

Government Plan 2023-26 Review

Corporate Services Scrutiny Panel

7th December 2022

S.R.20/2022



States of Jersey
States Assembly



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Assemblée des États

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Chair's Foreword



The Corporate Services Scrutiny Panel is pleased to provide this review of the first Government Plan of this term of office. The Government Plan debate which takes place each December is an important moment for the States Assembly to determine our tax and spend priorities for the following year. As this is the first Government Plan produced by the new government, it is particularly important that we review the plan, as there may be considerable change in the priorities compared to those pursued by their predecessors.

The Mini-Budget adopted just a few months ago provided for some measures to assist Islanders through the cost-of-living crisis. Naturally, this will have felt of greater interest for those who are struggling to get by. Nevertheless, we were pleased to hold several days of open public consultation through pop-up stands in town and a local supermarket, to gather their views. We are grateful to all of those who chose to spend time expressing their views and concerns about this plan.

One thing that became very apparent through this public engagement was that there is still much confusion on what a Government Plan actually is. There is much more to be done to make the Government Plan document itself more accessible and transparent, both for politicians and the public. We have made a series of recommendations aiming to address this.

But however the Government Plan is presented, it is important that it is done in a timely manner. Our work for this review was made more difficult by the delay in the publication of the Government Plan Annex and delays in receiving responses to our requests for information. It is vital that this is not repeated in the future.

I would like to say that the Panel seriously considered bringing forward an amendment to provide support for homeowners by freezing the phasing out of Mortgage Interest Relief. We held back on doing this because of assurances we received from the government that they were themselves looking to produce a similar amendment. We were disappointed when it transpired that they would not lodge such an amendment, as by then it was too late for us to do so and meet the lodging period requirements.

In future years, the Panel will be eager to follow up on our recommendations relating to the Value for Money programme. We have found that the presentation of the proposed future savings through this programme has been done in a way which is at odds with the recommendations of the Fiscal Policy Panel. If a Government Plan is put together predicated on savings being made, this will inevitably lead to a risk of cuts to services in the future if those savings are not delivered. I hope the government will accept the recommendations we have made to mitigate this risk.

Lastly, I would like to thank my fellow panel members and our officers for their work in producing this report. It was also a pleasure to work with Warwick Lightfoot, whose advice and report we are very grateful for.

A handwritten signature in black ink, appearing to read 'Sam Mézec', written over a dotted line.

Deputy Sam Mézec
Chair of the Corporate Services Scrutiny Panel

Executive Summary

The [Government Plan](#) 2023-26 [P.97/2022] was lodged on the 4th October 2022 for earliest debate on the 13th December 2022. Accompanying this year's Plan are the Common Strategic Policy, the Ministerial Plans and the 2023 Delivery Plans which are due to follow in early 2023. These components together make up the Government Programme.

The Corporate Services Scrutiny Panel (hereafter 'the Panel') launched its review of the Government Plan on 21st October 2022. The Panel's focus has been, in the main, on reviewing the Proposition where relevant to the Panel's remit in respect of the responsibilities for the Chief Minister and Minister for Treasury and Resources. However, consideration has also been given to any overarching themes as appropriately identified during the review process. The review considered the Government Programme design, income and expenditure (for 2023), Value for Money Programme, funding proposals for projects and programmes (under the Panel's remit) and States borrowing and Funds. Moreover, due regard has also been given to the requirements of the Public Finances (Jersey) Law 2019 and the Draft Finance (2023 Budget) (Jersey) Law 202- which will give effect to the revenue measures proposed within the Government Plan.

The Panel engaged economist Warwick Lightfoot to provide expert advice on the financial and economic modelling of the Government Plan to assist in informing its review. Mr Lightfoot's Advisor Report can be found in Appendix 2 of this report.

Government Programme

When considering the Government Programme design, the Panel assessed how the Government Plan, Common Strategic Policy, Ministerial Plans and 2023 Delivery Plans align and link to one another. Moreover, whether the Government's 'fresh approach' encourages accountable, transparent and accessible representation of the Government's proposed budget and policy objectives.

The Panel identified that the link between components of the Government Programme is not obviously referenced within the Plan. Additionally, the Common Strategic Policy priorities are not evidently aligned to the projects and programmes in the Plan as demonstrated in the previous iteration. As such, the Panel has **recommended** that the components encapsulated within the Government Programme should have an evident link running through them and this should be clearly referenced within future Government Plans. In addition, future Plans must include clear reference to how the Common Strategic Policy, Ministerial Plans, Delivery Plans, heads of expenditure and the Jersey Performance Framework link as part of the Government Programme

In respect of identifying realistic indicators and metrics for assessing policy progress, the Panel has recognised the challenges involved. However, it has identified that further consideration should be given to the Jersey Performance Framework indicators, as outlined within the Common Strategic Policy. The Panel found that the indicators require reviewing and refining and that there is a requirement for improved data and statistics collection and methods of assessing progress.

Early on in the Panel's review, the Panel raised concern that the Government Plan Annex was not produced and published at the same time as the Government Plan. The review highlights the many challenges this created and has **recommended** that the Annex must be produced and published in tandem with the Plan.

When considering the information included within the Government Plan, the Panel identified the absence of Ministerial mapping for departmental budgets. Without this level of detail, it is not clear how much budget each Minister is responsible for in 2023, nor is it clear how the Ministerial Plans align and appear in the Government Plan as funding proposals. Furthermore, the Plan does not include sufficient detail to inform a budget comparison, therefore, there is no simple way to identify an increase or decrease in funding within the 2023 Plan in respect of service budgets within the broad heads of expenditure. Without the provision of a mid-year review update report, as published in previous years, nor any narrative provided in the Plan on progress regarding continuing business as usual projects, the budget process is not clearly demonstrated. The Panel proposes a number of **recommendations** in this regard to further enhance transparency and accountability of the Government Plan process.

Although the Government Plan aims to provide a more concise account of budget and policy information, the Panel has identified that further enhancements should be made to improve its accessibility to members of the public as well as children and young people. As such the Panel has **recommended** that consideration should be given to the use of digital summary reports, young-person friendly two-page summary documents and the provision of workshops.

Financial Strategy – Income and Expenditure

When considering Jersey's economic and fiscal strategy, the Panel's Advisor notes that Jersey's strategy is framed in an abstracted national accounting framework that refers to the analytical artifacts such as Gross Value Added (GVA), the trend rate of growth and the extent that Jersey's economy exhibits an output gap. It is highlighted that, in practice, this type of framework is incomplete for a micro-economy like Jersey. The Advisor explores the opportunity for Jersey to make use of administrative and statistical data to better frame Jersey's fiscal and economic strategy. As such the Panel has **recommended** that consideration be given to how administrative data collected from businesses and households can be used to assist in framing Jersey's strategy more accurately, given the limitations of national accounting in Jersey's context.

The Panel has observed that significant uncertainty remains in relation to increasing levels of inflation. However, it appears that due regard has been given to the potential risk and impact thereof and, as far as possible, it appears that steps have been taken to build contingencies into the Government Plan to account for adverse inflationary risks and pressures. The Panel notes that should inflationary pressures reach levels higher than anticipated, pressures would need to be managed across the Government, within the approvals agreed by the States.

The Panel highlights in respect of the Government's Covid-19 Response and Recovery strategies, that continued funding is provided in the Government Plan for 2023 as well as reserve funding for any unforeseen circumstances. It is expected that the Covid-19 debt will be repaid by the end of 2022 in accordance with the recommendation made by the Fiscal Policy Panel.

The Panel notes that the budget proposals outlined in the Government Plan were preceded by a cost-of-living Mini-Budget (also reviewed and reported on by the Panel) which was adopted by the States on 21st September 2022 and was part of the Government's 100 Day Plan.

In light of this, the Panel has observed that the Government will continue to review the effects of rising inflation and rising interest rates. However, to maintain a balanced budget, should further measures be proposed to address the cost-of-living crisis, funding in other areas will need to be reduced as a result. The Panel highlights that further support measures will likely

be covered through uprating the services and benefits provided by the Minister for Social Security rather than through further increases to tax thresholds beyond the 12% already proposed. As such, the Panel has **recommended** that due regard is given to the sufficient provision of targeted support to Islanders impacted the most by the cost-of-living crisis. Furthermore, that targeted support through direct payments to the most vulnerable Islanders should not be rejected as an option unequivocally, but should be considered as required if best suited to provide the needed support as identified. Considering the rising interest rates, the Panel has **recommended** that alternative support mechanisms such as a one-off tax credit or rebate should be explored to ascertain whether such measures would be administratively practical and the extent to which, in distributional terms, they could provide targeted support to Islanders.

The Panel reviewed the General Revenue Income proposals outlined in the Government Plan and sought the views of stakeholders and members of the public. The comments received are reflected within the Panel's report. The Panel observed particular interest in relation to the proposals on fuel, vehicle emissions, alcohol and tobacco duties. Moreover, received a submission raising significant concerns in respect of how the Stamp Duty proposal is being reflected within the Draft Finance (2023 Budget) (Jersey) Law 202-. The Panel notes that the Stamp Duty review has been delayed and has therefore **recommended** that the review be prioritised during Quarter One 2023.

The Panel notes that £61 million of additional funding is being proposed for investment in key public services in 2023. The allocation of new revenue expenditure growth investments has been prioritised for the departments for Children, Young People, Education and Skills and Health and Community Services. The Panel engaged members of the public to gather their views in respect of which public services required prioritisation through public spending. Submissions were received which highlighted areas including care services for the elderly, adult autism and ADHD diagnosis support services, the department for infrastructure to deliver and maintain the Island's public facilities and funding for Family Nursing and Home Care. The Panel observed that when Government prioritises allocations to new revenue expenditure growth investments, trade-offs are likely. However, these trade-offs are not explicitly recognised in the Government Plan. Therefore, the Panel has **recommended** that the Council of Ministers must include within future Government Plans recognition of the trade-offs involved, either explicitly or implicitly made through the political decision process when prioritising funding allocations to new revenue expenditure growth investments.

Value for Money Programme

The Panel evaluated the proposed Value for Money (VFM) Programme considering, how the estimated savings are evidenced, the impact thereof, and how the Government proposes to deliver, monitor, and govern the programme. The Panel identified that as part of the Programme, the Government Plan includes speculative savings amounts for 2024, 2025 and 2026 without any information on how these will be achieved. This directly contradicts the recommendations made by the Fiscal Policy Panel. In light of this, the Panel has **recommended** that the Government Plan should only include VFM savings where there is clear evidence of how they will be achieved.

The Panel also notes that the Government Plan has not historically included reporting on the changes in services undertaken during efficiency and rebalancing exercises. As such, the Panel has **recommended** that the Government must report on the impact to public services resultant of VFM savings, with such reports being published within subsequent Government Plans.

The Panel observed that the Government Plan does not include detail in respect of the monitoring process for the VFM Programme and has **recommended** that the monitoring process be included in future Government Plans to provide further transparency and accountability.

Projects and Programmes

When undertaking high-level analysis of the Capital Projects and New Revenue Growth Programmes as appropriate to the remit of the Chief Minister and Minister for Treasury and Resources, the Panel considered the progress to date, rationale for changes in projected funding and any impact on department budgets and staffing levels.

The Panel has observed that the Government Plan allocates funding where full business cases have not been completed. The Panel notes that this provides challenges to Scrutiny when undertaking its review process of the Government Plan. It also raises concerns as to whether the Government has given full consideration to the inclusion of proposed projects and programmes, specifically in relation to risks and VFM. Therefore, the Panel has **recommended** that business cases for New Revenue Growth Programme bids are provided to Scrutiny Panels prior to lodging each Government Plan.

Balance Sheets and States Funds

The Panel notes that the Government Plan proposes no new borrowing and to use underspends from 2021 and 2022 to fully repay the Covid-19 borrowing by the end of 2022. Moreover, that in the medium-term the Bank Rate is unlikely to return to the historic lows seen over the past decade and will therefore increase the Government's borrowing costs.

The Panel's review considered, the position of the Consolidated Fund, Stabilisation Fund and Strategic Reserve Fund.

The Panel has identified that the previous Government had not observed the recommendations made by the Fiscal Policy Panel in the 2021 Annual Report to build reserves through transfers to the Stabilisation Fund or Strategic Reserve. Moreover, it had not addressed the requirement for a long-term plan to increase the size of the Strategic Reserve within the Government Plan 2023-26. The Panel notes, that at year-end, should surpluses of £7million be available, any unspent balances will be transferred to the Stabilisation Fund as per the projections of the Fiscal Policy Panel's Medium-Term Report. Additionally, that receipts from Prior Year Basis Liabilities will be used to increase the balance of the Strategic Reserve and not the Stabilisation Fund.

In light of the Fiscal Policy Panel's advice, the Panel has **recommended** that the Council of Ministers must strengthen its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve in order to rebuild the Funds to appropriate levels. Moreover, the Council of Ministers should observe the advice of the Fiscal Policy Panel to transfer a minimum of £14 million into the Stabilisation Fund in accordance with the new projections outlined within its Annual Report 2022. The Panel has also **recommended** that a long-term plan be developed to increase the size of the Strategic Reserve which must be addressed within the next Government Plan.

The Panel's review has resulted in 31 Findings and 24 Recommendations, 13 of which are overarching recommendations supported by the other four Scrutiny Panels. These can be viewed in the section below.

Key Findings

KEY FINDING 1: The Government Programme is the umbrella term which encapsulates several components including the Government Plan, the Common Strategic Policy, the Ministerial Plans and the Delivery Plans. However, how the components link to one another is not obviously referenced within the Government Plan 2023-26. Additionally, the Common Strategic Policy priorities are not evidently aligned to the projects and programmes in the Government Plan as demonstrated in the previous Plan.

KEY FINDING 2: The Jersey Performance Framework indicators as outlined within the Proposed Common Strategic Policy require reviewing and refining. Real mean equalised household income as a metric to assess progress provides limited information about households that endure long durations of acute poverty. There is a requirement for better data on contemporary local consumption in Jersey.

KEY FINDING 3: The Government Plan Annex was not produced and published at the same time as the Government Plan. This provided challenges for Scrutiny when undertaking its review process of the Government Plan under the available timeframe. It also raises concern as to whether the Proposed Government Plan 2023-26 was agreed by the Council of Ministers with the full knowledge of the financials.

KEY FINDING 4: Scrutiny has experienced significant delays in receiving requested information from the Government in a timely manner to inform the review of the Government Plan.

KEY FINDING 5: The Government Plan does not provide Ministerial mapping for departmental budgets. Scrutiny was therefore required to request this information which resulted in significant delays. Without the inclusion of Ministerial mapping, it is not clear from the Government Plan as to how much of the Budget each Minister is responsible for in 2023.

KEY FINDING 6: A mid-year review update report was not published in respect of the Government Plan 2023-26, as in previous years.

KEY FINDING 7: While the statutory factual requirements of the Government Plan in respect of the Public Finances (Jersey) Law 2019 appear to be appropriately included, having regard for further long-term sustainability of the Island's economy and sustainable wellbeing of Islanders may be perceived as more judgmental requirements.

KEY FINDING 8: Narrative in relation to ongoing expenditure and business as usual projects is not provided for within the Government Plan.

KEY FINDING 9: The Government Plan does not demonstrate how spending and taxation evolves over time and how the different functions of the Government are created or reduced as priorities in public spending and policy.

KEY FINDING 10: Although some improvements to enhance the accessibility of the Government Plan have been made, the Plan remains inaccessible to members of the public, including children and young people.

KEY FINDING 11: Jersey's economic and fiscal strategy is framed in an abstracted national accounting framework that refers to the analytical artifacts such as Gross Value Added (GVA), the trend rate of growth and the extent that Jersey's economy exhibits an output gap. This framework is in practice incomplete for a micro-economy like Jersey.

KEY FINDING 12: Significant uncertainty remains in relation to increasing levels of inflation. However, it appears that due regard has been given to the potential risk and impact thereof and, as far as possible, it appears that steps have been taken to build contingencies into the Government Plan to account for adverse inflationary risks and pressures. Should inflationary pressures reach levels higher than anticipated, pressures would need to be managed across the Government, within the approvals agreed by the States.

KEY FINDING 13: Continued funding for Covid-19 response and recovery spending is provided for in the Government Plan for 2023 as well as reserve funding for any unforeseen circumstances. It is expected that the Covid-19 debt will be repaid by the end of 2022 in accordance with the recommendation made by the Fiscal Policy Panel and as a result of repaying the debt that any unspent funds, where possible, will be transferred into the Stabilisation Fund.

KEY FINDING 14: The Government will continue to review the effects of rising inflation and rising interest rates. However, to maintain a balanced budget, should further measures be proposed to address the cost-of-living crisis, funding in other areas will need to be reduced as a result. Further support measures will likely be covered through uprating the services and benefits provided by the Minister for Social Security rather than through further increases to tax thresholds beyond the 12% already proposed.

KEY FINDING 15: The Minister for Treasury and Resources confirmed his support of and his intention to propose an amendment to the Government Plan using the Mortgage Interest Tax Relief mechanism. As such the Panel paused its intention to propose a similar amendment to avoid duplication of efforts. At the time of writing this report the Panel notes that the amendment has not been lodged and highlights its disappointment that the Minister has not actioned this.

KEY FINDING 16: Significant concerns were raised with regard to how the stamp duty proposals are being reflected within the Draft Finance (2023 Budget) (Jersey) Law 202- which could result in uncertainty should the potential issues identified not be rectified and clarified prior to approval of the Law by the States Assembly.

KEY FINDING 17: The stamp duty review has been delayed. Concern was raised that the Stamp Duty Legislation is out of date and must be updated to reflect the modern practices and standards.

KEY FINDING 18: Existing funding provides for all delivery to the end of phase two Independent Taxation. However, additional funding will be required for the delivery of the final stage.

KEY FINDING 19: It is recognised that adapting to the change resultant of moving the company tax filing deadline from 31st December to 30th November may present challenges for taxpayers and the tax profession in Jersey, particularly in the first year of the move.

KEY FINDING 20: Information about unit costs and an inventory of public services provided is not included within the Government Plan.

KEY FINDING 21: When Government prioritises allocations to new revenue expenditure growth investments, trade-offs are likely. However, these trade-offs are not explicitly recognised in the Government Plan.

KEY FINDING 22: As part of the Value for Money Programme, the Government Plan 2023-26 includes speculative savings amounts for 2024, 2025 and 2026 without any information on

how these will be achieved, which directly contradicts the recommendations made by the Fiscal Policy Panel.

KEY FINDING 23: The Government Plan has not historically included reporting on the changes in services undertaken during efficiency and rebalancing exercises.

KEY FINDING 24: The Government Plan does not include detail in respect of the monitoring process for the Value for Money Programme.

KEY FINDING 25: The Government Plan allocates funding for New Revenue Growth Programmes and projects where full business cases have not been completed. This provides challenges to Scrutiny when undertaking its review process of the Government Plan. It also raises concerns as to whether the Government has given full consideration to the inclusion of proposed projects and programmes, specifically in relation to risks and value for money.

KEY FINDING 26: Projects including MS Foundation, Cyber Programme and ITS Releases 1 & 2 are significantly delayed. ITS Release 4 has yet to be contracted and funding for the ITS programme concludes in 2023. No schedule has been provided for ITS Release 3 – Additional major project.

KEY FINDING 27: Article 6 (2) of the Public Finance Law (Establishment of other funds) states that when establishing a Fund, the States must specify the purpose of the fund, the fund's terms and the circumstances in which the fund may be wound up. The Panel notes that presently no States Fund is being proposed in respect of the Community Fund.

KEY FINDING 28: Staffing and resourcing challenges across Government departments give rise to a level of uncertainty in the delivery of projects and programmes within the specified timeframes.

KEY FINDING 29: The Council of Ministers lodged the Twentieth Amendment to the Government Plan on 28th November 2022 to amend the previously approved Our Hospital financing costs. The Panel is concerned that this leaves limited time for States Members to consider a significant change in funding prior to the debate of the Government Plan.

KEY FINDING 30: The Government has not observed the recommendations made by the Fiscal Policy Panel in the 2021 Annual Report to build reserves through transfers to the Stabilisation Fund or Strategic Reserve. Moreover, has not addressed the requirement for a long-term plan to increase the size of the Strategic Reserve within the Government Plan 2023-26.

KEY FINDING 31: At year-end, should surpluses of £7million be available, the Government Plan acknowledges that unspent balances will be transferred to the Stabilisation Fund as per the projections of the Fiscal Policy Panel's Medium-Term Report. Receipts from Prior Year Basis Liabilities will be used to increase the balance of the Strategic Reserve and not the Stabilisation Fund.

Recommendations

RECOMMENDATION 1: (OVERARCHING): The components encapsulated within the Government Programme should have an evident link running through them and this should be clearly referenced within future Government Plans. Future Government Plans must include clear reference to how the Common Strategic Policy, Ministerial Plans, Delivery Plans, heads of expenditure and the Jersey Performance Framework link as part of the Government Programme.

RECOMMENDATION 2: The Council of Ministers should consider how the Jersey Performance Framework indicators outlined within the Common Strategic Policy can be reviewed, tightened and refined. Further consideration should be given to supplementing real mean equivalised household income with further metrics to assess progress of the Housing and Cost of Living priority. Indicators including low income and duration, key drivers of poverty, should also be considered for inclusion within next year's Government Plan.

RECOMMENDATION 3: (OVERARCHING): The Government Plan Annex must be produced and published in tandem with the Government Plan for future iterations of the Plan. Given the shortened lodging period for a Government Plan within an election year, consideration should be given to future election years with regard to how the Annex can be provided in tandem with the Government Plan and without placing undue difficulty on officials.

RECOMMENDATION 4: (OVERARCHING): The Government must ensure for all future Government Plans that priority is given to the work of Scrutiny and due regard to ensuring Scrutiny receives any requested information to inform its work within the allocated timeframe provided and in accordance with the proceedings outlined within the Code of Practice for Engagement between Scrutiny Panels and the Public Accounts Committee and the Executive.

RECOMMENDATION 5: (OVERARCHING): Future Government Plans must provide detailed Ministerial mapping for departmental budgets which includes a detailed breakdown of how funding is split between programmes and services when lodged. This mapping must be apparent in the Ministerial Plans so that it is clear as to how the workstreams and policy initiatives laid out in the Ministerial Plans align and appear in the Government Plan as funding proposals.

RECOMMENDATION 6: (OVERARCHING): A mid-year review update report must be published in future years prior to the lodging of the Government Plan by the deadline of 31st August each year. The report must include progress updates on all projects and programmes, detail on how the funding has been allocated to date, whether the delivery is on track and to be delivered by the identified timescale and within the budget allocated.

RECOMMENDATION 7: The Council of Ministers must clearly evidence how the economic, social, environmental, and cultural sustainability and wellbeing requirements of the Public Finances (Jersey) Law 2019 are demonstrably outlined and linked throughout the components of the Government Programme and in future Government Plans.

RECOMMENDATION 8: (OVERARCHING): To enhance transparency and accountability of the Government Plan process, the Council of Ministers must include detail in relation to ongoing expenditure and business as usual projects within future Government Plans.

RECOMMENDATION 9: The Council of Ministers should consider how the Government Plan can be further refined to include how spending and taxation evolves over time and how

different functions of the Government are created or reduced as priorities of public spending and policy. This level of detail should be included within future Government Plans.

RECOMMENDATION 10: (OVERARCHING): The Council of Ministers should consider how future Government Plans can be made more accessible to children and young people. Consideration should be given to creating a young-person friendly two-page summary document and the provision of workshops in respect of the Government Plan process. This work should be completed in time for inclusion in next year's Government Plan.

RECOMMENDATION 11: (OVERARCHING): The Council of Ministers should consider how the accessibility of future Government Plans can be further enhanced for members of the public. Consideration should be given to the use of digital summary reports to accompany future Government Plans and where possible avoiding the use of proposition numbers within public facing documents.

RECOMMENDATION 12: The Council of Ministers should consider how administrative data collected from businesses and households can be used to assist in framing Jersey's economic and fiscal strategy more accurately in order to get a proper purchase on local economic activity given the limitations of national accounting in a Jersey context. This work should be completed in time for inclusion in next year's Government Plan.

RECOMMENDATION 13: The Council of Ministers must ensure that due regard is given to the sufficient provision of targeted support to Islanders impacted the most by the cost-of-living crisis. Targeted support through direct payments to the most vulnerable Islanders should not be discarded as an option unequivocally but should be considered as required if best suited to provide the needed support as identified by end Quarter One 2023.

RECOMMENDATION 14: The Council of Ministers must explore, by end Quarter One 2023, whether alternative support mechanisms such as a one-off tax credit or rebate would be administratively practical in Jersey and the extent that, in distributional terms, it could be used to provide targeted support to contain its costs.

RECOMMENDATION 15: The Council of Ministers must prioritise the stamp duty review during Quarter One 2023 and must ensure that broad consultation with stakeholders and members of the public is carried out as part of the review process to inform any proposed changes to the legislation. The proposals must be finalised for inclusion in the Draft Finance Law (2024 Budget) (Jersey) Law 202- by end October 2023.

RECOMMENDATION 16: The Council of Ministers should provide, in future Government Plans, information about unit costs of public services and exploration of different means of service to the public. This may include active benchmarking, comparison between the public service and private sector, to aid in transparency.

RECOMMENDATION 17: (OVERARCHING): The Council of Ministers must include within future Government Plans recognition of the trade-offs involved, either explicitly or implicitly made through the political decision process when prioritising funding allocations to new revenue expenditure growth investments.

RECOMMENDATION 18: (OVERARCHING): In line with the recommendations of the Fiscal Policy Panel, the Government Plan should only include Value for Money savings where there is clear evidence of how they will be achieved.

RECOMMENDATION 19: (OVERARCHING): The Council of Ministers should undertake reporting on the impact to public services resultant of value for money savings made, with the reports being published with each Government Plan.

RECOMMENDATION 20: (OVERARCHING): The Council of Ministers must ensure the monitoring process for the Value for Money Programme is included in future Government Plans to provide further transparency and accountability.

RECOMMENDATION 21: (OVERARCHING): The Council of Ministers must ensure that business cases for New Revenue Growth Programme bids are provided to Scrutiny Panels prior to lodging each Government Plan.

RECOMMENDATION 22: The Chief Minister must provide further clarity with regard to how ITS Release 4 will be funded and the roll-out schedule for Release 3. Clarity should be provided by Quarter One 2023.

RECOMMENDATION 23: Should the Community Fund be established as a States Fund, the Council of Ministers must ensure that the requirements of Article 6 (2) and Article 9 (4) (b) of the Public Finances (Jersey) Law 2019 are observed.

RECOMMENDATION 24: The Council of Ministers must strengthen its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve to rebuild the Funds to appropriate levels and should observe the advice of the Fiscal Policy Panel to transfer a minimum of £14 million into the Stabilisation Fund in accordance with the Panel's new projections, as outlined within its Annual Report 2022. A long-term plan must be developed to increase the size of the Strategic Reserve and must be addressed within the next Government Plan.

1 Introduction

Background and Context

The Panel's review into the Government Plan 2023-26 and Financial Annex (hereafter 'the Government Plan') specifically monitors the policy initiatives led by the Chief Minister and the Minister for Treasury and Resources, whilst also reviewing the financial actions being proposed by Government. The Panel engaged economist Warwick Lightfoot to provide expert advice on the financial and economic modelling of the Government Plan to assist in informing its review. Mr Lightfoot's report can be found in Appendix 2 of this report.

The [Government Plan](#) [P.97/2022] was lodged on 4th October 2022 for earliest debate on 13th December 2022. This year the Council of Ministers also lodged several documents alongside the Government Plan; the Common Strategic Policy [[P.98/2022](#)], which was lodged on 4th October 2022 for earliest debate on 22nd November 2022, and [Ministerial Plans](#) [R.139/2022] which were presented on 12th October 2022. The [Annex](#) was presented separately from the Government Plan on 20th October 2022 as a result of time constraints. The Delivery Plans are due to be presented in early 2023.

The term 'Government Programme' is being used by the Council of Ministers to encapsulate the Common Strategic Policy, the Ministerial Plans, the Government Plan and the 2023 Delivery Plans. The Common Strategic Priorities for the next four years will be supported by the Ministerial Plans. Moreover, the financial context in which those plans will be delivered is explained by the Government Plan and further financial detail to the Government Plan is provided within the Annex.

This year's Government Plan is shorter than previous years and contains similar content to Part 5 (Government Finances) and Part 3 (Efficiencies/Rebalancing) of last year's document. Details of the Government Plan include:

- Estimated income and expenditure of the Consolidated Fund
- Amounts to be internally transferred between States funds
- Any other proposed financing
- Programmes and Projects and their proposed costs
- Estimated income and expenditure from States trading operations to be paid into the States trading operations Fund
- Amounts to be appropriated from the Consolidated and States trading operations funds for the next financial year
- Estimated amounts in States Funds at the start and finish of each financial year
- Borrowing and debt management framework

The Government Plan 2023-26 Proposition [[P.97/2022](#)] which requires approval by the States Assembly, seeks approval of the appropriations from the Consolidated Fund, the movement between other Funds and reserves, parameters around income, expenditure estimates, budgets and borrowing for 2023.

