Proposed Budget 2025-28 Review

Corporate Services Scrutiny Panel

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S.R.8/2024

States of Jersey
States Assembly

États de Jersey
Assemblée des États

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Chair’s Foreword

The Corporate Services Scrutiny Panel is pleased to provide this review of the first proposed Budget (Government Plan) produced since the new Government was formed following the vote of no confidence in 2024.

Each Scrutiny Panel has reviewed the elements of the Budget that affect their portfolio areas, whilst the Corporate Services Scrutiny Panel has conducted the overarching review. Our report provides detailed commentary on many of the specific proposals which are relevant to our remit.

The Budget debate is an important milestone for the States Assembly to determine the tax and spending priorities for the following year, which we note have changed considerably compared to previous years.

The Budget was lodged earlier than usual to allow detailed scrutiny. In practice, this has not worked particularly well as insufficient information was provided to fully understand the thinking behind, and impact of, many of the proposals. Work on this review was challenging due to the delay in receiving responses to our requests for information. We hope that these delays will not be repeated in future years.

In terms of our public engagement regarding the Budget; throughout Democracy Week, which took place in September, the panel held several pop-up consultation events across the Island and we are grateful to everybody who stopped and spent time expressing their views and concerns about this Budget. Members of other scrutiny panels also attended island schools to engage with children and young people.

It is a matter of regret that the Jersey Youth Parliament is currently paused, and that we were not able to use this forum as a means to seek the views of young people on the States spending plans. For the first time, an online video and youth version were prepared and that change is welcome.

There is still work to be done to communicate the Budget to a wider audience and we have made a number of recommendations in this regard. Our Panel are grateful to all the stakeholders we approached and who provided specific and detailed responses to us, as well as members of the public who gave their feedback.

This Budget is heavily based on the priorities outlined in the Common Strategic Policy of this Government. Whilst this is understandable, there is a lack of clarity around the prioritisation of other projects and the panel make several findings and recommendations around risk analysis and assessment, governance and monitoring, and perhaps most importantly, the impact of reducing budgets on the efficiency of public services. The rationale for the postponement or cancellation of projects should be transparent. And, where budgets increase, the reasons should be clearly stated so there is assurance that money is well spent.

The stated aim to curb growth in the public sector is not underpinned by evidence or compelling data. Indeed, all panels reported a lack of data and insufficient detail in financial information presented. Headline figures have been provided but the lack of availability of Departmental Business Plans has proved problematic.

It is of particular concern that funding for the Cabinet Office has been significantly reduced without a clear rationale. This will impact upon the work of Statistics Jersey who have stated that this will lead to a reduction in output of key statistics. We are concerned that this reduction will have unintended consequences. Close monitoring of the assessment of the impact on service delivery and staff retention as a result of this restructure is critical.

This is the first time that the Corporate Services Scrutiny panel has focused on gender responsive budgeting, and it is an area that we shall be encouraging the Government to develop for future Budgets. This approach will ensure that all sections of our community are considered at an early stage in planning and therefore adequately supported.

As in previous years, the Fiscal Policy Panel Report has been very helpful in the review of the Budget. This Report cautions against including speculative savings in the Budget, due to the risk it will pose to departmental budgets in future years if those savings are not made. This has not been heeded and £4 million of speculative savings have been included in this Budget.

The Panel have put forward two amendments to the Budget. The first amendment is to acknowledge the work continuing in relation to the establishment of a Jersey Public Services Ombudsperson.

The second amendment seeks to reinstate the growth funding for Statistics Jersey to comply with legal requirements of the recently debated Statistics and Census (Jersey) 2018 Law and to ensure that the community, businesses, and the finance industry continue to benefit from robust and timely statistics and data upon which to develop a sound policy base.

Finally, I would like to thank the panel members and our officers for their patience, dedication and skill in producing this report.

Helen Miles

Deputy Helen Miles
Chair of the Corporate Services Scrutiny Panel

Executive Summary

The Proposed Budget (Government Plan) 2025-2028 [P.51/2024] (hereafter "the Budget"), is the first Budget of the new Council of Ministers which was lodged on 2nd August 2024 for debate on 26th November 2024. The financial Annex (published on 13th August 2024), Departmental Business Plans for 2024 and the Council of Ministers' new Common Strategic Policy were viewed in line with the Budget proposals.

The Corporate Services Scrutiny Panel (hereafter "the Panel") launched its review of the Budget on 19th August 2024, which focused, 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, the Panel also considered any overarching themes as appropriately identified during the review process.

The review considered the Budget design, income and expenditure (for 2025), delivering savings, funding proposals for projects and revenue expenditure growth allocations as well as the balance sheet and States Funds. Moreover, due regard was given to the requirements of the Public Finances (Jersey) Law 2019 and the Draft Finance (2025 Budget) (Jersey) Law which will give effect to the revenue measures proposed within the Budget.

Budget Design

The newly entitled Budget was lodged earlier than in previous years to provide a longer period for scrutiny of the proposals. As opposed to the previous two years where Ministerial Plans, Delivery Plans and Delivery Plan Progress Reports were presented as part of the Government Programme suite of documents, this year those documents were not presented. Instead, annual Business Plans for 2024 were made available alongside the Budget.

The Panel has observed in the absence of supporting key information (progress updates on the previous year, details of reprioritisation and business plans for 2025) that the earlier lodging and debate timeline for the Budget has not met its intended aims of providing Scrutiny and the States Assembly with the extended timeframe for reviewing the proposals. The absence of key information has hindered the scrutiny process and negatively impacted the transparency and comprehensibility of the Budget. As a result, the Panel has **recommended** that for all future Budgets delivery progress updates for the preceding year, Ministerial priorities and departmental business plans (to coincide with the Budget year) must be presented to Scrutiny at the time of the lodging of the Budget.

The Panel has identified that the decision to change the title of the Government Plan to the Budget, which is more broadly understood, aimed to improve the accessibility of the Budget. However, no active campaign to communicate the Budget was delivered by Government. The Panel observed that online versions of the Budget were made available to the public as well as versions to accommodate Jersey's youth. To further improve accessibility, the Panel has **recommended** that for future Budgets, Government should develop a communications plan to actively engage members of the public, thereby improving awareness of the process.

The Panel observed that while the Budget demonstrates a clear policy direction through prioritising the thirteen Common Strategic Policy priorities for delivery, that significant challenges and risks are inherent in balancing these priorities with Ministerial goals and ongoing business as usual workstreams. The Panel also identified that the degree of risk analysis and mitigation undertaken for any competing priorities, whilst reprioritising the workstreams, is unclear. Therefore; to prevent any impact to the Island's longer-term goals, the Panel has **recommended** that the Council of Ministers establish a structured risk assessment and mitigation framework specifically for monitoring competing priorities within the Common Strategic Policy priorities.

The Panel observed a significant contradiction between the Government's stated priorities for monitoring and planning, and the decision to reduce funding for Statistics Jersey in 2025. Any reduced funding will affect vital data outputs, which in turn would impact upon informed decision making for both Government and the community. Moreover, will negatively affect the ongoing monitoring of the Jersey Performance Framework and delivery against the Island Outcome Indicators and Future Vision. As such the Panel has **recommended** that investment is made in enhancing data collection mechanisms to ensure continuity for performance monitoring, and that the maintenance of high quality and timely data collection, for feeding into key decision making and policy development, is prioritised.

Although affirmed by the Chief Minister that Sustainable Wellbeing was central to the Council of Ministers' decision-making process when developing the Budget, the Panel concludes that it is difficult to identify what has changed in practice to embed Sustainable Wellbeing from the outset. The Panel has observed that how the success or otherwise of any actions taken for Sustainable Wellbeing are tracked and measured is not clear. The Panel has therefore **recommended** that the Council of Ministers be mindful to demonstrate changes in practice, ensure ongoing Ministerial engagement and take proactive measures to ensure that Sustainable Wellbeing is meaningfully integrated in future Budgets, rather than retroactively. Moreover, that a clear and measurable mechanism to identify how Sustainable Wellbeing is tied to the Budget's proposals be established and included for future Budgets.

The Panel was pleased to observe the Chief Minister's expression of support for Gender Responsive Budgeting and the efforts taken to consider gender and other protected characteristics when developing the Budget proposals, albeit having not yet adopted Gender Responsive Budgeting. As such the Panel has **recommended** for the Council of Ministers to consider taking meaningful steps towards exploring, developing and implementing Gender Responsive Budgeting in Jersey, which will ensure that public resources are distributed equitably and that the needs of all Islanders, including vulnerable groups, are better met.

Financial Strategy – Income and Expenditure

When considering Jersey's economic and fiscal strategy, the Panel has observed that the economic outlook for Jersey in the near term presents a mixed picture, with growth primarily driven by the financial sector. Moreover, while global inflation has decreased, domestic inflationary pressures, particularly in housing and the cost of living, remain a concern. The Panel has identified that real earnings have been negatively impacted by high inflation and low productivity, and that to sustain long-term growth and support an aging population, improving productivity and diversifying the economy beyond the financial sector will be crucial.

The Panel has also identified concerns regarding Jersey's public finances. A particular concern, highlighted by the Fiscal Policy Panel, is the increasing public expenditure which is focused on operational costs rather than capital investments. This trend is expected to lead to operating deficits in 2025 and 2026, with only a small surplus projected for 2027. The rising expenditure in a low-growth economy poses risks of higher inflation and increased imports, which could undermine real income growth. Additionally, the unsustainable growth in healthcare expenditure raises concerns about the potential for difficult trade-offs between funding healthcare and other Government priorities in the future. Moreover, Jersey's declining net asset value as a percentage of Gross Domestic Product (GDP) further signals a reduction in the Island's financial resilience.

In respect of the income proposals, the Panel has identified that although Government endeavoured to engage widely with key stakeholders, the consultation process faced criticism from some stakeholders who felt that the process was more directed to informing them of decisions rather than truly gathering feedback and input. Therefore, the Panel has **recommended** that further consideration be given to how the consultation process can be deepened to ensure that consultation is truly participatory and allows stakeholders ample opportunity to influence important policy decisions. The Panel has observed that the majority of the future tax measures under consideration remain in the policy development stage and will not be implemented before 2026. In particular, regarding the Fuel Replacement Policy, the Panel has **recommended** that a structured and transparent consultation process with stakeholders be carried out at all stages of the policy development.

The Panel found that although some monitoring of the impact of excise duty freezes is undertaken, there is recognition that the long-term effects of these fiscal measures on businesses and Islanders may take time to manifest fully, and that there appears to be a lack of comprehensive monitoring of broader economic impacts across all revenue-raising measures. As such the Panel has **recommended** that a more robust framework for monitoring the longer-term effects of revenue-raising measures be established with a focus on how specific revenue measures affect different sectors, particularly vulnerable groups, in a more granular and systematic manner.

Savings

The Panel found that Value for Money Programme is no longer being utilised in its previous form and that the Council of Ministers has instigated a change in the emphasis in the delivery of savings towards practical and deliverable initiatives that will curb public sector expenditure. The Thematic Reviews have informed the actions taken during 2024 and those set out in the proposed Budget, with the overarching theme for 2025 to address right-sizing Government. Right-sizing Government has been informed by the reduction in growth budgets and new initiatives, Capital Programme deliverability, use of consultants and contractors, vacancy management, focus on removing extraneous activity and Health and Community Services workstreams.

The Panel also observed that the savings proposals for 2025 were primarily identified through an analysis of departmental structures, focusing on reducing reliance on consultants and streamlining back-office functions, rather than cutting frontline services. By prioritising savings in areas with a higher concentration of senior roles it aims to reduce civil service costs without affecting core public service. However, the Panel has identified that reducing back-office capacity also significantly risks technical expertise, which is crucial for supporting evidence-based decision making and effective policy implementation. The Panel is of the view that these consequences have not been fully addressed, and risk remains over the balance between prioritising spending for frontline services and ensuring sufficient resources within support functions are maintained to not undermine essential service delivery.

The Panel found that £4 million of future savings is in the Budget without clarification of how this will be achieved, despite the Fiscal Policy Panel's previous advice against relying on future unspecified savings within the Budget. The Panel has **recommended** that, in alignment with the advice of the Fiscal Policy Panel, that the Council of Ministers refrain from including unspecified savings in future Budgets.

Projects and Revenue Growth Allocation

When undertaking high-level analysis of the projects and revenue growth allocations 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 effect on departmental budgets and resources. This year, in confidence, the Panel received the business cases for the Capital Projects and new revenue growth allocations as well summaries for the Common Strategic Policy priorities. Nevertheless, as very limited detail is provided within the Budget and the accompanying Annex for these, it is the Panel's view that more detail should be made available in the public domain, where possible, to improve clarity and transparency for States Members as well as members of the public.

The Panel found that as part of the reprioritisation process to target funding to deliver against the Common Strategic Policy priorities, an open bidding process for revenue expenditure growth funding was only considered where necessary to meet the Common Strategic Policy objectives. The Panel has **recommended** that for all future Budgets the Council of Ministers provide to Scrutiny a list of the revenue growth bids that were presented, but not successful for either business case commissioning and/or inclusion within the Budget.

Balance Sheets and States Funds

The balance sheet shows the net value of Government's total assets, including capital, reserves and liabilities which measure borrowing and other long-term liabilities. The Panel observed that the value of the Government's physical and financial assets is forecast to increase by £1.216 million between 2024 and 2028 but will be offset by the £505 million addition for non-current liabilities (the New Healthcare Facilities borrowing scheme). Although the Government's net asset nominal value is set to increase, as a percentage of GDP it is forecast to decrease from 116% in 2024 to 111% in 2028.

