States Greffe: Scrutiny

Deputy Susie Pinel
Minister for Treasury & Resources

By email

16th November 2020

Dear Minister

Corporate Services Scrutiny Panel
Government Plan 2021-24

Firstly, the Panel would like to thank Ministers and Government Officers for attending the Public Hearing on Friday 13th November 2020 to discuss the Government Plan. There were a few questions that the Panel wished to pose that were detailed in nature and which for the purpose of expedience and clarity the Panel decided to forward by letter.

As such the Panel would be most grateful if information can be provided on the following:

Central Risk and Inflation

1. Even through the overall Capital Programme exposure has changed between Government Plans there has been no change in the Reserve for Central Risk and Inflation Funding – can you explain why this would not correlate or directly vary with actual project estimates?

Borrowing and Income Tax

2. Personal Income Tax accounts for some 60.3% of overall general revenue income whilst Corporate Tax some 16.7%. As income tax estimates are used within the annual accounts and the Government Plan are now largely based on forecasts produced by the Jersey Economics Unit, with any differences between current and prior years made when assessments are finalised, is there not a danger that decisions on overall borrowing and affordability being made based upon potentially high-risk levels of income stream forecasts?

3. The level of uncertainty on taxable income was acknowledged within the Income Forecasting Group's Report. The IFG report highlighted a number of significant risks to the economy in the short and medium term yet the changes to the economic forecast metrics such as GVAs and Average Earnings are relatively marginal, but the prolonged impact of the Pandemic seems to entrench further. Would it not have been prudent to use the IFG's downside forecasts given the unparalleled level of uncertainty than mid-range forecasts that have changed little since May?

4. In formulating a borrowing strategy, give that tax yield, economic growth and investments are highly uncertain, would it not have been more prudent to keep all options open rather than create a strategy exclusive to external borrowing?

5. The strategy is built on the retention of reserves which are invested through the CIF and that external loan repayments will be financed through the retention and diversion of returns from transitional positions from Prior Year and Current Year Personal Tax assessments by way of establishing a sinking fund. Given the regressive nature of the value of money over time how is the sinking fund ever going to keep pace with the financing costs required some 15/20 years further down the timeline?

6. Why has the Revolving Credit Facility Costs changed to a profile that costs some £16.5m across 2023 and 2024 just for the facility to be in place – why do we need this if Bond Finance is in contemplation later in this cycle?

Efficiencies

7. Increased tax revenues through enhancement of domestic tax compliance is highlighted as a recurring rebalance, this figure is given as £1.25 million. Is this seen as a balanced income when the Domestic compliance (Spend to raise) project costs around £1.5 million a year?

8. £30,000 has been identified as a 2021 efficiency proposal due to a reduction in cash handling fees resulting from an increase in non-cash payment options. Is there evidence that islanders are using non-cash payments more often beyond the current position? What are the metrics on the volume of transactions upon which this £30,000 is based?

9. The Efficiencies Plan 2020-23 highlighted a potential additional tax revenue of £7.35m, however this was not included within the efficiencies totals. Why has additional revenues been included this time as an efficiency? Are Tax Revenue estimates already included within the expected level of tax forecasts that become the revised estimates?

10. Is there actual precision around the £5m HCS Budget reduction arising from the zero-based budget review and the £750,000 around the IHE Target Operating Model proposals? Is there confidence the HCS can readily accommodate this level of budget reduction without service delivery implications?

11. Are the £900,000 of Modernisation and Digitalisation of One Gov recurring cashable efficiency savings not contingent upon associated capital projects delivering without slippage?

12. Net revenue near cash expenditure has continued to rise and is forecasted to do so through this plan. COVID aside, will expenditure by the Government of Jersey perpetually increase?

    a. Will there be a drop in Government Expenditure when the well discussed efficiencies/rebalancing is realised?

    b. What is the estimated timeframe?

Expenditure

13. The Head of Expenditure for Treasury and Exchequer has dropped 48% from an allocation of £129.7m in 2020 to £67.1m in 2021. An allocation of £133.2m had been estimated for 2021 in last year's plan. What has allowed this drop-in expenditure?

Tax Policy and Returning to 'Balance'

14. The 2021 plan increases standard income tax exemption thresholds. How much loss in revenue is there through these increases and is this built into the current personal tax forecasts used in the revised plan?

    a. Would further increases support those on lower incomes?

15. The International Services Entity fees has risen, how large a proportionally increase has this been?

    a. How does this proportion equate to the amount not paid into the GST system by those predominantly supplying services to overseas customers?

    b. Of the received revenue, what proportion is paid by the Finance industry?

    c. Why was the International Services Entity fee not increased further if, as it has been previously stated the finance industry has not been greatly impacted so far by the pandemic?

16. The Plan highlights approximately £10 million in additional tax revenue by 2024 through measures brought forward in the government Plan 2022. Why are these measures not being brought forward sooner?

    a. If you break down the proposed £10 million, proportionally how much is being estimated to come from broadening the tax base, medical cannabis, residential and commercial stamp duty?

    b. If the estimates are "rough": why are the figures included in this plan?

Projects

- **Insurance Premium (OI4-2)**

17. Where will funding come from if the chosen insurance strategy incurs additional costs?

- **Tax Policy and International Team Investment (CSP3-1-08)**

18. Tax Policy and International team investment estimates have dropped from the Government Plan 2020-23 by £367,000 in the 2021 to 2023 period, what actions will allow these savings?

- **Building Revenue Jersey Team (O13-01)**

19. The stated allocation for 2023 and 2024 is £995,000, will this be the recurring cost of the Revenue Jersey Team moving forward?

20. Are the £200,000 costs for implementation of the Prior Year Basis tax reform updates included in these figures? – if not where?

- **Domestic Compliance (Spend to Raise)**

21. The Panel notes a drop of £57,000 funding for Domestic compliance (Spend to Raise) per year from 2022, why is the additional amount required in 2021?

22. Funding allocation remain constant from 2022 onward, is this a stagnant cost?

- **Government of Jersey Bank Charges (013-05)**

23. The funding allocation for Government of Jersey Bank charges was given due to increased costs in relation to growth in the number of individuals paying for government services via digital channels. The project was classed as “reduced” in the 2020 6-month report, what impact has this had?

24. Will this charge increase follow the closure of Le Motte street and the potential further rise in digital payments?

- **Audit Fees (O13-08)**

25. Could you please update the Panel on the increased audit fees project?

- **Effective Financial Management (014-01)**

26. What are the tangible outputs in cash terms for more effective financial management? Are these not already captured in the revised downward movement on budgets as a result of efficiency savings? Why have these not been identified separately?

As you can imagine with the shortened lodging period of P.130/2020 Government Plan 2021-24, we require a timely response and would be appreciative if this could be received by Thursday 19th November 2020.

Yours sincerely

Senator Kristina Moore
Chair, Corporate Services Scrutiny Panel