The headline components of the proposed Government Plan 2023-26 include:

- Investing an additional £61 million in key public services in 2023

- Supports improvements to public infrastructure through £363 million of capital investment over the course of the plan and £141 million in 2023
- Gives further assistance to Islanders during the cost-of-living crisis
- Ensures that the borrowing undertaken as part of the Covid-19 response will be repaid by the end of 2022
- Funds and reserves remain strong and robust
- Forecasts ongoing operating surpluses
- Delivers Value for Money Government spending

The Public Finances (Jersey) Law 2019

When considering the Government Plan, it is important to note the statutory requirements of the Public Finances (Jersey) Law 2019¹ in the context of the content of the Government Plan. The requirements are predominantly factual. However, more judgmental requirements of Article 9 of the Law require that:

- the Government Plan includes ‘other information that the Council of Ministers believes that the States may reasonably be expected to need in order to consider’ the statutory factual requirements of the Government Plan; and
- the Government Plan sets out how the proposals in the Plan take into account:
 - ‘the medium-term and long-term sustainability of the States’ finances and the outlook for the economy in Jersey’; and
 - ‘the sustainable well-being (including the economic, social, environmental and cultural well-being) of the inhabitants of Jersey over successive generations’.

The Draft Finance (2023 Budget) (Jersey) Law 202-

The Draft Finance (2023 Budget) (Jersey) Law 202-² (lodged on 31st October 2022 for debate alongside the Government Plan 2023-26 on 13th December 2022) will give effect to the revenue measures³ proposed within the Government Plan and will also provide for administrative and technical amendments in respect of the Government Plan as set out in Appendix 4⁴ of the Plan. Therefore, any amendments to the revenue measures outlined in the Government Plan would require the appropriate amendments to be made within the Draft Finance (2023 budget) (Jersey) Law 202-.

Review Methodology

The Panel launched its review of the Government Plan 2023-26 on 21st October 2022. Due to the intricate process and timeline for the lodging of the Government Plan 2023-26, the Panel notes that its focus has been, in the main, on reviewing the Proposition where relevant to the Panel’s remit in respect of the responsibilities for the Chief Minister and Minister for Treasury and Resources. However, consideration has also been given to any overarching themes as appropriately identified during the review process.

¹ [Public Finances \(Jersey\) Law 2019](#)

² [Draft Finance \(2023 Budget\) \(Jersey\) Law 202-](#)

³ [P.97/2022 - Government Plan 2023-26](#) - Pg 91

⁴ [P.97/2022 - Government Plan 2023-26](#) – Pg 107

The budget proposals within this iteration of the Plan are preceded by a [cost-of-living mini-budget](#) which was also reviewed and reported⁵ on by the Panel and subsequently adopted by the States on 21st September 2022. This was also part of the Chief Minister's [100 days actions](#).

When scoping its review, the Panel identified the following key areas to address:

- Will the Government Plan meet the requirements of the Public Finances (Jersey) Law 2019?
- Is the Government Plan fiscally sound and economically sustainable?
- Does the Government Plan follow the advice of the Fiscal Policy Panel and align with the income forecasts advised by the Income Forecasting Group?
- What is the impact of the Government Plan proposals on departmental budgets and staffing levels?
- Does the Government Plan align with the objectives of the Common Strategic Policy and aims of the Ministerial Plans?
- Are the proposed Programmes and Projects appropriate and deliverable within the specified timeframe?
- Are the resources allocated to Programmes and Projects sufficient and the best use of public funds?

The Panel's full Terms of Reference for the review can be found in Appendix 1 of this report.

The Panel engaged economist Warwick Lightfoot to provide expert advice on the financial and economic modelling of the Government Plan to assist in informing its review. The Advisor's report can be found in Appendix 2 of this report.

The Panel wrote directly to a number of targeted stakeholders for their views, and received several submissions from members of the public, and these can be viewed [here](#).

The Panel also held pop-up stands to engage the Public on their views in respect of the Government Plan 2023-26.

Public Hearings were held with the Chief Minister and the Minister for Treasury and Resources in November 2022. The transcripts for these hearings can be viewed [here](#).

The Panel wrote to the Chief Minister and the Minister for Treasury and Resources on several occasions with additional written questions. The written responses can be viewed [here](#).

The Panel's review has also been informed by the reports published by the Fiscal Policy Panel ([medium term](#) and [annual](#) reports) and the [Income Forecasting Group](#).

Report Structure

Chapter 2 of this report provides high-level analysis and commentary on the Government Programme Design:

- Alignment of the Common Strategic Policy, Ministerial Plans, Government Plan, and Delivery Plans
- Consideration for transparency, clarity and accessibility

⁵ [CSSP Cost of Living Mini-Budget Review – 15th September 2022](#)

- Notable changes from previous plans and the impact thereof

Chapter 3 of this report provides high-level analysis and commentary on the States Income and Expenditure as set out in the Government Plan 2023-26 to support the Common Strategic Policy and Ministerial Plans. Consideration is given to impact on departmental budgets, Islanders, resourcing, staffing levels and the delivery of public services. With focus on:

- Economic and Fiscal Context
- Impact of Inflation
- Impact of Covid-19
- Income Forecasts
- General Revenue Income
- Mini-budget Proposals
- Public Sector Spending

Chapter 4 of this report provides high-level analysis and commentary on the Value for Money Programme to deliver value for money. Consideration is given to how the estimated savings are evidenced and the impact thereof. In addition, consideration is given in relation to the delivery and monitoring of the savings.

Chapter 5 of this report provides high-level analysis and commentary on the projects and programmes as appropriate, specific to the remit of the Panel. It highlights any identified concerns and considers:

- Whether the projects are appropriate and deliverable
- Whether the resources allocated are sufficient and the best use of public funds
- Alignment to Common Strategic Policy and the aims of the Ministerial Plans
- Impact on departmental budgets, staffing and States Funds
- Impact on Islanders

Chapter 6 of this report provides high-level analysis and commentary on States borrowing, debt management, investing, contingency, reserves and States Funds with the focus, in the main, on the Consolidated Fund, Strategic Reserve Fund and Stabilisation Fund.

All chapters draw from evidence received from the public hearings, responses to written questions and submissions from members of the public. Chapters will also be informed by the Panel's Advisor's report which can be viewed in Appendix 2 of this report.

2 Government Programme

Alignment

As noted in the previous chapter, the term 'Government Programme' is being used to encapsulate the Common Strategic Policy, the Ministerial Plans the Government Plan and 2023 Delivery Plans. It is noted within the Government Plan that the Government Programme reflects the issues that are most important to Islanders as expressed during the election. Moreover, that it is informed by data and evidence, and seeks to demonstrate Government's focus on the economic, social, cultural, and environmental wellbeing of Islanders both now and in the future.



The Government Plan explains that the:

Common Strategic Policy 2023-2026 sets out the seven interlinked priorities for change.

Government Plan 2023 – 2026 sets out the funding position for Government including income, capital and revenue expenditure.

Ministerial Plans provide a clear focus for action and aiding the Assembly in holding each Minister to account for their delivery.

2023 Delivery Plans will support the above, which will be published in early 2023.

Noting the Chief Minister's aim to impart a 'fresh approach'⁶ as voted for by Islanders, the Panel sought to further understand the benefits of the 'fresh approach' and the changes being brought through the new Government Plan in comparison to the previous iterations of the Plan under the previous Government. In addition, how the components encapsulated by the Government Programme align or link to one another. Particularly, observing that the components were published separately. The Panel raised this during a public review hearing with the Chief Minister⁷.

Deputy S.Y. Mézec:

The Government programme as the umbrella term featuring the other documents as well, C.S.P., ministerial plans, et cetera, was it a conscious choice of yours to not have all of those released on the same date? Was it a conscious decision or did that arise simply out of necessity?

The Chief Minister:

Probably a bit of both, but I do think that it is helpful to have different pieces of information released at different times because it is not helpful to overwhelm people

⁶ [P.97/2022 - Government Plan 2023-26](#) – Pg 4

⁷ [Transcript – Hearing Chief Minister](#) – Pg 16

with a deluge of dense information. I think former Scrutiny Panels have indeed found that the Government Plan of the past was difficult to navigate and to fully understand and use. Our desire was to deliver something that was clear and easy to engage with. Equally...we have been under a considerable amount of time pressure to turn around these key documents in the space of 2 months following the election, because of the election being moved from May to June. I hope that the Privileges and Procedures Committee will consider the date of the next election as early as it possibly can so that it can smooth any transition that may or may not take place after the elections and ensure that the public service is able to support a new Government in delivering these documents and also to give Scrutiny ample time to conduct your important role of holding Government Ministers to account.

In respect of performance management, in a submission⁸ received from the Public Accounts Committee (PAC), it is highlighted that when comparing this Government Plan with previous iterations, concern is raised that the Common Strategic Policy priorities are not evidently aligned to the projects and programmes in the Government Plan. Concern is also raised regarding the CSP not being approved prior to the Government Plan being lodged. Although noting this is a challenge resultant of the timeline to approve these statutory documents during an election year, it is suggested that further consideration should be given to the approval process of these documents for future election years.

The PAC⁹ also highlights the importance of having a link (golden thread) which runs through all the components encapsulated by the Government Programme including linking the CSP to the Ministerial Plans, Delivery Plans, heads of expenditure and the Jersey Performance Framework which is not obviously referenced within the Government Plan 2023-26.

The Panel questioned how the Jersey Performance Framework has been used in the creation of the Government Plan and received the following response:¹⁰

The Chief Minister:

The performance framework, I think we have alluded to that in terms of being able to ... it is more really about measuring how any changes that are made through this Government programme impact upon the community, hopefully, in a positive way and, therefore, it is a good tool for measuring those changes and identifying where they are occurring.

Director General, Strategic Policy, Planning and Performance:

The performance framework feeds into the Council of Ministers' considerations of their priorities, as part of the Common Strategic Policy process. As we know, we have is a foundation, the Future Jersey public consultation that was done in 2016 and 2017 where Islanders expressed their long-term 20-year ambitions for Jersey. Then each Council of Ministers benefits from coming fresh out of elections, fresh from the doorstep, having heard the pressing issues for Islanders right now within that longer-term set of aspirations. The Jersey Performance Framework also feeds in where there are areas where Jersey is clearly performing well against the framework and then those tend to not get reflected in the doorstep, they tend to not get such an emphasis within the Common Strategic Policy because they do not need it. Then those areas that are a real focus for Islanders and have been reflected through the political process

⁸ [Submission – PAC – 11 November 2022](#)

⁹ [Submission – PAC – 11 November 2022](#)

¹⁰ [Transcript - Hearing Chief Minister](#) – Pg 30

tend to also be emphasised through the performance framework, through the objective statistics, those areas that need particular attention. That comes together and then as the new Council expressed in their Common Strategic Policy, the policy is then assessed on an ongoing basis against a range of different measures. It is not just about one particular measure within the performance framework but it is about balance of performance against different measures and keeping a close eye on those areas where the Council has an ambition to start to turn the curve on some of those longer-term measures.

KEY FINDING 1: The Government Programme is the umbrella term which encapsulates several components including the Government Plan, the Common Strategic Policy, the Ministerial Plans and the Delivery Plans. However, how the components link to one another is not obviously referenced within the Government Plan 2023-26. Additionally, the Common Strategic Policy priorities are not evidently aligned to the projects and programmes in the Government Plan as demonstrated in the previous Plan.

RECOMMENDATION 1 (OVERARCHING): The components encapsulated within the Government Programme should have an evident link running through them and this should be clearly referenced within future Government Plans. Future Government Plans must include clear reference to how the Common Strategic Policy, Ministerial Plans, Delivery Plans, heads of expenditure and the Jersey Performance Framework link as part of the Government Programme.

Although it was highlighted that identifying challenging but realistic metrics for assessing policy progress is never easy, the Panel's Advisor recommends that the Government should consider reviewing and refining the Jersey Performance Framework indicators as set out in the Annex 2 of the Common Strategic Policy. Within a submission¹¹ Statistics Jersey explains how the Government Plan aligns to the objectives of the Common Strategic Policy and the aims of the Ministerial Plans. Moreover, its role in reporting Jersey Performance Framework data. Statistics Jersey also welcomes the recognition within Ministerial Plans of the need for statistics and data to make informed decisions.

The Panel's Advisor suggests that particular attention should be given to the metrics for assessing progress on living standards such as growth in Gross Value Added (GVA) per person and growth in reported incomes. It may be helpful to supplement these with an estimate of progress on economic welfare that takes account of consumption or household spending. The Advisor explains, given the complex social pathologies that wealthy communities in high income advanced economies exhibit, further consideration should be given to how the Government relies on the evolution of real mean equivalised household income, because of the limited information it provides about households that endure long durations of acute poverty. The Advisor emphasises that total GVA and GVA per head may well be useful in assessing the buoyancy of future tax revenue but will be limited in offering information about distribution of economic welfare and general living standards. The Advisor raises that low income and duration, which are key drivers of poverty, are not identified by the indicator.

KEY FINDING 2: The Jersey Performance Framework indicators as outlined within the Proposed Common Strategic Policy require reviewing and refining. Real mean equivalised household income as a metric to assess progress provides limited information about households that endure long durations of acute poverty. There is a requirement for better data on contemporary local consumption in Jersey.

¹¹ [Submission – Statistics Jersey](#)

RECOMMENDATION 2: The Council of Ministers should consider how the Jersey Performance Framework indicators outlined within the Common Strategic Policy can be reviewed, tightened and refined. Further consideration should be given to supplementing real mean equivalised household income with further metrics to assess progress of the Housing and Cost of Living priority. Indicators including low income and duration, key drivers of poverty, should also be considered for inclusion within next year's Government Plan.

The Panel's Advisor has established that the Government Plan 2023-26 and the Common Strategic Policy offer a more concise account of the Government's policies and plans than previous iterations. This enables a reader to obtain a sense of the new Government's ambitions and how it expects them to be assessed. However, the Advisor highlights that it is not clear from the published Plan or from the Chief Minister and her colleagues as to how the policy objectives have been chosen and prioritised. Although, the process of Ministers working with advisors and officials has been explained, the rationale for the decisions has not been demonstrated.

The Annex

The Panel raises concern that not publishing the final version of the Government Plan Annex and the Government Plan simultaneously provided a period of time (a couple of weeks) that was frustrating from Scrutiny's perspective, considering the shortened timeframe available as a result of the election year.

The Panel sought to understand why the Annex was not produced in tandem with the Government Plan. The Chief Minister confirmed that it was a result of timing as the Common Strategic Policy and the Government Plan are both statutory documents that had to be produced within a set timeframe and, therefore, to cope, any other additional documentation was delayed.¹² The Panel also questioned why the Government Plan could be considered ready if the Annex was not.¹³

Deputy S.Y. Mézec:

Why was the Government Plan considered ready if the annex was not? Are they not both fundamentally linked?

The Chief Minister:

They are, absolutely, but of course there is an element of collation that is needed and preparation of those documents to put them into a readable and consumable, for want of a better phrase, fashion.

As a result, the Panel raised concern as to whether the Government Plan was agreed with the full knowledge of the financials, considering the Annex was not ready at the same time as the Government Plan.¹⁴

In its submission¹⁵, the PAC highlights similar concerns. The PAC explains that the length of time between the lodging of the Plan and the provision of background information and narrative for new revenue expenditure and service level analysis provided for within the Annex,

¹² [Transcript - Hearing Chief Minister](#) – Pg 16

¹³ [Transcript - Hearing Chief Minister](#) – Pg 16

¹⁴ [Transcript - Hearing Chief Minister](#) – Pg 16

¹⁵ [Submission – PAC – 11 November 2022](#)

will have limited States Members' access to important information. It will also have had a knock-on effect on the scrutiny process being undertaken by Scrutiny Panels.

The PAC also questions whether any amendments were made to the outlines and narrative for projects during this period. The PAC is understanding that officials have been working to a strict deadline for the lodging of the Government Plan, however, the Committee notes that ideally the Annex information should be provided in tandem with the Government Plan itself and that given the shortened lodging period for a Government Plan within an election year, consideration should be given to future election years and how the Annex can be provided at the same time as the Government Plan without placing undue difficulty on officials.

KEY FINDING 3: The Government Plan Annex was not produced and published at the same time as the Government Plan. This provided challenges for Scrutiny when undertaking its review process of the Government Plan under the available timeframe. It also raises concern as to whether the Proposed Government Plan 2023-26 was agreed by the Council of Ministers with the full knowledge of the financials.

RECOMMENDATION 3 (OVERARCHING): The Government Plan Annex must be produced and published in tandem with the Government Plan for future iterations of the Plan. Given the shortened lodging period for a Government Plan within an election year, consideration should be given to future election years with regard to how the Annex can be provided in tandem with the Government Plan and without placing undue difficulty on officials.

Considering the delay in receiving components of information relevant to the Government Plan, Scrutiny, in order to conduct their reviews within the available timeframe, requested information from Ministers as required to undertake their work. On multiple occasions Scrutiny experienced further frustration in not receiving the information requested within the specified five-day turnaround time as outlined within Code of Practice for Engagement between Scrutiny Panels and the Executive¹⁶. Responses significantly exceeded the deadline on many occasions, an over two-week turnaround time was experienced in some cases. Ideally, Scrutiny should have received responses quicker than the five-day turnaround time requested considering the shortened timeframe available for the review of the Government Plan. Not receiving the requested information within a timely manner has significantly impacted the review process for some Scrutiny Panels and the outcomes of their reviews as a result.

KEY FINDING 4: Scrutiny has experienced significant delays in receiving requested information from the Government in a timely manner to inform the review of the Government Plan.

RECOMMENDATION 4 (OVERARCHING): The Government must ensure for all future Government Plans that priority is given to the work of Scrutiny and due regard to ensuring Scrutiny receives any requested information to inform its work within the allocated timeframe provided and in accordance with the proceedings outlined within the Code of Practice for Engagement between Scrutiny Panels and the Public Accounts Committee and the Executive.

¹⁶ [Code of Practice for Engagement between Scrutiny Panels and the Public Account Committee and the Executive](#)

Transparency and Accountability

Budget mapping to Ministers

The Panel notes that this iteration of the Government Plan does not provide a breakdown of budget responsibilities under Ministerial portfolios and raises concern in that regard. The Panel questions, as a result, whether each Minister was aware of exactly how much budget in the Government Plan they are responsible for in 2023. The Panel highlights the importance of knowing which Ministers would be held to account for how much of the budget especially since the Government departments do not exactly align with Ministerial portfolios. The Chief Minister explained the following:¹⁷

The Chief Minister:

...we are still working under departmental heads of expenditure and so that is the system. We are very focused at the moment on ensuring that those lines of accountability for each Minister and their relevant lead official are made very clear and of course that will flow through into accounting as well.

Changes to Ministerial accountability are outlined within the Government Plan (pg. 42). Notwithstanding this, the PAC submission¹⁸, notes that without the provision of allocation of funding under each Ministerial portfolio, nor the provision of this within the Ministerial Plans, it would be impossible to correlate Ministerial Plans against the funding allocated to that Ministerial remit and to determine whether the budget allocation is, in fact, sufficient to meet the stated aims. Moreover, without transparent allocations of funding under each Ministerial portfolio, this raises questions as to how Ministers can be held to account for approvals of budgets or for the delivery of their Ministerial Plans. Scrutiny was required to request this information to inform the review process which resulted in significant delays.

KEY FINDING 5: The Government Plan does not provide Ministerial mapping for departmental budgets. Scrutiny was therefore required to request this information which resulted in significant delays. Without the inclusion of Ministerial mapping, it is not clear from the Government Plan as to how much of the Budget each Minister is responsible for in 2023.

RECOMMENDATION 5 (OVERARCHING): Future Government Plans must provide detailed Ministerial mapping for departmental budgets which includes a detailed breakdown of how funding is split between programmes and services when lodged. This mapping must be apparent in the Ministerial Plans so that it is clear as to how the workstreams and policy initiatives laid out in the Ministerial Plans align and appear in the Government Plan as funding proposals.

Budget comparison

The Panel raises concern that there is no reference within the Government Plan to the changes in service budgets within the broad heads of expenditure between 2022 and those proposed in 2023. However, this information is in the previous Plan. The PAC¹⁹ highlights this

¹⁷ [Transcript – Hearing Chief Minister](#) – Pg 18

¹⁸ [Submission – PAC – 11 November 2022](#)

¹⁹ [Submission – PAC – 11 November 2022](#)

concern, as does the Panel's Advisor²⁰. As a result, there is no simple way for States Members or the Public to identify services which may have had an increase or reduction in funding within the 2023 Plan.

The Panel notes that in previous years a mid-year review report was published prior to the Government Plan being lodged. These reports identified the progress to date for projects. Noting with this iteration of the Government Plan that no progress updates or further detail is provided on any continuing 'business as usual' expenditure associated projects, it is difficult to ascertain whether the estimated level of funding provided within the Plan is sufficient to meet the projects' objectives.

The Panel sought to understand why a mid-year review report was not provided in respect of this Government Plan process and raised this with the Minister for Treasury and Resources.

Deputy M.B. Andrews:

The Finance Law Delegation Report for January to June 2022 has been published, however it does not appear that a mid-year review report has been released in relation to the Government Plan. If this has not been released why is this the case?

Treasurer of the States:

The discussion on the mid-year report - we will next year, subject to Ministers agreeing release - was purely one of timing. So June fell between Governments, as it were, and therefore the added value of doing so was felt not to be as great as it would have been in other years; it would land in the middle of either an election or in the middle of a subsequent election for Chief Minister. There was debate around the table as to what the value would be. It was felt that the value was not great during the middle of an election but we can and will be getting back on track with that next year.

KEY FINDING 6: A mid-year review update report was not published in respect of the Government Plan 2023-26, as in previous years.

RECOMMENDATION 6 (OVERARCHING): A mid-year review update report must be published in future years prior to the lodging of the Government Plan by the deadline of 31st August each year. The report must include progress updates on all projects and programmes, detail on how the funding has been allocated to date, whether the delivery is on track and to be delivered by the identified timescale and within the budget allocated.

Noting that the Delivery Plans will only be finalised in 2023, concern was raised in relation to the impact of this on the process undertaken to inform the zero-based budgeting exercise in order to identify the overall budget required by each department. The PAC highlights²¹ that further clarity is needed in respect of the budgeting process as a result.

Other beneficial information

The Panel notes that the Public Finances (Jersey) Law 2019 requires that the Government Plan includes 'other information that the Council of Ministers believes that the States may reasonably be expected to need in order to consider' the statutory factual requirements of the Government Plan.

²⁰ CSP Advisor's Report – Appendix 2

²¹ [Submission – PAC – 11 November 2022](#)

In addition, noting that the Government Plan sets out how the proposals take into account:

- ‘the medium-term and long-term sustainability of the States’ finances and the outlook for the economy in Jersey’; and
- ‘the sustainable well-being (including the economic, social, environmental and cultural well-being) of the inhabitants of Jersey over successive generations’.

The Panel observes in a response received from the Comptroller and Auditor General (C&AG) that the factual elements appear to be appropriately included within the Government Plan²². Although reference is made within the Government Plan²³ to the long-term sustainability of the Island and sustainable wellbeing, in respect of the more judgemental requirements as outlined in Article 9, the Panel sought further information. The Panel raised this with the Chief Minister²⁴ to further understand how these aspects were considered when developing the components encapsulated by the Government Programme.

Deputy S.Y. Mézec:

Chief Minister, in the Government Plan you state: “The Council of Ministers has taken sustainable well-being into account throughout the development of the whole of the Government programme.” Could you talk us through exactly how sustainable well-being was considered when business cases were being put forward for each growth part of the Government Plan?

The Chief Minister:

Yes. Sustainable well-being and the performance framework are very much aligned and we have talked to you I think in the past about how as a Council we wish to focus on outcomes-based accountability in areas where we can particularly turn the curve. I think that that is an important part of demonstrating the importance of sustainable well-being and our commitment to improving it throughout the term of our office.

The Panel sought further clarification as to how sustainable wellbeing was demonstrably considered when compiling the business cases and how sustainable wellbeing is measured. The Chief Minister confirmed that the selection of business cases was focused on the Government’s determination to improve sustainable wellbeing. In respect of how this was measured, the Chief Minister noted the following:

The Chief Minister:

As you will be aware, that is outlined in the Public Finances Law which was adopted by the previous Assembly and it is a way of measuring that progress in our society. We can do so through the use of the performance framework and the wide range of measures that are taken in that and published on the website.

The Panel also sought to understand how the primary challenges facing Jersey’s economy were identified and, as such, how the Government’s approach to the management of Jersey’s economy and public services would be principally changed from the previous Government as a result to address the challenges identified.²⁵

Deputy S.Y. Mézec:

²² [Submission – Comptroller and Auditor General](#)

²³ [P.97/2022 - Government Plan 2023-26](#) – Pg 11

²⁴ [Transcript – Hearing Chief Minister](#) – Pg 4

²⁵ [Transcript – Hearing Chief Minister](#) – Pg 7

How did you identify what the principal challenges facing the Jersey economy and public services are?

The Chief Minister:

We have the benefit of a Chief Economist who is able to assist the Council of Ministers very ably in giving us an overview of the economy. Clearly the statistics department also supports us in providing a very clear and diverse range of statistics on which to base our decisions along with, of course, advice from the F.P.P. (Fiscal Policy Panel).

Deputy S.Y. Mézec:

We spoke at the start about the fresh approach and everything you have just listed there has been referring to personnel who are the same as under the previous Government. I am still going to challenge on this point of a fresh approach and understanding exactly when you got the keys to Broad Street and walked in, what processes did you ask specifically were changed that would then help inform you as to how you determined what those priorities were and what goes into the Government Plan?

The Chief Minister:

The structure of our Government in Jersey is one that is very much focused on the public sector and the civil service who are, and remain, impartial and they are there to serve whoever the Government are of the day. Of course, that Government are largely chosen by the public and then the Assembly. So we step into Broad Street and place ourselves in meeting rooms alongside officials who supported the previous Government and they do that in a seamless way. There is, as we have outlined, some changes been put into place, largely reflective of a group that you are very well familiar with in terms of the democratic accountability group and the recommendations that they made in the work during the phase of the previous Assembly. In doing that, we are making changes in the Cabinet Office that is ably supported by the Chief Executive and looking at that, but we continue to work with the very able civil service who are here to support Islanders, whoever may be in Government.

The Panel notes that although it may be less challenging to portray how the factual requirements of the Public Finances (Jersey) Law 2019 are observed within the Government Plan, due regard must be given to ensuring the more judgemental requirements in respect of the Law. In particular, making sure that the outlook of the economy and the sustainable wellbeing of Islanders (including in the economic, social, environmental and cultural context) is clearly demonstrated within the Government Plan and throughout the components of the Government Programme with clear links between them.

KEY FINDING 7: While the statutory factual requirements of the Government Plan in respect of the Public Finances (Jersey) Law 2019 appear to be appropriately included, having regard for further long-term sustainability of the Island's economy and sustainable wellbeing of Islanders may be perceived as more judgmental requirements.

RECOMMENDATION 7: The Council of Ministers must clearly evidence how the economic, social, environmental, and cultural sustainability and wellbeing requirements of the Public Finances (Jersey) Law 2019 are demonstrably outlined and linked throughout the components of the Government Programme and in future Government Plans.

In respect of ‘*other information that the Council of Ministers believes that the States may reasonably be expected to need in order to consider*’ in line with the statutory factual requirements of the Government Plan (as stated within the Public Finances (Jersey) Law 2019). The Panel highlights a recommendation (recommendation 8) made by the C&AG in the report the States Employment Board – follow up: Employment of the Former Chief Executive²⁶ to include a short description of the scope of revenue income and expenditure budget lines in the Government Plan.

Noting that the recommendation was rejected within the previous executive response,²⁷ the Panel wrote²⁸ to the Chief Minister on multiple occasions to further understand the new Government’s view on the recommendation made to enhance accountability of the Government Plan process.

Within the letter of response²⁹, the Chief Minister agreed that more information in the public domain is important to aid ongoing transparency and accountability. Therefore, it was noted that the Government Plan 2023-26 included short descriptions of each of the revenue income lines that make up general revenue incomes. Moreover, Revenue Expenditure Heads of Expenditures are approved by department, and the Annex to the Government Plan includes a departmental service analysis. Although, highlighting the inclination to further consider the recommendations of the C&AG in the area³⁰, no further detail was provided in that regard from the Chief Minister³¹.

In its submission,³² the PAC, notes that a narrative is provided within the Annex in relation to revenue expenditure growth, which does provide some context about the new expenditure by department. However, the PAC highlights that narrative in relation to ongoing expenditure, or ‘business as usual’ projects would undoubtedly assist States Members and the public in understanding the expenditure within each department and the particular project or service it is being spent on.

KEY FINDING 8: Narrative in relation to ongoing expenditure and business as usual projects is not provided for within the Government Plan.

RECOMMENDATION 8 (OVERARCHING): To enhance transparency and accountability of the Government Plan process, the Council of Ministers must include detail in relation to ongoing expenditure and business as usual projects within future Government Plans.