The Panel identified that in light of balancing day to day spend with financial sustainability for the short (up to 4 years), medium (5 to 12 years) and long term (beyond 12 years), that the Treasury and Exchequer are undertaking two projects. These include a capital plan project, which focuses on spend for assets in the medium to long term (5-25 years) and a project for longer term financial planning, which considers both capital and revenue expenditure and longer-term impact of borrowing and reserves. This work provides tools to assist in developing future budget processes with a longer-term focus. Therefore, the Panel has **recommended** that those projects should be used as a tool to inform the next Budget to focus fiscal policy on the medium to long term, and to align with the advice of the Fiscal Policy Panel that advised that fiscal policy needs be focused on the medium term.

During its review the Panel focused its consideration on the Consolidation Fund, Stabilisation Fund and the Strategic Reserve Fund, in the main. The Panel observed that the Budget sets out the revised policy for the Strategic Reserve. This aligns with a previous recommendation of the Fiscal Policy Panel to ensure that the objectives of all the States Funds are clear and that policies are adjusted in line with the objectives. The Panel has **recommended** that in line with the previous recommendation of the Fiscal Policy Panel, that this work should continue and be reported on for the remaining States Funds, with revised policy proposals for the Stabilisation Fund and Social Security Fund included in the next Budget.

The Panel found that the Government has not observed the recommendations made by the Fiscal Policy Panel in previous years to commit to rebuilding the reserves' balances by prioritising transfers to the Stabilisation Fund and Strategic Reserve. Although the Budget includes measures to increase the value of the reserves, it falls short of the advised targets advised by the Fiscal Policy Panel. The Panel has **recommended** that the Council of Ministers strengthen its commitment to prioritise transfers to the Stabilisation Fund and Strategic Reserve to rebuild both Funds to appropriate levels by observing the advice of the Fiscal Policy Panel. In addition to the commitments made by Government to transfer the Prior Year Basis receipts to the Strategic Reserve, to transfer up to £25 million to the Stabilisation Fund (contingent of available funding in the Consolidated Fund at the end of 2024 and 2025), it is advised that further commitment should be made to transfer any current year surpluses or underspends to the Stabilisation Fund, and to invest any upside of the Pillar Two revenues to the Funds.

The Panel's review has resulted in two **Amendments**, which can be viewed in Appendix 2 of this report, along with **50 Key Findings** and **35 Recommendations**. 19 of the recommendations made are overarching and are supported by the other four Scrutiny Panels. These can be viewed in the section below.

Key Findings

KEY FINDING 1: In the absence of supporting key information, the earlier lodging and debate timeline for the Budget 2025-2028 has not met its intended aims for providing Scrutiny and the States Assembly with the extended timeframe for reviewing the Budget.

KEY FINDING 2: Key supporting information including delivery progress updates for 2024, Ministerial priorities for delivery in 2025 and Departmental Business Plans for 2025, were not presented alongside the Budget 2025-2028 or provided to Scrutiny.

KEY FINDING 3: The absence of in-year and annual progress reporting, or any alternative reporting mechanism for monitoring the delivery of the Budget workstream, presents a risk to the governance and the internal audit function.

KEY FINDING 4: The dissolution of the Delivery Unit, in the absence of ensuring that its functions to support the monitoring, delivery and reporting of Ministerial priorities are carried out in an alternative manner, has negatively impacted the transparency and accountability of the Budget workstream.

KEY FINDING 5: The Council of Ministers changed the title of the Government Plan to Budget to improve its accessibility and public engagement. The online versions of the Budget were also developed with a view for meeting the needs of those with disabilities.

KEY FINDING 6: A video and youth-friendly version of the Budget was produced alongside the Budget, and youth engagement aligned with the Participation Standards for children and young people, delivered by the department for Children, Young People, Education and Skills.

KEY FINDING 7: There was no active Government communications plan for raising awareness of the Budget 2025-2028 with members of the public, outside of the Budget versions being published earlier and online. This was the result of a concerted effort by Government to be financially prudent regarding communications spend.

KEY FINDING 8: When formulating the Budget, the Island Outcomes Indicators, the Jersey Performance Framework and Community and Corporate Risk Registers were all considered by Government. However, despite previous work to refine and improve the indicators and core outcome measures, neither new nor enhanced performance measures have been introduced. It is not clear that work to support departments to improve service performance measures, for delivering more focus and precision when designing future Budgets, has led to any tangible improvements.

KEY FINDING 9: The Future Jersey Vision was considered when developing the Common Strategic Policy and the Budget 2025-2028 to appropriately align the priorities to reflect the long-term ambitions. The Council of Ministers has endeavoured to demonstrate this through the 13 Common Strategic Policy priorities.

KEY FINDING 10: Departmental Business Plans will include Ministerial Priorities. The Business Plan must align with the delivery of the Common Strategic Policy priorities. In developing the Business Plan departments must demonstrate this alignment for the workstream to be identified as a priority in the Business Plan.

KEY FINDING 11: While a clear policy direction is established by prioritising the Common Strategic Policy priorities, there are significant challenges and risks inherent in balancing these priorities with Ministerial goals and ongoing business as usual workstreams. The degree of risk analysis and risk mitigation undertaken for competing priorities, whilst reprioritising workstreams to deliver the 13 Common Strategic Policy priorities, is unclear.

KEY FINDING 12: Effective cross departmental collaboration will be essential for delivering the Common Strategic Policy priorities within the budget allocations and timeframes. Whilst progress for delivering against the Common Strategic Policy will be monitored quarterly at the Council of Ministers and Executive Leadership Teams, the process is unclear for how this will be actively facilitated and monitored across departments.

KEY FINDING 13: The reprioritisation process aims to concentrate resources on delivering the Common Strategic Policy priorities, even if it requires delaying other initiatives. Although the process for reprioritisation incorporated workshops, the use of risk registers to identify tier one risks, and budget feasibility, there appears to be limited formal risk analysis conducted on each decision. Instead, Ministers and senior officials relied on political discretion and practical constraints, such as staffing and resource capacity, when accessing the viability and impact of prioritising certain projects. The reprioritisation process underscores a focus on immediate, essential services and practical outcomes, but with an apparent trade-off in comprehensive risk documentation.

KEY FINDING 14: The reprioritisation within the Capital Programme aligns with the previous recommendation of the Fiscal Policy Panel to reduce the Capital Programme to a more realistic level.

KEY FINDING 15: Although frontline services are prioritised and exempt from the recruitment freeze, the wider impact of the restructure on back-office functions and policy teams, suggest the recruitment freeze could affect the smooth functioning of essential services. The redundancy programme risks the loss of institutional knowledge, Government's capacity to deliver key services, and could negatively impact upon staff morale.

KEY FINDING 16: A significant contradiction was identified between the Government's stated priorities for monitoring and planning, and the decision to reduce funding for Statistics Jersey in 2025. Reducing vital data outputs will limit informed decision-making both within Government and the community and will negatively affect the ongoing monitoring of the Jersey Performance Framework and delivery against the Outcome Indicators and the Future Jersey Vision.

KEY FINDING 17: It is unclear whether a standardised mechanism for tracking Key Performance Indicators is consistently adopted across departments. Any lack in consistency in monitoring and addressing discrepancies in performance, risks effective and coordinated accountability.

KEY FINDING 18: It is difficult to identify what has changed in practice to embed Sustainable Wellbeing from the outset when developing the Budget since the enactment of the Public Finances (Jersey) Law 2019. The Law requires that Sustainable Wellbeing including economic, social, environmental and cultural be accounted for in the proposals of the Government Plan (Budget). However, how the success or otherwise of any actions taken for Sustainable Wellbeing are tracked and measured is not clear.

KEY FINDING 19: While Jersey has not yet adopted Gender Responsive Budgeting the Government has made efforts to consider gender and other protected characteristics through the Discrimination (Jersey) Law 2013, and inclusive policy development when developing Budget proposals. The Chief Minister expressed openness to exploring Gender Responsive Budgeting, acknowledging that the concept could be debated in the States Assembly in the current term. However, challenges such as insufficient data were highlighted, and it was noted that further data collection would be necessary to support its implementation.

KEY FINDING 20: The economic outlook for Jersey in the near term presents a mixed picture, with growth primarily driven by the financial sector and weaker performance in other sectors. While global inflation has decreased, domestic inflationary pressures, particularly in housing and the cost of living, remain a concern. Real earnings have been negatively impacted by high inflation and low productivity. To sustain long-term growth and support an aging population, improving productivity and diversifying the economy beyond the financial sector will be crucial.

KEY FINDING 21: Significant concerns regarding Jersey's public finances, particularly the increasing public expenditure focused on operational costs rather than capital investments, has been highlighted by the Fiscal Policy Panel. This trend is expected to lead to operating deficits in 2025 and 2026, with only a small surplus projected for 2027. The rising expenditure in a low-growth economy poses risks of higher inflation and increased imports, which could undermine real income growth. Additionally, the unsustainable growth in healthcare expenditure, representing 76% of the growth in spending over 2025-2028, raises concerns about the potential for difficult trade-offs between funding healthcare and other Government priorities and Jersey's declining net asset value as a percentage of Gross Domestic Product (GDP) further signals a reduction in the Island's financial resilience.

KEY FINDING 22: The Government endeavoured to engage widely with key stakeholders for the Budget proposals. The process however faced criticism from some stakeholders who felt that the consultation was more directed to informing them of decisions rather than genuinely gathering feedback, and there were concerns that some views were not sufficiently incorporated. Despite the shortened timeline for preparing the Budget 2025-2028, which aimed for an earlier launch, the Treasury and Exchequer maintained that consultation was conducted in sufficient time.

KEY FINDING 23: Some monitoring of the impacts of excise duty freezes and the resulting effect on inflation, particularly using the Economics Unit to model the inflationary impact of duty changes, has been undertaken by the Treasury and Exchequer. There is recognition that the long-term effects of these fiscal measures, particularly on businesses and Islanders, may take time to fully manifest. While the immediate mathematical impact of excise duty freezes on the retail price index (RPI) is assessed, there appears to be a lack of comprehensive ongoing monitoring of broader economic impacts across all revenue-raising measures on businesses, consumers and overall economic growth.

KEY FINDING 24: The proposed 3.6% uprating of Jersey's main tax allowances for 2025 is part of a broader package of measures aimed at alleviating cost-of-living pressures, including the freeze on alcohol and fuel duties and the introduction of a living wage. Jersey's tax allowances are comparatively high, particularly when compared to neighbouring jurisdictions such as Guernsey and the United Kingdom. A broader understanding of how to reduce cost of living pressures is required.

KEY FINDING 25: The decision to freeze alcohol duties for 2025 is aimed at alleviating cost of living pressures and supporting the struggling hospitality sector, and reflects a complex balancing act between economic, social and fiscal priorities. While the freeze is seen as beneficial for consumers and the hospitality industry, it also represents lost revenue for the Government and does not address the broader public health concerns associated with alcohol consumption. More comprehensive solutions are needed to address the rising costs and the cultural shift required around alcohol consumption to resolve the ongoing economic challenges facing the sector. It is noted that the duty freeze may be temporary, with potential increases to align with inflation once cost of living pressures ease.

KEY FINDING 26: The proposed increase in tobacco duties in 2025 is aligned with the Government's public health objectives to reduce smoking rates and alleviate the burden on the healthcare system. However, while tobacco consumption, particularly among young adults, has decreased significantly in response to these increases, concerns remain regarding the shift to more affordable channels and the rise of vaping as an alternative. With the assumption that consumption is increasingly sourced from lower cost imports, revenues would not increase with duty increases. These factors suggest that the impact of tobacco duties on consumption patterns and public health outcomes require ongoing evaluation to ensure the policy achieves its intended goals.

KEY FINDING 27: While the freeze on fuel duties in 2023 and 2024, and its continuation into 2025, has been seen as a necessary measure to alleviate cost of living pressures for Islanders, especially for small businesses and individuals reliant on vehicles, it also presents challenges for Jersey's long-term climate goals. There is a need for a balanced approach that addresses both the immediate cost of living concerns and the future funding of climate initiatives which remains a critical issue for future fiscal planning.

KEY FINDING 28: The preceding Government Plan 2024-2027 proposed a reduction of 9 pence per litre on Hydrotreated Vegetable Oil (HVO) biofuels to support the transition to greener transportation. This reduction, to encourage the use of renewable diesel, was forecast to cost the Exchequer approximately £85,000. The gross decrease in income for 2024 was expected to be £60,000 rather than the £85,000 forecasted, the difference correlating to the increase in consumption. The increase in consumption would increase the amount hypothecated to the Climate Emergency Fund (CEF) by approximately £2,100 with the total cost to the Exchequer to be estimated to be £57,900 for 2024. The forecast consumption for 2025 remained unchanged at £85,000.

KEY FINDING 29: Data suggests a long-term trend that vehicle registrations are declining year-on-year for the middle to higher Vehicle Emissions Duties (VED) bands and increasing in the lowest VED bands. This suggests a consumer preference towards lower emission vehicles. Data also shows that the introduction of the Electric Vehicle Purchase Incentive may have influenced the significant increase in purchases of electric vehicles. Stakeholders have raised concern about the absence of continued Government support for electric vehicle subsidies in the Budget 2025-2028 to continue to incentivise and accelerate the shift to electric vehicles. In addition, that vehicle size and mass, which contribute to embodied carbon emissions, are not adequately addressed in the current VED policy. Further concern is raised that the VED increases may lead to unintended economic consequences, such as incentivising the retention of less efficient vehicles by consumers and small business owners who get 'priced out' of being able to purchase a new vehicle, or negatively affecting young people entering motorsports who purchase high-emission vehicles for infrequent recreational use.

KEY FINDING 30: The 60-day threshold for short-term visitors has been well received, however, establishing the take-up and benefit is proving challenging and options to monitor the relief are being explored by Revenue Jersey. The Reg-Tech Super Deduction and unilateral relief will be monitored through company and personal income tax returns respectively. Additional measures to remove frictions in the tax system and administrative processes to support mobile workers and their employers is a priority workstream for 2025.

