Minister for
Treasury and Resources

Government of JERSEY

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Deputy Steve Ahier
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Dear Deputy Ahier

Corporate Services Scrutiny Panel

Thank you for your letter of the 20th November 2019. I will respond to each of your question areas in turn.

Decrease in tobacco duties

The Treasury, with Customs Officers will continue to monitor the situation regarding tobacco importation trends to understand better whether the experience of 2019 represents a permanent change in trend. If that is the case this underlines the importance of agreeing the revenue raising measures in the Government Plan. The Revenue Policy Development Board was set up to review and consider future changes to the current structure and incidence of taxation, contributions and charges in line with long term tax policy principles.

The Board's current priorities are to oversee the completion of all stages in the Personal Tax Review and to consider revenue measures associated with achieving environmental objectives and related to this the reduction in revenue from duty on hydrocarbon fuel. However, the Terms of Reference of the Board include the following:

"Should the need for additional revenue raising be required to fund public services, to consider, in advance, policy options to materially increase revenues, having consideration for the long-term tax policy principles."

The appropriate channel for considering alternative sources of income (if needed) to that derived from tobacco duty, is the Revenue Policy Development Board.

Day 1 No-Deal Brexit

The D1ND income forecast scenario has been developed further to the request to the FPP to provide D1ND economic scenario assumptions when it was thought that the UK may leave the EU without a deal from October 2019.

Whilst D1ND did not happen in October, the scenario remains relevant in the event it does happen in 2020.

In the event of this scenario crystallising, the revised forecasts show deficits across all years of the Government Plan. The immediate measure that would deal with such an outcome is to use the Stabilisation Fund to maintain services. This can be accommodated even after the Council of Ministers' proposed amendment to the Government Plan to reduce the transfer in 2020. Short-term use of the Stabilisation Fund would then allow further compensating measures to be brought forward in subsequent Government Plans, if necessary, subject to the advice of the FPP.

It is worth noting that the Public Finances (Jersey) Law 2019 includes clearer provisions for Emergency Expenditure, allowing the Minister for Treasury and Resources to spend up to £10 million from the Consolidated Fund before further approvals need to be sought. This improved arrangement has assisted with Brexit contingency planning, and emergency planning in general.

Efficiencies and departmental budgets

You are correct that the Assembly will be asked to approve heads of expenditure in the Government Plan 2020-2023 that have not been reduced to take account of efficiencies. This will not be the case for subsequent Government Plans. To accommodate this situation, we will take one of the following two approaches:-

(1) Under the Public Finances (Jersey) Law 2019, approval of a head of expenditure under Article 9 has the effect of giving the ability under Article 15 to withdraw sums up to that amount from the Consolidated Fund. The Council of Ministers can formally document a decision that the amounts to be withdrawn will be reduced by the amounts of the efficiencies for each head of expenditure. This safeguard is reinforced by the duty under Article 39 for the Principal Accountable Officer (and the Accountable Officers appointed by him) to use resources "economically, efficiently and effectively". This function must include delivering agreed efficiencies. Accountable Officers are accountable to the Principal Accountable Officer. The Principal Accountable Officer would in turn be accountable to the Council of Ministers for delivery, and answerable to the Public Accounts Committee.

(2) An alternative approach is to reallocate those amounts of Departmental Heads of Expenditure identified as efficiencies to the Reserve Head of Expenditure (i.e. the General Reserve) under Article 18 of the Law. As you will be aware, allocations from the Reserve can only be made by the Minister for Treasury and Resources. The policy for using the Reserve Head of Expenditure would be amended accordingly to deal with these specific amounts transferred.

Yours sincerely

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