The Panel’s Advisor highlights that there should be a radical review of the Government Plan and its associated documents. The Advisor notes that it should be possible to see how spending and taxation evolves over time and how different functions of Government are made or reduced as priorities in public spending and policy change. The Panel’s Advisor explains:

There is no information on how spending on different functions has changed and how it will evolve in the course of the government plan. It is therefore impossible to track changing government priorities and ambitions against spending. There is no information about unit costs or an attempt to benchmark public sector costs against

²⁶ [C&AG - States Employment Board – follow up: Employment of the Former Chief Executive](#)

²⁷ [PAC – R-88/2021 - Executive Response](#)

²⁸ [Letter – CSP to CM – 14 October 2022](#)

²⁹ [Letter – CM to CSP – 21 October 2022](#)

³⁰ [Letter – CM to CSP – 21 October 2022](#)

³¹ [Letter – CM to CSP - 7 November 2022](#)

³² [Submission – PAC – 11 November 2022](#)

the private sector. This makes it difficult to assess the Council of Minister's value for money agenda. This is a significant lacuna given the longstanding concerns about the efficiency of public expenditure in Jersey reflected in the previous ministers' commitment to zero based budgeting and rebalancing agenda.

Jersey's Government provides services for some 103,000 it should be possible to see how much is spent, how many schools there are, how many libraries there are and how many hours of domiciliary care are provided and how much it is spent. Along with this there should be indicators illustrating the results and quality of spending. It should be possible to see how much property is held in the public sector portfolio and its economic worth. It should be possible for the public to get a purchase on what is being spent, why it's being spent and what the result is and there should be a focus on directly identifying the services involved in a practical manner.

The Panel's Advisor recommends that the Government should pull these together in a convenient and lucid document. The Panel's Advisor recognises, given the hurried timetable the Government had that it was not realistic to expect this to be done this year, however, that Ministers should give careful thought with States Members as to how the Government Plan could be improved in terms of the type of information included and the provision of clarity.

The Panel also highlights that [P.94/2019](#) – States' Expenditure Classification in Accordance with International Best Practice was adopted by the previous Assembly demonstrating support for classifying States' spending in functional groups or sub-sectors of expenditure in accordance with international standards. This aims to simplify the compilation of statistics for Jersey that are comparable to other jurisdictions and would assist in providing a benchmark of public spending. The Panel notes this was raised on 1st November 2022 in questions to Ministers without notice³³ where Deputy R.J Ward asked the Chief Minister would the Government be looking to action the proposition, given the new Government's 'fresh approach'.

Deputy R.J Ward:

On 8th October 2019 this Assembly passed P.94/2019. Given that we have a new Government with apparently new approaches, will this Government be annexing the Classifications of the Functions of Government proposition that was passed in order that we use elements of our spend according to international standards

Deputy K.L. Moore:

If this was a debate that was agreed by the previous Assembly then I am sure that there are movements within the Treasury team to ensure that this is followed through and delivered...

KEY FINDING 9: The Government Plan does not demonstrate how spending and taxation evolves over time and how the different functions of the Government are created or reduced as priorities in public spending and policy.

RECOMMENDATION 9: The Council of Ministers should consider how the Government Plan can be further refined to include how spending and taxation evolves over time and how different functions of the Government are created or reduced as priorities of public spending and policy. This level of detail should be included within future Government Plans.

³³ [Hansard – 1st November 2022](#)

Accessibility

The PAC within its submission³⁴ is appreciative of the executive summary highlighting the purpose, context and areas of focus of the Government Plan 2023-26. Moreover, the PAC notes the inclusion of the graphics highlighting the high-level budget measures at the start does improve the accessibility of the Plan. However, it is noted that the Government Plan remains lengthy and not overly accessible to members of the public unfamiliar with the type of document. The PAC suggests a digital summary report for wider circulation to the public may be beneficial to consider. In addition, concern is raised with regard to the changes in terminology from one iteration of the Plan to the next without inclusion of any explanation. Such as 'efficiencies and rebalancing' being referred to as 'value for money' within this Plan and the titles of projects being altered in this Plan, although included within the previous Plan. The PAC notes this may grant further unwarranted confusion.

As part of its review, the Panel sought to understand whether children and young people engaged with the Government Plan process and whether the Plan was accessible to them.

The Jersey Youth Parliament³⁵ explained that the Government Plan could be made more accessible to young people through the following channels:

- *Summarise the document to just a page or two with the key messages and to send it round to schools*
- *Workshops in schools around politics and the Government Plan - members shared that they did not have lessons on politics and if they did it was often only a one off and mainly looked at UK politics (this is something that the previous JYP recommended in their final presentation and report as well. It is mentioned throughout but in detail on page 17 of the final report <https://www.jyp.je/campaign/test-2/>)*
- *Workshops in schools around the Government Plan in a child friendly way*

KEY FINDING 10: Although some improvements to enhance the accessibility of the Government Plan have been made, the Plan remains inaccessible to members of the public, including children and young people.

RECOMMENDATION 10 (OVERARCHING): The Council of Ministers should consider how future Government Plans can be made more accessible to children and young people. Consideration should be given to creating a young-person friendly two-page summary document and the provision of workshops in respect of the Government Plan process. This work should be completed in time for inclusion in next year's Government Plan.

RECOMMENDATION 11 (OVERARCHING): The Council of Ministers should consider how the accessibility of future Government Plans can be further enhanced for members of the public. Consideration should be given to the use of digital summary reports to accompany future Government Plans and where possible avoiding the use of proposition numbers within public facing documents

³⁴ [Submission – PAC – 11 November 2022](#)

³⁵ [Submission – Jersey Youth Parliament – 8th November 2022](#)

3 Financial Strategy - Income and Expenditure

Economic and Fiscal Context

The Panel's Advisor notes that much of the analysis of Jersey's economy and its fiscal strategy is framed in an abstracted national accounting framework that refers to the analytical artifacts such as Growth Value Added (GVA), the trend rate of growth and the extent to which Jersey's economy exhibits an output gap. It is the Advisor's view that a micro-economy such as Jersey, that has a customs union, common travel area and currency shared with the United Kingdom does not reliably lend itself to an analytical lens that focuses on an abstract Gross Domestic Product (GDP) framework and concepts developed for macro-economic management based around general equilibrium models. The Advisor explains that this form of analysis is, in practice, incomplete for a micro-economy like Jersey. It is not practicable to construct a full set of national accounts looking at income, expenditure and output and the external balance of the payments sector. Noting there is no harm in having the national accounts information, however, the Advisor emphasises that it is important to appreciate its limitations of the information yielded from a set of national accounts constructed for Jersey. Moreover, consideration should be given to other direct observations of economic activity, particularly that provided by administrative data.

The Advisor suggests, given the significance of financial services and the international character of Jersey's financial sector, it would be helpful to utilise accurate information on household spending and consumption. It is noted that this would provide a purchase on the extent that an international financial sector results in external transfers with that part of the GVA it generates flows out and contributes to local economic welfare. It is noted that in economies that exhibit this there can be a divergence between locally generated GVA and locally identified incomes and consumption.

The Advisor notes that the Household Spending Survey 2014/15³⁶ recorded that (after adjusting for Retail Price Index (RPI) inflation) total household spending was 9 per cent lower than in 2009/10³⁷. The Household Expenditure Survey carried out in 2002/5 showed that household spending rose by 26 per cent from 1999 while the RPI in the same period rose by 27 per cent implying a slight real fall in spending. The Advisor explains that this would suggest that there has been a divergence between overall reported incomes and local consumption, implying that the evolution of GVA per head is not a straightforward match for local economic welfare. This, therefore, reinforces the need for better data on contemporary local consumption in Jersey.

In the report, the Advisor explores the opportunity for Jersey to make use of administrative data and explains that Jersey could benefit from making greater use of the administrative data that it collects about businesses and households and their transactions. The Advisor notes that in very strict terms administrative data for things such as unemployment claims and bank lending are more accurate than the abstractions involved in the construction of national accounts that rely on delayed, incomplete and often revised data. For Jersey, such administrative data and statistical collection is necessary in order to get a proper purchase on local economic activity given the limitations of national accounting.

³⁶ [Household Spending Survey 2014/15](#)

³⁷ [Household Spending Survey 2009/10](#)

KEY FINDING 11: Jersey's economic and fiscal strategy is framed in an abstracted national accounting framework that refers to the analytical artifacts such as Gross Value Added (GVA), the trend rate of growth and the extent that Jersey's economy exhibits an output gap. This framework is in practice incomplete for a micro-economy like Jersey.

RECOMMENDATION 12: The Council of Ministers should consider how administrative data collected from businesses and households can be used to assist in framing Jersey's economic and fiscal strategy more accurately in order to get a proper purchase on local economic activity given the limitations of national accounting in a Jersey context. This work should be completed in time for inclusion in next year's Government Plan.

Fiscal Policy Panel Recommendations

The Fiscal Policy Panel (FPP) has a statutory role which requires it to comment on Jersey's fiscal policy with reference to:

- the strength of the economy in Jersey;
- the outlook for the economy in Jersey;
- the outlook for world economies and financial markets;
- the economic cycle in Jersey;
- the medium-term and long-term sustainability of the States' finances and the States' financial assets and liabilities; and
- the advisability of transfers to or from the Strategic Reserve Fund and Stabilisation Fund

Within its [Medium Term Report](#) published in July 2022, on considering Jersey's economic outlook and public finances, the following recommendations were made:

1. Fiscal spending: The economy is currently strong with little spare capacity and historically low levels of unemployment. This is not the time for significant across the board additional spending or tax cuts which would cause further inflationary pressures.

2. Inflation: Alongside the overall picture, there are some households facing considerable constraints due to rising inflation. Some of the projected surpluses could be used to provide targeted support and offset a short-term risk to consumption.

3. Funds: Looking further ahead, there are long-term risks (e.g. ageing population) and therefore it is sensible to increase the balances of the Stabilisation Fund and the Strategic Reserve once the Covid debt is paid off. Surpluses and receipts from Prior Year Basis liabilities would be reasonable choices to increase the Funds' balances.

4. Objectives of Funds: The Government should ensure objectives for the Funds are clear and adjust policies in line with objectives. This will be particularly relevant after the actuarial review of the Social Security Funds.

5. Housing: The rising cost of housing risks becoming a drag on economic growth. This should be addressed as a priority.

6. Capital programmes: It will be increasingly important to ensure projects are carefully scheduled and the historic tendency to submit overly-ambitious timetables for capital projects should be eliminated.

7. Rebalancing: Rebalancing measures should only be included in the Government Plan if it is clear how they will be achieved. Including speculative measures may lead to pressures in later years if they are subsequently not found.

8. Net zero: The Climate Emergency Fund will not be sufficient to finance the transition to net zero which will require the careful use of both taxes and expenditure to create the right economic incentives. The Government should consider the strategy for financing these challenges.

Within its [Annual Report](#) published in November 2022, on considering Jersey's economic outlook and public finances, the following recommendations were made:

1. Fiscal Strategy: The economy has grown strongly but global conditions are clearly worsening. The fiscal strategy needs to steer a careful course between avoiding a sharp downturn and not overheating the economy. Such a course is not easy to judge but the current strong fiscal position provides an opportunity for the Government to rebuild reserves and to provide targeted support for those most affected by the changing economic conditions. Capital projects should go ahead as planned. Government should ensure that other spend undergoes economic impact appraisal and that it is appropriately scheduled to minimise the risk of overheating the economy.

2. Fiscal spending: The economy remains strong with little spare capacity and unemployment at historically low levels. The Medium-Term Report argued that this was not the time for significant across the board additional spending or tax cuts. This remains the case. It would be prudent to reduce "growth" expenditure in the early years of the Plan to strengthen reserves which may be required in future years.

3. Inflation: Alongside the overall picture, some households will be more adversely affected from high and rising inflation and from rising interest rates. Government should prepare to react quickly again to provide additional targeted support should it be needed and to offset any short-term risk to consumption.

4. Funds: Looking further ahead, long-term risks remain and Government should increase the balances of both the Stabilisation Fund and the Strategic Reserve. The Panel re-iterates its recommendation from the summer: with the Covid debt being paid off this year, it would be prudent to allocate surpluses and receipts from Prior Year Basis liabilities to increase the Funds' balances.

5. Objectives of Funds: The Government should ensure objectives for the Funds are clear and should adjust policies in line with objectives. This will be particularly relevant after the actuarial review of the Social Security Funds.

6. Housing: The cost of housing remains a risk to economic growth. This should be addressed as a priority and consistent with the Government's strategic aims. Interventions which boost short-term housing demand and support prices artificially are not desirable.

7. Capital programmes: The Government Plan addresses the historic tendency to submit overly-ambitious timetables for capital projects. Care should be taken to ensure that major capital projects do not overlap, and consideration should be given to identifying smaller projects which could be paused or implemented quickly to support the economy.

8. Value for Money: 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.

9. Net zero: The Climate Emergency Fund will not be sufficient to finance the transition to net zero which will require the careful use of both taxes and expenditure to create the right economic incentives. The Government should consider the strategy for financing these challenges.

When undertaking its review, the Panel aimed to assess how the recommendations of the FPP were considered by the Government when developing the Government Plan 2023-26.

Impact of Inflation

Considering the rising inflation and rising interest rates and the recommendation of the FPP *for the Government to prepare in order to react quickly to provide additional targeted support should it be needed and to offset any short-term risk to consumption*, the Panel sought to understand further how the Government has observed this recommendation within the Government Plan.

The Government Plan³⁸ notes in recognition of the impact of rising inflation on Government expenditure that an additional £53 million has been provided in 2023. Moreover, further amounts are built into the Plan for the impact of inflation in future years.

It is noted that amounts have been set aside and held centrally to cover inflationary pressures on pay, benefits and non-pay expenditure.

The Government Plan observes that significant uncertainty remains around the levels of inflation and notes that higher inflation will lead to increased levels of both income and expenditure. Therefore, if inflation is higher than forecast and income forecasts increase as a consequence, the Government Plan proposes that any unspent amounts in 2022 are prioritised to provide additional provision in the reserve against the corresponding impact on expenditure in 2023.

The Panel raised with the Minister for Treasury and Resources³⁹ whether contingencies have been built into the Plan to account for inflation, particularly in relation to projects and any adverse impacts on supply chains and rising costs on resourcing to deliver the projects as a result of inflationary pressures.

Deputy M. Andrews:

So do you think there is a good contingency there to cope with capital projects and also the issues that we potentially could have with supply chain issues, delays and a rising inflation of building cost materials as well?

The Minister for Treasury and Resources:

I hope that there is.

Deputy M. Andrews:

You hope that there is but in response to my initial question, “hope” is probably not good enough. I was hoping that we would have a bit more clarity in terms of you being more affirmative to suggest that there is a good contingency in our plans. Surely there is.

The Minister for Treasury and Resources:

³⁸ [P.97/2022 - Government Plan 2023-26](#) – Pg 39

³⁹ [Transcript – Minister for Treasury and Resources](#) – Pg 31

There is, yes.

Deputy M. Andrews:

There is, okay.

The Minister for Treasury and Resources:

Notwithstanding the F.P.P.'s assumptions about what might happen in the economy, it is difficult for me to give you great certainty about what might be the economic conditions in 12 months' time. I think that officials have made very reasonable assumptions and they have put in sufficient contingencies to deal with inflation and the issues that you raise but I do think that the word "hope" is a suitable word notwithstanding all of the work that has gone in to give confidence.

In a hearing with the Chief Minister, it was confirmed that the Reserve for Central Risk and Inflation is included in the Plan to provide for risk and inflation across all projects in the capital programme. The following was explained⁴⁰:

Group Director, Strategic Finance:

The line for central risk inflation is designed to be a provision against risk and inflation across all projects in the capital programme. The sizing of that is based on the scale of that programme. I am sure the panel will have noticed that in 2023 there is significantly more provided in that than it has been in previous plans and that is indeed because of some of the economic concerns you are currently facing. Some of the information in intelligence that we are getting in terms of the impacts of the current economic situation on material prices, labour prices, et cetera, so that has been calculated based on what those inflationary assumptions and intelligence is and that is why I say is a higher number.

In a further written response received, the Minister for Treasury and Resources explained that the reserve for risk and inflation provided a reasonable allocation, however, due to ongoing uncertainty it is hard to say with confidence whether the provision will be sufficient.

The Minister for Treasury and Resources:

It is a reasonable allocation, but the ongoing uncertainty means it is hard to say with confidence it will be sufficient. If inflationary pressures are higher, we would be required to manage pressures across the Government, within the approvals agree by the States. For example, there is £140 million allocated to capital, and so there is the opportunity to manage across the programme in extremis.⁴¹

The Panel sought to understand the impact of inflation on Government's income and expenditure and asked the following⁴²:

Deputy M. Andrews:

When we are looking at government income and government expenditure, what impact will inflation have in respect of, say, areas of income in particular for the Government but also with areas of expenditure as well?

⁴⁰ [Transcript – Chief Minister](#) – Pg 26

⁴¹ [Letter – Minister for Treasury and Resources](#) – 17 November 2022

⁴² [Transcript – Minister for Treasury and Resources](#) – Pg 32

The Minister for Treasury and Resources:

Well, we take the assumption that, with the numbers that the F.P.P. have given us, we will use the income forecasting group - which I know officials will be happy to talk more about if you like - and that is the middle ground basis that we put in for income and expenditure. That then leaves you an envelope that you can spend and the important thing is that you balance and do not propose to spend more than you have coming in. You have to have, within what you are spending, sufficient reserves and allocations for inflation in a time of high inflation and contingencies in the way that you have suggested and that is what is in this plan

The Panel sought to understand whether inflation had been appropriately accounted for across departmental budgets and asked the following of the Chief Minister⁴³:

Deputy M.B. Andrews:

...In relation to department budgets, are you satisfied that there is an appropriate level of funding for each department and also accounting for inflation as well?

The Chief Minister:

We have made our best efforts to ensure that we can deliver strong and stable public services while making particular investments in areas that were much needed, such as education, children's services, the Chief Executive rightly highlighted, and also our healthcare services...

KEY FINDING 12: Significant uncertainty remains in relation to increasing levels of inflation. However, it appears that due regard has been given to the potential risk and impact thereof and, as far as possible, it appears that steps have been taken to build contingencies into the Government Plan to account for adverse inflationary risks and pressures. Should inflationary pressures reach levels higher than anticipated, pressures would need to be managed across the Government, within the approvals agreed by the States.

Impact of Covid -19

Noting the challenges in respect of the Covid-19 Pandemic on the economy and public funds in previous years, the Panel sought to understand the impact of Covid-19 to date and any continued impact given the more positive outlook for 2023.

Deputy S.Y. Mézec:

In terms of COVID response, as much as we are pretty much close to normal life again, it obviously is still lingering and something to be treated very seriously. How have you ensured that any ongoing costs there might be in response to COVID are adequately catered for in this Government Plan?

The Chief Minister:

There is a line in the budget, so there is some funding still available, but as you will recall the Minister for Treasury has committed to repaying all of the COVID debt so that we clear the decks and make ourselves stable looking to the future. The revolving credit facility is still available if it is required but that is for a remaining period of time, so it would be there to be drawn down upon if it were required. But at the moment we are mostly focused on COVID recovery and the Cabinet Office does that work and if

⁴³ [Transcript – Chief Minister](#) – Pg 34

you would like us to invite the Director General to the table, then he could perhaps talk to you about COVID recovery.⁴⁴

In respect of Covid-19 response and recovery spending, the Government Plan provides £25 million for direct cost of the pandemic in 2023. In addition, a reserve of £5 million has also been provided in 2023 within the Reserve Head of Expenditure – General Reserve for any unforeseen costs.

Covid-19 Response				
	2023	2024	2025	2026
£'000	Estimate	Estimate	Estimate	Estimate
Social Recovery Allocation	2,670	-	-	-
Personal Protective Equipment Consumption	2,500	1,900	1,400	1,400
Personal Protective Equipment Warehousing	414	421	105	105
CYPES Post-Covid-19 Requirements	2,215	-	-	-
HCS Ongoing Covid-19 Led Services	2,570	-	-	-
Living with Covid-19 (Testing)	9,541	-	-	-
Living with Covid-19 (Vaccines)	3,393	-	-	-
Test and Trace Technology	1,908	-	-	-
Covid-19 Expenditure	25,211	2,321	1,505	1,505

Table 13: Covid-19 Response

It was confirmed in the hearing with the Minister for Treasury and Resources⁴⁵ that the Government was expecting the borrowing for Covid-19 to be fully repaid by the end of 2022.

It was also noted that should the Covid-19 debt be repaid by the end of 2022, any available unspent balances could be allocated at the year-end to the Stabilisation Fund.⁴⁶

The Panel notes that the FPP recommended that Covid-19 debt should be paid off in 2022.

KEY FINDING 13: Continued funding for Covid-19 response and recovery spending is provided for in the Government Plan for 2023 as well as reserve funding for any unforeseen circumstances. It is expected that the Covid-19 debt will be repaid by the end of 2022 in accordance with the recommendation made by the Fiscal Policy Panel and as a result of repaying the debt that any unspent funds, where possible, will be transferred into the Stabilisation Fund.

Income

Income Forecasts

The Government Plan explains⁴⁷ that the Income Forecasting Group (IFG) advises on the forecasts of all States income from taxation and social security contributions. The IFG's latest forecast was prepared in August 2022 and reflects the latest economic forecast produced by the FPP in July 2022. The forecast is published alongside the Government Plan. The impact of the Mini-Budget (P.80/2022, approved in September 2022) was considered separately by

⁴⁴ [Transcript – Chief Minister](#) – Pg 13

⁴⁵ [Transcript – Minister for Treasury and Resources](#) – Pg. 45

⁴⁶ [Transcript – Minister for Treasury and Resources](#) – Pg. 45

⁴⁷ [P.97/2022 - Government Plan 2023-26](#) – Pg 24

the IFG and is shown separately to the central forecast scenario. A summary of the latest forecast can be found on page 27 of the Government Plan.⁴⁸

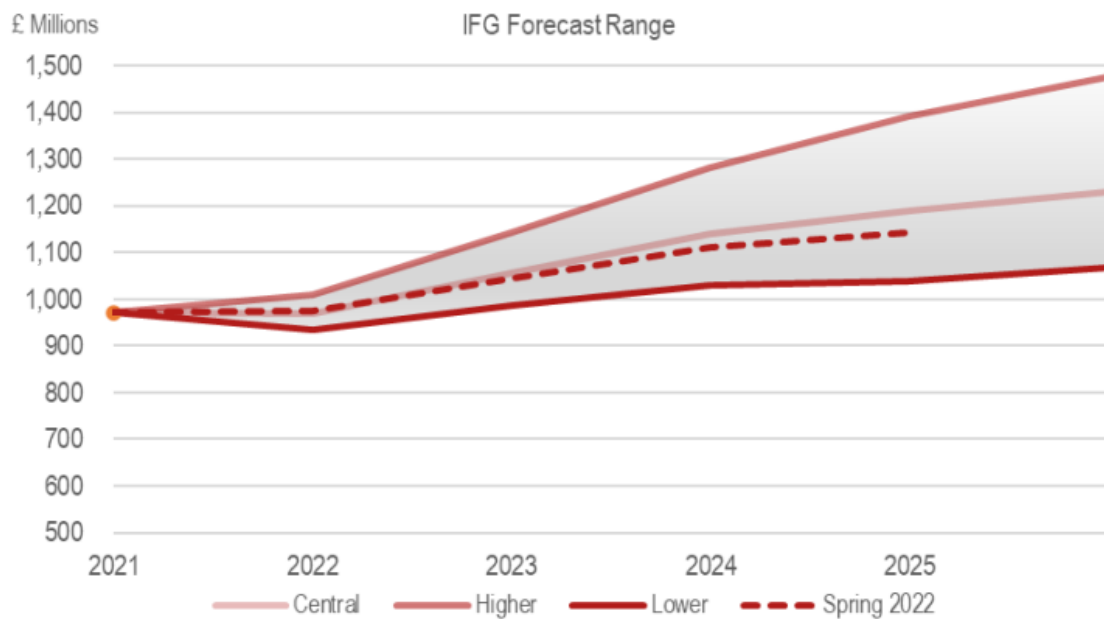


Figure 6: Range of IFG Income Forecast Summer 22. Source: IFG

Considering that a main source of Government income comes from general tax revenues, the Panel sought to understand how many Islanders pay tax and the ratio of receipts received from Islanders from the various deciles of income distribution. Moreover, whether any tax returns were outstanding and the resultant impact on the income forecasted. It was noted that the penalties for outstanding tax returns would be included within the income forecasts in the Government Plan. The following was noted in respect of the proportion of tax paid in respect to income deciles⁴⁹:

Deputy Comptroller:

So the top 1 per cent, I am not going to give numbers but I cannot quite stand over them, but you would be surprised at how much the top percentage in numbers terms contribute to the tax system. That is not really surprising but that is general in every tax regime. A large number of taxpayers, say below the average wage, might be large in number but in terms of amount contributed that would not be that significant. It is broad based. As you go up the income scale, the proportion becomes a lot higher for the higher end.

Further detail was provided to the Panel in respect of personal tax deciles for the Year of Assessment 2020 as follows⁵⁰.

⁴⁸ [P.97/2022 - Government Plan 2023-26](#) – Pg 27

⁴⁹ [Transcript – Minister for Treasury and Resources](#) – Pg 15

⁵⁰ [Letter – Minister for Treasury and Resources](#) – 17th November 2022

Decile	Net Tax Payable £m	% of Net Tax payable
1	202.5	44%
2	80.5	17%
3	53.0	11%
4	38.5	8%
5	28.5	6%
6	21.5	5%
7	16.5	4%
8	12.0	3%
9	7.0	2%
10	4.0	1%
Total	464.0	

Note: Excludes HVRs; Tax rounded to nearest £0.5m.

The Panel sought to understand whether tax revenues were anticipated to increase in respect of the financial sector, as a result of the higher interest rates and, if so, whether that had been taken into account in the income forecasts.

Deputy L.J. Farnham:

Do you expect tax revenues to increase, mainly from financial services sector, on the back of higher interest rates. If so, have those been included in the general revenue income estimates?

The Minister for Treasury and Resources:

So the F.P.P.'s assumptions from earlier this year were forecasting higher revenues. We factored those higher revenues in and that is the main reason that we were able to provide the mini budget. The economists currently are looking at the forecasts in the current F.P.P. report. It is too early to say exactly what our action would be. But they do not appear to have changed very much, positively or negatively. So, as I sit here, I am far from certain whether we would need to uprate the Government Plan as it stands. I suspect we might not but I will take advice from the economists and the officials about that. I think what the F.P.P. has indicated is that, while that might be the case that we have already factored in the growth, we do not know where interest rates will ultimately land. The view is slightly more positive than it was 3 months ago about where they might top out and that because of other factors in the finance industry there might be a lag between the profit increase showing in tax revenue increases. So it might just be that we do not see it in 2023. There might be some lag going forward in future years.

Considering the current economic uncertainties, the Panel sought to understand the level of confidence in the forecasted income projections:

Deputy S.Y. Mézec:

How confident are you in the forecasted income projections given the uncertainties for the economy we have?

Deputy Comptroller:

The income projections have been studied very carefully by the Income Forecasting Group, of which Revenue Jersey is a member. That is done on an ongoing basis. It goes through a lot of scrutiny, it has independent members on it, so we would stand over those numbers and would be confident on them.

The Minister for Treasury and Resources:

But it is based on the assumptions that the F.P.P. provide, so you have the independent element to start with, the Income Forecasting Group also has an independent person on it, and they review them and we historically, and always I think, have put into Government Plans the midline rather than the higher or the lower line. We see that a historical look-back will show that has been largely accurate.

Deputy Comptroller:

We do check with the F.P.P. assumptions, we do check that in Revenue Jersey against historic patterns of collection to make sure that they do stack up. So that is another kind of cross-check.

In respect of the latest forecast, the Government Plan outlines⁵¹ the overall changes from Spring 2021 as increases in the forecast in respect of Personal Income Tax, Corporate Income tax, GST and International Services Entity Fees, Impôts Duties and Stamp Duty.

General Revenue Income

The Government funds ongoing, annual expenditure and investment in assets through three main sources including general tax revenues, other Government income and departmental income which are paid into the Consolidated Fund.⁵²

The Assembly are asked in the Proposition to approve the estimate of total States income to be paid into the Consolidated Fund in 2023 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law. Please see below Summary Table 1 for further reference.