KEY FINDING 31: Stakeholders are supportive of the Excise Duty Relief for Craft Spirits Producers highlighting the economic benefits, potential consumer interest and the growth opportunities for small Jersey businesses. Suggestions have been made to consider extending the relief to other local industries with consideration for wine producers and for industrial, medicinal and scientific purposes. (This finding reflects the original budget proposal).

KEY FINDING 32: Meaningful consultation on the Fuel Replacement Policy is being sought by key stakeholders at every stage of the policy development process to ensure ample opportunities for those impacted by the change to provide input. Replacing fuel duties with an alternative revenue-raising measure is generally accepted as a sensible evolution to balance fiscal needs and road maintenance requirements.

KEY FINDING 33: It is Government's clear ambition to introduce a tax on vaping products to address the related public health concerns, particularly for young people. The role of vaping in helping smokers to transition away from tobacco was raised by stakeholders, and the need to appropriately balance the tax threshold to avoid discouraging smokers from switching to vaping, which is seen as a reduced- risk alternative. In addition, stakeholders agreed that consideration should be given to how the tax revenue could be used to fund education, prevention and cessation programmes related to both smoking and vaping.

KEY FINDING 34: Work is continuing to develop Government's understanding of how the 'Tap Relief' mechanism might operate in Jersey and to appropriately scope the relief to meet the needs of Jersey and local hospitality businesses. Implementation of any relief will not take place before 2026.

KEY FINDING 35: The Fiscal Policy Panel within its Annual Report for 2024 sought a formal commitment that any monies in excess of the forecasted base case amounts for Pillar Two receipts would be allocated to rebuild the Stabilisation Fund and Strategic Reserve balances. A formal commitment has not been made.

KEY FINDING 36: All the future tax measures in the Budget 2025-2028 are policy under development and are unlikely to be implemented before 2026.

KEY FINDING 37: A further Classification of Functions of Government report was not published at the time of publishing this report.

KEY FINDING 38: Under Article 10 of the Public Finances (Jersey) Law, the Council of Ministers must include budget submissions from non-ministerial bodies in the Government Plan. These were submitted and discussed at Council of Ministers workshops during the development of the Budget, alongside business cases received for additional budget requests.

KEY FINDING 39: As part of the reprioritisation process to target funding to deliver against the Common Strategic Policy priorities, an open bidding process for Revenue Expenditure Growth funding was only considered where necessary to meet the Common Strategic Policy objectives.

KEY FINDING 40: There is no additional provision for the Capital Risk and Inflation Reserve in 2025 as opposed to the Government Plan 2024-2027. There is currently £9 million in the Capital Risk and Inflation Reserve in 2024, and it is intended that amounts not required in 2024 will be carried forward to 2025. Capital pressures arising in the year will be met through reprioritisation within the wider programme where possible.

KEY FINDING 41: The Value for Money Programme is no longer being utilised in its previous form. The Council of Ministers has instigated a change in the emphasis in the delivery of savings towards practical and deliverable initiatives that will curb public expenditure, with a strong focus remaining on delivering the savings previously approved for 2024. The Thematic Reviews have informed the actions taken in year (2024) and in those set out in the Budget 2025-2028. The overarching theme is to address right-sizing Government, which has been informed by the reduction in growth budgets, new initiatives, Capital Programme deliverability, use of consultants and contractors, vacancy management, focus on removing extraneous activity and Health and Community Services workstreams.

KEY FINDING 42: The savings proposals for 2025 were primarily identified through an analysis of departmental structures, focusing on reducing reliance on consultants and streamlining back-office functions, rather than cutting frontline services. Prioritising savings in areas with a higher concentration of senior roles aims to reduce civil service costs without affecting core public service.

KEY FINDING 43: Reducing back-office capacity significantly risks technical expertise, which is crucial for supporting evidence-based decision-making and effective policy implementation. The potential consequences of this were not fully addressed, so a risk remains over the balance between prioritising spending for frontline services and ensuring sufficient resources in support functions are maintained so as to not undermine essential service delivery.

KEY FINDING 44: £4 million of future savings is in the Budget without clarification of how this will be achieved. The Fiscal Policy Panel reiterates previous advice and cautions against relying on future unspecified savings.

KEY FINDING 45: The Budget 2025-2028 refers to the department currently known as Modernisation and Digital (M&D) as Technology and Digital Services (TDS). Reprioritisation of spending within Technology and Digital Services for technology projects is aimed at focusing resources on delivering foundational projects before commencing new projects, which is how savings have been identified in this department. It is not clear to what extent different departments' digital priorities have been considered.

KEY FINDING 46: The level of cross cutting oversight of Technology and Digital Services in relation to projects across Government departments is uncertain, as an architectural blueprint or digital strategy for Government was not yet available.

KEY FINDING 47: While several departments have aspirational goals to improve customer service and digital service delivery for Islanders, the prioritisation and reprofiling of technology projects have delayed the intended timelines for these enhancements.

KEY FINDING 48: In light of balancing day to day spend with financial sustainability for the short (up to 4 years), medium (5 to 12 years) and long term (beyond 12 years), the Treasury and Exchequer are undertaking two projects. These include a capital plan project, which focuses on spend for assets in the medium to long term window (5-25 years), and a project for longer term financial planning, which considers both capital and revenue expenditure and longer term impact of borrowing and reserves. This work provides tools to assist in developing future budget processes with a longer term focus.

KEY FINDING 49: The Budget sets out the revised policy for the Strategic Reserve. This aligns with a previous recommendation of the Fiscal Policy Panel to ensure that the objectives of all the States Funds are clear and that policies are adjusted in line with the objectives.

KEY FINDING 50: The Government has not observed the recommendations made by the Fiscal Policy Panel (FPP) in previous years to commit to rebuild the reserves' balances through prioritising transfers to the Stabilisation Fund and Strategic Reserve. The FPP has emphasised that a stronger commitment is needed to replenish both the Stabilisation Fund and Strategic Reserve. The FPP recommends that the value of the Strategic Reserve should be equal to between 30-60% of Gross Value Added (GVA), however, will only be equal to 17% of GVA in 2028. Although the Budget includes measures to increase the value of the reserves, it falls short of the advised targets.

Recommendations

RECOMMENDATION 1 (OVERARCHING): The Council of Ministers must ensure for all future Budgets that supporting key information is published and provided to Scrutiny as a single document at the time of the lodging of the Budget. Information must include delivery progress updates for the preceding year as well as Ministerial priorities and Departmental Business Plans to coincide with the Budget year under review.

RECOMMENDATION 2 (OVERARCHING): The Council of Ministers must ensure that a mechanism is established to provide periodic reporting on delivery progress for the Budget. Reports must be published both in-year and annually for all future Budgets to provide the required transparency, governance and accountability for project delivery within the approved timelines and allocations of funds.

RECOMMENDATION 3 (OVERARCHING): The Council of Ministers should develop a communications plan to actively engage members of the public and raise awareness of the Budget process.

RECOMMENDATION 4 (OVERARCHING): The Council of Ministers should encourage Ministers to complete Children's Rights Impact Assessments (CRIAs) when developing the Budget as appropriate. The Council of Ministers should produce a detailed list to identify the CRIAs that were completed in relation to the Budget, which should be accessible alongside all future Budgets.

RECOMMENDATION 5 (OVERARCHING): By the end of Q1 2025, the Council of Ministers must establish a structured risk assessment and mitigation framework specifically for monitoring competing priorities within the Common Strategic Policy. This should include consideration for the criteria for identifying and categorising risks associated with each Common Strategic Policy priority, with a mechanism to periodically measure progress and risk levels to ensure adjustments can be made promptly where risks are identified or threaten long term goals. Responsibility for monitoring and reporting must be assigned to designated leads within the departments to ensure accountability across the departments. Quarterly reports must be produced to highlight specific risk mitigation strategies and be provided to Scrutiny.

RECOMMENDATION 6 (OVERARCHING): Cross-departmental collaboration must be targeted with consideration for shared planning tools and regular interdepartmental meetings focused on managing and mitigating risks identified within the Common Strategic Policy priorities. This should be implemented by the end of Q2 2025.

RECOMMENDATION 7 (OVERARCHING): To ensure that the reprioritisation process for delivering the Common Strategic Policy is transparent, efficient and minimises risk to essential services, the Council of Ministers should establish a risk assessment within the reprioritisation process. This should include a risk review protocol to develop clear assessment and documentation of the risks associated with delaying and deprioritising projects to establish the impact on essential services, the community and the Government's strategic objectives. This should be established by Q3 2025.

RECOMMENDATION 8 (OVERARCHING): A report detailing which projects have been deferred, cancelled or reprioritised, along with the rationale, cost-benefit analysis and risk mitigation strategies employed, should be published to enhance transparency and understanding of the trade-offs made to deliver the Common Strategic Policy priorities. The first report should be published by Q3 2025 with a future report to coincide with the lodging of all future budgets.

RECOMMENDATION 9 (OVERARCHING): Prior to any further structural changes or staffing reductions, the Council of Ministers must ensure that a comprehensive Impact Assessment is conducted to consider the effects on service delivery, capacity, morale and the long-term resilience of departments. The assessment should include specific measures for mitigating risks associated with the loss of institutional knowledge, particularly at senior levels.

RECOMMENDATION 10 (OVERARCHING): The Council of Ministers must ensure that measures are in place to protect critical back-office and policy functions which recognise their critical role in enabling effective service delivery on the front line. A flexible approach should be taken to ensure that expertise and capacity in these areas are preserved, particularly where expertise is vital to the delivery of Government priorities, such as health policy development.

RECOMMENDATION 11 (OVERARCHING): As the restructuring process progresses, the Council of Ministers should continually monitor its impact, particularly on service delivery and staff retention. Where gaps in capacity are identified, a clear process must be in place to address this, including through the reallocation of resources, redeployment or recruitment where required, to ensure that the Government is able to deliver on its priorities effectively.

RECOMMENDATION 12 (OVERARCHING): Succession planning processes should be strengthened, particularly at senior levels, to ensure that departments retain the necessary skills and institutional knowledge. Consideration should be given to mentorship programmes, internal training opportunities and clear career progression pathways to ensure that key functions are maintained without compromising service quality.

RECOMMENDATION 13 (OVERARCHING): The Council of Ministers must invest in enhancing data collection mechanisms to ensure data continuity for performance monitoring, and should prioritise the maintenance of high quality, timely data collection that feeds directly into key decision-making processes and supports evidence-based policy. As strategic investment in data collection and analysis improves efficiency and reduces the need for reactive decision-making based on incomplete or outdated information, the Council of Ministers must effectively balance any decision to reduce statistical outputs against long term benefits of informed policy development.

RECOMMENDATION 14 (OVERARCHING): The Council of Ministers should take appropriate steps to clarify and strengthen the mechanisms and metrics in place for the assessing, monitoring and reporting of Key Performance Indicators to ensure consistency across departments. Clear processes should be in place for managing any identified discrepancies in departmental Key Performance Indicators, with specific measures and actions for supporting departments in improving performance.

RECOMMENDATION 15 (OVERARCHING): The Council of Ministers should consider how transparency in monitoring departmental spending can be enhanced so that public service performance and spending are transparently evaluated, governed and communicated to the public.

RECOMMENDATION 16 (OVERARCHING): The Council of Ministers must be mindful that the Public Finances (Jersey) Law 2019 should demonstrate changes in practice and must ensure ongoing Ministerial engagement and take proactive measures to ensure Sustainable

Wellbeing is meaningfully integrated, rather than retroactively in all future Budgets. Consideration should be given for establishing a process to embed Sustainable Wellbeing in core decision-making at all stages of the budgetary decisions. The Council of Ministers should also strengthen monitoring and reporting of Sustainable Wellbeing embedded in the Budget to assess the impact. This should include establishing a clear and measurable mechanism to identify how Sustainable Wellbeing is tied to the Budget's proposals with indicators that are specific, measurable and linked to the long-term outcomes. This should be actioned for all future Budgets.

RECOMMENDATION 17 (OVERARCHING): The Council of Ministers should consider taking meaningful steps towards exploring, developing and implementing Gender Responsive Budgeting in Jersey to ensure that public resources are distributed equitably and that the needs of all Islanders, including vulnerable groups, are met. The Council of Ministers should report back to Scrutiny and the States Assembly on the trajectory for progressing this workstream by Q2 2025.

RECOMMENDATION 18: The Council of Ministers should consider how it can improve the consultation process for revenue raising and relief measures to ensure that it is truly participatory to demonstrate that feedback is genuinely taken into account, giving stakeholders ample opportunity to influence policy decisions.

RECOMMENDATION 19: The Council of Ministers should establish a more robust framework for monitoring the longer-term effects of revenue raising measures, including excise duties, on businesses, consumers, and the economy. Ways of monitoring how specific revenue measures affect different sectors, particularly vulnerable groups, in a more granular and systematic manner should be considered.

RECOMMENDATION 20: The Council of Ministers should invest in improving data collection and economic forecasting tools to better understand the broader and longer-term implications of fiscal measures, including improving the granularity of data in key areas like inflationary pressures, employment trends and sectoral impacts. The Council of Minister should consider expanding the scope of economic modelling to include more detailed assessments of how revenue measures may interact with broader economic and social factors, such as household income levels, business growth and sector-specific productivity.

RECOMMENDATION 21: The Council of Ministers should review the long-term social, economic and fiscal impacts of freezing alcohol duties, including the potential health and public sector costs associated with alcohol consumption. This review should consider alternative measures to support both the hospitality sector and public health, such as targeted subsidies or incentives for responsible drinking practices, alongside fiscal policies that help alleviate cost-of-living pressures. Additionally, the Government should continue to actively engage with the hospitality sector, public health experts and economic analysts, to assess the effectiveness of the duty freeze and explore sustainable solutions for both industry support and reducing the social costs of alcohol for future Budgets.

