Effective Rates (governing tax deductions from salary) for employees.

Fiscal Policy and Borrowing

8. In the Fiscal Policy Panel's Economic Assumptions report from March 2023, the Panel notes the likelihood of tax receipts being higher than previously forecast with the fiscal position aiming to generate significant surpluses. A recommendation of the FPP was to use these surpluses to pay down any outstanding short-term debt and to add funds to the stabilisation fund and in the longer-term to the Strategic Reserve. Is this a strategy that is being actively considered?

Due to the improvement in the financial position in 2022, we have been able to fully repay the borrowing relating to COVID, including Fiscal Stimulus.Council of Ministers are beginning the process of creating the Government Plan 2024-2027, and will continue to consider the FPPs advice, including on the matter of reserves as part of that process.

9. Considering the current economic position and the widening growth in inequality, are any taxation related measures being considered to account for this going forward?

We continue to review economic conditions and I am considering changes to the general policy on the uprating of tax allowances. For 2024, I am minded to uprate the personal tax allowances by June RPI. The single person's tax allowance currently stands at £18,550 which compares well with other jurisdictions.

10. Considering the concerns raised by the Minister for Economic Development, Tourism, Sport and Culture that financial growth needs to be increased substantially to meet the needs of the Island's ageing population, have any discussions commenced amongst the Council of Ministers regarding targeting fiscal stimulus to ensure sustainable financial growth and, if so, can you update us?

a) What are your views regarding the use of tax breaks and other financial and non-financial incentives to keep over-50s in work for longer?

Participation of older people in the workforce is becoming increasingly commonplace and encouraging people to remain economically active for longer is a sensible policy objective in the current economic environment to help foster economic growth. The Government will be considering what interventions may be supportive to that policy outcome. Any consideration of tax incentives will need to be careful to avoid discriminatory outcomes; there may be scope to examine aspects of pensions regulation to remove any obvious obstacles to participation in employment in later life.

11. Can you update us on any borrowing proposals within the pipeline and how any borrowing will be assessed under the current conditions?

I am currently finalising the terms of the Government's Revolving Credit Facility ("RCF") to replace the facility that expired on 5th May 2023. I have the benefit of advice from both our retained debt advisor (EY) and the Treasury Advisory Panel. This combined advice concludes that replacement of the existing RCF with a similar facility would be prudent given the current financial market conditions. Borrowing is approved by the Assembly in the Government Plan, so any future borrowing would be included in the Government Plan 2024-2027 for consideration by the Assembly.

12. Is any additional draw down of the Revolving Credit Facility currently planned to take place over the next year or beyond?

Government Plan 2023-26 sets out the financing approvals agreed by the Assembly for this year, including up to £90.071 million for New Healthcare Facilities. Amounts will be drawn from the new Revolving Credit Facility as and when required.

Major Capital Projects – Financing

13. Can you update us on the funding of the Integrated Technology Solutions and whether this is running to budget?

The ITS Programme business case was approved March 2021 and the delivery of the programme commenced that same month.

The ITS Programme budget of £63m was approved through a formal Business Case and agreed by the Council of Ministers. This was to deliver standardisation and new technology for Finance (replacing the unsupported JD Edwards and Supply Jersey), Commercial and Inventory, HR and Asset Management.

This was then increased by £1.28m via two additional Business Cases to deliver an Estates Management, and Health and Safety solution supporting standard ways of working[1].

The Programme is due to run to the end of 2023 and is being delivered in 4 "Releases":

- Release 1 - Finance & Commercial & Inventory – Delivered Jan 2023
- Release 2 - HR – Initial elements delivered Jan 2023
- Release 3 - Asset Management, Estates and Health & Safety – Delivered April 2023
- Release 4 - Additional Commercial Capabilities (Sourcing, Risk Management, Supplier Lifecycle and Performance (SLP), and Contract Management.)