⁵¹ [P.97/2022 - Government Plan 2023-26 – Pg 27](#)

⁵² [P.97/2022 - Government Plan 2023-26 – Pg 23](#)

Summary Table 1 - States Income

	2023	2024	2025	2026
£'000	Estimate	Estimate	Estimate	Estimate
Income Taxes				
- Personal Income Tax	619,650	656,150	686,150	717,150
- Corporate Income Tax	131,000	171,000	181,000	184,000
- Provision for Bad Debt	(3,000)	(3,000)	(3,000)	(3,000)
	747,650	824,150	864,150	898,150
Goods and Services Tax (GST)				
- Goods and Services Tax	94,820	98,000	99,900	101,670
- International Service Entities Fees	12,630	12,630	12,630	12,630
	107,450	110,630	112,530	114,300
Impôt Duties				
- Spirits	7,585	8,219	8,655	9,000
- Wine	9,209	9,874	10,286	10,583
- Cider	860	902	919	928
- Beer	6,710	7,117	7,335	7,467
- Tobacco	19,027	17,748	17,333	16,734
- Fuel	27,960	29,660	30,572	31,121
- Goods (Customs)	1,000	1,000	1,000	1,000
- Vehicle Emissions Duty (VED)	4,337	4,337	4,337	4,337
	76,688	78,857	80,437	81,170
Stamp Duty and Land Transfer Tax				
- Stamp Duty	49,162	49,538	51,604	54,349
- Land Transfer Tax (LTT)	5,662	5,930	6,172	6,493
- Probate	2,700	2,700	2,700	2,700
- Enveloped Property Transaction Tax	1,000	1,000	1,000	1,000
	58,524	59,168	61,476	64,542
Other Income				
- Parish Rates	15,555	16,161	16,598	16,996
- Dividend Income	29,669	30,157	10,716	11,113
- Income from Andium Homes and Housing Trusts	29,156	29,702	30,210	30,618
- Other Non-dividend Income	7,776	7,779	10,183	10,086
	82,156	83,799	67,707	68,813
General Revenue Income	1,072,468	1,156,604	1,186,300	1,226,975
Additional Income Measures				
- Future Tax Measures	-	6,650	6,650	6,650
	-	6,650	6,650	6,650
Total States Income after Additional Income Measures	1,072,468	1,163,254	1,192,950	1,233,625

Mini-Budget Proposals

When viewing the budget proposals outlined in the Government Plan, it is important to recognise that they were preceded by a cost of living Mini-Budget which was adopted by the States on 21st September 2022 and was part of the Government's 100 Day Plan. The Panel undertook an extensive review of the Mini-Budget and [reported](#) its key findings and recommendations on 15th September 2022.

The Panel identified during its review of the Mini-Budget that the Government Plan 2023-26 may contain additional measures to assist with the cost-of-living crisis. However, no detail of

those measures was provided to the Panel at the time. The Panel recommended that the Council of Ministers must consider additional progressive support measures to ease the cost-of-living crisis for low-income households, pensioners, students and small businesses in the Government Plan 2023-26.

In the [Ministerial Response](#) received, the Minister for Treasury and Resources ‘partially accepted’ the recommendation made and commented that the Government is committed to keeping the economic position under close review; monitoring the impact of the new cost-of-living measures and making any new interventions deemed necessary. It was also noted that the need to target support to the most vulnerable groups will always be a major consideration in the planning of any additional measures and that the use of existing delivery systems helped to ensure that support is timely and targeted. A voucher system was not deemed appropriate by Government at the time.

The Panel sought to understand the impact of the Mini-Budget on the Budget and whether any further support measures were being proposed through the Government Plan 2023-26.

Deputy S.Y. Mézec:

In terms of the mini budget proposals on tax allowances, could you remind us the overall impacts that those have had on the budget? In terms of how the mini budget proposals to change tax allowances went above what you otherwise might have anticipated, because of the cost of living crisis, what was the additional impact of that going above and beyond?⁵³

Deputy Comptroller:

There was no tax difference against forecast because the allowances, the tax measures in the mini budget come in 2023, not in 2022.

Noting that the Mini-Budget included proposals to increase the income tax thresholds by 12% above the 2022 thresholds, the Panel sought to understand the consideration given to any further amendments to the Government Plan should the RPI rise above the anticipated 12%.

Deputy S.Y. Mézec:

If the proposed thresholds are approved in the Government Plan as they are, but R.P.I. (Retail Price Index) continues to increase and went above what has been accounted for in the Government Plan, what would you consider doing in response to that?

The Minister for Treasury and Resources:

We have been quite clear in saying that we will continue to review the effects of rising inflation and rising interest rates. But you can see from the Government Plan as it currently sits it is balanced. So if we were to take further measures around allowances then something else would have to give, so we would have to think very carefully about doing that. We are not closing that option off but it would have consequences elsewhere within the Government Plan. You will know that letter or spirit of F.P.P. commentary is that inflation will continue to rise.

Deputy S.Y. Mézec:

So what scenarios are you planning for then?

⁵³ [Transcript – Minister for Treasury and Resources](#) – Pg 16

The Minister for Treasury and Resources:

What the F.P.P. have said is their best forecast, which will be roughly, if inflation does rise to that level, and I do not want to get too technical because we do not have the economists with us, the R.P.I. number could rise up to about 12 per cent. We have increased thresholds by 12 per cent already so we would be within that. The question more for us would be thinking about the service and benefits that the Minister for Social Security provides and whether we would need to think about those in a different way. But, as I say, the Government Plan is balanced. If we are going to bring forward further measures for the cost of living crisis then something else would need to give.

Deputy S.Y. Mézec:

Correct me if I misheard that, but are you suggesting then that say early next year, if we got to a position where R.P.I. was worse than had been anticipated, that you would be more likely to look at support through direct payments as opposed to further tax measures to support Islanders? Would that be your preference?

The Minister for Treasury and Resources:

No, I am saying that, if it gets, as the F.P.P. has forecast, which is around 12 per cent, then we have already increased tax thresholds by that level, so I am not sure that we would think that moving them again was the right policy intervention. It might be more likely that the right policy intervention at that point would be to think about the uprating that we have done around benefits.

KEY FINDING 14: The Government will continue to review the effects of rising inflation and rising interest rates. However, to maintain a balanced budget, should further measures be proposed to address the cost-of-living crisis, funding in other areas will need to be reduced as a result. Further support measures will likely be covered through uprating the services and benefits provided by the Minister for Social Security rather than through further increases to tax thresholds beyond the 12% already proposed.

RECOMMENDATION 13: The Council of Ministers must ensure that due regard is given to the sufficient provision of targeted support to Islanders impacted the most by the cost-of-living crisis. Targeted support through direct payments to the most vulnerable Islanders should not be discarded as an option unequivocally but should be considered as required if best suited to provide the needed support as identified by end Quarter One 2023.

The Panel's Advisor recognises the Government's intent to offer further support to Islanders as necessary to alleviate the effects of the cost-of-living crisis. Noting that while higher interest rates raise tax revenue from the financial sector, higher interest rates pose particular problems for households with mortgages given the high cost of housing. Moreover, the FPP has advised against increasing short term help that boosts demand for housing without increasing the supply.

Therefore, the Panel's Advisor proposes that alternative routes to help households, such as a one-off tax credit or rebate based on the model used with success by the United States Federal Government over the last twenty years. The Panel's Advisor explains that such a rebate or credit offers temporary and timely assistance and does not erode the tax base or further distort the housing market. The Advisor proposes that consideration should be given to exploring whether such an initiative is administratively practical in Jersey and the extent that, in distributional terms, it could be targeted to contain its costs.

Noting the rising interest rates and the impact thereof on Islanders paying mortgages, the Panel sought to understand whether consideration was being given to support for Islanders through the Government Plan.

It was confirmed during a hearing with the Minister for Treasury and Resources that the Mortgage Interest Tax Relief mechanism was being considered as an approach to provide support to mortgage payers. The Minister confirmed support of the principle and that it would require the Government Plan to be amended which was being considered by the Minister at the time of the hearing.⁵⁴

Similarly, the Panel was also considering whether to propose an amendment utilising the Mortgage Interest Tax Relief mechanism to provide further support for Islanders. However, on observing the Minister's intention to do the same, and that the Minister had confirmed work had already commenced in the area, the Panel agreed otherwise, to prevent duplication of efforts. The Panel notes that at the amendment lodging deadline (28th November 2022), an amendment had not been lodged by the Minister as proposed. Subsequently, on 30th November 2022, the Panel received a letter⁵⁵ from the Minister for Treasury and Resources explaining the rationale for not actioning the amendment.

KEY FINDING 15: The Minister for Treasury and Resources confirmed his support of and his intention to propose an amendment to the Government Plan using the Mortgage Interest Tax Relief mechanism. As such the Panel paused its intention to propose a similar amendment to avoid duplication of efforts. At the time of writing this report the Panel notes that the amendment has not been lodged and highlights its disappointment that the Minister has not actioned this.

RECOMMENDATION 14: The Council of Ministers must explore, by end Quarter One 2023, whether alternative support mechanisms such as a one-off tax credit or rebate would be administratively practical in Jersey and the extent that, in distributional terms, it could be used to provide targeted support to contain its costs.

Further proposals made through the Budget include:

- above-inflation increases on tobacco products
- a freeze on fuel duty for all types of road fuel
- a freeze on alcohol duties
- significant increases to vehicle emissions duty
- increases in stamp duty on buy-to-lets and other non-main residences
- an extension in the schedule of tax-exempt benefits-in-kind to include all pedal bicycles and bus passes provided by employers to their employees
- an increase in the minimum tax charge in respect of the High Value Residents Scheme

⁵⁴ [Transcript – Minister for Treasury and Resources](#) – Pg 19

⁵⁵ [Letter – Minister for Treasury and Resources – 30th November 2022](#)

Summary of Budget Proposals

£'000	Proposed Vs Forecast
Higher rate of stamp duty - buy-to-let, second homes and holiday homes	1,597
Freeze alcohol duty	(1,880)
Tobacco duty increases	-
Freeze fuel duty	(2,213)
Increase in Vehicle Emissions Duty	1,693
Increase High Value Residency contribution	1,750
Budget Proposals	947

Table 10: Summary of Budget Proposals

The Panel sought further detail in respect of the above-mentioned proposals in particular, considering these garnered the most interest from members of the public and stakeholders. Noting that one of the Panel's findings, as a result of its review of the Mini-Budget, was the absence of consultation undertaken by the Government due to time constraints when developing those proposals, the Panel sought to understand the level of consultation undertaken to inform the further Budget proposals within the Government Plan.

Freeze fuel duty and alcohol duty

Deputy S.Y. Mézec:

One of the findings of our review on the mini budget was that there was not a lot of consultation in forming those proposals and that is not a criticism, it is just an observation, because of the circumstances. What consultation did you do that helped arrive you at the conclusion that you would propose freezing duty on alcohol and fuel?

The Minister for Treasury and Resources:

We did not obviously have a great deal of time to consult. But we did consult with various parties...We certainly consulted with the hospitality industry and we had representations from the fuel industry and from the charitable sector about fuel

The Panel received a number of comments from members of the public⁵⁶ as well as through stakeholder submissions in respect of the proposals on fuel duty and alcohol duty within the Plan. The following views were shared with the Panel:

57

It is great news for the industry that the duty on alcohol is being frozen, but we must make it clear that it is too little, too late.

Jersey Hospitality

58

For a number of years, we have seen increases in alcohol duty that far exceed RPI. Given this, it would seem that a hold on alcohol duty increases would help control rapidly rising costs, especially when the cost of manufacturing and shipping are expected to keep growing. This move will help keep costs and retail prices at a more reasonable level.

⁵⁶ [Submissions](#)

⁵⁷ [Submission – Jersey Hospitality Association](#)

⁵⁸ [Submission – Jersey Business](#)

The duty rate in Jersey is enormously high, and there is little evidence to show that raising it reduces alcohol consumption. Our position is that this is a matter more focused on educating the population and changing the drinking culture than simply using excise duty as a means of changing habits.

Jersey Hospitality Association

60

A freeze on alcohol duty is not required. Alcohol is not an essential item. On-costs from alcohol use (health care, policing, etc) cost the tax payer more in the long run.

Anonymous

59

Freezing fuel duty I believe would be counterproductive. Single car occupancy is at a very high level, and freezing fuel duty will unfairly benefit those who can afford higher costs (i.e. those with larger engines). With the Carbon Neutral Roadmap in mind, Jersey should be pushing to increase alternative transportation and keeping fuel duty high will help the transition. Road haulage firms should be supported, however.

Anonymous

61

Freezing fuel yes it is essentially for most people. Freezing alcohol duty, can't help but think the government don't really care that people are struggling to buy food or keep their homes warm! Ridiculous that alcohol prices seem to be the bigger concern.

Lucy

62

A freeze on alcohol and fuel duty won't help people much at all. The duty should be REDUCED to have any effect. This duty has been the soft easy target falsely gives off as health and climate reasons. The alcohol duty should be reduced immediately to help the dying hospitality industry. The reduction in fuel duty is blindingly obvious.

Sean Mercier

63

⁵⁹ [Submission – Anonymous](#)

⁶⁰ [Submission – Jersey Hospitality Association](#)

⁶¹ [Submission - Anonymous](#)

⁶² [Submission – Lucy](#)

⁶³ [Submission – Sean Mercier](#)

The Federation's view is that, while a freezing of fuel prices might be welcomed, in the wider schemes of working towards carbon neutrality, this initiative effectively benefits the user who is causing the highest carbon output and does nothing to encourage these high output users to change their vehicle to a more efficient one. At the same time the person seeking to purchase a significantly less polluting vehicle is disadvantaged by having to pay a much increased Vehicle Emission Duty.

64

Jersey Motor Trades Federation

Duty on Alcohol and Tobacco should be aligned.

65

Jersey Consumer Council

We agree with freezing duty on fuel, but would also recommend removing the 9% climate tax for a period, say one year, to be reviewed after that.

66

Jersey Consumer Council

Increases in tobacco duty

The Government Plan notes that in line with recent years, rates of duty for tobacco products have been subject to above inflation increases with a view to changing consumer behaviour. Continuing that policy of above-inflation increases, an increase on tobacco products of 12.9% (equating to June 2022 RPI of 7.9% plus 5%), except for cigars and hand-rolling tobacco, which will be subject to a greater increase is being proposed.

The Panel received a submission from the Channel Islands Tobacco Importers and Manufacturers Association (CITIMA)⁶⁷ in which it was explained that CITIMA were invited to meet the Minister for Treasury and Resources, however, by the time the meeting had been scheduled the Budget had already been published.

CITIMA concludes the following within its submission:

CITIMA:

As we said in our letter to the Treasury, we believe that the point of diminishing returns has been reached and the revenue raised from tobacco sales will begin to fall as smokers return to duty-free sales now that travel restrictions have been lifted. Duty

⁶⁴ [Submission – Jersey Motor Trades Federation](#)

⁶⁵ [Submission – Jersey Consumer Council](#)

⁶⁶ [Submission – Jersey Consumer Council](#)

⁶⁷ [Submission - CITIMA](#)

increases that continue to be significantly above inflation are not producing the desired health objectives of reducing the number of people who smoke, as a large and growing number of adult smokers are simply switching to more affordable channels to purchase tobacco products.

It is CITIMA's view is that a rating of 7.9% (June RPI) +1% should be considered for all tobacco products for 2023 while the economy rides out the effects of this downturn. After two years of disruption from the Covid-19 pandemic, plus the energy crisis caused by the war in Ukraine, ordinary islanders' incomes are being adversely hit.

Increases in vehicle emissions duty

The Government Plan notes that to continue to encourage the purchase of electric cars and lower emission vehicles, Ministers are proposing to significantly increase Vehicle Emissions Duty (VED) rates from 2023. The Panel raised this during its hearing with the Minister for Treasury and Resources and heard the following:⁶⁸

Vehicle Emissions Duty			
	2022	2023	Proposed
CO ² Mass Emissions (grams)	Actual	Proposed	Increase
0-50	£0	£0	-
51-75	£55	£73	32%
76-100	£165	£218	32%
101-125	£290	£383	32%
126-150	£470	£621	32%
151-175	£900	£1,188	32%
176-200	£2,000	£3,500	75%
201 or more	£3,300	£6,105	85%

Table 9: Vehicle Emissions Duty

Deputy M.B. Andrews:

We also do note as well, with the Vehicle Emissions Duty, there have been increases from 32 per cent up to about 85 per cent and also this is during a period of double-digit inflation. But again there is a lack of provision, for instance, especially for lower and middle income households to try and mitigate this problem by having say a provision where we are not just reliant upon a bus service, but there maybe could be a provision for an electric vehicle fleet potentially to try to address this issue altogether.

The Minister for Treasury and Resources:

Yes, so the V.E.D. is about changing behaviour from large-engine vehicles, which are emitting more, so lower-income families can still avoid V.E.D. by buying smaller-engine, less-polluting, vehicles. But your further point I think is a point well made and I imagine that is part of the work that the Environment Department are doing around how you can, not only change behaviour negatively, but by positively influencing it with grants across a whole raft of ...

⁶⁸ [Transcript – Minister for Treasury and Resources -](#)

Deputy M.B. Andrews:

So, in relation to the consultation process, how did you come to the rates of between 32 per cent and 85 per cent?

The Minister for Treasury and Resources:

Would you like to just go through the process? It arose from the previous Policy Development Board and ratcheting up, did it not?

Deputy Comptroller:

Yes. So we consulted very closely internally with environmental colleagues and they did have a number of discussions externally with the industry. I was not party to those. What is more important is that the piece of work that the Minister is speaking about, which we will be bringing throughout the course of the next 6 to 12 months will be subject to a full public consultation. It will be a much more wide-ranging set of policy measures that people will have a chance to look at and express views about through various different means, whether it is written or some kind of consultation groups.

A submission⁶⁹ received from the Jersey Motor Trades Federation (JMTF) highlighted the following:

Much has been made by both sides, during the Federation's discussions with the Strategic Policy, Planning and Performance Dept on progressing the Carbon Neutral Roadmap, of the need to incentivise current users of internal combustion engine vehicles towards electric vehicles, particularly given the current high cost of Evs. This is especially so since there is already disincentive enough in the global factors which are having a major impact on the production and hence supply of EVs causing lead times of several months from production to supply to the customer.

It is the view of the JMTF that the fuel duty and VED proposals will achieve the opposite result to the intention as a result of ill-considered policies.

Increases in stamp duty

Following the States' adoption of an amendment to the Government Plan 2022-25 from the previous Corporate Services Scrutiny Panel, proposals have been developed to charge higher rates of stamp duty on the purchase of properties that are acquired for any purpose other than to be used as a person's main residence. This includes buy-to-let properties, second homes, and holiday homes. The higher rate will also be applied to relevant transactions subject to Land Transactions Tax ('LTT') and Enveloped Property Transactions Tax ('EPTT').

During the hearing⁷⁰ with the Minister for Treasury and Resources, the Panel explored how the proposed changes were informed and the impact thereof. The following was observed:

Deputy M. Andrews:

Now of course with stamp duty surcharges being proposed at 3 per cent, what do you believe will be the significance of this 3 per cent stamp duty surcharge in relation to the housing market?

⁶⁹ [Submission – Jersey Motor Trades Federation](#)

⁷⁰ [Transcript – Minister for Treasury and Resources](#) - Pg 27

The Minister for Treasury and Resources:

Well, it is a measure that was proposed by the previous Corporate Services Scrutiny Panel and accepted in the previous States Assembly. Officials have been working on a non-bureaucratic approach to its implementation. They did seek economic advice. That economic advice was not as clear as perhaps policymakers would have liked it to be but it is a lever which Ministers think is worth pulling to see if it does and it would only be to a small extent. I am just trying to think of the correct word. It is “stop” or “limit” the buy to let market because of that increased duty

Deputy S.Y. Mézec:

Is the 3 percent enough?

The Minister for Treasury and Resources:

Well, we will not know until we have implemented it. We did do a lot of work. Officials did a lot of work on varying rates and what the implications might have been and were elsewhere. If we look across the United Kingdom, 2 of those 3 countries I think have an additional 1 per cent. One has 3 per cent. We considered the implications and decided that we would introduce at 3 per cent and then continue to obviously monitor it.

The Panel also received a submission⁷¹ in which significant concerns were raised with regard to how the stamp duty proposals are being reflected within the Draft Finance (2023 Budget) (Jersey) Law 202-. It was the view of Grant Thornton that the scope of the previous Corporate Services Scrutiny Panel's [amendment](#) (P.90/2021) has been expanded without explanation resulting in the Draft Finance (2023 Budget) (Jersey) Law 202- deviating substantially from the originally agreed mandate. Moreover, as a result, the Draft Finance (2023 Budget) (Jersey) Law 202-, if approved, would impact transactions that were not envisaged when the matter was debated and agreed by the States Assembly. The areas of concern were further expanded on within in the submission received which can be viewed [here](#). Disappointment at the delay of the stamp duty review was also highlighted within the submission and reference was made to the Stamp Duty Law requiring updating to recognise modern practices and standards.

The Panel wrote⁷² to the Minister for Treasury and Resources highlighting the submission received and concerns raised within requesting an urgent response in that regard by 21st November 2022. The Panel received a delayed response⁷³ on 30th November 2022. The Minister noted that he did not agree with the assertion that the scope of the previous Panel's amendment has been substantially expanded beyond what was agreed nor that the draft Law was clumsily drafted or rushed. The Minister concludes that, as part of the Stamp Duty review, the wider issues raised within the submission will be considered and notes the review is due to conclude in 2023. The Minister's full response can be read [here](#).

The Panel notes that a review of the Stamp Duty position has been delayed and observed the following during the hearing with the Minister for Treasury and Resources⁷⁴:

⁷¹ [Submission – Grant Thornton](#)

⁷² [Letter – to Minister for Treasury and Resources – Stamp Duty Proposals.](#)

⁷³ [Letter – from Minister for Treasury and Resources – Stakeholder Submission - Stamp Duty](#)

⁷⁴ [Transcript – Minister for Treasury and Resources](#) - Pg 27

Deputy M. Andrews:

In relation to the stamp duty review, could you please provide us with an update in relation to this matter?

Deputy Comptroller:

So we are just finalising terms of reference for the stamp duty review and they will be going to consultation. We have done quite a lot of thinking. It is in our work plan for the next finance law which means that consultation on the stamp duty review will need to happen in the first quarter of next year with a view to having proposals for the summer which then can be converted to law which we can consult on as well. So it is in this year's work plan and it will be seen in the next finance law.

It was further explained that consultation would be undertaken as part of the review and it would incorporate both targeted industry engagement and public consultation.

KEY FINDING 16: Significant concerns were raised with regard to how the stamp duty proposals are being reflected within the Draft Finance (2023 Budget) (Jersey) Law 202- which could result in uncertainty should the potential issues identified not be rectified and clarified prior to approval of the Law by the States Assembly.

KEY FINDING 17: The Stamp Duty review has been delayed. Concern was raised that the Stamp Duty Legislation is out of date and must be updated to reflect the modern practices and standards.

RECOMMENDATION 15: The Council of Ministers must prioritise the stamp duty review during Quarter One 2023 and must ensure that broad consultation with stakeholders and members of the public is carried out as part of the review process to inform any proposed changes to the legislation. The proposals must be finalised for inclusion in the Draft Finance Law (2024 Budget) (Jersey) Law 202- by end October 2023.

High Value Residents

The Government Plan explains that the Minister for Treasury and Resources must consider the limits and rates of income tax for High Value Residents (HVRs) by 1st January 2023 (and then every 5 years). It is being proposed that the minimum tax charge should be increased to £170,000, with all income exceeding £850,000 taxed at 1%. Ministers are reviewing the existing HVRs scheme with a view to refreshing the scheme for new entrants.

The Panel sought to understand what analysis was undertaken to determine the level of increase and raised this at the hearing⁷⁵ with the Minister for Treasury and Resources.

Deputy S.Y. Mézec:

Yes, so on high value residents, you are increasing the minimum tax contribution from those. What analysis did you use to arrive at the figure you have arrived at?

The Minister for Treasury and Resources:

We simply used the existing legislation which allows us to up rate the minimum contribution by the increase in R.P.I.

⁷⁵ [Transcript – Minister for Treasury and Resources](#) - Pg 29

Deputy Comptroller:

Yes, so you can increase under the statute by up to the R.P.I. increase and the decision was taken to increase it by that maximum amount.

Deputy S.Y. Mézec:

Would you have gone higher if the law allowed you?

The Minister for Treasury and Resources:

It is a rhetorical question because the law does not allow me.

Deputy S.Y. Mézec:

But there is a review going on which may impact that.

The Minister for Treasury and Resources:

I expect that the review will think about an upward movement in that number as well.

Deputy S.Y. Mézec:

Why do you think that?

The Minister for Treasury and Resources:

From conversations that I had with ministerial colleagues.

It was further explained that a review was being undertaken in respect of the HVRs regime and that the Terms of Reference for that review had been circulated. It was noted that the review was connected to the work of the Housing and Work Advisory Group. The Panel questioned whether the review is a result of recognition that there is a lack of political confidence in the current regime's rules.⁷⁶

Deputy S.Y. Mézec:

Minister, is the fact that this review is taking place a sign that there is a lack of political confidence in the rules as they currently stand?

The Minister for Treasury and Resources:

No, I do not think it is that. I think it is more positively thinking about what we want from such a regime into the future. I think that if we look back to when the regime was less changed, we were seeking to encourage those who were bringing value in businesses, value in jobs and not just value in tax take. So I think this review is thinking about those things and whether there needs to be a change to the legislation to make it clear and to allow the mandating of that to take place and there is also the ongoing issue of fairness. If we look at somewhere like Guernsey, they have a tax cap 31 and that tax cap is applicable to everyone whether they are a long-term resident or they are a new arrive.

⁷⁶ [Transcript – Minister for Treasury and Resources](#) - Pg 29

Progress of Tax Reforms and Reviews

Observing that the Government Plan highlights several areas of tax reform, the Panel wrote to the Minister for Treasury and Resources for an update on the progress to date in respect of tax reforms and reviews. The following updates⁷⁷ were received:

Independent Taxation

The Minister for Treasury and Resources confirmed lodging of the final stage of independent taxation as one of his Ministerial priorities. It was noted that the final stage will include the mandatory move to independent taxation for all couples and the introduction of a compensatory allowance for those future marginal rate taxpayers who would be financially worse-off under independent taxation. It was further explained that couples who are already taxed jointly were able to elect to be taxed independently for the year of assessment 2023 and this year's Finance Law enables couples to elect to be taxed independently for the year of assessment 2024. It was noted that the current plan is for mandatory independent taxation for the year of assessment 2025. It was confirmed that existing funding provides for all delivery to the end of phase 2, however, delivery of the final mandatory phase will require funding which is under discussion in the Treasury.

KEY FINDING 18: Existing funding provides for all delivery to the end of phase two Independent Taxation. However, additional funding will be required for the delivery of the final stage.

Reporting Information by Partnerships

It was confirmed following the introduction of new economic substance rules for partnerships in 2021 that partnership filing requirements are being amended in the Finance Law 2023. As such partnerships will file one combined notification each year, which will be used to capture all relevant information relating to the partnership's economic substance and income tax. The opportunity will also be taken to bring the general partnership assessing rules into line with that for other Jersey partnership vehicles, giving their partners full responsibility over their tax position. It was noted that the changes to the law and filing processes have been subject to a public consultation.

Company Tax Return filing deadline

The Panel sought to understand whether the proposal to change the deadline for the filing of company tax returns was well received. The Panel was informed a consultation ran from 16th February 2022 to 14th April 2022 and that almost half the respondents to the consultation agreed that the current deadline of 31st December presented difficulties. However, the proposal to bring forward the company filing deadline to 30th November drew a mixed response. It was noted of the 13 respondents who provided a clear view on the proposal to change the deadline to 30th November, six respondents were in favour, while seven respondents expressed a negative response. The Minister confirmed that he was presented with all feedback before determining that 30th November was the most appropriate date.

It was further explained that structural administrative advantages for both taxpayers and Revenue Jersey exist in moving away from a 31st December filing date (over the Christmas holiday period). However, it is recognised that adapting to the change may present challenges for taxpayers and the tax profession in Jersey, particularly in the first year of the move.

⁷⁷ [Letter – Minister for Treasury and Resources – 17th November 2022](#)

KEY FINDING 19: It is recognised that adapting to the change resultant of moving the company tax filing deadline from 31st December to 30th November may present challenges for taxpayers and the tax profession in Jersey, particularly in the first year of the move.

Expenditure

Public Sector Spending

The Government Plan⁷⁸ proposes £996 million of spending in 2023 on delivering services to Islanders. Moreover, the Government Plan proposes investing a further £61 million in initiatives that support the delivery of Ministerial priorities (including the 100 Day Plan). The table below shows how expenditure changes in each year of the Plan.

Changes to Net Revenue Expenditure				
	2023	2024	2025	2026
£'000	Estimate	Estimate	Estimate	Estimate
Base Budget	852,058	966,133	1,097,045	1,130,453
Adjustments for net changes to Base Budget;				
Adjustments from GP22	3,419	(4,431)	(452)	(2,570)
Inflation	52,639	50,000	38,238	26,718
Other Formula Driven Growth	6,567	11,630	6,030	6,362
Revenue Growth GP23	61,450	1,603	(408)	(287)
Reintroduction of States Grant to Social Security Fund	-	82,110	-	-
Value For Money Savings	(10,000)	(10,000)	(10,000)	(10,000)
Adjusted Base Budget	966,133	1,097,045	1,130,453	1,150,676
Covid-19 Response	25,211	2,321	1,505	1,505
Covid-19 Reserve	5,000	-	-	-
Net Revenue Expenditure	996,344	1,099,366	1,131,958	1,152,181

Table 11: Changes to Net Revenue Expenditure

In respect of fiscal spending the FPP confirms⁷⁹ that the economy remains strong with little spare capacity and unemployment at historically low levels. The Medium-Term Report⁸⁰ argued that this was not the time for significant across the board additional spending or tax cuts. This remains the case. It would be prudent to reduce “growth” expenditure in the early years of the Plan to strengthen reserves which may be required in future years.