RECOMMENDATION 22: The Council of Ministers must closely monitor the effectiveness of the tobacco duty increases in achieving both public health and fiscal objectives. Specifically, the long-term impacts of the increased tobacco duties on smoking prevalence, including the potential unintended consequences such as increased reliance on duty-free channels and rising consumption of vaping products must be evaluated. Alternative revenue-raising measures as smoking rates decline should be explored, ensuring a balanced approach that continues to support public health while maintaining fiscal sustainability. Key stakeholders and public health experts should be engaged with when developing policy to ensure it meets both public health and revenue goals in a sustainable manner.

RECOMMENDATION 23: The Council of Ministers must actively progress consideration for introducing a comprehensive long-term strategy to replace fuel duty revenues to support its climate neutral agenda. This strategy should focus on incentivizing the transition to low-emission alternatives, such as electric vehicles (EVs), while ensuring continued financial support for the carbon-neutral roadmap. When exploring options, careful consideration of their impact on different demographics, particularly those who are dependent on vehicles for daily activities must be considered. Any continued short-term initiatives that provide financial relief to households, should be balanced as to not undermine the Island's long term sustainability goals. Key stakeholders must be engaged with to ensure that the fiscal measures are aligned with the broader objectives of the Island's climate agenda. Proposals for a fuel duty replacement policy much be included within the next Budget for 2026.

RECOMMENDATION 24: The Council of Ministers must keep the Vehicle Emissions Duties policy under review and consider how to accommodate for vehicle size and mass (embodied carbon emissions), alongside tailpipe emissions, to reflect the full environmental cost of vehicles more accurately. In parallel, enhancing incentives for encouraging the shift to electric vehicles should be considered. The policy must be closely monitored to assess the potential for any unintended consequences to lower income consumers and small businesses. Key stakeholders must be engaged with to ensure that the fiscal measures are aligned with the broader objectives of the Island's environmental goals and economic realities of consumers and businesses.

RECOMMENDATION 25: The Council of Ministers must regularly assess the economic impact of the revised Excise Duty Relief for Craft Spirits Producers measures on small producers, local businesses and the hospitality sector. This would provide valuable data to inform any future policy adjustments and further support for Jersey's economic and cultural objectives. In doing so consideration should also be given to the potential for extending the duty relief to other relevant local businesses to expand the support to artisanal producers and potentially for industrial, medicinal and scientific purposes. (This recommendation reflects the original budget proposal).

RECOMMENDATION 26: The Council of Ministers must establish a structured and transparent consultation process for all stakeholders affected by the Fuel Replacement Policy. This should be carried out at all stages of policy development. This should include regular updates, feedback channels and ample opportunity for the industry to provide input throughout the policy development stages. Careful consideration should be given to the impact of any chosen policy on all stakeholders and transparent and timely engagement on any changes must be ensured.

RECOMMENDATION 27: When establishing the public health-oriented tax policy for vaping products, any initial excise duty on vaping products should avoid a sharp rise in costs for consumers transitioning from smoking to the reduced-risk alternative of vaping. An appropriate balance should be achieved whereby the tax can support public health by continuing to encourage the shift away from combustible tobacco. Consideration should be given to how a portion of the tax revenues can be earmarked to fund education, prevention and support programmes, which would align with the health objectives and community concerns regarding vaping among young people.

RECOMMENDATION 28: Engagement with stakeholders must be strengthened, particularly with the hospitality sector, while developing the 'Tap Relief' policy to ensure that the chosen model appropriately aligns with both the Government and business need.

RECOMMENDATION 29 (OVERARCHING): The Council of Ministers must provide to Scrutiny a list of the Revenue Growth bids that were presented, but not successful for either business case commissioning and/or inclusion within the Budget. This information should be provided to Scrutiny each year at the time of lodging of the Budget.

RECOMMENDATION 30: In alignment with the advice of the Fiscal Policy Panel the Council of Ministers must refrain from including any unspecified savings in future Budgets.

RECOMMENDATION 31: The architectural blueprint demonstrating all the digital projects across Government departments are designed to common standards must be made available to Scrutiny. The list detailing the prioritisation of all technology projects, alongside an update on any progress to a digital strategy for Government services must be made available to Scrutiny by end of Q4 2024.

RECOMMENDATION 32: A risk assessment of the digital reprioritisation of technology projects across Government departments should be conducted to monitor the potential impacts on departments, public services and customer satisfaction. These assessments should identify high-risk areas where delays could significantly affect Islanders' access to services. The risk assessments should be reviewed quarterly and provided to Scrutiny. The first to be completed by Q1 2025.

RECOMMENDATION 33 (OVERARCHING): The capital plan and longer term financial planning projects undertaken by the Treasury and Exchequer, should be used as a tool to inform the next Budget to focus fiscal policy on the medium to long term, and to align with the advice of the Fiscal Policy Panel that advised that fiscal policy needs be focused on the medium term.

RECOMMENDATION 34: In line with a previous recommendation of the Fiscal Policy Panel, the Council of Ministers must ensure that the objectives of the States Funds are clear and that policies are adjusted in line with the objectives. This work should continue to be carried out and reported for the remaining States Funds with revised policy proposals for the Stabilisation Fund and Social Security Fund to be included in the next Budget.

RECOMMENDATION 35: The Council of Ministers must strengthen its commitment to prioritise transfers to the Stabilisation Fund and Strategic Reserve to rebuild both Funds to appropriate levels and should observe the advice of the Fiscal Policy Panel. In addition to committing to transfer the Prior Year Basis receipts to the Strategic Reserve, to transfer up to £25 million to the Stabilisation Fund (contingent of available funding in the Consolidated fund at the end of 2024 and 2025), further commitment should be made to transfer any current year surpluses or underspends to the Stabilisation Fund and to invest any upside of Pillar Two revenues to the Funds.

1 Introduction

Context

Following the adoption of P.1/2024 - *Vote of No Confidence: Chief Minister* - in January 2024, the new Government was voted in by the States Assembly and the new Council of Ministers appointed. This also led to the reconstitution of some Scrutiny Panels including the Corporate Services Panel (hereafter “the Panel”). The new Common Strategic Policy (2024-2026) was also established and approved by the States Assembly on 21st May 2024.

The Proposed Budget (Government Plan) 2025-2028 [P.51/2024] (hereafter “the Budget”), is the first Budget of the new Council of Ministers that was lodged on 2nd August 2024, earlier than in previous years, for debate on 26th November 2024. The Financial Annex to the Budget [R.133/2024] was presented on 13th August 2024 and provides further financial context. In contrast to the preceding years (2022 and 2023) where the Government Programme was accompanied by the presentation of Ministerial Plans [R143/2023] and Delivery Plans, this year the Government chose a different approach and the Budget was linked to the Common Strategic Policy 2024-2026 [R.115/2024] and Departmental Business Plans (hereafter the “Business Plans”). The Business Plans include Ministerial Priorities, Key Objectives and Service Performance Measures. The Business Plans considered for the Panel’s review were those of the Cabinet Office and Treasury and Exchequer for 2024.

The new Common Strategic Policy defines the thirteen priorities for delivery over the next two years and is aligned with the long-term vision set out in the Future Jersey Report and the arising ten Island Outcomes to support Jersey’s long-term ambitions. The Government’s thirteen priorities are:

1. Extend nursery and childcare provision
2. Provide a nutritious school meal for every child in all States primary schools
3. Increase the provision of lifelong learning and skills development
4. Start building a new hospital at Overdale
5. Reduce GP fees
6. Implement the recommendations from the Violence Against Women and Girls Taskforce report
7. Transition to a living wage
8. Provide more affordable homes for Islanders and more confidence for the rented sector
9. Keep Government fees, duties and charges as low as possible to help Islanders with the cost of living in 2025
10. Reduce red tape, enhance opportunities for business and strengthen Jersey's international reputation
11. Deliver a plan to revitalise Town
12. Reform the planning service to enable sustainable development in Jersey
13. Meet the Island's commitments to address the climate emergency through the implementation of the Carbon Neutral Roadmap.

This year’s Budget, as with the preceding Government Plan 2024-2027, explains the financial context in which Ministerial Priorities will be delivered and outlines the financial approvals that Ministers are proposing to deliver for both their priorities and existing services, whilst ensuring focus on the ongoing sustainability of finances. The following is detailed within this Budget:

- Estimated income and expenditure of the Consolidated Fund.
- Amounts to be internally transferred between States Funds.

- Any other proposed financing.
- Revenue Expenditure Growth 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 Proposition and the summary tables associated with the Budget and shown in Appendix 2 of the Budget, in accordance with the Public Finances (Jersey) Law 2019, seeks approval by the States Assembly each year. When considering the Proposition to the Budget, in addition to those elements that were included in the Proposition to the preceding Government Plan 2024-27 (comprising the appropriations from the Consolidated Fund, the movement between other funds and reserves, parameters around income, expenditure estimates, budgets and borrowing), four further parts are included for 2025 for approval by the States Assembly. The additional parts (k, l, m, n) are as follows:

(k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

"The Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, is a permanent reserve only to be used:

i. *in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.*
ii. *if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.*
iii. *to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;*
iv. *as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and*
v. *in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available."*

(l) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).

(m) in relation to the new Government Headquarters (office), to approve;

i. *the exercising of the option to acquire the new Government Headquarters (estimated at £91 million), by the Public of the Island, in line with the pre-agreed terms; and*
ii. *the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund (including authorising the meeting of expenses incurred in connection with the acquisition); and*

iii. *the subsequent leasing of the new Government Headquarters by the Public of the Island from the Social Security (Reserve) Fund, with Page - 4 P.51/2024 (re-issue) commercial terms to be agreed between the Minister for Infrastructure (on behalf of the Public) and Minister for Social Security and the Minister for Treasury and Resources (both on behalf of the Fund); and*

(n) in relation to the new Government Headquarters, to authorise H.M. Attorney General, the Greffier of the States, the Ministers for Infrastructure, Social Security and Treasury and Resources, and the Public of the Island, to enter into such arrangements, including financing, and pass any contracts as are necessary to put into effect paragraph (m).

The Public Finances (Jersey) Law 2019

Under the Public Finances (Jersey) Law 2019, each year the Council of Ministers must prepare a Government Plan. This year the title for the Government Plan has been changed. It is noted that the accompanying report has been entitled 'Budget 2025-2028', which does not impact its legal status as a Government Plan for the purposes of the Public Finances (Jersey) Law 2019 and fulfils all the requirements of a Government Plan in accordance with that Law. However, the change in title endeavours to aid public understanding of the nature and purpose of the Government Plan.

When considering the Budget, it is important to note the statutory requirements of the Public Finances (Jersey) Law 2019[1] in the context of its content.

Part 3 of the Public Finances (Jersey) Law 2019 sets out the statutory content and scope for the Government Plan. The Law requires certain specific information to be included within the Government Plan and also requires the Council of Ministers to provide any other information that it believes the States Assembly may reasonably expect to need in order to consider the matters required to be set out in the Government Plan. As such, this detail is set out in Appendix 3[2] of the Budget.

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'.

Children (Convention Rights) (Jersey) Law 2022

The Panel notes that, in its entirety, the Government Plan is exempt under Schedule 2 of the Children (Convention Rights) (Jersey) Law 2022 from the requirement to prepare a Children's Rights Impact Assessment (CRIA). The Law instead gives Ministers the discretion to complete a CRIA for particular elements of their part of the Government Plan as expressed in Article 6(1). This policy position was adopted to ensure CRIAs relating to a Government Plan would be progressed where appropriate.

[1] Public Finances (Jersey) Law 2019
[2] P.51/2024 – Budget 2025-28– Pg 105

Although not a statutory requirement, the Panel notes that a recommendation[3] of the previous Panel was that the Council of Ministers, for future Government Plans, must consider how CRIAs can be completed on the proposals where there would be an impact on children, in order to assist in strengthening the Council of Ministers and the States Assembly commitment in ensuring that the best interests of children and young people remain integral to the Government decision-making process. The Panel notes that a CRIA was lodged by the Council of Ministers on 14th November 2024.

The Draft Finance (2025 Budget) (Jersey) Law 202-

The Draft Finance (2025 Budget) (Jersey) Law 202-[4] [P.72/2024] (lodged on 14th October 2024 for debate alongside the Budget on 26th November 2024) will give effect to the revenue measures[5] proposed within the Budget and will also provide for administrative and technical amendments in respect of the Budget, as set out in Appendix 4[6] of the Budget. Therefore, any amendments to the revenue measures outlined in the Budgets would require the appropriate amendments to be made within the Draft Finance (2025 Budget) (Jersey) Law 202- .

Review Methodology

The focus of the Panel's review has been, in the main, on reviewing the Proposition[7] where relevant to the Panel's remit in respect of the priorities and responsibilities led by the Chief Minister and Minister for Treasury and Resources, whilst also reviewing the financial actions being proposed by Government. However, the Panel also considers any overarching themes as appropriately identified during the review process.

When scoping its review, the Panel identified the following key areas for consideration:

- Whether the Proposed Budget meets the requirements of the Public Finances (Jersey) Law 2019.
- Whether the Proposed Budget is fiscally sound and economically sustainable.
- Whether the Proposed Budget follows the advice of the Fiscal Policy Panel and Income Forecasting Group.
- The impact of the Proposed Budget proposals on departmental budgets and staffing levels.
- Whether the Proposed Budget aligns with the objectives of the Common Strategic Policy to deliver on the priorities and aligns with Departments' Business Plans.
- Whether the proposed Revenue Expenditure Growth and Projects are appropriate and deliverable within the timeframes specified.
- Whether the resources allocated to Revenue Expenditure Growth and Projects are sufficient and demonstrate the best use of public funds.