The Programme structure was created as a "hybrid hub and spoke" model, in which:

EY provided overall Programme and Project Management as well as the PMO capability

- Deloitte and partners provided the Technology and Business Change capability
- The Government of Jersey ICF team provides governance and conduit to the organisation
- The respective Departments provide resources to ensure that the GoJ Programme requirements are delivered and validate that what is delivered meets the organisational requirements agreed as part of the "Fit to Standard" workshops.

Due to historic challenges, that were contractually closed off formally through Change Requests, the originally anticipated delivery dates were adjusted. However, this placed financial pressure on the Programme.

At the start of January 2023, Connect Finance (Release 1) and two modules of Connect People (Release 2) were implemented. The two modules are Connected Learning to replace Virtual College and Connected Performance to replace My Conversation, My Goals. The remaining elements of Release 2 were due to be delivered by the end of January 2023, but it was established that this could not be delivered for three main reasons:

The integration between SAP and the existing Payroll system (Resourcelink) could not be built and tested in the required time (a contributing factor being the very poor-quality data in our existing HR and Payroll systems).

- Not all training material, process maps and standard operating procedures were in place to allow colleagues to use the new ways of working.
- Not all User Acceptance Testing (UAT) was completed

This has led to options for the implementation of Release 2 being developed, which are currently being considered.

14. Can you update us on the funding for the Office Modernisation project and whether this is running to budget?

As previously reported to the Panel, the Government appointed a development partner (Jersey Office Development (1.J Limited, the "**Developer**"), to finance / design / construct / complete the new headquarters building, which will be completed in Summer 2024. The Government will not be required

to spend any capital monies on either the construction or the development works. These are being financed by the Developer.

[1] The current ITS Programme Forecast Out-turn of £63.80m covers all three ITS HoE and delivery scope ('C00MP20002 - Integrated Tech Solution' / 'C00MP22012 - ITS Release 3 & 4' / 'C00MP22013 - ITS Release 3 Additional') through to Dec-23.

From when it occupies the new building from Summer 2024, the Government will pay a fee (equivalent to the value of the rent) for a period of up to three years. Government has the option to purchase the building for a pre-agreed sum, which remains as per that agreed with the Development Partner in April 2021, on legal completion or during the 3-year period after completion. If the Government chooses not to purchase the building within this three-year period, the Government will be obliged to grant the Developer a 99-year lease on the site and enter in to a 22-year occupational lease on the building. The next decision for the project will be considered as part of the 2024 Government Programme.

Funding approved in the Government plan to date is £3.9m, covers the cost of the internal team to oversee the development contract and design & fit-out, and mobilisation for occupation once the building is completed, from inception to completion in 2024.

The Developer remains on schedule to complete the building (practical completion) and meet the key requirements by the target date for completion which is presently by the end of July 2024. Thereafter, and following a short period of overlay, the building will welcome the first group of Government employees prior to Government operations commencing from the new building in Autumn 2024.

Independent Taxation – Further Statistics

Finally, at the States Assembly sitting on Tuesday 2 May, Deputy Tadier asked the Assistant Minister about the demographic of those couples who have chosen to move into Independent Taxation ahead of the mandatory phase. The Assistant Minister did not have figures to hand, so it was suggested the figures be provided to CSSP. The Minister is pleased to confirm the following:

YOA 2022 (pilot group) - 121 couples

- 36% better off
- 62% no change
- 4% worse off

YOA 2023 – 282 couples

- 57% better off
- 39% no change
- 4% worse off

YOA 2024 – 60 couples (to-date)

- 52% better off
- 40% no change
- 8% worse off

In cases where it appears to Revenue Jersey that the couple would be worse off, an approach is made to ensure that the couple is comfortable with the consequences of their decision.

Although it has been suggested that take up has been low, it was always the policy to begin this significant step towards Independent Taxation with a manageable cohort of couples. Voluntary participation in the pilot phase on Independent Taxation was limited to those who were already "separately assessed". This approach has helped us to stress-test the system and provides valuable feedback from volunteers (on communications etc) before the regime becomes mandatory.

It is believed that the numbers above demonstrate that not all couples are motivated by financial gain and that there is a real appetite for this policy on grounds of principle.

I hope the above information is helpful.

Government of JERSEY

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