The Chief Minister confirmed the following during a hearing with the Panel in respect of the Government’s areas of focus for investment through spending:

The Chief Minister:

Although at its very core the Government Plan of course is consistent in delivering prudent decision-making and maintaining Jersey’s strong and stable position by returning balanced budgets, it takes a fresh approach in terms of it being a new Government, one that has conducted an election in which it has listened to the public. We have chosen to focus on a number of matters that we think reflect the desires of the public and also our need to support our front-line services, particularly in education

⁷⁸ [P.97/2022 - Government Plan 2023-26](#) – Pg 38

⁷⁹ [Fiscal Policy Panel – Annual Report](#)

⁸⁰ [Jersey’s Fiscal Policy Panel Medium Term Report July 2022](#)

and healthcare so that we can deliver those critical services for Islanders. That is why we have taken some bold steps in terms of additional expenditure.

The Panel's Advisor notes that part of a programme of public service reform should be a comprehensive analysis of unit costs so that Ministers, elected Members and the wider public are aware of the costs of different services, how choices between them can be scored in cash terms and how their cost base can be interrogated.

KEY FINDING 20: Information about unit costs and an inventory of public services provided is not included within the Government Plan.

RECOMMENDATION 16: The Council of Ministers should provide, in future Government Plans, information about unit costs of public services and exploration of different means of service to the public. This may include active benchmarking, comparison between the public service and private sector, to aid in transparency.

Revenue Growth Funding

Noting that the Government Plan proposes to invest an additional £61 million in key public services during 2023, the Panel sought to understand what the areas of focus would be and how those areas were identified as requiring the additional investment. The following was explained:

The Chief Minister:

The annex, I think, has a very helpful table, which helps us to identify that in a snapshot, but in particular children, young people, education and skills is an area of particular focus and investment. The majority of that additional investment is focused in that area to improve sufficiency and also standards for our young children.⁸¹

The Chief Minister:

I think it became very clear during the last term of office that there were great gaps and the education system was crying out for additional investment in order to meet the needs of children and give them the best formative years that we can as a public service.⁸²

The Panel notes that the highest new revenue expenditure growth funding within the Government Plan for 2023 is allocated to the departments for Children, Young People, Education and Skills (£18 million) and Health and Community Services (£16 million). Further detail can be seen in the table below.

⁸¹ [Transcript – Chief Minister](#) – Pg 5

⁸² [Transcript – Chief Minister](#) – Pg 5

New Revenue Expenditure Growth by Department¹⁰

£'000	2023	2024	2025	2026
	Estimate	Estimate	Estimate	Estimate
Cabinet Office	5,484	5,173	5,123	5,073
Children, Young People, Education & Skills	18,112	18,756	18,718	19,832
Customer and Local Services	1,210	660	610	560
Infrastructure, Housing & Environment	7,662	7,916	7,939	7,426
Health and Community Services	16,234	16,530	16,469	16,579
Justice and Home Affairs	2,839	3,969	3,919	3,887
States of Jersey Police	1,025	1,025	1,025	1,025
Department for the Economy	2,442	2,242	2,142	2,142
Ministry of External Relations	292	292	200	200
Treasury and Exchequer	3,736	3,780	3,905	3,005
Non-Ministerial Departments	1,304	1,699	1,684	1,718
States Assembly	1,110	1,011	911	911
New Revenue Expenditure Growth	61,450	63,053	62,645	62,358

Table 12: New Revenue Expenditure Growth

The following was outlined as the process used to identify the appropriate level of investment in respect of Revenue Growth Funding:

Group Director, Strategic Finance:

So just briefly setting out the process that C.O.M. (Council of Ministers) went through, the Treasury worked with departments across the organisation to bring together potential areas of investment where Ministers may wish to choose to prioritise taxpayers' money to improve outcomes for Islanders. Once those amounts were collated there was then a political decision-making process at Council of Ministers meetings. There was a series of several meetings where Ministers had the opportunity to present their case to the whole of Council and indeed challenge from other Ministers to be brought in as well. That process ran over several meetings. There were obviously choices to be made because Treasury officials were advising the Council of Ministers that the plan would also need to be affordable. There was obviously many things the Government could do but not necessarily things that could all be afforded at this time as well. So that was the process that was gone through. That meant that some items were selected. The Chief Minister has already spoken about education, there being a strong case for the need for investment in those, and effectively through that process the final proposed Government Plan growth allocations were developed.⁸³

The Panel sought to understand whether consideration was given to other areas requiring investment, and where the decision was taken to not provide investment in other areas as a result of investing in children and education instead⁸⁴.

⁸³ [Transcript – Chief Minister](#) – Pg 5

⁸⁴ [Transcript – Chief Minister](#) – Pg 6

Deputy S.Y. Mézec:

In terms of identifying that as a priority for extra investment, were there other areas that you considered providing other additional investment that you decided not to because you had deferred back to education and children instead?

The Chief Minister:

... there were a considerable number of growth bids but we had to balance them very carefully against our priorities. You see those clearly outlined in the C.S.P. (Common Strategic Policy) and also in our ministerial plans. I think it is very clear what those priorities are across government and so together we had to find a unified position and best use of public funds. We equally became very mindful of the need to not only be able to deliver services but the need to employ people to deliver those services. So careful consideration was given about the number of people who would need to be employed by the public service in order to do so.

The Panel engaged members of the public to gather their views in respect of which public services required prioritisation through public spending. Submissions⁸⁵ were received which highlighted areas including care services for the elderly, adult autism and ADHD diagnosis support services, the department for infrastructure to deliver and maintain the Island's public facilities and funding for Family Nursing and Home Care.

The Panel's Advisor noted the following within his report:

The Government identifies and emphasises different priorities from its predecessor in public service provision. These are education and health service priorities. There is also an emphasis on greater financial caution in terms of medium and longer term borrowing to finance investment and its funding from identified taxation. How these specific priorities were scored against other competing objectives and priorities and the underlying rationale behind the choices is not set out in the documents. In her evidence to the Scrutiny Panel the Chief Minister was helpful and clear in explaining the process that led to the chosen priorities in terms of receiving advice for example from officers but remained reticent with regard to why the choices were made and the trade offs involved in the policies that were decided.

The Panel's Advisor raises that tensions and trade-offs between objectives should be explicitly recognised. Noting that there is likely to be tension between Government's ambitions to raise GVA, widen economic opportunities that increase access to housing and the indicators relating to the environment, and to the structure of land use there will be trade-offs that must be recognised. Noting that navigating the trade-offs would be a political matter, the Advisor proposes it would be helpful for clarity to be provided with regard to the trade-offs involved, either explicitly or implicitly made through the political process.

KEY FINDING 21: When Government prioritises allocations to new revenue expenditure growth investments, trade-offs are likely. However, these trade-offs are not explicitly recognised in the Government Plan.

RECOMMENDATION 17 (OVERARCHING): The Council of Ministers must include within future Government Plans recognition of the trade-offs involved, either explicitly or implicitly

⁸⁵ [Submissions](#)

made through the political decision process when prioritising funding allocations to new revenue expenditure growth investments.

Revenue Heads of Expenditure

The Assembly are asked in the Proposition to approve the proposed amount to be appropriated from the Consolidated Fund for 2023, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report.

Summary Table 5i - 2023 Revenue Heads of Expenditure

£'000	Income	Expenditure	Head of Expenditure
Departmental Expenditure			
Cabinet Office	2,780	70,116	67,336
Children, Young People, Education and Skills	21,220	210,908	189,688
Customer and Local Services	10,452	105,755	95,303
Infrastructure, Housing and Environment	31,177	86,682	55,505
Health and Community Services	26,207	274,089	247,882
Jersey Overseas Aid	-	17,700	17,700
Justice and Home Affairs	4,530	39,700	35,170
States of Jersey Police	234	27,342	27,108
Ministry of External Relations	290	3,378	3,088
Department for the Economy	-	40,264	40,264
Treasury and Exchequer	3,355	70,743	67,388
Past Service Pension Liability Refinancing	174	13,956	13,782
Departmental Expenditure	100,419	960,633	860,214
Non-Ministerial and Other States Bodies			
Bailiff's Chambers	68	2,192	2,124
Comptroller and Auditor General	80	1,158	1,078
Judicial Greffe	2,382	11,509	9,127
Law Officers' Department	237	11,118	10,881
Office of the Lieutenant Governor	107	946	839
Official Analyst	53	738	685
Probation	88	2,732	2,644
States Assembly	68	8,814	8,746
Viscount's Department	826	2,928	2,102
Non-Ministerial and Other States Bodies Expenditure	3,909	42,135	38,226
Covid-19 Response	-	25,211	25,211
Departmental and Non-Ministerial Expenditure	104,328	1,027,979	923,651
Reserves			
Reserve for Centrally Held Items	-	43,506	43,506
General Reserve	-	29,187	29,187
Reserve Expenditure	-	72,693	72,693
Our Hospital - Financing Costs	-	3,050	3,050
Revenue Heads of Expenditure Total	104,328	1,103,722	999,394

Reserve Heads of Expenditure

The Government Plan⁸⁶ explains that the General Reserve is held outside of operational expenditure limits, and can be used to meet unforeseen pressures, or to provide advanced funding for urgent expenditure in the public interest. In each year, amounts are held to manage fluctuations in benefit expenditure due to economic changes, and to allow one-off funding for emerging issues. In 2023, the following is being provided for within the General Reserve:

- £5 million to support initiatives to reduce hospital waiting lists
- £5 million Covid-19 contingency
- £2.5 million to meet the incremental cost to front-line services of the parental leave policy
- £10 million of revenue growth held centrally for provisions for inflation in excess of the Retail Price Index and funding of the financial consequences of the 100 Day Actions
- Unspent amounts from 2022 in respect of the assisted home ownership schemes
- Provisions for inflation that have not been allocated to departments are held in the Reserve for Centrally Held Items.

Reserve Expenditure				
	2023	2024	2025	2026
£'000	Estimate	Estimate	Estimate	Estimate
General Reserve	12,000	7,000	7,000	7,000
General Reserve - Covid-19	5,000	-	-	-
General Reserve - Parental Leave	2,500	2,500	2,500	-
General Reserve - Revenue Growth	9,687	9,357	9,437	8,024
General Reserve Expenditure	29,187	18,857	18,937	15,024
Reserve for Centrally Held Items	43,506	93,035	122,542	144,696
Reserve Expenditure	72,693	111,892	141,479	159,720

Table 15: Reserve Expenditure

The Panel explores the use of contingencies earlier on in this Chapter within the sections namely Impact of Inflation and impact of Covid-19 in respect of the General Reserve - Covid-19 and the provision held centrally for inflation. Highlighted within that section is the significant uncertainty that remains in relation to increasing levels of inflation. However, it appears that due regard has been given to the potential risk and impact thereof and, as far as possible, it appears that steps have been taken to build contingencies into the Government Plan to account for adverse inflationary risks and pressures.

4 Value for Money Programme

The Government Plan proposes a new Value for Money (VFM) Programme, aimed at delivering savings across Government departments.

⁸⁶ [P.97/2022 - Government Plan 2023-26](#) – Pg 44

The Panel evaluated the proposed VFM Programme considering, how the estimated savings are evidenced, the impact thereof, and how the Government proposes to deliver, monitor, and govern the programme.

Table 16 below reflects the minimum target reduction in overall expenditure (VFM Savings) by department.

Value for Money Savings				
£'000	2023	2024	2025	2026
	Estimate	Estimate	Estimate	Estimate
Cabinet Office	273	-	-	-
Customer and Local Services	67	-	-	-
Children, Young People, Education & Skills	688	-	-	-
Infrastructure, Housing & Environment	227	-	-	-
Health and Community Services	1,032	-	-	-
Justice and Home Affairs	144	-	-	-
States of Jersey Police	117	-	-	-
Jersey Overseas Aid	-	-	-	-
Department for the Economy	160	-	-	-
Ministry of External Relations	12	-	-	-
Treasury and Exchequer	140	-	-	-
States Assembly	-	-	-	-
Non-Ministerial	-	-	-	-
Reserve for Centrally Held Items	7,140	-	-	-
Unallocated Future Savings	-	10,000	10,000	10,000
Value for Money Savings	10,000	10,000	10,000	10,000

Table 16: Value for Money Savings

Previous iterations of Government savings have been called 'efficiencies' and/or 'rebalancing' measures, consequently the Panel sought to understand how the VFM Programme differs from these.

Deputy S.Y. Mézec:

So value for money, previous iterations of Government have wanted to achieve greater value for money and there have been varying degrees of success...How is your approach any different to those previous attempts by different Governments?

The Chief Minister:

The value for money programme is a new methodology...This is very much more focused on a way of doing things, so we are back at thinking lean, for example, and also in adopting simpler administrative processes.

The Panel understands that the overall VFM Programme does align with the 'efficiencies and rebalancing' programmes detailed in previous Government Plans, however, a new approach is being implemented to achieve savings.

In a submission received from the C&AG⁸⁷, the following comments were made in respect of the VFM Programme:

⁸⁷ [Submission – Government Plan 2023-26 – Comptroller and Auditor General – 11 November 2022](#)

'It is difficult to make an assessment of value for money based on the value of capital projects included within the Government Plan. In my view it is appropriate to focus on the robustness of the business cases for inclusion within the Government Plan and, in particular, the extent to which the process protects against optimism bias in developing business cases. The Panel may wish to be aware that I intend to undertake a review of Major Projects, including Capital Projects early in 2023.

I welcome the establishment of a Value for Money Programme. This reflects the recommendation in my predecessor's Review of Financial Management (April 2015) to undertake a programme of zero-based budget reviews. The Panel may also wish to be aware that a review of Efficiency Savings is included in my current work programme and fieldwork is nearing conclusion.

The FPP recommends within the Medium-Term Report⁸⁸, published July 2022, that:

Rebalancing measures should only be included in the Government Plan if it is clear how they will be achieved. Including speculative measures may lead to pressures in later years if they are subsequently not found.

Furthermore, in the FPP's Annual Report – November 2022⁸⁹, Recommendation 8 states:

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.

As shown in Table 16 above, £10 million in unallocated savings are included for 2024, 2025, and 2026. The Panel raised concern that the inclusion of speculative measures, without sufficient information on how these will be achieved, directly contradicts the recommendations of the FPP.

The Panel questioned the Minister for Treasury and Resources on the matter during the public hearing⁹⁰.

Deputy S.Y. Mézec:

The table for value for money savings in the Government Plan provides a breakdown for 2023 equalling £10 million at the bottom. It provides for the same £10 million figure in future years as unallocated future savings without any detail. Is that not irresponsible?

The Minister for Treasury and Resources:

No, I would say it was responsible, the other way around. I do accept the view of the Fiscal Policy Panel that it is not sensible, as far as possible, to put in unallocated or unthought-through savings targets. Of course, what has happened is that in the previous couple of years that has been the methodology and it has been the methodology previously as well, and those savings have not been realised. Therefore, we have taken a much-more careful realistic approach. The total amount of savings that should have been delivered in 2022 and 2023, the amount has now been spread out during the course of the Government Plan. As you say, we have a table in 2023, which are eminently realisable, and we have committed to do this programme to be

⁸⁸ [Jersey's Fiscal Policy Panel Medium Term Report July 2022](#), page 54

⁸⁹ [Jersey's Fiscal Policy Panel Annual Report November 2022](#)

⁹⁰ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#)

able to deliver the £10 million going forward as well. £10 million spend on a £1 billion budget seems eminently reasonable and sensible and we will be working on that during the course of 2023.

Deputy S.Y. Mézec:

How can you not accept it when you have already said that it is not clear how you will be making £10 million of savings for those subsequent years when the Fiscal Policy Panel says very clearly that, if it is not clear, then it should not be in the Government Plan to start with.

The Minister for Treasury and Resources:

No, because it was in the Government Plan previously. All we have done is maintained the position, the bottom-line savings that previously were in the Government Plan to be made in 2022 and 2023. But we have recognised that, without detailed plans, they are at risk, which is why we have produced eminently deliverable proposals in 2023, therefore mitigating the risk that the F.P.P. have highlighted. Through the value for money programme, we will come forward with detailed proposals for 2024, 2025, and 2026. We remind ourselves of course that, although this looks like a 4-year plan, it is only a one-year plan and is amended and more details are brought forward on a rolling basis for the other 3 years. So I think that we have heeded the words of the F.P.P.

The Panel's Advisor also undertook review of the VFM Programme and further supported the Panel's identification that the FPP's recommendations had not been followed. The following comments were made within his report (see full Report in Appendix 2):

The Fiscal Panel has said that unrealised efficiency savings should not be scored as part of the budget arithmetic in the manner that in recent years financial planning relied of expected savings being yielded before they were realised. Ministers have emphasised the scope to simplify administrative processes in order to achieve savings. It is not clear that simple improvements in process will yield significant reductions in cost. As progress is made with the revised value for money agenda it would be helpful to score where savings are made and to log systematically where they involve a loss or significant modification of service. Ministers should not, moreover resile from identifying services that can be ended and activity that can be reduced as it rearranges the pattern of public services spending to adjust to the changing needs of the residents of Jersey.

KEY FINDING 22: As part of the Value for Money Programme, the Government Plan 2023-26 includes speculative savings amounts for 2024, 2025 and 2026 without any information on how these will be achieved, which directly contradicts the recommendations made by the Fiscal Policy Panel.

RECOMMENDATION 18 (OVERARCHING): In line with the recommendations of the Fiscal Policy Panel, the Government Plan should only include Value for Money savings where there is clear evidence of how they will be achieved.

Additionally, the Panel's Advisor further recommended that:

Any losses of service should be identified and scored and there should be evidence of budgets changing somethings being curtailed and other things ended. The Government should frame a programme of public service reform to yield improvements in efficiency and use of resources.

The Panel's Advisor highlights that the VFM initiatives may need to be improved not least with the explicit inclusion of economy alongside efficiency and effectiveness as criteria for assessing use of resources. The Advisor notes that any losses of service should be identified and scored and there should be evidence of budgets changing where services are being curtailed and others ended. The Advisor suggests that the Government should frame a programme of public service reform to yield improvements in efficiency and use of resources.

KEY FINDING 23: The Government Plan has not historically included reporting on the changes in services undertaken during efficiency and rebalancing exercises.

RECOMMENDATION 19 (OVERARCHING): The Council of Ministers should undertake reporting on the impact to public services resultant of value for money savings made, with the reports being published with each Government Plan.

Delivery

The delivery of the VFM Programme will be achieved through the following channels:

- Cashable Savings Targets and delivery plans
- A Productivity Improvement Programme
- A series of Best Value Reviews

The Panel endeavored to gather as much available information on the delivery of the VFM Programme, and as such questioned the Chief Minister on the Programme during the public hearing⁹¹ and via written questions⁹².

In respect of Cashable Savings Targets, the Chief Executive Officer explained the following during the public hearing:

Chief Executive Officer

The way that the value for money programme is designed, it will look for cashable savings targets and each department will have smart targets allocated to them. It will also look at productivity improvements and will carry out a number of best value reviews each year over the 4-year term.

In a written response⁹³, the Chief Minister noted the following in respect of delivery plans:

Delivery plans including SMART targets will be agreed tracked and monitored, with progress reported through the VFM programme governance to Council of Ministers with regular reporting to stakeholders for transparency and scrutiny.

The Chief Minister confirmed that the Productivity Improvement Programme is currently being developed and that the framework and tools will be developed centrally for consistency and respective Ministers and the Director General will be responsible for its delivery in individual departments⁹⁴.

The Chief Minister provided the following information in respect of the Best Value Reviews⁹⁵:

⁹¹ [Transcript – Government Plan 2023-26 Review – Chief Minister](#)

⁹² [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

⁹³ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

⁹⁴ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

⁹⁵ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

The Council of Ministers will look to simplify operations, stop services that are no longer required and improve efficiencies across government. This will allow funding to be reprioritised into areas needing further investment, or further reduce overall spend. This work is part of the longer term VFM programme Best Value reviews are intended as deep-dive tool.

This is not an exhaustive list but for illustrative purposes potential examples for Best Value reviews:

- i) To confirm or reset service delivery and resourcing alignment with strategic priorities*
- ii) Assess whether service, form of delivery and/ or outcomes are still relevant to Government*
- iii) Assess and consider alternative forms of operational delivery*
- iv) Service re-engineering or redesign Reviews will be co-ordinated by a partnership between the Treasury and the Cabinet Office*

The Panel sought to understand how the Treasury and Exchequer department would achieve targeted savings of £140,000 in 2023 during the public hearing with the Minister for Treasury and Resources⁹⁶.

Treasurer of the States:

In terms of delivery from the Treasury and Exchequer Department, as you are aware, the Commercial Services Team has come across from the Chief Operating Officer in the last year or so. We are going to be setting out on a piece of work that looks at duplicate functions within the Commercial Services Team and within the Finance Team. We are largely leaving the Revenue Jersey to the pressures that it is facing in respect of customer service. But their contribution to ongoing former targets from Revenue Jersey is considerable in terms of additional income that comes from the investment in the compliance programme. But for that £140,000 that will be delivered through a combination of looking at and removing duplication between functions in the Commercial Services and Finance Team, in addition to which, although it might take a lot longer than that and will contribute to future programmes, driving out the operational efficiency that will come through from the implementation of I.T.S. (Integrated Technology Solution).

Governance

The Panel received information regarding the proposed governance of the VFM Programme from the Chief Minister via a response to written questions as follows:

A Political Oversight Group, will be established to steer and monitor the VFM programme across GoJ, including Productivity Improvement. A governance structure for the programme is currently in development, as part of the programme roll-out plan, and will be shared following COM agreement and approval. It is anticipated that the framework and tools will be developed centrally for consistency and respective Ministers and the Directors General will be responsible for delivery in Departments.

⁹⁶ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#), page 11

Progress [will be] reported through the VFM programme governance to Council of Ministers with regular reporting to stakeholders for transparency and scrutiny.⁹⁷

The programme will be overseen by the Political Oversight Group, chaired by the Minister for Treasury and Resources which he confirmed is expected to be established by the end of 2022⁹⁸.

Monitoring

The Panel understands, from written responses received from the Chief Minister⁹⁹, that the progress of the Programme will be monitored by the use of delivery plans:

Delivery plans including SMART targets will be agreed tracked and monitored, with progress reported through the VFM programme governance to Council of Ministers with regular reporting to stakeholders for transparency and scrutiny.

The Panel also questioned the Minister for Treasury and Resources on the monitoring of the Programme during the public hearing¹⁰⁰.

Deputy S.Y. Mézec:

How will the progress in the value for money programme be measured and reported?

The Minister for Treasury and Resources:

In the way that we have previously reported programmes such as this, there will be the internal governance structure, there will be the political structure, and then there will be feeding through to future Government Plans. But in the past we have also provided reports to States Members and lodged them also for public scrutiny.

Deputy S.Y. Mézec:

At what kind of intervals for that publishing?

The Minister for Treasury and Resources:

We have not decided on what the intervals will be. The first and most important target will be to bring forward proposals that are deliverable that can be included in the Government Plan for next year. So I would expect that there will be an update report at the end of the first quarter and then at the end of the second quarter we will be clearer on what is going to be included in the future Government Plan.

The Panel further questioned the Minister for Treasury on the role the Political Oversight Group will play with regards to monitoring¹⁰¹.

Deputy S.Y. Mézec:

Will that group [the Political Oversight Group] play a role in monitoring how effectively targeted these savings are to ensure that they are genuine savings and do not creep into territory that some might worry is closer to cuts to services?

⁹⁷ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

⁹⁸ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#), page 13

⁹⁹ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

¹⁰⁰ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#), page 13

¹⁰¹ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#), page 13

The Minister for Treasury and Resources:

Indeed they will. They will be looking, as it is quite clear in the Government Plan, they will of course be targeted on cashable savings, to deliver that £10 million bottom-line savings. But they will be just as targeted, and that is again where I think the lean methodology works well, just as targeted on productivity improvements and providing economy and value to taxpayers.

The Panel notes that the information above in respect of the Programme monitoring is not included within the Government Plan. The Government should include such information in future Government Plans if it wishes to provide full transparency and accountability on the VFM Programme.

KEY FINDING 24: The Government Plan does not include detail in respect of the monitoring process for the Value for Money Programme.

RECOMMENDATION 20 (OVERARCHING): The Council of Ministers must ensure the monitoring process for the Value for Money Programme is included in future Government Plans to provide further transparency and accountability.

5 Projects and Programmes

The Panel undertook high-level analysis of the Capital Projects and New Revenue Growth Programmes as appropriate to the remit of the Chief Minister and Minister for Treasury and Resources. As part of its review the Panel raised questions with the Chief Minister and Minister for Treasury and Resources during public hearings^{102 103} and via written questions. The responses provide an outline of the projects and programmes progress to date, rationale for changes in projected funding and any impact on department budgets and staffing levels.

The Assembly are asked in the Proposition to approve each major project that is to be started or continued in 2023 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4¹⁰⁴ to the Government Plan Report.

Below is a list of the Programmes and Projects in respect of the Panel's remit.

¹⁰² [Transcript – Government Plan 2023-26 Review – Chief Minister](#)

¹⁰³ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#)

¹⁰⁴ Table 4 – Major Projects

New Revenue Growth Programmes					
£'000	Minister	Allocated or Held in Reserves	Reference	Description	2023 Estimates
	Chief Minister	Allocated	I-COO-GP23-001	Enterprise Licences	1,600
			I-COO-GP23-002	Software and Cloud Storage	1,200
			I-COO-GP23-003	IT Support for unsupported products	200
			I-OCE-GP23-001	Governance Capacity	85
			I-SPPP-GP23-001	JACS Additional Workload	100
			I-SPPP-GP23-002	Statistics Jersey - Capacity	318
		Reserves	I-COO-GP23-004	Additional Resourcing for the Recruitment team	250
			I-OCE-GP23-002	Support for Ukrainians in Jersey	250
			I-OCE-GP23-003	100 Day Plan - Cultural Centre	300
	Minister for Treasury and Resources	Allocated	I-T&E-GP23-001	Additional Bank Charges and Card Fees	557
			I-T&E-GP23-002	International Tax Team	1,746
			I-T&E-GP23-003	Personal and business taxation customer service	-
			I-T&E-GP23-004	Governance, Professional Standards and Commissioners of Appeal	353
		Reserves	I-T&E-GP23-005	Insurance Cost Increases	1,080

Capital Projects						
£'000	Minister	New or Continuing	Description	2023 Estimates	Project Total	Major Project
	Chief Minister	New	Replacement LC-MS system	-	650	
		Continuing	Office Modernisation	460	3,923	
		Continuing	MS Foundation	1,300	10,871	Major Project
		Continuing	Cyber & Cyber ORI	5,000	16,358	Major Project
		Continuing	Integrated Technology Solution Release 1 & 2	9,778	54,740	Major Project
		Continuing	ITS Release 3 & 4	2,300	6,500	Major Project
		Continuing	ITS Release 3 Additional	17	1,281	Major Project
		Continuing	Other Government Wide IT Projects	3,399	-	
		Continuing	Pride Software	-	-	
		Continuing	Phoenix Software	300	345	
		Continuing	Court Digitisation	1,639	5,315	
		Continuing	Replacement Assets and Minor Capital - CBO	3000	-	
		Continuing	Magistrates' Court conversion	750	762	
	Minister for Treasury and Resources	New	Community Fund	1000	-	Major Project
		Continuing	Reserve for Central Risk and Inflation Funding	8100	-	
		Continuing	Revenue Transformation Programme (Phase 3)	3,105	9,425	Major Project
		Continuing	Feasibility	1,830	220	

Business Cases

The Panel notes that the Government Plan was not published with business cases to accompany the New Revenue Growth Programmes and Capital Projects detailed within it. The Panel requested full business cases in respect of all projects that fell under the remit of the Panel from the Chief Minister in a letter dated 14th October 2022, which can be found [here](#).

In letters received from the Chief Minister¹⁰⁵, it was confirmed that business cases were not available for Support for Ukrainians in Jersey, 100 Days plan - Cultural Centre, Additional Resourcing for the Recruitment Team, and Community Fund.

¹⁰⁵ [Letter – from Chief Minister – Additional Information – 24 November 2022](#)

¹⁰⁵ [Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

The Panel questioned the Chief Minister on the absent business cases during the public hearing, requesting rationale as to why they had not been provided. The Chief Minister stated that this was due to working at pace, and that full business cases would be completed and provided for at the point of a formal allocation of funds¹⁰⁶.

The Panel further questioned how value for money could be considered in relation to the projects and programmes where business cases had not been completed¹⁰⁷.

Deputy S.Y. Mézec:

If you provide a budget and then provide your business case afterwards, is there not a risk that the budget put in place could be too profligate for what you are trying to achieve and, therefore, not represent best value for money? How do you know that that risk does not exist if you do not have the complete business case first?