The main Funds for the Panel to review under its remit include:

- Consolidated Fund
- Strategic Reserve Fund

[3] S.R.4.2023 – MR – Recommendation 9
[4] P.72/2024 - Draft Finance (2025 Budget) (Jersey) Law 202-
[5] P.51/2024 – Budget 2025-28 - Pg 100
[6] P.51/2024 – Budget 2025-28 – Pg 111
[7] P.51/2024 – Budget 2025-28 – Pg 97

- Stabilisation Fund

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

The Panel wrote directly to a number of targeted stakeholders for their views and received several submissions, these can be viewed here. Private meetings were also held with stakeholders at their request.

The Panel held pop-up stands throughout the Island including in St Helier, St Saviour, St Brelade and St Peter between 23rd and 26th September 2024. These were held as part of the Democracy Week schedule of activities to engage with members of the public on the Budget proposals. In addition, a survey was available to members of the public at this time for completion.

Public Hearings were held with the Chief Minister and the Minister for Treasury and Resources in October 2024. The transcripts for these public review hearings can be viewed here.

The Panel also 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 2023 and 2024 reports published by the Fiscal Policy Panel and the Income Forecasting Group.

Report Structure

Chapter 2 of this report provides high-level analysis and commentary on the **Budget Design** and any changes and impacts on the preceding Government Plan for 2024. With the focus on:

- Design elements and differences on the preceding year's Government Programme.
- Common Strategic Policy, Jersey Performance Framework, Future Jersey Vision and Business Plans. With reflection on previous Ministerial Plans and Delivery Plans.
- Consideration for transparency, accountability, accessibility, comprehensibility monitoring, reporting and risk analysis.
- Reflection on Sustainable Wellbeing.
- Reflection Children's Rights Impact Assessments.
- Reflection on Gender Responsive Budgeting.

Chapter 3 of this report provides high-level analysis and commentary on the States **Income and Expenditure** as set out in the Budget to support the Common Strategic Policy and Ministerial Priorities for 2025. Consideration is given to prioritisation, trade-offs, impacts on departmental budgets, impacts on Islanders and Island life, Public Sector resourcing, sustainable finances, delivery of public services and monitoring. With focus on:

- Economic and fiscal context
- Income: General Revenue Income
- Future Tax Measures
- Expenditure: Public Sector Spending
- Reflection on Public Sector resourcing.

Chapter 4 of this report provides high-level analysis and commentary on **Delivering Savings** through the Value for Money Programme in 2024 and savings proposals through reprioritisation in the Budget for 2025. With a focus on:

- Progress and impact for Value for Money Programme and savings during 2024

- Progress and impact for the Thematic and Best Value Reviews 2024
- Reflection on balancing savings and service delivery
- Reprioritisation and savings for 2025.

Chapter 5 of this report provides high-level analysis and commentary on the **Capital and Other Projects** as appropriate for 2025, specific to the remit of the Panel. It highlights any identified concerns and considers:

- Progress on delivery and impact of projects during 2024
- Whether projects are appropriate and deliverable
- Whether resources are sufficient and the best use of public funds
- Alignment to Common Strategic Policy and Ministerial Priorities
- Impact on departmental budgets and resourcing
- Impact on Islanders.

Chapter 6 of this report provides high-level analysis and commentary on the **Balance Sheet and States Funds**. With a focus on:

- States borrowing, debt management and investing
- Reserves and contingency funding
- States Funds (Consolidated Fund, Strategic Reserve Fund and Stabilisation Fund)
- Financial position and sustainability.

All chapters draw from evidence received from the public review hearings, responses to written questions, submissions from key stakeholders and members of the public. The Panel's report is also informed by the reports published by the FPP[8] and IFG[9], which advise the Minister for Treasury and Resources and States Members.

2 Budget Design

Lodging Timeline

The Budget was lodged earlier than in previous years on 2nd August 2024 for an earlier States Assembly debate on 26th November 2024. The earlier lodging timeline was to provide Scrutiny with an extended period to undertake its work and the States Assembly with additional time over the summer to review the Budget.[10]

However, in preparing to scrutinise the Budget, the Panel raised concerns regarding key information that would not be available at the time of lodging or would be completely absent, which would affect Scrutiny's ability to undertake its work effectively. Therefore, the Panel questioned early on whether the Government's intended aims through securing an earlier lodging timeline and an earlier debate on the Proposition would actually materialise, in the absence of the provision of this key information.

The Panel wrote[11] to the Chief Minister to highlight its concerns prior to the Budget being lodged requesting clarification to several concerns including that supporting key information

[8] FPP Annual Report 2024
[9] IFG Report 2024
[10] Letter – CM to CSSP – 26 July 2024
[11] Letter – CSP to CM – 12 July 2024

would not be provided, which would impact the Scrutiny process, as well as make it challenging to determine the progress of the Budget workstream without access to detail on monitoring and progress reporting. The Panel noted that the following key information would either be delayed or not provided:

- The Annex would not be presented at the same time as the Budget (the Annex was published on 13th August 2024)
- Ministerial Plans would not be published
- Delivery Plans would not be published
- Progress reports would not be published
- Departmental Business Plans would replace Ministerial and Delivery Plans (only those for 2024 would be available prior to the debate of the Budget Proposition)
- No consistent framework for Chief Officers to follow when producing Business Plans outside of the inclusion of key objectives and service performance measures. It was the Panel's view that this would result in inconsistencies in respect of the information published across Ministerial portfolios and departments.

The Panel raised concern that in the absence of this key information, it would be challenging to identify the progress made to date, undertake its role in holding the Ministers to account on their Ministerial Priorities and portfolios and the delivery thereof when scrutinising the Budget workstream and in respect of the proposals for 2025.

Key Documentation

Ministerial Plans, Delivery Plans and Progress Reports

The Panel notes that as opposed to the previous two years where Ministerial Plans, Delivery Plans and Delivery Plan Progress Reports were presented as part of the Government Programme suite of documents, this year those documents were not presented. Instead, annual Business Plans for 2024 were published on Gov.je in August 2024 to be available alongside the Budget. However, the Business Plans for 2025 would only be published in 2025 and following the States Assembly debate on the Proposition (P.51/2024).

The Panel wrote[12] to the Chief Minister to highlight its concerns in respect of the absence of progress reporting, Ministerial Plans, Delivery Plans and Business Plans for 2025.

In correspondence[13] received from the Chief Minister it was explained that the annual Business Plans were developed by Ministers and their Chief Officers for their departments and would be subject to the well-established Scrutiny mechanisms through which Panels could query implementation timelines and hold Ministers to account. It was further noted that the central oversight process had been streamlined to reduce costs in the Cabinet Office and that the Business Plans would support the delivery of the Common Strategic Policy and Budget, which would be closely monitored by the Council of Ministers.[14]

The Panel sought to understand the rationale for this change, considering the change decreased transparency and accountability of the Budget workstream. The Panel questioned the value of receiving the 2024 Business Plans and not those for 2025, despite its

[12] Letter – CSP to CM – 12 July 2024
[13] Letter – CM – 26th July 2024
[14] Letter – CM – 26th July 2024

understanding that the Budget would align to the Business Plans for 2025 and not those for 2024.

The Chief Minister was also very aware of the limited relevance of the 2024 Business Plans and emphasised this in correspondence to the Panel as follows:

> *We expect Business Plans for 2024 to be available on gov.je in early August. While these have limited relevance to the 2025 Budget, it is important that we produce these plans for the remainder of this year.*[15]

The Panel continued to receive conflicting information about the provision of the 2025 Business Plans, which it eagerly awaited to inform its work. The matter was also explored by States Members in questions asked of the Chief Minister during the meeting of the States Assembly on 1st October 2024:

Deputy I. Gardiner:

> *Would the Minister consider publishing departmental detailed plans ahead of the debate for the benefit of the public and all States Members?*

The Chief Minister:

> *Yes, some of the departmental plans, I understand, have or are about to be published, and the target is to make sure they are all published in time for the debate.*[16]

The Panel followed up again during its public review hearing[17] with the Chief Minister where it was confirmed that the Business Plans for 2025 would not be published ahead of the debate on the Proposition, despite the confirmation received during the sitting of the States Assembly the prior week.

Deputy I. Gardiner:

> *…Please can you confirm when the 2025 business plans or departmental plans will be published as indicated during the States sitting on 1st October in response to question 7?*

The Chief Minister:

> *Since the States sitting I have been brought up to speed a little bit more with business planning. It is normal for the business plans to be published in January of each year, and that has been the norm for some time. The business plans were not published in January of this year because of the change of Government. The new Government's business plans were published in August and I did undertake to try to get some business plans published prior to the Budget. Since then I have looked at that and spoken to officials and we will try to do that but it might not be possible because just of the amount of work that needs to go into them. In previous years they have been published in January and so the new Government ... I have responded largely to questions about could we do it and then of course added to that ...*

Considering the absence of this key information for 2025, the Panel sought to understand the Chief Minister's rationale for deciding not to publish Ministerial Plans, which would have

[15] Letter – CM – 26th July 2024
[16] Hansard – 1st October 2024 – Pg 76
[17] Trancript – CM – 7th October 2024 – Pg 3-4

provided further transparency of the Budget year under review in respect of Ministers' priorities, and how the Budget proposes to deliver on these during 2025.

Deputy I. Gardiner:

> *Why did your Government decide not to publish ministerial plans in this case? How can we scrutinise the Budget when we have no departmental plans, no business plans, no ministerial plans from certain priorities? Why did you decide not to publish any plans to be able to understand the scale of what Ministers would be doing?*

The Chief Minister:

> *I would say we do that in the way we have debated Budgets for many, many, many years. It was the previous government that introduced the ministerial plans. We had 2 years of ministerial plans and it was the previous government that did that and introduced these ministerial plans, which were quite a high level representation of what the Ministers planned to do. They were not detailed. They did not go into every aspect of the business of the Minister. I wish I had brought them with me. I took a chance to have a look at them. So that is something the previous government did. We had 2 years of ministerial plans. What I have asked officials to do is when we produce the business plans to include ministerial priorities within those, so that is what we are going to do. If we can, we will try to present some of them prior to the Budget.*

Deputy I. Gardiner:

> *It would be very, very helpful because it is very difficult to scrutinise the Budget when we do not have clarity about specific projects that would be delivered within the Budget. We do have general revenue expenditures and maybe some odd projects, but I would go back to ...*

The Chief Minister:

> *What we have done with the Budget at the request of Scrutiny is publish it earlier so there was more time to scrutinise it. The information that is being asked for can be delivered as part of the extra time allocated to Scrutiny. As I said, the ministerial plans are something that has been introduced recently and I do not believe they will have a major impact on not being able to discuss the detail of the Budget. There has been ample time between lodging the Budget and the Budget debate at the end of November to answer any questions for queries that Scrutiny may have.*

Deputy I. Gardiner:

> *I think it is not just answer to Scrutiny. It is also to the public to understand what each Minister committed to…*[18]

KEY FINDING 1: In the absence of supporting key information, the earlier lodging and debate timeline for the Budget 2025-2028 has not met its intended aims for providing Scrutiny and the States Assembly with the extended timeframe for reviewing the Budget.

KEY FINDING 2: Key supporting information including delivery progress updates for 2024, Ministerial priorities for delivery in 2025 and Departmental Business Plans for 2025, were not presented alongside the Budget 2025-2028 or provided to Scrutiny.

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[18] Trancript – CM – 7th October 2024 – Pg 3-4

RECOMMENDATION 1 (OVERARCHING): The Council of Ministers must ensure for all future Budgets that supporting key information is published and provided to Scrutiny as a single document at the time of the lodging of the Budget. Information must include delivery progress updates for the preceding year as well as Ministerial priorities and Departmental Business Plans to coincide with the Budget year under review.

Transparency and Accountability

The Panel sought to establish any design advancements made to the Budget on the preceding Government Plan 2024-27[19], noting that the previous Panel, of which the Chief Minister was a member, had made several recommendations[20] for how successive Government Plans could be improved particularly in respect of:

- transparency and accountability
- accessibility and comprehensibility
- monitoring and reporting.

The Panel was cognisant that the new Government's approach would differ from that of the previous, however, the Panel sought to understand the rationale for any change in position, where recommendations were brought forward by the previous Panel and not accepted by the Council of Ministers for actioning through the Budget.

The Panel notes that prior to the 2022 Government Term (in 2020 and 2021), that mid-year progress reports were published in the August prior to the lodging of the Government Plan. This was beneficial to the Scrutiny process as this reporting provided clarity in-year on the delivery of projects and programmes (whether delayed, on track or cancelled, and if the timescales would be met) and on the funding position (spends to date and whether the budget allocations would be sufficient). This also provided improved transparency and accountability for the Government Plan process on the delivery of projects and programmes as the mid-year report was published in the public domain. In respect of the two preceding years (Government Plan 2023-26 and Government Plan 2024-27) mid-year reports were not provided and published and were replaced by the Delivery Plan and the annual Delivery Plan Progress Report which was provided to Scrutiny in the December. Both mid-year and annual reporting was recommended by the previous Panel and rejected by the Council of Ministers.

The Panel explored this during a public review hearing[21] with the Chief Minister and questioned what circumstances had brought about a change in the Chief Minister's position when deciding to not take forward the previous Panel's recommendations, which he had once agreed. It was the Chief Minister's view that the perspective is different from within Scrutiny and Government and when viewing matters from a different perspective it results in a changed position.

Further discussions took place during a review hearing[22] regarding a number of recommendations relating to improving transparency and accountability that were rejected and therefore, would not be taken forward including in respect of publishing mid-year progress[23] reports for the Budget. Despite commenting within the Ministerial Response that

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[19] Government Plan 2024-27
[20] S.R.4/2023 – MR - Recommendations: 1-7
[21] Transcript – CM – 7th October Pg 5-7
[22] Transcript – CM – 7th October Pg 5-7
[23] S.R.4/2023 – MR – Recommendation 3

alternative methods of reporting progress in-year would be considered, it was confirmed that no alternative reporting mechanism was planned for publishing.

A further rejected recommendation was to publish an annual progress report[24]. It was also confirmed that there were no plans to publish these and that Business Plans and efforts to produce performance-related information would instead be utilised.

Deputy I. Gardiner:

> *… there is no ministerial plans that we move to departmental plans, we will have them in December. We do not have in-year progress and we also do not have progress reports provided so the deadlines cannot be taken up. Chief Minister, the recommendations that I read out were previously discussed and brought forward by the Corporate Services Panel, of which you were a member. Can you outline the rationale for rejecting and implementing the recommendations that you signed as a report and submitted?*
>
> *I think the question is simple. Last year when you were a member of the Corporate Services Panel you, together with the panel, submitted these recommendations to the Government on this is what Government need to do to increase the transparency and accountability. Now, the Chief Minister and your Government submitted the response, so you basically submitted a response to your own recommendations. What I am trying to understand is what were the circumstances that you changed your position?*

The Chief Minister:

> *It is something that Treasury did.*

Group Director, Policy:

> *Performance reporting was a function of the then delivery unit and with the Chief Minister and the Council of Ministers there was a concerted effort to move our focus and our money towards the front line to areas to deliver on the Common Strategic Policy and to affect the issues that Islanders care most about. The delivery unit does no longer exist and these are choices that are made in order to make sure that we are focusing the money where Islanders would expect it.*

Deputy I. Gardiner:

> *So the Scrutiny Panel submitted recommendations based on the delivery unit's performance, otherwise the Scrutiny Panel would not submit this recommendation.*

The Chief Minister:

> *We just decided to reprioritise. When you sit in Scrutiny on the Back Benches and then when you get into Government you tend to see things from a different perspective. You probably realise that when we got into Government we did not realise that expenditure had grown so much, especially in the previous year, so we decided to look to curb growth and reprioritise and just focus resources on where we felt they were needed most. That is the explanation I will give you for the change.*[25]

[24] S.R.4/2023 – MR – Recommendation 4
[25] Transcript – CM – 7th October Pg 5-7

In correspondence[26] the Chief Minister noted that the central oversight process had been streamlined to reduce costs in the Cabinet Office. The Panel was informed that the annual Business Plans will support the delivery of the Common Strategic Policy and Budget, closely monitored by the Council of Ministers. Moreover, that Business Plans would be subject to the well-established Scrutiny mechanisms through which Panels can query implementation timelines and hold Ministers to account.

It was also confirmed that a progress update in response to the previous year's progress and spends would not be published. The Chief Minister reiterated that Scrutiny use the established scrutiny process to hold Ministers to account for progress on policies, legislation and spending in the same way as before the last Government.[27]

The frustration of Scrutiny and the broader States Assembly regarding the Government's absence of transparency for the Budget was made clear during the sitting of the States Assembly on 22nd October 2024[28], when a further question (OQ.198/2024) asked of the Chief Minister regarding Business Plans resulted in a deluge of supplementary questions from Members on transparency of information.

Questions were raised in respect of, in the absence of transparency of information, how Scrutiny would be informed to know what further information it should be seeking from Government in respect the Budget. It was broadly felt that detail was greatly lacking and not being provided in a transparent manner.

Deputy H.L. Jeune:

> *As someone who is in their first term of the Assembly but also new to Scrutiny, I would like to ask the Minister, what happens if Scrutiny does not know what it does not know? In the sense that I hear the Minister saying that it is up to Scrutiny to ask for the information, but if Scrutiny does not know what to ask, how do we know?*

The Chief Minister:

> *If Scrutiny does not know what to ask, how do they know what to ask? I do not know.*

Deputy H.L. Jeune:

> *With that answer and the promise in this new Government that there would be open, transparent and much more engagement between Scrutiny and the Government, does the Chief Minister agree that, to be open and transparent, the release of departmental plans - that apparently were used to be able to help draft a Budget that is quite top-heavy and does not with much detail underneath - would help to ease this tension and questioning that the Minister keeps getting asked about, actually what can we ask in Scrutiny if we do not know what we are asking?*

The Chief Minister:

> *I did not mean to be flippant in my previous answer. What I have said is we have produced, as has been the process for many years now, a detailed Budget, a detailed Budget annex with all of our expenditure - we have put all of the information in that we can - and we are having a long and detailed Scrutiny process. We must have had hundreds of questions from Scrutiny in letters on a regular basis. Hundreds of questions from Scrutiny - I will repeat that - which we are answering in an open and*

[26] Letter – CM – 26th July 2024
[27] Letter – CM – 26th July 2024
[28] Hansard – 22nd October 2024 – Pgs. 49 -52

transparent way. I am not sure what more we can do. We are going to produce - I will say it one more time for the record - our business plans, Ministerial priorities in January 2025 and our legislative programme in November. I have said in an earlier question, if there are draft business plans available prior to that date, with the permission of the relevant Minister, we will share those as well. I can do no more than that.[29]

The questioning session concluded with the following request:

Deputy K.M. Wilson:

It is really to just ask the Chief Minister if he accepts that Scrutiny is doing its job and that, at the heart of the question, is the fact that we have a problem with the lack of detail and that it is simply not there. Will he perhaps reflect on this discussion and consider if there is anything else he can do to help and assist us with more detail about what is coming forward in the Budget?

The Chief Minister:

Of course, we want Scrutiny to be fully informed with as much detail as possible. Scrutiny need to outline to us - the various Scrutiny Panels - where their concerns are and we will endeavour to provide that detail.[30]

It was confirmed by the Chief Minister during that line of questioning that key documentation would be produced including the Legislative Programme in November 2024 and Business Plans and Ministerial Priorities in January 2025. Furthermore, should draft 2025 Business Plans be available prior to that date, with the permission of the relevant Ministers, they would be shared.

The Panel raises concern that through steps taken by Government to reprioritise and to direct focus and funding to primarily deliver the Common Strategic Policy priorities, the risk to governance and internal audit functions has not been appropriately considered or mitigated, and it appears to be impacting the transparency and accountability of the Budget workstream.

The Panel notes that the section within the Cabinet Office – Governance and Assurance (including the Delivery Unit for 2024) has received a reduction in funding by £930,000.[31] The dissolution of the Delivery Unit has released funds to be reprioritised elsewhere. In addition, those staff have been moved to support other policy priorities.

Table showing movements in the Cabinet Office Budget (2024 – 2028)

	2024 Approved Government Plan £000	2025 Published Budget Annex £000	2024 – 2025 Budget change £000	2024 – 2025 Budget change %	2025 Role Saving Allocation £000	2026 Budget £000	2027 Budget £000	2028 Budget £000
Governance and Assurance (including Delivery Unit for 2024)	1,485	555	-930	-62.6	0	555	555	555

However, it is the Panel's view that when the decision was made to do away with the Delivery Unit that it appears that its functions, which included mechanisms to support delivery of Ministerial priorities and to provide reporting on their delivery, has been overlooked. The Panel is concerned that as a result that governance, transparency and accountability are now at risk.

[29] Hansard – 22nd October 2024 – Pg 51
[30] Hansard – 22nd October 2024 – Pg 52
[31] Letter – CM – 31st October 2024

The Panel is concerned that the decision to not provide the key documentation alongside the Budget has negatively impacted transparency and accountability, has hampered the Scrutiny process and negatively affected the wider States Assembly and members of the Public in their comprehension and scrutiny of the Budget.

KEY FINDING 3: The absence of in-year and annual progress reporting, or any alternative reporting mechanism for monitoring the delivery of the Budget workstream, presents a risk to the governance and the internal audit function.

KEY FINDING 4: The dissolution of the Delivery Unit, in the absence of ensuring that its functions to support the monitoring, delivery and reporting of Ministerial priorities are carried out in an alternative manner, has negatively impacted the transparency and accountability of the Budget workstream.

RECOMMENDATION 2 (OVERARCHING): The Council of Ministers must ensure that a mechanism is established to provide periodic reporting on delivery progress for the Budget. Reports must be published both in-year and annually for all future Budgets to provide the required transparency, governance and accountability for project delivery within the approved timelines and allocations of funds

Accessibility and Comprehensibility

The Panel sought to understand any changes that had been made to the Budget and in respect of how it has been delivered or communicated to members of the public and Jersey's youth, to improve its accessibility and comprehensibility. The Panel explored this during a public review hearing[32] with the Chief Minister and reflected on a recommendation[33] made by the previous Panel, which was accepted by the Council of Ministers.

The Connétable of St. Mary:

> *… the recommendation the panel made was the Council of Ministers must consider how the accessibility of future Government Plans can be further enhanced for members of the public and consideration should be given to the terminology used, et cetera. That recommendation was accepted, with C.O.M. saying it would consider how the accessibility of future Government Plans can be further enhanced. Has further consideration been given as to that?*

The Chief Minister noted changing the title of the Government Plan to be entitled Budget was one of the simple steps taken to improve its accessibility.

The Chief Minister:

> *… when I sat previously on the Corporate Services Scrutiny Panel we spent some time in foyers of busy supermarkets talking to members of the public and of course when we asked them if they wanted to comment on the Government Plan, not many of them knew that. When we said it is the Budget, they became a bit more engaged. I think one of the simple things we did there was we changed the name to the Budget and I think more Islanders understand what that is, but we have not had a huge amount of feedback from the public following its publication.*

[32] Transcript – CM – Pg 15-16
[33] S.R.4/2023 – MR – Recommendation 5

Further changes made by the Council of Ministers, which were explained as improvements to accessibility, were the earlier publishing of the Budget, which would have provided members of the public with more time to scrutinise it as well as the online version, which was developed and presented differently, with disability changes actioned, in order to improve its accessibility.

KEY FINDING 5: The Council of Ministers changed the title of the Government Plan to Budget to improve its accessibility and public engagement. The online versions of the Budget were also developed with a view for meeting the needs of those with disabilities.

The Panel further sought to understand what approach was taken this year, as opposed to the previous, to actively communicate the Budget to Jersey's youth, noting that it was commented within the Ministerial Response in respect of a recommendation[34] made by the previous Panel that *Engagement with children and young people will continue in 2024 using the published Youth Friendly versions in line with the Participation Standards*[35]

The Connétable of St. Mary:

> *Leading on from my general question about access to the public, can I ask what steps have been taken particularly in regard to children and young people to inform them? … there are such things called participation standards. How are the Government engaging with children and young people in line with such participation standards? Can you provide any update as to the result of your efforts?*

The Panel identified that a youth version and video were produced and published alongside the Budget this year. Moreover, that the youth version was shared with young people through youth engagement Officers from Children, Young People, Education and Skills (CYPES). It was further noted that Officers lead on the Participation Standards for young people in respect of the Budget and that liaison between Officers and Government is continuous.[36] The Panel notes that the youth friendly version and a youth friendly video of the Budget were published alongside the Budget.

The Panel explored what was done differently this year to dynamically communicate and raise awareness of the Budget to Islanders.

Deputy I. Gardiner:

> *I think I can find here a very similar theme that we questioned during the Public Accounts Committee when you published the annual report and accounts about how you communicate with the public. I think that the Budget and annual report and accounts are 2 sides of the same coin. When at the supermarket people do understand what is the Budget and they do have comments but on the question have you seen the Budget, do you know where to find the Budget, most of the answers that we received were: "No, but I will comment" when we started to ask the question specifically about the Budget. So the question is: what has been done differently based on the recommendation of the Scrutiny Panel this year to communicate to the public? What was the communication plan developed by the Council of Ministers to bring public attention to the proposed Budget?*[37]

[34] S.R.4/2023 – MR – Recommendation 7
[35] Ministerial Response – CM – S.R.4/2023 – Rec 7
[36] Transcript – CM – Pg 17-18
[37] Transcript – CM – Pg 15-18

The Panel heard that there was a concerted effort to make sure that Government was being more financially prudent regarding communications for headcount and spend, which was part of the wider ambition to make sure that Government had an appropriate amount of communications headcount resource. It was noted that community interaction around the Budget usually happened as a result of Amendments being proposed, with traction usually only prior to the States Assembly debate of the Budget.

It is the Panel's view that it is important to actively communicate the Budget to members of the Public as opposed to only placing it within the public domain, without consideration for raising awareness of it.

KEY FINDING 6: A video and youth-friendly version of the Budget was produced alongside the Budget, and youth engagement aligned with the Participation Standards for children and young people, delivered by the department for Children, Young People, Education and Skills.

KEY FINDING 7: There was no active Government communications plan for raising awareness of the Budget 2025-2028 with members of the public, outside of the Budget versions being published earlier and online. This was the result of a concerted effort by Government to be financially prudent regarding communications spend.

RECOMMENDATION 3 (OVERARCHING): The Council of Ministers should develop a communications plan to actively engage members of the public and raise awareness of the Budget process.

The Panel raised the utilisation of CRIAs as part of the Budget process:

The Connétable of St. Mary:

> *… I do appreciate that the Budget plan as a whole is exempt from having to make an overall statement, but on the basis that individual projects were looked at in that light, could you give examples of situations where the impact on children was considered, even though there was no reference to that in the Budget statement itself?*

Group Director, Policy:

> *You are absolutely right that children's rights impacts needs to be assessed in all policy, but it does not necessarily apply to the whole Government Plan or Budget's process. …Where it specifically has an effect, some of the children's measures were in there and there were children's rights impact assessments that were produced and they have been published…*

The Panel further asked whether it would be appropriate to provide a statement to identify which projects within the Budget were considered in respect of children's rights.