Assistant Chief Minister:

But I think to the Group Director, these sums are not approved until a full business case comes in and I expect we would all give full scrutiny to whether it is value for money at the point of the business case being arrived at.

The Panel notes that it had received business cases for all projects and programmes under the remit of the Minister for Treasury and Resources, except for the Community Fund. The Panel requested why a business case had not been provided in its letter to the Minister for Treasury and Resources¹⁰⁸.

Corporate Services Scrutiny Panel:

Why is there no full Business Case available for this Major Project?

Minister for Treasury and Resources:

My Ministerial plan sets out work to investigate and create funding for community infrastructure. This work will develop the detail on this initiative, including a business case. However, we have chosen to use some of the planned special Dividend from JT to provide funding for this, and so it was appropriate to show this in the plan.

KEY FINDING 25: The Government Plan allocates funding for New Revenue Growth Programmes and projects where full business cases have not been completed. This provides challenges to Scrutiny when undertaking its review process of the Government Plan. It also raises concerns as to whether the Government has given full consideration to the inclusion of proposed projects and programmes, specifically in relation to risks and value for money.

RECOMMENDATION 21 (OVERARCHING): The Council of Ministers must ensure that business cases for New Revenue Growth Programme bids are provided to Scrutiny Panels prior to lodging each Government Plan.

¹⁰⁶ [Transcript – Government Plan 2023-26 Review – Chief Minister](#), page 24

¹⁰⁷ [Transcript – Government Plan 2023-26 Review – Chief Minister](#), page 24

¹⁰⁸ [Letter – from Minister for Treasury and Resources – Government Plan Review – 24 November 2022](#)

Projects and Programmes: Chief Minister

The Capital Projects and New Revenue Growth Programmes under the responsibility of the Chief Minister are as follows:

New Revenue Growth Programmes

- Enterprise Licences
- Software and Cloud Storage
- IT support for unsupported products
- Governance Capacity
- JACS Additional Workload
- Statistics Jersey - Capacity
- Additional Resourcing for the Recruitment Team
- Support for Ukrainians in Jersey
- 100 Day Plan – Cultural Centre

Capital Projects

- Replacement LC-MS System (new Capital Project)
- MS Foundation (Major Project)
- Cyber & Cyber ORI (Major Project)
- Integrated Technology Solution Release 1 & 2 (Major Project)
- ITS Release 3 & 4 (Major Project)
- ITS Release 3 Additional (Major Project)
- Other Government Wide IT Projects
- Pride Software
- Phoenix Software
- Court Digitisation
- Replacement Assets and Minor Capital – CBO
- Magistrates Court conversion

The Panel sought further information from the Chief Minister on the programmes and projects listed above during the public hearing¹⁰⁹ and via written questions¹¹⁰.

Office Modernisation

The Panel notes that the Capital Project ‘Office Modernisation’ previously fell under the remit of the previous Panel in their review of the Government Plan 2022-25. However, due to the current nature of the project, the Panel notes that it was assigned to the Environment, Housing, and Infrastructure Scrutiny Panel for their review of the Government Plan 2023-26 as applicable.

¹⁰⁹ [Transcript – Government Plan 2023-26 Review – Chief Minister](#)

¹¹⁰ [Letter – from Chief Minister – Additional Information – 24 November 2022](#)
[Letter – from Chief Minister – Residual Questions – 24 November 2022](#)

Enterprise Licences, Software and Cloud Storage & IT Support for Unsupported Products

The Panel notes that the Enterprise Licences, Software and Cloud Storage & IT Support for Unsupported Products Additional Revenue Programmes fall under an overarching £3 million funding request from Modernisation and Digital (M&D) department to their base budget.

The Panel questioned both why and how M&D had been functioning on a shortfall of £3 million since 2019 in its written letter to the Chief Minister. The Panel received the following response¹¹¹:

Chief Minister:

As mentioned above, in recent years departmental technology teams and the associated technology have been centralised into M&D. Historically, the funding for these technology teams and the technology which they support would have been through departmental base budgets. As part of the consolidation of Government's technology assets and resources, it became apparent there had been some funding deficits with respect to technology in these departments and in some cases, systems were unsupported or reaching end of life on legacy infrastructure. In addition, the consumption requirements for cloud services have been growing steadily and is now greater than predicted due to a lack of foresight by previous technology programmes on the requirements for ongoing services.

JACS Additional Workload

The Panel received a submission from the Jersey Advisory and Conciliation Service (JACS)¹¹², providing a detailed and in-depth explanation of the requirements for the additional funding of £100,000. JACS welcomes the additional funding to meet the demands faced by the service.

Statistics Jersey Capacity

The Government Plan Annex¹¹³ notes that this funding will allow Statistics Jersey to build a small (2.5 FTEs) statistics development team to address its backlog (e.g., moving National Accounts onto the latest international industrial classification). This will ensure Statistics Jersey is more responsive to new and emerging data needs, such as potentially producing quarterly GVA data based on admin data already held by government and working with parishes to improve statistics on housing, including the House Price Index.

The Panel received a submission from the Chief Statistician regarding the New Revenue Growth programme Statistics Jersey Capacity¹¹⁴. The funding will:

- plug a current funding shortfall and thus avoid a 24% reduction in Statistics Jersey staff, with associated cuts to current statistical data, and
- allow Statistics Jersey to recruit an additional 2.5 full-time employees to carry out statistical development work to both improve the quality of existing statistical outputs (such as the RPI) and to develop future statistical datasets.

¹¹¹ [Letter – from Chief Minister – Additional Information – 24 November 2022](#)

¹¹² [Submission – Government Plan 2023-26 Review - JACS](#)

¹¹³ [Government Plan Annex – Pg 45](#)

¹¹⁴ [Submission – Government Plan 2023-26 Review – Statistics Jersey](#)

The Panel notes within the submission¹¹⁵ received from Statistic Jersey that work underway in relation to ‘admin data linkage’. The Panel explores the benefit of and requirement for administrative statistical data use in Chapter 3 of this report. The Advisor within his report explores the opportunity for Jersey to make use of administrative data and highlights that the collection of administrative and statistical data is necessary in order to get a proper purchase on Jersey’s local economic activity. The requirement for such data has informed a recommendation made by the Panel (see pg.21 of this report for further detail).

Information Technology

In 2023, the Government of Jersey is proposing a number of revenue programmes and capital projects that relate to Information Technology (IT) across the departments, with the total expenditure of just under £36 million in 2023 (as set out in Table 28 of the Government Plan) and an estimated total cost of £131,695,000. Considering the cost of the IT programmes, the Panel paid careful consideration to the analysis of this area.

The Panel questioned the Chief Minister during the public hearing on whether the funds allocated to IT are sufficient and the best use of public funds.¹¹⁶

Deputy M.B. Andrews:

In terms of...good value for money for the public, do you think there potentially could be some projects that are being undertaken still currently and there could potentially be a risk involved where there is going to be excess expenditure being incurred?

Assistant Chief Minister:

There might be. That is part of the challenge with our current model of I.T. is that Modernisation and Digital do not have, necessarily, under the Public Finances Law, a requirement to dictate how I.T. projects are delivered. It is suggested that departments should consult with Modernisation and Digital but the law does not say that they have to.

The Panel has long expressed the concern that the Government Plan lacks a clear IT strategy. During the Panel’s review of the Government Plan 2023-26 it was highlighted that there was no published strategy covering all IT expenditure.

The Panel received the below updates on the IT Major Projects in a written letter from the Chief Minister, which can be read in full [here](#).

MS Foundations (Major Project)

The MS Foundations programme is required to put in place foundational Microsoft-based technology to allow the effective, efficient, and secure delivery of Government services.

The Panel notes that the MS Foundations programme is scheduled to complete at the end September 2023. The original forecast completion date was December 2021.

Cyber Programme & Cyber ORI (Major Project)

The Cyber Programme has experienced a number of delays and risks due to issues with delivery support, securing contracts and unexpected increase in costs due to the pandemic

¹¹⁵ [Submission – Statistics Jersey](#)

¹¹⁶ [Transcript – Government Plan 2023-26 Review – Chief Minister](#)

and inflation prices. The original completion date was September 2021, it is now due for completion September 2023

The Chief Minister confirmed a new Cyber Security Programme 2.0 is being developed, with a business case and formal funding request to follow.

Integrated Technology Solution Programme (Major Projects)

The Integrated Technology Solution (ITS) aims to introduce technology capabilities across Government, providing support for finance, Human Resources and procurement activities that replaces the current JD Edwards, People link, Talent link and Supply Jersey systems.

The Panel notes the following original and current forecast delivery schedule for ITS Releases 1 – 3:

- Release 1 – originally forecast March 2021, current forecast January 2023
- Release 2 – originally forecast September 2022, current forecast from January 2023
- Release 3 - in increments from April 2023 to August 2023

The Panel notes that Release 4 has yet to be contracted, and no schedule has been provided for Release 3 Additional.

The ITS programme has an allocated budget of £62.52 million to deliver releases 1 to 4 between 2020 to 2023, from 2024 the ongoing revenue implications will be met from allocated budgets within departmental base budgets.

KEY FINDING 26: Projects including MS Foundation, Cyber Programme and ITS Releases 1 & 2 are significantly delayed. ITS Release 4 has yet to be contracted and funding for the ITS programme concludes in 2023. No schedule has been provided for ITS Release 3 – Additional major project.

RECOMMENDATION 22: The Chief Minister must provide further clarity with regard to how ITS Release 4 will be funded and the roll-out schedule for Release 3. Clarity should be provided by Quarter One 2023.

Other Government Wide IT Projects

The Panel notes that Other Government Wide IT Projects currently include the Records Transformation Programme and the Service Digitisation Programme.

The Records Transformation Programme was formally known as the 'Electronic Document Management System' (EDMS). The EDMS underwent a rescoping, and during this process it was identified that both digital and manual pathways were required and as such the revised scope was broadened to include five solution pathways including records destruction, as well as digitisation.

The Service Digitisation Programme has two phases. The first phase will deliver a minimum viable product by the end of 2022. The second phase is a continuation of the funding for service digitisation to enable further development of the Online Services Hub, to digitalise more services and add further capabilities to the platform.

Projects and Programmes: Minister for Treasury and Resources

The Capital Projects and New Revenue Growth Programmes under the responsibility of the Minister for Treasury and Resources are as follows:

New Revenue Growth Programmes

- Additional Bank Charges and Card Fees
- International Tax Team
- Personal and Business Taxation Customer Service
- Governance, Professional Standards and Commissioners of Appeal
- Insurance Cost Increases

Capital Projects

- Community Fund (New and Major Project)
- Reserve for Central Risk and Inflation Funding
- Revenue Transformation Programme (Phase 3) (Major Project)
- Feasibility

The Panel sought further information from the Minister for Treasury and Resources on the programmes and projects listed above via written questions¹¹⁷.

Additional Bank Charges and Card Fees

The Panel notes that the project aligns with the previously reviewed project ‘Government of Jersey Bank Charges’ in the Government Plan 2022-25. The project requires an additional £227,000 from the projected estimate in 2022.

The Panel notes that the requirement for additional funding comes from the increase in card costs resulting from a channel shift to digital payments during the pandemic.

International Tax Team

The Panel understands that this project is an extended programme of work that directly aligns to the ‘Tax Policy and International Team Investment’ programme identified in the Government Plan 2022-25.

The Panel notes an increase in funding of the project from £1,650 million in the Government Plan 2022-25 to £1,746 million in the Government Plan 2023-26. The Panel was informed that this is a 6% increase in the estimate for funding for 2023, relating mainly to the increasing salary inflation for scarce international tax expertise. The Minister has confirmed that efforts to attract high-level tax professionals through a number of channels have been successful.

Personal and Business Taxation Customer Service

The Panel notes that the programme had no allocated funding for 2023. The Minister confirmed that Revenue Jersey currently employ 13 temporary staff members and has noted that operational managers at Revenue Jersey are in conversation with temporary employees to understand their interest to accept permanent posts.

¹¹⁷ [Letter – from Minister for Treasury and Resources – Government Plan Review – 17 November 2022](#)

Governance, Professional Standards and Commissioners of Appeal

£353,000 has been allocated to this project in 2023. The Panel notes that this will assist Revenue Jersey to become more transparent in respect of its internal governance following the publication of its Governance Statement. Additionally, the investment will fund the roll-out of the Jersey Taxation Professional Qualification, which is expected to increase the capability of revenue officers and consequently improve standards of service to Islanders. This project will create one post within the Judicial Greffe to support any new Tax Appeals Tribunal.

Insurance Cost Increases

The Panel notes the required funding for the project is £1,080 million for 2023, £930,000 for 2024 and 2025 respectively, and no allocation for 2026. The Minister confirmed that the funding for 2023 is the best forecast of the anticipated increase in insurance premiums at the time of lodging the Government Plan. It is based on discussions with the insurance broker on the expected increase across all asset classes in combination with forecast increases in the value of the assets covered, e.g., property, machinery and salaries.¹¹⁸

Community Fund (New and Major Project)

The Panel notes that an estimated £1 million has been allocated to the new and major project Community Fund within the Government Plan 2023-26 and £2 million in the subsequent years of the Plan (totalling £7 million for the total project approval).

Considering the previous Panel's amendment¹¹⁹ to the Government Plan 2022-25 in respect of the Technology Accelerator Fund not fulfilling the requirements of the Public Finances (Jersey) Law 2019, the Panel raised concern regarding the lack of information on the Community Fund provided in the Plan.

Article 6 (2) of the Public Finances (Jersey) Law 2019 (Establishment of other funds) states:¹²⁰

“the States must specify on the establishment of a fund for specific purpose the purpose of the fund, the fund’s terms and the circumstances in which the fund may be wound up.”

By not providing this information within the Government Plan Proposition the Panel is also concerned that the Council of Ministers has not adequately met Article 9 (4) (b) of the Public Finances (Jersey) Law 2019 which states:¹²¹

“the government plan must also include any other information that the Council of Ministers believes that the States may reasonably be expected to need to order to consider matters mentioned in paragraphs (2) and (3) and sub-paragraph (a)”

The Panel raised this matter with the Minister for Treasury and Resources in a letter and the following was provided in response:

The Minister for Treasury and Resources:

Depending on the outcome of development work in 2023, the Community Fund may be proposed as a States Fund, and the appropriate approvals would be sought. However, due to the relatively small level of spend, it may be more appropriate to

¹¹⁸ [Letter – Minister for Treasury and Resources – 17th November 2022](#)

¹¹⁹ [CSP – Technology Accelerator Fund – Government Plan 2022-25 amendment](#)

¹²⁰ https://www.jerseylaw.je/laws/current/Pages/24.900.aspx#_Toc83306953

¹²¹ https://www.jerseylaw.je/laws/current/Pages/24.900.aspx#_Toc83306959

*remain a head of expenditure paying out directly from the Consolidated Fund. As no States Fund is being proposed at present, the PFL requirements for States Funds are not relevant.*¹²²

At present, it is the Panel's understanding that the Community Fund is a Head of Expenditure as defined in the Public Finance Law.

KEY FINDING 27: Article 6 (2) of the Public Finance Law (Establishment of other funds) states that when establishing a Fund, the States must specify the purpose of the fund, the fund's terms and the circumstances in which the fund may be wound up. The Panel notes that presently no States Fund is being proposed in respect of the Community Fund.

RECOMMENDATION 23: Should the Community Fund be established as a States Fund, the Council of Ministers must ensure that the requirements of Article 6 (2) and Article 9 (4) (b) of the Public Finances (Jersey) Law 2019 are observed.

Reserve for Central Risk and Inflation

The Reserve for Central Risk and Inflation is a provision against the impact of inflation on capital projects.

The Panel notes that, for the Reserve for Central Risk and Inflation, an estimate of £2 million was allocated for 2023 in the Government Plan 2022-25. This has significantly increased in the Government 2023-26 Plan to £8.1 million. As such the Panel questioned the Minister on this increase in a written letter¹²³:

Corporate Services Scrutiny Panel:

How was the amount of £8.1 million decided upon for 2023, considering the previous estimate of £2 million for 2023 within the Government Plan 2022-2025?

Minister for Treasury and Resources:

The increase in provision in 2023 is due to the increased inflation we are facing on capital projects, and any unused amounts in 2022 would likely be rolled forward to provide additional support.

The Panel sought confirmation from the Minister for Treasury and Resources during the public hearing that the allocation will be sufficient in uncertain times¹²⁴.

Corporate Service Scrutiny Panel:

How confident are you that it will be sufficient to meet the project's objectives, considering the rising inflation and continued volatility/risk in the area?

Minister for Treasury and Resources:

It is a reasonable allocation, but the ongoing uncertainty means it is hard to say with confidence it will be sufficient. If inflationary pressures are higher, we would be required to manage pressures across the Government, within the approvals agree by the

¹²² [Letter – from Minister for Treasury and Resources – Government Plan Review – 17 November 2022](#)

¹²³ [Letter – from Minister for Treasury and Resources – Government Plan Review – 17 November 2022](#)

¹²⁴ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#)

States. For example, there is £140 million allocated to capital, and so there is the opportunity to manage across the programme in extremis.

Revenue Transformation Programme (Phase 3) (Major Project)

The Panel notes that the 'Building Revenue Jersey Team' as identified in the Government Plan 2022-25 was reclassified as Revenue Transformation Programme (Phase 3) in the Government Plan 2023-26. The estimated funding allocated for 2023 in the 2022-25 Government Plan was £2,738 million, the Government Plan 2023-26 estimates an amount of £3,105 million. The Minister for Treasury and Resources provided rationale for this increase and an in-depth update of the programme in his written response, which can be read [here](#).

Alignment

The Panel sought to understand how the proposed projects and programmes that fall under the remit of the Panel align with the Common Strategic Policy and Ministerial Plans.

Deputy S.Y. Mézec:

Chief Minister, how do the proposed additional revenue programmes and capital projects align with the priorities you have proposed in the Common Strategic Policy?

The Chief Minister:

I think our Common Strategic Policy is to show a balanced approach and that puts at its very heart the desire for Jersey to be a community where everyone can thrive. I think that we have readjusted and flexed our budgets in order to do that and to focus on areas where we felt that there was a need for investment such as education and skills.¹²⁵

The written response received from the Minister for Treasury and Resources provided an in-depth explanation of how the proposed New Revenue Growth Programmes and Capital Projects under his remit align with the Common Strategic Policy, which can be read [here](#).

Impact of Projects and Programmes

The Panel gave due regard to the impact of the programmes and projects on staffing levels, department budgets and services.

During the public hearing with the Minister for Treasury and Resources, the Panel investigated the matter¹²⁶.

Deputy S.Y. Mézec:

With staffing challenges that you may have had in Treasury and Exchequer Department recently, do you believe that you have enough funding allocated to you to deliver the various programmes and initiatives you have under your remit?

The Minister for Treasury and Resources:

I do. You are correct of course to raise the staffing issues, which are common, not only across the States, but also right across our economy. It is particularly difficult to recruit professional individuals who we require with specific professional knowledge around taxation and international tax, so it is not surprising that we struggle there to recruit in

¹²⁵ [Transcript – Government Plan 2023-26 Review – Chief Minister](#), page 20

¹²⁶ [Transcript – Government Plan 2023-26 Review Minister for Treasury and Resources](#), page 6

the way that we would like, because of the market premium that those individuals can get in private practice. We have a number of people in temporary positions and we have ongoing conversations with those individuals to see if they would like to become permanent employees. But we can manage and we constantly monitor, but we can manage to deliver our services.

The Panel also received a similar response from the Chief Minister during the public hearing¹²⁷.

Deputy M.B. Andrews:

Okay, thank you. In relation to departmental services, what constraints do you believe there to be, potentially, for say some of your Ministers in their departments in terms of making sure that everything can be achieved?

The Chief Minister:

I think we have mentioned recruitment and retention earlier on and the care with which we took decisions about growth and the emphasis that that growth might have and the requirement on finding people and resource to make the growth happen.

The Panel notes that issues regarding staffing and resourcing give rise to a level of uncertainty in the delivery and growth of projects and programmes.

KEY FINDING 28: Staffing and resourcing challenges across Government departments give rise to a level of uncertainty in the delivery of projects and programmes within the specified timeframes.

The Panel also questioned what benefits the project and programmes are likely to have on Islanders in a letter to the Chief Minister¹²⁸.

Corporate Services Scrutiny Panel:

Are the proposed additional revenue programmes appropriate and what impact are these likely to have on Islanders and Island life?

The Chief Minister:

The Council of Ministers has judged that additional revenue projects were appropriate and represented value for money as part of the Government Plan process. These revenue projects bring both direct and indirect benefits to Islanders. All Islanders expect Government to provide a modern and effective service which in the digital age includes digital service offerings and omni-channel access to services. To enable this, Government must have in place a modern technology foundation and reduce its reliance on legacy, unsupported technology.

¹²⁷ [Transcript – Government Plan 2023-26 Review – Chief Minister](#), page 27

¹²⁸ [Letter – from Chief Minister – Additional Information – 24 November 2022](#)

6 Balance Sheet and States Funds

Finance and Borrowing

The Assembly are asked in the Proposition to approve the proposed Changes to Approval for financing/borrowing for 2023, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals.

Summary Table 2 - Borrowing for 2023						
£'000	Existing Approval	Change to Approval	2023 Approval	2024 Proposed	2025 Proposed	2026 Proposed
Costs of Covid-19	208,520	(208,520)	-	-	-	-
Fiscal Stimulus	29,641	(29,641)	-	-	-	-
Refinancing of past-service liabilities	480,000	(3,000)	477,000	477,000	477,000	477,000
Housing Bond	250,000	-	250,000	250,000	250,000	250,000
Total Approved Borrowing (before Our Hospital)	968,161	(241,161)	727,000	727,000	727,000	727,000
Borrowing for Our Hospital	756,000	-	756,000	756,000	756,000	756,000
Total Approved Borrowing	1,724,161	(241,161)	1,483,000	1,483,000	1,483,000	1,483,000

The FPP note within their annual report¹²⁹ that the interest and bond market environment is less favourable to large scale borrowing than it was a few months ago. Moreover, it notes that the Government Plan proposes no new borrowing and proposes to use underspends from 2021 and 2022 to fully repay the Covid-19 borrowing by the end of 2022.

The Our Hospital Review report¹³⁰ was published on 1st November 2022. The FPP notes that The Government preferred two site option reduces the investment requirement and considers a phased approach to construction which broadly aligns with the economic cycle. Moreover, the FPP agrees that the proposed funding strategy is better suited to the current volatility in financial markets and the economic outlook.

The FPP notes that in the medium-term the Bank Rate is unlikely to return to the historic lows seen over the past decade and will therefore increase Government's borrowing costs and as a result the Government should consider its funding strategy of major capital projects over the medium and long-term.

The Panel's Advisor highlights within his report that the proposed scale of an alternative approach to the modernisation of Jersey's health services is likely to involve less overall capital expenditure and is to be financed through conventional borrowing services, such as taxation. Noting this should reduce exposure of Jersey to long-term risk than the interesting and ambitious approach explored in the Our Hospital Project. However, the Panel's Advisor also highlights that, in reviewing a longstanding project where a lot of work has been undertaken, the Government should be alert in relation to sunk costs; costs that may arise from delays as a result of the cycle of construction sector costs, the need for progress in the underlying service the hospital project has been intended to improve, and the need for a different approach to be supported by appropriate analysis of the business cases involved. The Advisor notes that the

¹²⁹ [Fiscal Policy Panel – Annual Report](#)

¹³⁰ [Our Hospital Review Report](#)

FPP has also observed that borrowing to spread the cost of a large infrastructure over time, such as a hospital project, is reasonable.

The Panel notes that the Council of Ministers lodged an amendment¹³¹ to the Government Plan on 28th November 2022 (the deadline) to amend the previously approved Our Hospital financing costs. The Panel raises concerns that this leaves limited time for States Members to consider a significant change in funding prior to the debate of the Government Plan. The Panel notes that the Future Hospital Review Panel has been re-established in November 2022 in order to scrutinise the most recent developments regarding the project to develop a new hospital for Jersey.

KEY FINDING 29: The Council of Ministers lodged the Twentieth Amendment to the Government Plan on 28th November 2022 to amend the previously approved Our Hospital financing costs. The Panel is concerned that this leaves limited time for States Members to consider a significant change in funding prior to the debate of the Government Plan.

The Panel's Advisor recognises that the new Council of Ministers and the Chief Minister are alert to the real resource constraint on Jersey's capacity to borrow, given it does not possess the full instruments of monetary policy and the potential malign consequences of both spending and taxation on the private sector in the context of an economy with constrained capacity in its construction, housing and labour markets.

In a hearing with the Minister for Treasury and Resources¹³² the Panel sought to understand the Government's position on borrowing in respect of the Government Plan.

Deputy L.J. Farnham:

Interest rates continue to rise, albeit there might be slightly better news ahead being an optimist, nevertheless the cost of borrowing is going up. What priority do the ministerial team - they have had a fairly light morning thus far - place on the minimisation of borrowing?

The Minister for Treasury and Resources:

We have continued to follow the amendment that I made to the previous Government Plan to seek to eliminate borrowing as quickly as possible by using underspends and contingencies which means that we can pay off the covid borrowing by the end of this year and that really is in a large ... to a large degree, because of the strong economic position that we find ourselves in. I hesitate to say this to you, Deputy, we will in due course need to borrow for the hospital but will need to consider the market conditions carefully and do that appropriately.

Deputy L.J. Farnham:

Can you outline or update us on the progress that has been made to ensure the return of unspent funds to the Consolidated Fund to minimise the borrowing requirement?

Group Director, Strategic Finance:

... at the end of each year there is a process by which the Minister can choose to roll forward budgets and in the last 2 iterations of that report there has been a prioritisation of returning underspends. So by not rolling forward into future years that means that less money is available to be spent, which effectively reduces the need to borrow. I

¹³¹ [Twentieth Amendment – Government Plan 2023-26](#)

¹³² [Transcript – Minister for Treasury and Resources](#) – Pg 37

believe it was ... between the 2 years it is around the £100 million that has been returned in that fashion and that has allowed the COVID debt to be reduced. So that was first seen in the Government Plan 2022 where the amount approved was reduced in the previous Government plan, in part due to those underspends being applied and it also has been carried through this year as well. As the Minister said, we are now in a position where we expect borrowing for COVID to be fully repaid by the end of 2022.

It was noted that the Revolving Credit Facility was still in place with an overdraft facility of £500 million.¹³³

The Panel also sought to understand what progress has been made in establishing the borrowing approvals in relation to the pension liabilities.

The Minister for Treasury and Resources:

*The pension liabilities have now been repaid because we went to the market earlier this year and borrowed just under £500 million to do that.*¹³⁴

The Panel’s Advisor highlights that Jersey has a fully funded basic state pension which is very unusual to come across. The Advisor suggests that while Jersey has an aging demography it is relatively well placed in terms of financing intergenerational liabilities of its basic pension system.

States Funds

The Assembly are asked in the Proposition to approve the transfers from one States fund to another for 2023 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.

Summary Table 3 - Transfers of monies between States Funds					
E'000		2023	2024	2025	2026
Transfer From	Transfer To	Proposed	Proposed	Proposed	Proposed
Consolidated Fund	Climate Emergency Fund	4,400	4,400	4,400	4,400
Consolidated Fund	Strategic Reserve (Pensions refinancing)	1,790	2,192	2,605	3,028
Health Insurance Fund	Consolidated Fund (Revenue)	6,100	4,100	-	-
Health Insurance Fund	Consolidated Fund (Capital)	6,350	5,705	-	-
Criminal Offences Confiscation Fund	Consolidated Fund	1,811	777	-	-
Social Security (Reserve) Fund	Social Security Fund	89,000	-	-	-
Strategic Reserve	Consolidated Fund (Hospital capital)	80,100	190,100	241,200	183,300
Strategic Reserve	Consolidated Fund (Capital repayment)	1,000	336	-	-
Strategic Reserve	Consolidated Fund (Hospital borrowing)	3,050	7,010	14,990	19,600

The FPP¹³⁵ recommends the following:

- *Looking further ahead, long-term risks remain and Government should increase the balances of both the Stabilisation Fund and the Strategic Reserve. The Panel re-*

¹³³ [Transcript – Minister for Treasury and Resources](#) – Pg 38

¹³⁴ [Transcript – Minister for Treasury and Resources](#) – Pg 39

¹³⁵ [Fiscal Policy Panel – Annual Report](#)

iterates its recommendation from the summer: with the Covid debt being paid off this year, it would be prudent to allocate surpluses and receipts from Prior Year Basis liabilities to increase the Funds' balances.

- *The Government should ensure objectives for the Funds are clear and should adjust policies in line with objectives. This will be particularly relevant after the actuarial review of the Social Security Funds.*

The Panel sought to understand the position of the Funds during its hearing with the Minister for Treasury and Resources, in particular, regarding the Stabilisation Fund and the Strategic Reserve. Noting within the FPP medium-term report that surpluses were being delivered for 2023-2026, however, that it had been identified that the Stabilisation Fund is depleted and the Strategic Reserve is at a level too low to meet a crisis, the Panel sought to understand what consideration is being given to rebuilding those Funds.¹³⁶

The Minister for Treasury and Resources:

So, yes, I agree with the observations of the F.P.P. that we seek to do that. The fact that we will have paid off the COVID debt by the end of 2022 is positive in this regard because what it means is we can allocate unspent balances at the year end and we will be proposing that if we are able to we would transfer unspent balances, if we have them, up to £7 million into the Stabilisation Fund.