Treasurer of the States:

> *We have undertaken a screener required for the … that we do for the overall Budget and is being prepared with the Minister for Treasury and Resources.*[38]

RECOMMENDATION 4 (OVERARCHING): The Council of Ministers should encourage Ministers to complete Children's Rights Impact Assessments (CRIAs) when developing the Budget as appropriate. The Council of Ministers should produce a detailed list to identify the

[38] Transcript – CM – Pg 40-41

CRIAs that were completed in relation to the Budget, which should be accessible alongside all future Budgets.

Performance Monitoring and Reporting

The Panel sought to understand the alignment of the elements utilised to create an effective, sustainable Budget and explored how the Jersey Performance Framework, Future Jersey Vision, Common Strategic Policy, Ministerial priorities and Business Plans were aligned to deliver a sustainable Budget in the short and longer term. Moreover, how its success or otherwise is being monitored and reported.

Jersey Performance Framework

The previous Panel found that the utilisation of the Jersey Performance Framework (comprising the Island Outcome Indicators and the Service Performance Measures) in the creation of the preceding Government Plan was unchanged from how it was used when developing previous iterations of the Government Plan. The previous Panel also found that Statistics Jersey was undertaking work at that time to refine and improve the core outcome measures and indicators of the Framework, alongside work to support departments to improve service performance measures, which was collectively anticipated to deliver more focus and precision when designing future Government Plans[39]. The Panel, therefore sought to understand whether any enhancements had been made when designing the Budget as a result of those collective improvements. The Panel reflected on this and explored the use of the Jersey Performance Framework during a hearing[40] with the Chief Miniter and asked the following:

Deputy H.M. Miles:

> *How has the Jersey Performance Framework, including the outcome indicators and the service performance measures, been updated to reflect progress towards the Island Outcomes and sustainable wellbeing in particular? How has that influenced your proposed Budget?*

The Chief Minister:

> *Well, the performance framework is used to report on the Government's performance and it includes the Island Outcome indicators and service performance measures and they are refreshed. They have been refreshed over 2023 and 2024 and are published on gov.je. Do you want to add any more detail?*

Group Director, Policy:

> *Yes. As part of the lengthy discussions that the Council of Ministers had formulating this proposed Budget, the Island Outcome indicators, the performance framework and both types of risk register, the community risk register and the corporate risk register, were of course considered. There was detailed discussion around the effects, the extent to which the Budget could affect the most concerning indicator areas, those being affordable living and inclusion. Those measures tend to be ... you can only report them over several years because a lot of them fall from the Jersey opinion and lifestyle*

[39] S.R.4/2023 – MR – Finding 3
[40] Transcript – CM – 7th October 2024

survey but Ministers decided that the inclusion of the C.S.P. and the inclusion of the elements of the Budget would have a material effect on these.

The Panel further sought to understand how the visualisations of the Island Outcome Indicators would improve transparency and accountability of the Government's performance. It was explained that, from a policy perspective, their visual representation clarifies the ten areas which should be focused on and the ability to delve deeper into the Indicators helps to drive those headline focal areas forward.[41]

Although the Island Outcome Indicators were refreshed in 2023-2024 and a new visualisation was published, the Panel identified that no new and enhanced service performance measures have been introduced to align with the Island Outcomes Indicators since the commencement of the new Government.[42]

KEY FINDING 8: When formulating the Budget, the Island Outcomes Indicators, the Jersey Performance Framework and Community and Corporate Risk Registers were all considered by Government. However, despite previous work to refine and improve the indicators and core outcome measures, neither new nor enhanced performance measures have been introduced. It is not clear that work to support departments to improve service performance measures, for delivering more focus and precision when designing future Budgets, has led to any tangible improvements.

Future Jersey Vision

The Panel notes that the Future Jersey Vision was set out in 2017 and incorporates Jersey's long-term vision until 2037, which focuses on long-term progress and through measuring well-being in respect of community, environment and the economy. This endeavours to ultimately measure Jersey's quality of life. The Panel explored practical examples of this further during the public review hearing with the Chief Minister[43] to demonstrate this working effectively:

Deputy H.M. Miles:

…How has the Future Jersey vision been incorporated into the Budget to ensure that the long-term goals are achieved? Can you give us some specific examples of that, Chief Minister?

Group Director, Policy:

Through the development of the Common Strategic Policy and on to the Budget we looked particularly at those amber and red areas, so unaffordable living. It is no coincidence that the Council of Ministers decided to do more on minimum wage, on G.P. (general practitioner) fees, on reducing unnecessary fees and charges from government, on vibrant and inclusive. It is no coincidence that the Ministers have decided to agree all the recommendations of the Violence Against Women and Girls Taskforce. I could go on, if you wish.

KEY FINDING 9: The Future Jersey Vision was considered when developing the Common Strategic Policy and the Budget 2025-2028 to appropriately align the priorities to reflect the long-term ambitions. The Council of Ministers has endeavoured to demonstrate this through the 13 Common Strategic Policy priorities.

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[41] Transcript – CM – 7th October 2024 – Pg 8
[42] Transcript – CM – 7th October 2024 – Pg 8
[43] Transcript – CM – 7th October 2024

Common Strategic Policy

Having identified earlier that the Business Plans would be utilised to support the delivery of the Common Strategic Policy and Budget, which are also closely monitored by the Council of Ministers,[44] the Panel sought to further understand how the Business Plans aligned with the Common Strategic Policy priorities.

Deputy A.F. Curtis:

> *Will you be aligning C.S.P. priorities with the departmental business plans that we hope to receive?*

The Chief Minister:

> *I think a bit of both. I think more likely the departmental business plans and ministerial plans will be aligning primarily with our key priorities.*

Deputy A.F. Curtis:

> *Sorry, I have just gone blank a moment. Chief Minister, did you say there will be ministerial plans and departmental business plans this year?*

The Chief Minister:

> *We are combining them.*

Deputy A.F. Curtis:

> *That is my question. As a combined departmental business plan, how will you or will you be aligning the C.S.P. with each departmental business plan for 2025?*

The Chief Minister:

> *It is goes the other way round, yes.*

Assistant Chief Minister:

> *Departments will have to show where they have a priority in the C.S.P. that would be their priority in their business plan but we remind ourselves that the majority of spend still will just be on business as usual across most departments.*[45]

The Panel identified that Business Plans would be created to align with the delivery of the Common Strategic Policy priorities through departments having to demonstrate where they have a priority in the Common Strategic Policy. This would in turn identify the workstreams which would be priorities in the Business Plan for that department. Furthermore, the delivery of the Common Strategic Policy priorities would be monitored by the Council of Ministers.

KEY FINDING 10: Departmental Business Plans will include Ministerial Priorities. The Business Plan must align with the delivery of the Common Strategic Policy priorities. In developing the Business Plan departments must demonstrate this alignment for the workstream to be identified as a priority in the Business Plan.

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[44] Letter – CM – 26th July 2024
[45] Transcript – CM – 7th October 2024 – Pg 23-24

Risk Analysis

Managing Competing Priorities and Associated Risks

The Panel notes that in correspondence received from the Chief Minister it was clarified that the Council of Ministers' policy direction was set out in the Common Strategic Policy and the Budget. Also, that Ministers were provided with clear direction that policy resource should be directed towards delivering upon the Common Strategic Policy and, once complete, the Legislative Programme will further show where policy resources will be focussed.[46]

The Panel was keen to understand what concerns or risks were identified and the impact thereof on the Jersey Future Vision and longer-term goals in respect of the Council of Ministers priorities, as opposed to Ministerial priorities, and business as usual workstreams, which fall outside of the 13 Common Strategic Priorities of focus. In aligning all of these elements, when undertaking that reprioritisation process, it was evident to the Panel that risks and concerns would need to be addressed or mitigated as part of that process. Therefore, the Panel sought to explore this further to understand how that process was managed from the onset to appropriately balance the ambitions and priorities of all Ministers.

Deputy A.F. Curtis:

> *Moving on to the Common Strategic Policy perhaps and, Chief Minister, you have referenced the link to the Budget. How did you balance the prioritisation of the 13 Common Strategic Policy areas with the priorities of other Ministers and what concerns or risks have been identified in this regard? …How you are balancing the delivery against them, the prioritisation of each area, given the fact that the Budget for next year is how you will fund most action and most work towards the C.S.P. priorities?*

The Chief Minister:

> *We wanted to focus on the key areas that were affecting the public when we took office, which are largely unchanged. That includes cost of living, healthcare and hospital facilities, affordable housing, just to mention a few. We also wanted to ensure that our Budget and 4-year plan, if you want to call it that, remained relative to the Island's future vision and that is when we decided we would link it into the future vision programme because then hopefully future Budgets and future governments will maintain that because it keeps the momentum going. If you look at the Budget itself, it breaks down how that is aligned.*

The Panel sought to understand where tensions had arisen as a result of competing priorities.

Deputy A.F. Curtis:

> *… It has been described as the Budget is required to cut cloth accordingly and in doing so comprised I think prioritisation has been the word. So really what we are asking is to work out where in deciding Budget allocation have tensions arisen and have concerns or risks been identified that the Budget as for 2025 will cause a challenge in delivering against the priorities? No matter how much one balances and juggles, it feels like it must have been a balancing act and where did risk appear?*

The Chief Minister:

[46] Letter – CM - 9th September 2024

Well, I think the public sector had become oversized. I do not think we were spending all of our money wisely. We had gone off on a lot of tangents, departments had grown and the payroll had grown significantly. We found that the Government were trying to do hundreds of things and not really achieving that many. There were lots of projects that had been stalled and were just continuing and that had become almost aspirational as opposed to being focused on delivering for the immediate needs of Islanders. We just tried to reset it and bring it back to that way of thinking. No risks or concerns as far as I am aware have been identified and we had a healthy debate around the Council of Ministers table and we came to these outcomes after that healthy debate. We all ultimately agreed at the end of the day, we had some robust discussions. However, we all agreed that the Budget had the unanimous support of Ministers and Assistant Ministers and we found a balance that we thought was appropriate. That is not to say some Ministers did not want ... every Minister wants to have more for their budgets and things like that but I think we came to a good balance. Like I said, there have been no serious financial concerns or risks that I am aware of it, just the opposite. I think we have produced ...[47]

The Panel was surprised to hear from the Chief Minister that he was not aware of any risks or concerns being identified as a result of the reprioritisation process to focus efforts and funds on delivering the Common Strategic Priorities in the main. The Panel explored this further.

Deputy H.M. Miles:

The question is not so much about the growth. Returning to Deputy Curtis's question, it is about the risk and the concern. Chief Minister, you clearly said that no risks had been identified.

Treasurer of the States:

Just to clarify here, risks were taken into consideration. An example is clearly in the capital programme. I.T. (information technology) spend has been redirected towards, if you like, the foundations reduced in various services. We had a new C.I.O. (chief information officer) come in. He has identified that we need to be working on the service, the network, et cetera, rather than that. That comes about from a high risk scoring within the risk register. It is a risk that has been addressed. Another would be redirecting capital towards property risks within the school estate, so that happened.

Deputy H.M. Miles:

So we can be assured that risks have been identified. I am going to hand you back to Deputy Curtis.

The Panel endeavoured to explore specific examples which demonstrate, in its view, competing priorities, which would undoubtedly lend themselves to concerns being raised and perhaps risks that would require consideration and mitigation, particularly in the context of Jersey's longer-term vision and goals. Examples included balancing the carbon neutrality ambitions alongside maintaining low Government fees.

Deputy A.F. Curtis:

To be a bit more specific, to take one example, the C.S.P.s include: "Meet the Island's commitment to address a climate emergency through the implementation of the carbon neutral road map" but at the same time the C.S.P. also has: "Keep Government fees,

[47] Transcript – CM – 7th October 2024 – Pg 18-19

duties and charges as low as possible." The decision was made within your Budget not increase the emissions duty and not to create greater funding for one of your commitments. These are specific examples of where tensions arose from the commitments the Government have signed up to, in this case 13 priorities in defining the Budget. I know the Chief Minister said there is no risk. I presume there is risk and it is just how has this been mitigated. So that would be one specific example.

The Chief Minister:

To be clear, when I said risk, I am not aware of any risk insofar as risks that are unacceptable. Of course, as the Treasurer said, risks were considered and in many circumstances by redirecting and focusing on core infrastructure, shoring up the foundations of our I.T. network is reducing risk. I am not aware of any serious concerns that would ...[48]

Considering that the focus would be on all Ministers and their departments to focus efforts on delivering the 13 Common Strategic Policy priorities, the Panel sought to understand the process that would be implemented to facilitate departmental collaboration during 2025.

Deputy A.F. Curtis:

… Looking forward again to 2025 and how this Budget will play with the C.S.P., what strategies and processes are in place to facilitate cross-departmental collaboration on delivering C.S.P. priorities and how will progress, their success and risks be monitored and reported?

Treasurer of the States:

C.S.P. progress is reported. I think you have reports quarterly from Ministers in respect of that, so it is on the Chief Minister's agenda in terms of Council of Ministers agenda. We are now mirroring that in the E.L.T. (Executive Leadership Team) so that we are collectively on top of delivering against those. That would identify where we are coming up short and where we need to play in from the different departments to reverse those shortcomings. Those are being monitored at the C.O.M. level and E.L.T. level going forward.[49]

KEY FINDING 11: While a clear policy direction is established by prioritising the Common Strategic Policy priorities, there are significant challenges and risks inherent in balancing these priorities with Ministerial goals and ongoing business as usual workstreams. The degree of risk analysis and risk mitigation undertaken for competing priorities, whilst reprioritising workstreams to deliver the 13 Common Strategic Policy priorities, is unclear.