Deputy S.Y. Mézec:

Is that the entirety of the strategy to do that?

The Minister for Treasury and Resources:

That is the short-term strategy while we work on a longer-term or medium-term strategy. Do not forget in 2024 we are quite substantially increasing the liability back again to the taxpayer to put £84 million into the Social Security Fund. That is the right thing to do but it does limit our flexibility to deal with these other strategic long-term issues that the F.P.P. reminds us of.

Considering the recommendation made by the FPP to allocate receipts from Prior Year Basis Liabilities to increase the Funds' balances, the Panel questioned whether this would be actioned.

Deputy S.Y. Mézec:

Will surpluses and receipts from prior year basis liabilities be used to increase the balance of the Stabilisation Fund or Strategic Reserve?

The Minister for Treasury and Resources:

I am expecting that we will use that to increase the Strategic Reserve not the Stabilisation Fund.

Deputy S.Y. Mézec:

Okay, and why would you make that distinction there?

¹³⁶ [Transcript – Minister for Treasury and Resources](#) – Pg 45

The Minister for Treasury and Resources:

I think because it is difficult enough to allocate monies into the Stabilisation Fund where we know that you need funding for short-term economic cycles but we have been able to do that in recent history. It has been virtually impossible to allocate money in recent history to the Strategic Reserve and therefore something that you had not counted on in the first instance. It had been envisaged that we might have needed to use those monies to repay COVID debt but because of economic circumstances we have not, therefore it literally is a once in a lifetime cash flow benefit so it makes absolute economic sense as well to allocate a long-term lifetime windfall into a long-term lifetime Strategic Reserve Fund.

The FPP highlights within its report¹³⁷ that its previous recommendation (in its 2021 Annual Report) to build reserves through transfers to the Stabilisation Fund or Strategic Reserve has not been followed. Moreover, its previous recommendation that a long-term plan is required to increase the size of the Strategic Reserve has also not been addressed in the Government Plan.

KEY FINDING 30: The Government has not observed the recommendations made by the Fiscal Policy Panel in the 2021 Annual Report to build reserves through transfers to the Stabilisation Fund or Strategic Reserve. Moreover, has not addressed the requirement for a long-term plan to increase the size of the Strategic Reserve within the Government Plan 2023-26.

The FPP notes in its annual report¹³⁸ a new projection that indicates a minimum of £14 million should be transferred into the Stabilisation Fund and, as a result of the strong growth in revenues, is suggesting an even larger transfer should be considered as opposed to the previously estimated £7 million within its medium-term report. The FPP observes that the Government Plan does not commit to any transfers to the Stabilisation Fund, although acknowledges that if surpluses of £7 million are available, it should be transferred to the Fund.

KEY FINDING 31: At year-end, should surpluses of £7million be available, the Government Plan acknowledges that unspent balances will be transferred to the Stabilisation Fund as per the projections of the Fiscal Policy Panel's Medium-Term Report. Receipts from Prior Year Basis Liabilities will be used to increase the balance of the Strategic Reserve and not the Stabilisation Fund.

RECOMMENDATION 24: The Council of Ministers must strengthen its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve to rebuild the Funds to appropriate levels and should observe the advice of the Fiscal Policy Panel to transfer a minimum of £14 million into the Stabilisation Fund in accordance with the Panel's new projections, as outlined within its Annual Report 2022. A long-term plan must be developed to increase the size of the Strategic Reserve and must be addressed within the next Government Plan.

The Panel's Advisor also highlights that consideration should be given to the construction of an investment portfolio that could yield a permanent income to defray the costs of future expenditure in the event of an adverse change in the structure of the economy of Jersey.

¹³⁷ [Fiscal Policy Panel – Annual Report](#)

¹³⁸ [Fiscal Policy Panel – Annual Report](#)

The Advisor notes that the Strategic Reserve in particular is directed at accumulating assets to deal with a one-off shock. Given the significance of the scale of the financial sector to Jersey's overall economy and to its tax revenues, the Advisor proposes that consideration should be given to the creation of a fund that can generate a permanent recurrent income to contribute to financing public services if activity and revenue from the financial sector were to start to atrophy.

The Advisor explains in his report that in 2022 income from financial services, GVA and tax receipts will increase along with higher interest rates. Yet consideration should be given to how Jersey would cope in the event of a protracted fall in activity in the financial sector. Not least because of the static growth of finance and the overall Jersey economy since 2000.

Noting that the FPP highlights¹³⁹ the Climate Emergency Fund is insufficient to finance the transition to net zero, the Panel also explored this further during the hearing¹⁴⁰. The FPP recommended that careful use of both taxes and expenditure to create the right economic incentives would be required and that the Government should consider the strategy for financing these challenges.

Deputy M.B. Andrews:

Now the panel notes with the Climate Emergency Fund the value of the fund is decreasing across the Government Plan. So could there potentially be any measures that are introduced to try to maintain the value at some point in time?

The Minister for Treasury and Resources:

But the F.P.P. have rightly said, and it is acknowledged in the Government Plan, that the Climate Emergency Fund is not sufficient for Jersey to achieve net-zero and therefore a sustainable funding strategy will be required in order to do so. The priority of the Minister for the Environment and fellow Ministers at this point is to start spending some of that money so that Islanders can see the benefit in their own transition to net-zero. I absolutely support that. But that it will require the Minister for the Environment with fellow Ministers to work towards a funding strategy that will allow the transition. But that is very early days. We know it has to be done but I am not aware of any work having been done today. If I look back to what was the previous Government had a policy panel that was looking at things like replacement for motor fuel duty, those sorts of things.

Deputy Comptroller:

Yes. So officials are working at the minute on proposals, Minister, for measures that we could look at in terms of climate funding, be they tax measures or other funding measures. So Revenue colleagues are working with Environmental colleagues and with a small amount of external advice in relation to the best direction to take that strategy and how it would build into the overall strategy that we have for the next few years for our projects.

Considering the proposed freeze on fuel duties, the Panel sought to understand the impact of the proposals on the Climate Emergency Fund position in 2023. It was confirmed that the nine pence duty is ringfenced and will continue to fund the Climate Emergency Fund in 2023. It

¹³⁹ [Fiscal Policy Panel – Annual Report](#)

¹⁴⁰ [Transcript – Minister for Treasury and Resources](#) – Pg 20

was further explained that more work is needed on the strategy to fund the Climate Emergency Fund, however, that was being led by the Minister for the Environment.¹⁴¹

The Panel notes that the Funds relevant to the remits of the other four Scrutiny Panels were analysed as appropriate through their review processes and was, therefore not an area of focus for the Panel's review.

7 Conclusion

The shortened lodging period for the Government Plan in an election year has impacted the provision of information relating to it, in particular, the delayed production and publication of the Government Plan Annex which, in the Panel's view, should be published in tandem with the Government Plan considering that the documents are fundamentally linked.

In this iteration of the Plan, the Council of Ministers endeavoured to offer a more concise account of the Government's budget and associated policies. However, the Panel has identified that the Plan and its associated components can be further enhanced.

The Panel is of the opinion that further enhancements can be made to the Government Plan, such as:

- An evident demonstrable link (golden thread) between all the components that make up the Government Programme.
- Detailed mapping of the Budgets that Ministers are responsible for and how the funding is split between projects, programmes and services.
- An annual budget comparison to act as a reference point when reviewing the Government Plan funding proposals.
- Progress updates should be provided for continuing and business as usual projects and programmes.

By enhancing the Plan in these ways, the Panel believes that the Government's transparency and accountability will be improved. The Panel has identified that the Government Plan continues to be inaccessible to members of the public, children and young people. Having reached out to Jersey's Youth Parliament, the Panel proposes a number of ways to ensure the Plan is more accessible to children and young people.

The Panel's Advisor, resultant of his review of the Government Plan and its accompanying components, has also identified further focal areas where improvements can be made. These relate, not only to the Plan's design and the inclusion of other beneficial information, but with regard to how the Government could better frame Jersey's economic and fiscal strategy by utilising administrative data.

The Panel has identified that, considering the more positive outlook in respect of Covid-19, the Government aims to repay the debt borrowed for the response to Covid-19 by the end of 2022, in line with the advice of the Fiscal Policy Panel. Notwithstanding this, the Panel notes that the Government Plan has contingencies built in for 2023 should emergency funding be required in relation to Covid-19.

In light of the Government's proposed action to pay off the debt early, the Panel emphasises the importance of prioritising the allocation of unspent balances to rebuild the reserves of the Stabilisation Fund and the Strategic Reserve. As such, the Panel notes that the previous

¹⁴¹ [Transcript – Minister for Treasury and Resources](#) – Pg 21

Government has not heeded the advice of the Fiscal Policy Panel in 2022, nor developed a long-term plan to increase the size of the Strategic Reserve. The Panel emphasises that a long-term strategy in that regard is also not addressed within this Government Plan and urges the Council of Ministers to strengthen its commitment to rebuilding the Funds to appropriate levels, as recommended by the Fiscal Policy Panel.

Noting the continuing challenges facing Islanders in respect of the cost-of-living crisis and the uncertainty caused by increasing levels of inflation and rising interest rates, the Panel notes these issues have been recognised by the Government and that contingencies have been built into the Plan. However, the Panel notes that the continued pressures will need to be closely managed and that ensuring the provision of appropriate targeted support to Islanders should remain a top priority for the Council of Ministers during this time.

Resultant of its review, the Panel has made 31 Findings and 24 Recommendations. 13 of the Recommendations made are overarching and supported by the other four Scrutiny Panels.

Appendix 1

Panel Membership



Deputy Sam Mézec
(Chair)



Deputy Max Andrews
(Vice-Chair)



Deputy Rob Ward



Deputy Lyndon
Farnham

Terms of Reference

1. To review components of the Government Plan 2023-2026 Proposition [[P.97/2022](#)] which are relevant to the Corporate Services Scrutiny Panel to determine the following:
 - a. The impact of the Government Plan proposals on departmental budgets, savings and staffing levels.
 - b. Whether the proposed additional revenue programmes and capital projects are appropriate and likely to have a positive impact on Islanders and Island life.
 - c. How the proposed additional revenue programmes and capital projects align with the Common Strategic Policy and the aims and objectives of the Ministerial Plans.

- d. Whether the resources allocated to additional revenue programmes and capital projects (including major projects) are sufficient, ensure value for money and are best use of public funds.
2. To assess the expected impact on the ongoing delivery of public services, by Minister, through rebalancing of Government finances.

Budget

- To examine income raising, borrowing and debt management proposals
- To explore how spending will be funded
- To clarify how States expenditure has materially evolved
- To ascertain individual departmental budgets and their feasibility based on future spending
- To examine the deliverability of capital projects
- To consider rebalancing and borrowing plans being sufficient or excessive to meet stated aims.

Financial, economic and growth forecasts

- To examine the levels of income against expenditure
- To examine the assumptions made for the economic forecasts
- To explore the impact of the financial and economic forecasts in Government Plan 2023 on the Stabilisation Fund
- To explore the continued impact of Covid-19 on the 'financial envelope'

Design and implementation of the Government Plan

- To assess reserves; their use, and how they are allocated
- To consider how the treatment of contingencies/reserves, or any other areas of non-routine proposals have evolved in respect of the Government Plan
- To consider the overall fiscal soundness of the Government Plan

Evidence Considered

Public hearings

- Public Hearing with the Chief Minister
- Public Hearing with the Minister for Treasury and Resources

The public hearing transcripts can be viewed on the States Assembly website [here](#).

The webcast of the hearings can also be viewed here up until 6 months after the hearing was held.

Written Submissions

A total of 19 written submissions were received by the Panel and can be viewed [here](#).

Written Questions

The Panel wrote to the following Ministers and received [responses](#) to written questions from:

- Chief Minister
- Minister for Treasury and Resources

Other evidence considered

- Public Finances (Jersey) Law 2019
- Government Plan 6-month Progress Report (2021)
- Government Plan 2021-2024
- Government Plan 2022-2025
- Government Plan 2023-2026
- Common Strategic Policy
- Ministerial Plans
- Fiscal Policy Panel Report (July 2022)
- Fiscal Policy Panel Report (November 2022)
- Income Forecasting Group Report (October 2022)

Review costs

The costs of this review totalled £9,738.40 for consultant fees, advertising and public hearing transcription costs.

What is Scrutiny?

Scrutiny panels and the Public Accounts Committee (PAC) work on behalf of the States Assembly (Jersey's parliament). Parliamentary Scrutiny examines and investigates the work of the Government, holding ministers to account for their decisions and actions. They do this by reviewing and publishing reports on a number of areas:

- Government policy;
- new laws and changes to existing laws;
- work and expenditure of the Government;
- issues of public importance.

This helps improve government policies, legislation and public services. If changes are suggested, Scrutiny helps to make sure that the changes are fit for purpose and justified.

The Corporate Services Scrutiny Panel, scrutinise Government on matters within these two remits. To learn more about the Panel's work – [CLICK HERE](#)

Appendix 2

Advisor Report

Jersey Budget and Government Plan 2023-26

This report for the States' Budget Scrutiny Panel looks at the *Proposed Government Plan and Government Programme 2023-26*, *Ministerial Plans* and the *Proposed Common Strategic Policy* that all contribute to the Government's programme. The report draws on related documents and analysis that are helpful to understanding the context of Jersey's budget and government programmes. The author was invited to help the Scrutiny Panel to review the *Proposed Government Plan for 2022-2025* and wrote a report on it for the then Scrutiny Panel in November 2021. This report draws on the analysis that informed the report on Jersey's budget and government programme last year and develops and amplifies several of the themes that last year's interrogation and analysis of Jersey's government programmes and the constraints and opportunities that the Government of Jersey has and the extent that they are particular and distinctive to Jersey.

While the responsibilities of the States of Jersey and the Government of Jersey mirror those of an English unitary local authority, the distinct constitutional status of Jersey means that its elected members and the officials who advise them in making and administering policy are in a wholly different position from those of an English local authority. Jersey has full discretion over spending, taxation and borrowing. It enjoys much greater policy and legislative freedom than the devolved administrations within the UK. That includes the Parliament and Government of Scotland that is one of the most powerful devolved or regional authorities within a federal structure anywhere in the world.

This offers Jersey opportunities to undertake policy with much greater freedom than most other governments within the British Isles with the exception of the Parliament in Westminster. It does not however have full or complete discretion. It is in a customs union with the UK, and it shares its currency, sterling with the UK, and does not have its own central bank. This is an important constraint on Jersey's fiscal policy and its approach to borrowing in particular, given that its government does not have the instruments to manage monetary policy in the way that jurisdictions that do have their own currency and central bank have, in terms, for example of managing the yield curve on its borrowing. This is an important constraint – it means that Jersey has an obvious and clear budget constraint. In practice this is a realistic assessment of its economy and taxable the capacity that the economy has.

That constraint is matched by the opportunities and flexibility that Jersey enjoys in setting its budgets. It has freedom to decide how to tax, how to spend and whether it wants to run budget surpluses or deficits. Ministers and officials do not have to engage in unusual slights of hand that may appear odd in order to deliver sensible policies within set of constrained and sometimes perverse financial rules framed by an outside authority. It is important that budgets and programmes are framed that use the inherent freedom and flexibility of Jersey's

constitutional status while being alert to the hard budget constraint imposed by the limits of its taxable capacity.

Jersey is an attractive place to live, work and retire to. It is by any measure a hugely successful community and political jurisdiction. At the heart of its political culture is a serious commitment to the rule of law, evidence-based policy making and the sensible replication of international good practice in policy making to Jersey's circumstances. Jersey has taken the opportunity to build a very successful local international financial sector that yields high levels of recurring locally generated value added and tax revenue that reflects the strong contribution that financial services make to the Island's economy

An important part of that success with financial services has been the commitment of the jurisdiction both to the rule of law and a culture of probity where fiduciary duties are understood and taken seriously. An example of the good management in Jersey's public policy having a basic state pension fund that is properly and in normal circumstances fully funded. Few other jurisdictions enjoy this advantage. In the same way the accumulation of strategic reserve investment funds to finance an unexpected large -scale adverse shock, speak to the long- and well-established culture of financial prudence that distinguishes Jersey.

Many of the contemporary economic and social challenges that Jersey faces are the result of Jersey's success over the last sixty and fifty years, not least its success in astutely taking the opportunities to create a significant financial sector. At the heart of them is a property market both for business and domestic use that is expensive and contributes to an acute structural cost of living challenge. Jersey shares the distinctive characteristics of economies that enjoy an unusually large high valued sector that start to outshine other activities and begins to eclipse them

Overall national income and income per head does not translate straightforwardly into rising economic welfare for the community as a whole. Many activities and much property in any use becomes expensive. Economies in this position begin to exhibit not just economic success but negative externalities where market prices for labour and property begin to separate from welfare, utility and amenity in the community. For many people such an economy begins feel like the Curse of the Midas Touch. This perception of a structural cost of living challenge that will not be swiftly tractable in the short and medium terms is reflected in the thinking and policy agenda laid out by the new Government formed after the general election in Jersey in July 2022. An anxiety about living standards, housing and future opportunities, frames the policy ambitions of the Government's programme and the construction of metrics identified to measure the extent of success Government's policy priorities.

Part of the challenge of the Council of Ministers and the wider political community in Jersey will be to identify data on living standard, welfare and economic activity in Jersey to get a purchase on these structural economic challenges and social pathologies. A national accounting framework focusing principally on GVA alone will be insufficient. Supplementing the information from GVA from administrative data and periodic survey data, taking account the costs of collection involved, would be helpful in getting a clearer picture on both economic activity and what that activity means for the welfare of people living on the Island.

Part of getting a purchase on the structural challenges that the Jersey economy should be an appreciation of the complications that arise from the role of finance in the economy and the manner that it interacts with other sectors and property and labour markets on the Island.

Since the Millennium year 2000 there has been hardly any economic growth in Jersey. This slowdown in GVA was apparent before the financial crisis and Great Recession between 2007 and 2009 and could be picked up as early as in the late 1990s. While higher interest rates have the artifact of raising Jersey's GVA and tax revenues in the short-term, policy makers and the wider community should recognise that Jersey needs to generate regular, recurrent and reliable growth, ideally from sources that supplement the activity arising from the financial sector. Moreover, recognising the need for reliable non-financial future growth in measured GVA, may involve tensions with other policy objectives particularly involving land use and planning matters.

A compressed timetable between the general election, the formation of the Government and the preparation and publication of the budget, and the government's four-year programme, mean that inevitably business has had to be transacted with dispatch and in haste. The documents are shorter and better focused than before. It is for example easy to identify the Government's principal policy ambitions and the targets and metrics that are to be used to assess them. Identifying appropriate metrics to track the progress of ambitions that the Government has chosen to address, such as the structural cost of living challenges, is inherently difficult. A further review and refinement of these chosen indicators would be warranted given the ambiguity of interpreting them in a Jersey context.

The Government's various budget plans and documents do not offer a lucid way of following how spending, tax and revenue receipts have evolved over time. There is no information on how spending on different functions has changed and how it will evolve in the course of the government plan. It is therefore impossible to track changing government priorities and ambitions against spending. There is no information about unit costs or an attempt to benchmark public sector costs against the private sector. This makes it difficult to assess the Council of Ministers value for money agenda. This is a significant lacuna given the longstanding concerns about the efficiency of public expenditure in Jersey reflected in the previous ministers' commitment to zero based budgeting and rebalancing agenda.

While much interesting, abstracted analysis informs the documents there is no comprehensive presentation of the services the Government provides, the resources deployed in delivering them, how many people benefit from them such as how many school students are educated in primary and secondary schools, the property portfolio of the Government, its economic value and efficiency of its use, and measures of the extent and quality of the results of the spending.

A change of Government and a fresh approach

Jersey has a new Government as a result of the recent general election in July 2022. The *Proposed Government Plan 2023-26*. The Chief Minister Mrs Moore in her foreword to the Proposed Government Plan described the context that results from the election: 'the public voted for change, for a better way and a fresh approach'. At the meeting of the Scrutiny

Panel in November the Chief Minister expanded on what that means for the *Proposed Government Programme* which ‘takes a fresh approach in terms of it being a new Government, one that has conducted an election in which it has listened to the public’ The Chief Minister said new Government has ‘chosen to focus on a number of matters that we think reflect the desires of the public and also our need to support our front-line services, particularly in education and healthcare so that we can deliver those critical services for Islanders’. There is therefore a conscious change of direction and emphasis.

The Governments chosen priorities

The Government identifies and emphasises different priorities from its predecessor in public service provision. These are education and health service priorities. There is also an emphasis on greater financial caution in terms of medium and longer term borrowing to finance investment and its funding from identified taxation. How these specific priorities were scored against other competing objectives and priorities and the underlying rationale behind the choices is not set out in the documents. In her evidence to the Scrutiny Panel the Chief Minister was helpful and clear in explaining the process that led to the chosen priorities in terms of receiving advice for example from officers but remained reticent with regard to why the choices were made and the trade-offs involved in the policies that were decided.

A changed approach to institutional working

As well as a change of gear in terms of policy priority there is also an intended change in institutional practice. The budget and planning documents emphasis on public consultation. In her forward to the Proposed Government Plan the Chief Minister draws attention to ‘steps taken to improve our accountability, transparency, and how we engage with the public’.

This focus on institutional change is not confined to the manner in which the Government of Jersey engages with the wider public but in the manner that it works itself and with the legislature to which it is accountable. The *Proposed Common Strategy* variously identifies ‘working as a team’, ‘harnessing the expertise of those in Government, the State Assembly, and the public of Jersey’, and ‘being serious and responsive to the Scrutiny process’.

This new Government following the election has three clearly articulated ambitions : an institutional change that emphasises consultation and openness with the public as well as a more collegiate engagement within the Council of Ministers and with the States and its committees; a change in policy priorities and their framing with an emphasis on education and health services within overall service provision in Jersey; and a commitment to financial caution particularly in relation to borrowing. The challenge for any new administration embarking on publicly announced agenda giving to effect of institutional change of this sort behave in manner that is different from its predecessors and clearly noticeable by elected members of the States and the wider public of Jersey in terms of step change in the manner in which it conducts business.

An ambitious agenda to address Jersey’s wider economic and cost of living challenges

The Government of Jersey has a wider and ambitions agenda that goes beyond the explicit principal objectives laid out in the documents. These wider ambitions reflect the particular

circumstances and opportunities that Jersey has and the specific challenges that it has. These challenges arise in many respects from Jersey’s success over the last fifty years. Some are obviously tractable and invite direct remedies others are structural and are less easy to address. These challenges both directly affect the Government in planning its future services and their delivery and the wider functioning of Jersey’s economy.

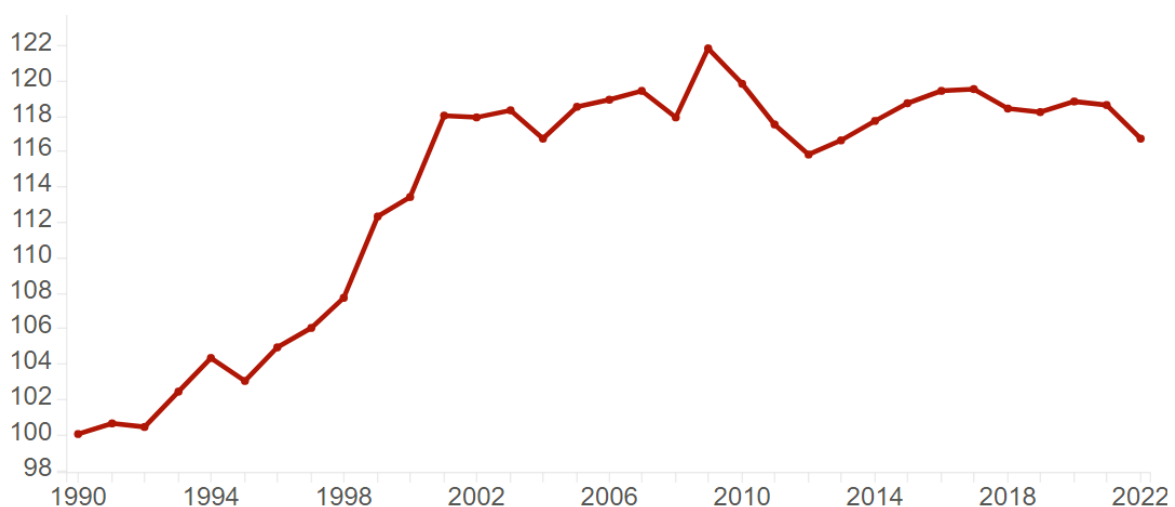
They can be briskly summarised as an expensive cost of living, reflecting a highly constrained housing market, an aging population and a labour market where workers are scarce for all employers both in the public and private sectors, resulting in highly constrained product and labour markets.

Jersey’s economic achievement

The wider economic background that informs these challenges is a hugely successful social market economy based around the careful and astute development of an international financial sector. National Income is a little over £5 billion and Gross Value Added per full-time equivalent employee is £77,000. Average mean weekly earnings were £860 in June 2022 around £44,720 a year. Median weekly earnings were £750 and £39,000. The role that the financial sector has played in this economic achievement is illustrated by the fact that it accounts for almost forty per cent of GDP and mean average earnings in finance are £1,170 a week, £60,840 a year compared to a little over £44,000 in the economy as a whole.

Between 1990 and 2001 real earnings in Jersey grew by 18 per cent. Whereas between 2001 and 2022 average earnings were in real terms unchanged. The inference from this is that Jersey has been hugely successful but may now lack the same level of economic dynamism that it previously exhibited. The chart below from Statistics Jersey illustrates this change from steady growth in earnings to no real growth in them.

Index of average earnings in real terms (June 1990=100)



Source Statistics Jersey

Finance: the golden goose

Jersey's success with an annual national income of over £5 billion a year has resulted from a very large financial sector in relation to Jersey's overall economy. Finance accounts for around two-fifths of national income and 38 per cent of tax receipts and a little over a fifth of employment. In terms of employment the financial sector is over 53 per cent larger than the next largest source of employment by sector the public sector that accounts for 13.9 per cent of jobs.

An important artifact of this huge success is a mature financial sector that has exhibited little or no growth over the last twenty years. The result is that Jersey's GVA has changed little in real terms since the Millennium year of 2000.

Jersey's Growth Challenge

This presents three challenges a community that is overly dependent on one sector, moreover, dependent on a sector that exhibits very high valued added that amplifies cost pressures in the other sectors of the economy and it has long-term a growth problem. The Fiscal Panel in its Annual Report published in November 2022 has assumed a tend rate of growth of ½ per cent per annum, unchanged from the downward revision to its estimate of the trend growth explained in its Medium Term Report published in July 2022.

Jersey needs to identify ways of ensuring that it generates some modest reliable recurrent future growth to maintain and increase the future economic welfare of its residents. Jersey has a double growth challenge. Economic activity is too dependent on one sector, financial services and there has been little overall economic growth during the last two decades. The charts below illustrate overall static growth, and an atrophying in the economic activity generated from financial services and as well as the continuing overall importance of financial services to Jersey's economic activity.

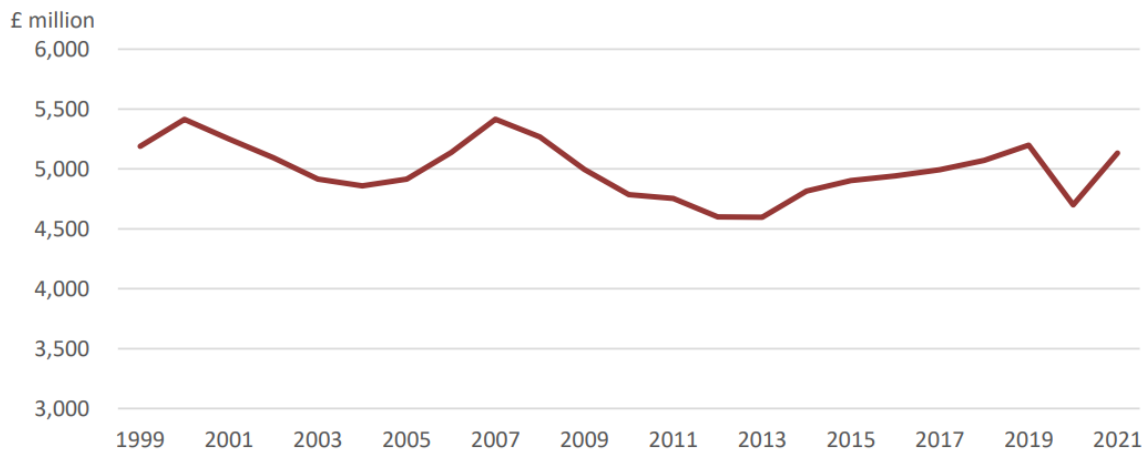
The charts below are taken from Statistics Jersey's report *Measuring Jersey's Economy GVA and GDP -2021* published on 22 October 2022. They offer a cogent picture. In 2021 real GVA in Jersey was £5,131 million little changed from 2000. In 2021 financial services accounted for almost two-fifths of total GVA. Statistics Jersey's report comments that the 'performance of the financial services sector has been central to the overall performance of the Island's economy since at least 1999. In particular, the peaks in total GVA seen in 2000 and 2007 were driven by the corresponding peaks in the GVA of the financial services sector in these years. Similarly, the decrease in total GVA between 2007 and 2013 was largely a result of the decline in the GVA of the financial services sector over that period'.

The report draws attention to the decline in productivity over many years in the financial sector as well as the flat productivity growth of the non-financial sectors. The report observes that 'the long-term decline in productivity experienced by the Island's financial services sector, the productivity of the non-finance sectors overall has been relatively flat'.

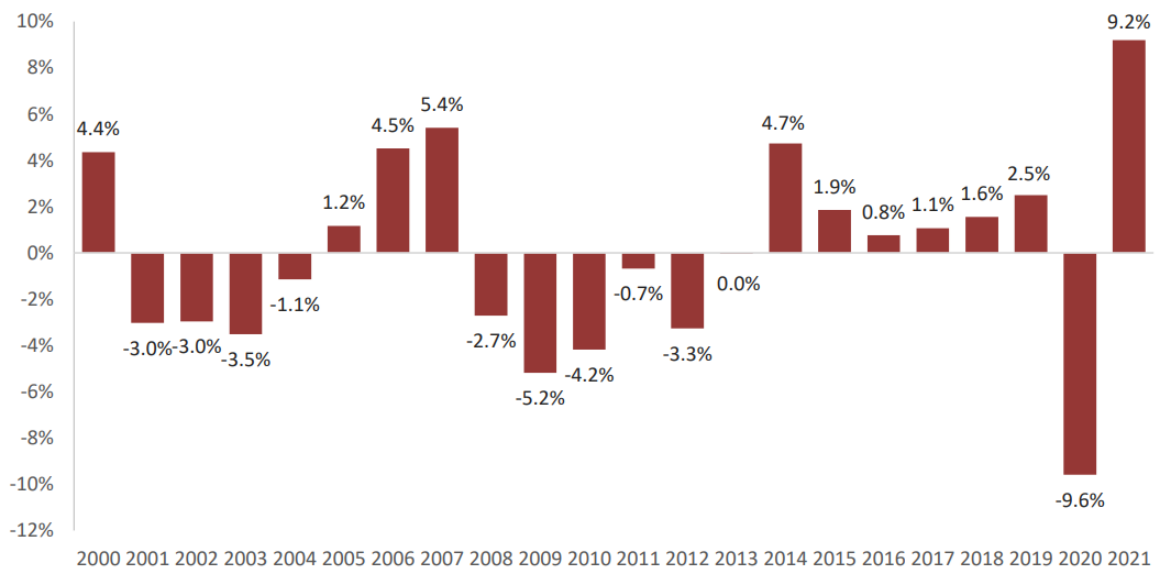
It is difficult not to conclude that Jersey, while by any normal aggregate measure a wealth is successful economy but has a growth challenge. This involves recognising the need to generate growth, in itself, and second to try to stimulate wider sources of economic activity so that growth is more balanced. A growth agenda that focuses on better balanced output

will contribute to an economy that is less vulnerable to an adverse shock generated by one sector and to an economy where economic welfare is generated in a way that is more inclusive with a wider range of employment opportunities as well as contributing to a more stimulating and attractively vibrant community.

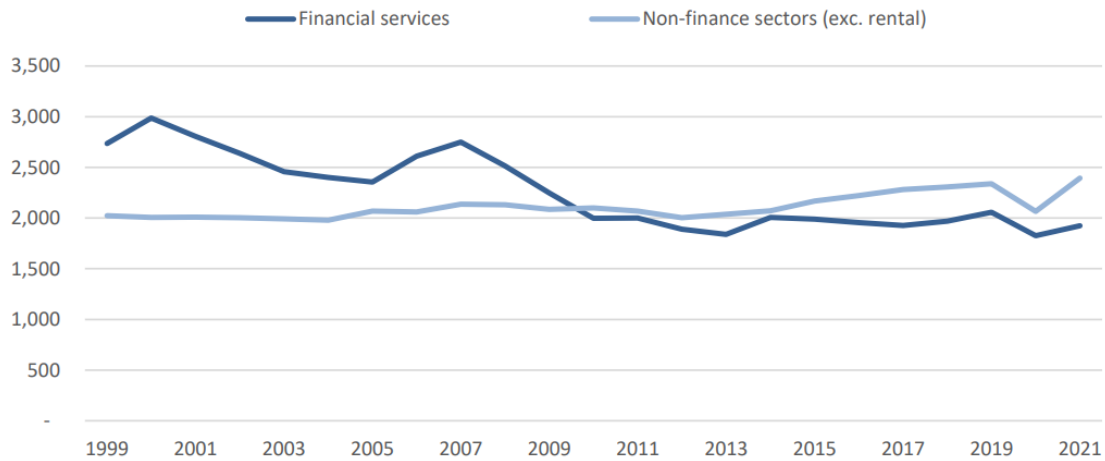
Gross Value Added, GVA at basic, constant prices (2021) £million



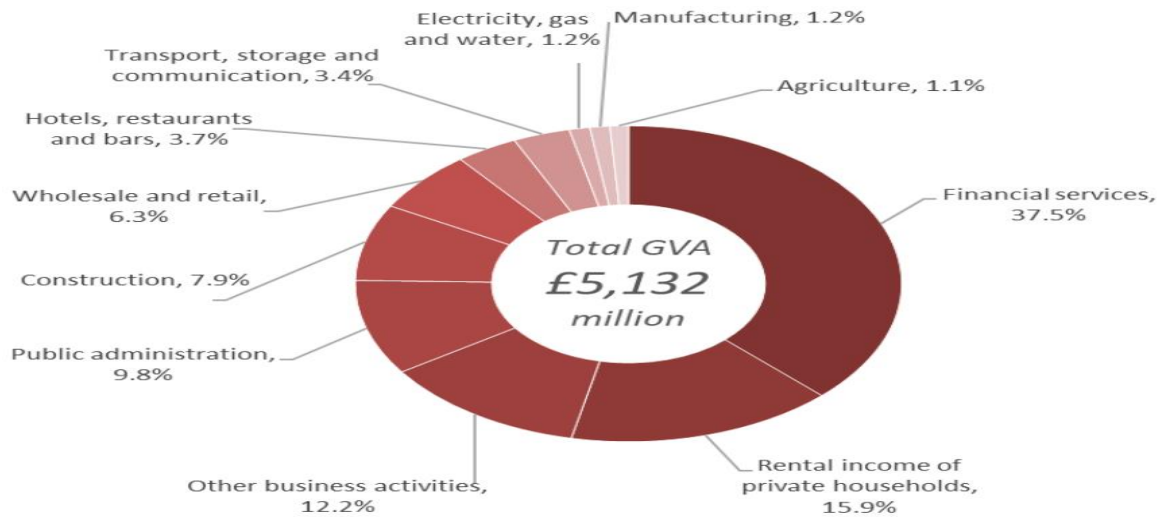
Annual percentage change of GVA basic in real terms, 2002-2021



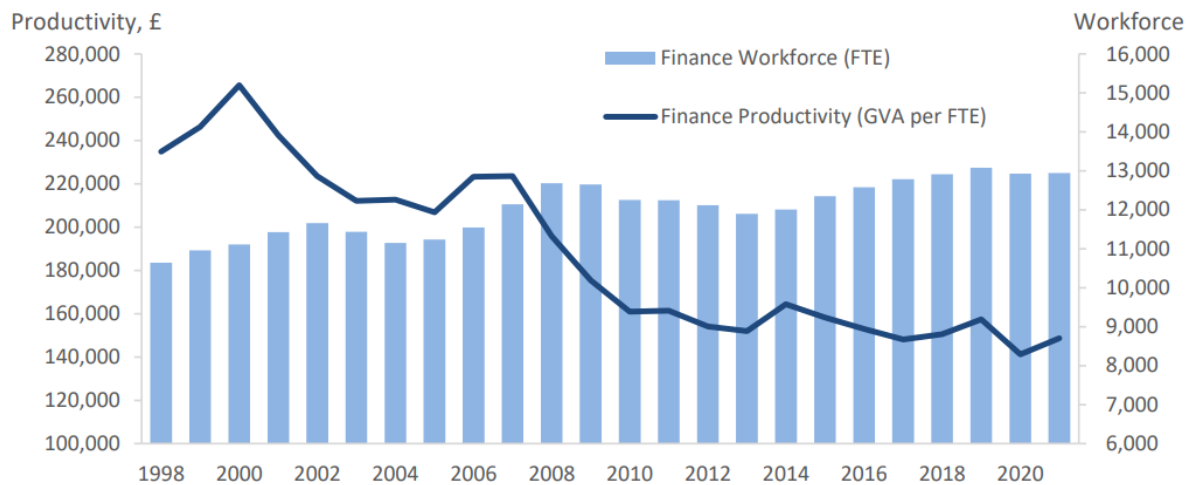
GVA (basic) for financial services sector and non-finance sectors in real terms constant year 2021



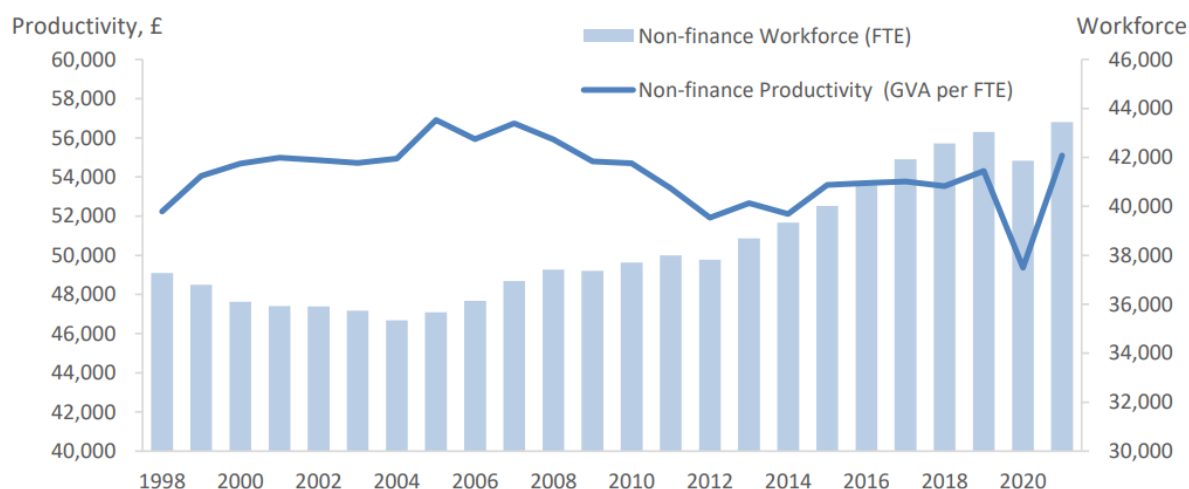
GVA (basic) by sector, 2021



Financial Services productivity (GVA per FTE) in real terms and employment 1998-2021



Non-Financial Services productivity (GVA per FTE) in real terms and employment 1998-2021



The curse of Midas... but there are worse problems to have

Such a large high value-added sector, as finance presents distinctive problems. It is not an exaggeration to describe it as a form of the curse of Midas. While it presents difficulties in terms of housing and other business costs and its challenges should be fully recognised, it should be also understood that it is a good challenge to have compared to many of the other potential economic challenges that small rural islands may have.

Many of the structural social and economic problems that the new Government identifies in terms of the cost of living, housing costs and the difficulty of attracting workers stem from Jersey's large financial sector. The ambitions in the Proposed Common Strategic Policy to improve skills and living standards are a response to this and the distributional problems it creates.

The Government's economic agenda and the chosen indicators to monitor the impact of policy

The Government Plan recognises these challenges in relation to the cost of living and housing and has an agenda that is intended to identify and tackle gaps in skills, that focuses on productivity and technology as well as alleviating cost of living pressures on households. These ambitions are reflected in the indicators identified to assess its progress set out in *Annex 2: Monitoring Impact in the Proposed Common Strategic Programme*. These include increasing real average earnings and real median household income, real total GVA per person and the number of people with above level 4 qualifications.

There are further indicators on housing, education, health and the environment such as increasing coverage of Marine Protected Areas and increasing the land protected as ecological and geological as well as qualitative indicators such as a higher ratio of residents expressing satisfaction with the area where they live and with their housing. These indicators should be reviewed and further refined.

Cost of Living Help and how best to offer further assistance to households under pressure

The Government's recent budget increased the income tax threshold more than the index base would imply to help with the cost of living and has made it clear that it is ready to offer further help if necessary. While higher interest rates raise tax revenue from the financial sector, higher interest rates pose particular problems for households with mortgages given the high cost of housing.

The Fiscal Panel has advised against increasing short term help that boosts demand for houses without increasing their supply, such as raising the tax expenditure of mortgage interest relief.

One route to helping households would potentially be a one-off tax credit or rebate on the model used with success by the US Federal Government over the last twenty years. Such a rebate or credit gives temporary and timely assistance and does not erode the tax base or further distort the housing market. Consideration should be given to exploring whether such an initiative is administratively practical in Jersey and the extent that in distributional terms it could be targeted to contain its costs.

Future of Health services and *Our Hospital Project*

A significant change in policy that has resulted from the election of the new Government is the review of the *Our Hospital* project. That review is outside the Budget and Proposed Government Plan. Inevitably it affects the medium- and long-term financing plans of the Government of Jersey. A smaller, better focused and phased approach that takes careful account of the need for acute and community clinical services to cohere and for spending on capital investment to correspond to current and revenue resources to make use of the capital investment may result in a better health care service in Jersey. The chief Minister in evidence to the Budget Scrutiny Panel made the point by describing the Government's ambition as being to improve health care and health outcomes rather than an emphasis on a hospital project. This review is consistent with a recommendation made to review the project in the report made to the Scrutiny Panel in 2021.

The proposed scale of an alternative approach to the modernisation of Jersey's health services is likely to involve less overall capital expenditure and to be financed through conventional borrowing services through conventional taxation. This should reduce exposure of Jersey to long-term risk than the interesting and ambitious approach explored in the *Our Hospital Project*. However, in reviewing a longstanding project where a lot of work has been undertaken, the Government should be alert in relation to sunk costs, costs that may arise from delay as a result of the cycle of construction sector costs and the need for progress in the underlying service the hospital project has been intended to improve, and the need for a different approach to be supported by appropriate analysis of the business cases involved. The Fiscal Panel has also observed that borrowing to spread the cost of a large infrastructure over time, such as a hospital project is reasonable.

Jersey enjoys an enviable fiscal position compared to other advanced economies

The overall probity of the Jersey Government's public finances remains good and secure. This reflects the good management of the jurisdiction over several generations. Most advanced

economies would envy Jersey's fiscal position: a broadly balanced budget, with some borrowing for long term investment combined with contributions to several reserve funds to enable the Island to manage the financial consequences of a large scale one off adverse shock. The Fiscal Panel advise that greater contributions should be made to the fiscal reserve fund. It has advised that a strategic reserve of between 30 per cent and 60 per cent of GVA would be prudent drawing on the experience of adverse shocks in other countries. The Panel estimate that over the next forty years, assuming a nominal return on assets of 4.6 per cent, the Strategic Reserve Fund will average between 15 and 20 per cent of GDP. The Fiscal Panel in its Medium-Term Report in July 2022 therefore suggested working towards a larger Reserve in the longer-term.

In addition, Jersey has a funded basic state pension. It is very unusual to come across a fully funded social security system. The Causse De Quebec that finances the Quebec Pension is one of the few examples of a properly funded social security system. The US Federal Social Security system is arguably funded, but only invests in US Treasury securities and has significant challenges relating to its long-term solvency. So, while Jersey has an aging demography it is relatively well placed in terms of financing the intergenerational liabilities of its basic pension system. An actuarial review in 2023 will assess its funding position.

The importance of strategic reserves – is it time to take things a step further and accumulate a permanent income fund?

These reserves and the Strategic Reserve in particular are directed at accumulating asset to deal with a one-off shock. Given the significance of the scale of the financial sector to Jersey's overall economy and to its tax revenues consideration should be given to the creation of a fund that can generate a permanent recurrent income to contribute to financing public services, if activity and revenue from the financial sector were to start to atrophy. This year income from financial services, GVA and tax receipts will increase along with higher interest rates. Yet consideration should be given to how Jersey would cope in the event of a protracted fall in activity in the financial sector. Not least because of the static growth of finance and the overall Jersey economy since 2000.

Limits of a national accounting framework in Jersey

Much of the analysis of the Jersey economy and its fiscal plans is framed in an abstracted national accounting framework that refers to the analytical artifacts such as GVA, the trend rate of growth and the extent that the Jersey economy has exhibits and output gap. A microeconomy such as Jersey that has a customs union, common travel area and currency shared with the UK does not reliably lend itself to an analytical lens that focuses on an abstract GDP framework and concepts developed for macro-economic management based around general equilibrium models.

This form of analysis is in practice incomplete for a micro-economy like Jersey. It is not practicable to construct a full set of national accounts looking at income, expenditure and output and the external balance of payments sector. There is no harm in having the national accounts information, but it is important to appreciate its limitations of the information

yielded from a set of national accounts constructed for Jersey and to consider other direct observations of economic activity, particularly that provided by administrative data.

Given the significance of financial services and the international character of Jersey's financial sector it would be helpful to have good information on household spending and consumption. This is to get a purchase on the extent that an international financial sector results in external transfers with the result that part of the GVA it generates flows out and does not contribute to local economic welfare. In economies that exhibit this there can be a divergence between locally generated GVA and locally identified incomes and consumption. Jersey does not have from its income based GVA information about consumption and only carries out a survey of household expenditure every five years. Statistics Jersey is currently carrying out a survey.

The Household Spending Survey 2014/15 recorded that after adjusting for RPI inflation total household spending was 9 per cent lower than in 2009/10. The Household Expenditure Survey carried out in 2002/5 showed that household spending rose by 26 per cent from 1999 while the RPI in the same period rose by 27 per cent implying a slight real fall in spending. This would suggest that there has been a divergence between overall reported incomes and local consumption implying that the evolution of GVA per head is not a straightforward match for local economic welfare. This reinforces the need for better data on contemporary local consumption in Jersey.

Opportunities to make greater use of administrative data

Jersey would benefit from making greater use of the administrative data that it collects about businesses and households and their transactions. In very strict terms administrative data for things such as unemployment claims and bank lending are more accurate than the abstractions involved in the construction of national accounts that rely on delayed, incomplete and often revised data. For Jersey such administrative data and statistical collection is necessary in order to get a proper purchase on local economic activity given the limitations of national accounting in a Jersey context.

The problem of relying on GVA as a proxy for economic welfare of the residents of Jersey

The evolution of GVA and GVA per capita is not a reliable guide to general economic welfare in Jersey, because of the structure of the economy and the significance of the financial sector and the external transfer inherent in being an international financial centre. To get a purchase on the evolution of the economic welfare of households it is probably better to look at how household income and consumption evolves than identifying measures of GVA per capita. Given that the national accounts that generates the GVA series have to use the income approach to measuring national income, the national accounting framework is not able to offer guidance on expenditure and consumption, or the growth potential of the economy. In terms of productive capacity an income measure of GVA will offer no direct information on production although in a rough manner it will do so by indirect inference.

These analytical constraints suggest that as well as making greater use of Jersey's administrative data that in assessing the evolution of living standards household consumption and its distribution is the key. This implies that several of the indicators selected to assess

economic progress and presented in the *Proposed Common Strategic Policy* annex, such as the housing and cost of living indicators should be looked at again to ensure that the Government has a better purchase on the salient metrics. Total GVA and GVA per head may well be useful in assessing the buoyancy of future tax revenue but will be limited in offering information about distribution of economic welfare and general living standards.

Real average earnings in a context of high housing costs are also an incomplete measure of welfare. While there are benefits from looking at real median equalised household income, this indicator will only take policy markers so far. It would not exemplify acute, entrenched and enduring poverty, which is in most advanced economies is the principal social pathology that comprehensive welfare states find difficult to address. Low income and duration, which are key drivers of poverty are not identified by the indicator.

Reviewing and refining the Government's indicators auditing the progress of their priorities

The indicators in *Annex 2: Monitoring Impact* in the *Proposed Common Strategic Policy* are in principle helpful yet would benefit from being reviewed and tightened. Leaving aside the genuine complexity of identifying reliable indicators of evolving living standards and poverty in the Jersey context, the environmental indicators relating to Marine Protected Areas and kilometres of access to coast and countryside and areas of land protected as ecological and geological Sites of Special Interest should be framed in a numerical metric that can be measured. Simply suggesting an increase in them in itself would not represent a challenging or stretch target that can be tested against outcome later.

The Government Plan and its supporting documents have had by necessity to be produced swiftly, given the timing of the July general election, but the plan would benefit from reviewing and revisiting these indicators.

Explicitly recognising tensions between objectives and making trade-offs between them

There is likely to be a tension between the Government's ambitions to raise GVA, to widen economic opportunities and increase access to housing and the indicators relating to the environment and to structure of land use laid out in the Land Use Policy Plan for Jersey, which sits outside this government plan and budget process. There will be genuine trade-offs between a land use policy that constrains construction and development and economic growth and welfare. Navigating these trade-offs is an inherently political matter. It would however be helpful to clarify the trade-offs involved, either explicitly or implicitly made through the political process.

Efficiency, Effectiveness and Economy and value for money in the Jersey public service

There have been long standing issues in relation to how efficiently government spending programmes are delivered. This was reflected in the previous government's rebalancing and zero budgeting agenda. All public sectors exhibit losses of X-efficiency and the public sector in Jersey is not an outlier in needing to ensure better use of resources. The Fiscal Panel has said that unrealised efficiency savings should not be scored as part of the budget arithmetic in the manner that in recent years financial planning relied on expected savings being yielded before they were realised.

Ministers have emphasised the scope to simplify administrative processes in order to achieve savings. It is not clear that simple improvements in process will yield significant reductions in cost. As progress is made with the revised value for money agenda it would be helpful to score where savings are made and to log systematically where they involve a loss or significant modification of service. Ministers should not, moreover, resist identifying services that can be ended and activity that can be reduced as it rearranges the pattern of public services spending to adjust to the changing needs of the residents of Jersey.

Jersey's public sector property portfolio

Part of the value for money agenda should be an audit of the property that the Government of Jersey owns and occupies and a systematic programme to free up property for other uses. The Government should use the information that it has on its property holdings to illustrate the economic value of the resources it is deploying and the potential commercial income and other receipts it could generate to defray the costs of the public services it provides. An audit of the value of the Government's property portfolio should ensure that valuations are not simply presented in at present use valuation but offer rough open market valuation to illustrate the full economic value of the Government's property. This would contribute to a useful debate about the opportunity cost involved in the public sector holding occupying property. Where disposals are made the Government should consider rental and leasing arrangements given the high cost of property in Jersey and the potential changing future needs of Jersey's public service.

Information about Unit Costs

As part of the exercise in obtaining increased efficiency in government spending and as part of its commitment to transparency and professionalism there should be a comprehensive and systematic analysis of what Jersey spends its money on and the unit costs involved, and the cash resources deployed in providing services.

There should be information about the cost of a primary and secondary school place, the cost of a hospital procedure, an hour of domiciliary social care, a police station the deployment of a police car and so on. How much does it cost to maintain a kilometre of road and pavement and to manage a hectare of public park space. How much does it cost to dispose of a ton of refuse.

There should be information as part of this about the property that Jersey's public sector owns and occupies – valued at both its present use and its open market use to illustrate the full economic value of the resources being deployed and used by the Government.

How money is spent by function and how that spending evolves over time.

The budget documents should illustrate how money is spent on the different functions of government such as health, social care, housing, education, police and protection services and transfer payments. These statistics should be presented as ratios so that changing priorities and the changing costs of different forms of public expenditure can be tracked over time. The evolution of spending history should be matched to future spending plans, so that people using and interrogating the Government's budget and spending programmes can see

these things clearly marshalled. Information about the financing of expenditure through taxation and revenue should be similarly available. Different sources of tax and other revenue receipts and how they evolve should be clearly presented illustrating how they evolve over time. The snapshot of cash revenue estimate over four years in a government plan fails to provide the information that is needed either by ministers, elected members of members of the public to start to get a purchase on the principal artifacts driving spending and taxation and the evolution of policy choices that an observer would expect to see in budgets and financial planning over time.

A practical catalogue of the services the Government provides, their cost and the results and quality of the spending – a radical review of the budget and policy planning documents

The Government of Jersey administers and island twenty-five square mile where around 103,000 people live. It provides the combined local services local government, education housing, health, and welfare services and economic functions of both a local or regional authority and those of central government departments of a national government such as economic policy. Yet the extensive documents to contribute to the Government's plan provide no practical guide or information about the services that the Government of Jersey provides its public. How many schools are there? How many primary school and secondary school students does the Government fund? How many libraires are there?

It should be possible to describe these services with information in the government plans identifying the number of schools, the number of primary and secondary school students, the number of libraires, the number of social and affordable housing units, number of children's' homes and number children in foster care, the number domiciliary hours of care that are provided, how many social care days centres there are for elderly people, mentally ill people and the service provision for people of dementia. There should be a comprehensive description of the services that Jersey provides for its public, matched with information about how much is spent on them and information that the Government may have about their quality and user satisfaction.

Conclusions and Recommendations

The *Proposed Government Plan 2023-26* and the *Proposed Common Strategic Policy* offer a more concise account of the Government of Jersey's policies and plans. This enables a reader to obtain a sense of the new Government's ambitions and how it expects them to be assessed.

It is not clear from the published plans or from the Chief Minister and her colleagues how the policy objectives have been chosen and how the Government's plans have been ordered. The process of ministers working with advisers and officials has been explained but not the rationale for the decisions.

The documents, however, suggest an appreciation of the challenges that Jersey faces. Challenges in relation to living standards, housing costs and the wider opportunities that lie outside of finance. The Chief Minister in forwards to the documents clearly appreciates the structural character of much of this challenge.

The new Government plainly has sense of these challenges but has so far expressed them in a reticent manner. Policy and its presentation would benefit from a fuller and more comprehensive expression of the challenges that minister want to address and their causes and the extent that there may be instruments and local policy levers available to mitigate and manage them in a tractable manner.

The new Government has had to put together its budget and programme along with the supporting documents within a compressed and hurried time frame. There should be future opportunities to fashion and express its agenda in a fuller and more direct manner along with a review of information presented in the documents.

Identifying challenging but realistic metrics for assessing policy progress is never easy. The Government should consider reviewing and refining the indicators set out in the Annex 2 of the *Proposed Common Policy* document.

Particular attention should be given to the metrics for assessing progress on living standards such as growth in GVA per person and growth in reported incomes. It may be helpful to supplement these with an estimate of progress on economic welfare that takes account of consumption or household spending. Given the complex social pathologies that wealthy communities in high income advanced economies exhibit, further consideration should be given to relying on the evolution of real mean equalised household income, because of the limited information it provides about households that endure long durations of acute poverty. These indicators are difficult to get right but would be worth considering further.

The new Council of Ministers and the Chief Minister are alert to the real resource constraint on Jersey's capacity to borrow, given it does not possess the full instruments of monetary policy and the potential malign consequences of both spending and taxation on the private sector in the context of an economy with constrained capacity in its construction, housing and labour markets.

The very slow or static economic growth is a problem that need to be taken seriously by policy makers along with the need to foster economic outside of finance both to diversify the Islands economy and to widen the range of local opportunities and to contribute to an interesting and vibrant community.

There is a genuine element of the Midas curse which is an artifact of Jersey's huge success in developing an international financial sector. However, it is important to remember that there are many worse policy challenges to have.

The value for money initiatives probably needs to be sharpened not least with the inclusion of economy alongside the EEs of efficiency and effective as criteria for assessing use of resources. Any losses of service should be identified and scored and there should be evidence of budgets changing somethings being curtailed and other things ended. The Government should frame a programme of public service reform to yield improvements in efficiency and use of resources.

Part of a programme of public service reform should be a comprehensive analysis of unit costs so that minister, elected members and the wider public can see how much different services

costs, how choices between them can be scored in cash terms and how their cost base can be interrogated.

There should be a radical review of the Government's budget and policy planning documents. It should be possible to see how spending and taxation evolves over time and how different functions of government are made or reduced as priorities in public spending and policy.

Jersey's Government provides services for some 103,000 it should be possible to see how much is spent, how many schools there are, how many libraries there are and how many hours of domiciliary care are provided and how much it is spent. Along with this there should be indicators illustrating the results and quality of spending. It should be possible to see how much property is held in the public sector portfolio and its economic worth. It should be possible for the public to get a purchase on what is being spent, why it's being spent and what the result is and there should be a focus on directly identifying the services involved in a practical manner.

The Government should pull these together in a convenient and lucid document. Given the hurried timetable the Government had it was not realistic to expect this to be done this year, but ministers should give careful thought with colleagues in the States about how these papers could be improved in terms of their information and clarity, building on what it has already done so far.

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