RECOMMENDATION 5 (OVERARCHING): By the end of Q1 2025, the Council of Ministers must establish a structured risk assessment and mitigation framework specifically for monitoring competing priorities within the Common Strategic Policy. This should include consideration for the criteria for identifying and categorising risks associated with each Common Strategic Policy priority, with a mechanism to periodically measure progress and risk levels to ensure adjustments can be made promptly where risks are identified or threaten long term goals. Responsibility for monitoring and reporting must be assigned to designated leads within the departments to ensure accountability across the departments. Quarterly reports must be produced to highlight specific risk mitigation strategies and be provided to Scrutiny.

[48] Transcript – CM – 7th October 2024 – Pg 21-22
[49] Transcript – CM – 7th October 2024 – Pg 22 -23

KEY FINDING 12: Effective cross departmental collaboration will be essential for delivering the Common Strategic Policy priorities within the budget allocations and timeframes. Whilst progress for delivering against the Common Strategic Policy will be monitored quarterly at the Council of Ministers and Executive Leadership Teams, the process is unclear for how this will be actively facilitated and monitored across departments.

RECOMMENDATION 6 (OVERARCHING): Cross-departmental collaboration must be targeted with consideration for shared planning tools and regular interdepartmental meetings focused on managing and mitigating risks identified within the Common Strategic Policy priorities. This should be implemented by the end of Q2 2025.

Reprioritisation

It is noted on page 19 of the Budget that alongside Sustainable Wellbeing of the inhabitants of Jersey over successive generations, that the Council of Ministers also consider key risks to Jersey and to the running of the Government when considering how best to prioritise and allocate resources. A table is provided that sets out how it addresses certain risks in respect of the wellbeing of the community, economy, environment and risk to corporate performance.[50]

The Panel explored the area of risk in particular in relation to the Council of Ministers' approach to reprioritise resourcing and delivery of projects to focus efforts and funds on delivering the Common Strategic Policy priorities, in the main, over the next two years. Moreover, the impact thereof in respect of delaying other workstreams.

To accommodate this process to prioritise the Common Strategic Policy priorities, there was also an element of reform within Government, through reducing spend on areas including senior level management and on consultancy by implementing a recruitment freeze on posts Grade 11 and above and offering voluntary redundancy.

The Panel sought to understand how the reprioritisation and restructure (reform) process was being carried out, and how risk was analysed and mitigated as part of that process. The Panel raised this in a public hearing[51] with the Chief Minister.

Deputy J. Renouf:

> *Starting with reprioritisation, which is something you talked about quite a bit. Chief Minister, one of the roles of the Cabinet Office is to prioritise projects and programmes for delivery. What steps were taken to decide which projects should be delayed or cancelled as part of the reprioritisation process?*

The Chief Minister:

> *The officers will be carrying out an element of that, but what essentially we are doing is prioritising essential services and seeking to deliver, in some instances, more practical solutions to deal with the immediate challenges facing Islanders as set out in the Corporate Strategic Plan. So that is the direction of travel we are aiming at, not just Cabinet Office but right across the public sector.*

Deputy J. Renouf:

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[50] P.51/2024 – Pg 19 -21
[51] Transcript – CM – 20th September 2024

I just wanted to nail this question of risk analysis, because obviously when you cut things there is a risk associated with it. Has that risk analysis been undertaken for projects that have already been cut and will it be undertaken for projects which may be cut?

The Chief Minister:

We are not going to get tied up in producing lots of additional paperwork and doing risk analysis on every single decision we make, if that is what you are alluding to. We have to demonstrate an element of political responsibility and understanding. Perhaps from an officer point of view, Andrew, would you like to deal with how you calculate and manage risk when you are advising us?

Chief Executive Officer:

Indeed. That is a really good question. As you would expect in a process like that, we held a series of workshops to go through, which was a very long list. If you are talking about capital projects at this instant, we went through quite a number of workshops. We ensured that any capital spend that was related to a tier one risk on our risk register was included. We were not intending to take out any projects related to tier one risks. The other criteria were around budgets. Some projects were not fully funded and some were not funded at all, they were aspirational, so we worked through those. Of course, a big part of it was trying to align it with what Ministers and new Ministers wanted to do in terms of their Common Strategic Plan. We had a number of criteria to work through in arriving at that list. A final thing, and I think this is very important, and you will recall it from your time in Government, is that we also recognise that our ability - if we are still talking about capital projects - to spend well and efficiently, public money is capped somewhere between £75 million and £90 million. When we go above that, what we end up with are delays, cash carry-overs, lots of consultants on retainers project managing stuff that we are not able to progress. Cash is not usually our biggest constraint. It is usually people, I.T. (information technology) resources and lots of other things. All of the prior work of the previous Government informed us, then going into these workshops, and that is how we worked through it. It is an iterative process, of course, because things change, but I think with regards to the risk register, particularly the tier one risk, informed the prioritisation.

KEY FINDING 13: The reprioritisation process aims to concentrate resources on delivering the Common Strategic Policy priorities, even if it requires delaying other initiatives. Although the process for reprioritisation incorporated workshops, the use of risk registers to identify tier one risks, and budget feasibility, there appears to be limited formal risk analysis conducted on each decision. Instead, Ministers and senior officials relied on political discretion and practical constraints, such as staffing and resource capacity, when accessing the viability and impact of prioritising certain projects. The reprioritisation process underscores a focus on immediate, essential services and practical outcomes, but with an apparent trade-off in comprehensive risk documentation.

RECOMMENDATION 7 (OVERARCHING): To ensure that the reprioritisation process for delivering the Common Strategic Policy is transparent, efficient and minimises risk to essential services, the Council of Ministers should establish a risk assessment within the reprioritisation process. This should include a risk review protocol to develop clear assessment and documentation of the risks associated with delaying and deprioritising projects to establish the impact on essential services, the community and the Government’s strategic objectives. This should be established by Q3 2025.

RECOMMENDATION 8 (OVERARCHING): A report detailing which projects have been deferred, cancelled or reprioritised, along with the rationale, cost-benefit analysis and risk mitigation strategies employed, should be published to enhance transparency and understanding of the trade-offs made to deliver the Common Strategic Policy priorities. The first report should be published by Q3 2025 with a future report to coincide with the lodging of all future budgets.

The Panel further sought to understand how any risk of 'sunken costs' were accounted for, when choosing to delay or cancel projects which were previously a priority, however, were not deemed a priority for 2025. Particularly where preparatory works had already been undertaken in previous years, which would have incurred costs – resource, time and money. The Panel explored this during a hearing with the Chief Minister.

Deputy J. Renouf:

> *Thank you. I am interested, Chief Minister, in the calculations that have to be made around projects that have already begun. In some sense, there has been preparatory work, maybe the feasibility studies, preparations for planning and so on. When those get postponed or cancelled that is effectively a sunk cost that is lost. How do you calculate that?*

Assistant Chief Minister:

> *… nothing is lost because the proprietary work that has been done will still be relevant when we pick the project up again. So it is not as if that is dead money. The money which has been used in the project has just been put on ice for a couple of years until we pick it up again.*

Deputy J. Renouf:

> *So, Chief Minister, you are confident that these costs do not exist? There is no position in which you are going to effectively write off money.*

The Chief Minister:

> *I am confident that reprioritisation will deliver better value across the public sector. Not least because, as I said, we are only doing what is ... aiming to do what is absolutely necessary. I have not got a whole list. It is, like I said, a work in progress but I am confident that we will be delivering better value. I am confident that very little, if any, will be lost. Because, as Deputy Ferey said, it is deferment rather than cancellation and writing off of costs. Andrew might be able to give a little bit more detail on that, but I am not aware of any losses we are having to sustain through deferring things. Of course, anything that we are deciding to defer or reprioritise, or if there is anything we decide to cancel, if new evidence appears or comes to light that we need to have another look at it, then we certainly will.*

In was noted that regarding the reprioritisation within the capital programme, most of the movement is around timing for delivery, so when they occur, rather than not occurring. It was explained that most projects have not been removed but have been provided a more realistic timescale (where a project was due to start in 2026, it may now be moved to start in 2027 – in reality no work has commenced due to capacity). It was noted that this aligns with the sentiment from the FPP that Government have been too ambitious regarding the Capital

Programme which cannot be resourced. It was the Council of Ministers view that the Capital Programme was now more realistic.[52]

KEY FINDING 14: The reprioritisation within the Capital Programme aligns with the previous recommendation of the Fiscal Policy Panel to reduce the Capital Programme to a more realistic level.

Restructure

The Panel was aware that restructure was taking place to action the initiative of 'curbing public sector growth'. This was initiated within the Cabinet Office however, the Panel identified that effects of the restructure were being felt more widely throughout departments, and the Panel was concerned regarding the impacts thereof and the ultimate risk to delivering frontline services effectively. The Panel explored this in a hearing with the Chief Minister.

Deputy H.M. Miles:

> *I have got quite a number of questions about restructuring, recruitment, retention. During the previous quarterly hearings, we heard that a goal of the Council of Ministers was to curb growth in the public sector, reduce the size of the public sector. So the underlying assumption is that the public sector is too big. I think the panel are keen to understand what evidence there is to suggest that the public sector in Jersey is too big.*

The Chief Minister:

> *Can I start with that now, if you do not mind, just to set the scene? When you look at the cost of the public sector and you see how it has grown almost exponentially, not helped of course by high inflation, meaning higher pay awards. Something that the chief executive and the new Government found out prior to announcing the recruitment freeze and the consultancy, the bearing down on consultancy cost, was the fact that the system was carrying over 1,000 job vacancies, which has now been removed from the system. That is what we inherited. That was unrealistic. They were unfunded. Again, I use the word "unfunded" aspirational positions. Some of them had been on the system for many years, and as long as they were on the system as a vacancy, then the management team could automatically recruit. That is just an example of what set alarm bells ringing...*

Chief Executive Officer:

> *I think in terms of the question of how did we decide that it was too big, I think we published for the first time fairly detailed stats saying it was not so much the size of the public sector per se. You can always argue with that, of course, but we published stats to show that it was in the ballpark of other comparable public sectors. I think the concern was not so much with the size as such. It was probably more about the impact and effectiveness of the public service, so we had very strong advice - probably the strongest advice we had ever had from the Fiscal Policy Panel - last year that there was a real risk that public service activity might crowd out private sector service activity and be harmful for either growth or inflation of both. As I say, that is the starkest I think they have ever been with us. We also had internal concerns which underpinned the prioritisation exercise that we had so much activity happening within Government that*

[52] Transcript – CM – 7th Oct

we were frankly losing the run of ourselves and that is why we were so dependent on consultants. That is why we were raising expectations and not meeting them. That is why we were carrying lots of cash over every year because we could not actually spend the money that we had gone and asked for. It was much more about the effectiveness as about the size per se, I would say, that is driving the activity.

The Panel sought further detail on the rationale for the recruitment freeze as part of the restructuring effort and any consideration by Government on resultant risks.

Deputy H.M. Miles:

On recruiting officials over grade 11, so that is £66,000 as part of a restructuring effort. Again, going back to Deputy Renouf's question about risk, how do you anticipate that the recruitment freeze will impact the delivery of key government services, especially in the areas where expertise is crucial?

Assistant Chief Minister*:*

The first focus of course is that front line and essential services will not be affected by this freeze and also the Government priorities will not be affected by this freeze. There are measures in place to make sure that the person on the street will not see any change to the service that they get from government services on a day-to-day basis.

This response received conflicted with information received by the Health and Social Security Panel, who had identified that a key public service would not be carried out due to resource constraints, which would impact front line services and members of the public.

Deputy J. Renouf:

I think that is interesting. Yesterday, we were in the Health hearing and we questioned the Minister and his officials about the work on women's health and, in particular, on termination of pregnancy and why had that work not gone ahead. It was very clearly stated that the reason it had not gone ahead was because of capacity issues within the policy team. Those policy issues were explained very, very clearly; that they had lost a member of staff. There were 2 possible routes to deal with that. One would have been to recruit somebody else into that role, but there was a recruitment freeze.

The Chief Minister:

No, it does not apply to Health.

Deputy J. Renouf:

This is policy. The policy office had to develop the work and they could not employ a consultant because of the consultant freeze. That is a piece of work that is not happening because of conscious decisions by the Government.

It was confirmed that in respect of that particular circumstance there was a plan to provide policy resource because Health services remained a priority but was also part of wider capacity reduction.

The Panel sought to understand whether there was any exemption policy which could be implemented in such cases. It was confirmed that front line services were exempt from the recruitment restrictions and that posts that fall under a recruitment freeze could be appealed to the Chief Executive Officer, who would consider each case individually.

The Panel further questioned the protection of frontline services in respect of the recruitment freeze and raised that the front line only operates as a result of an effective back office and where the policy areas are effective. The Panel emphasised that, if the people working underneath were at risk, it would impact the ability of the frontline to operate effectively. The Panel notes that the example previously highlighted in respect of Health services clearly demonstrates this.

The Panel further discussed the impact of the recruitment freeze on capacity, which in its view would result in reduced capacity to deliver on priorities. The Panel highlighted that through decision making either by default - through a person leaving a role or, more consciously, when a contract is not renewed for a consultant, that capacity is deliberately reduced, which is impacting the delivery of key services. The Chief Minister confirmed that if a workstream was urgently prioritised, the resource will be found to deliver it, however, reprioritisation would need to take place from somewhere else to achieve that.

In respect of redundancy the Panel sought to understand the process, the cost and the impact thereof on service delivery. The Panel noted that senior civil servants were taking redundancy and sought to understand whether any offers of redundancy or severance were given to the Executive Leadership Team. The Panel raised concern in respect of ensuring the resilience of departments and public services and maintaining corporate knowledge.

Deputy H.M. Miles:

> *Have offers of voluntary redundancy or severance been made to all the members of the executive leadership team?*

Chief People Officer:

> *No, not offered, but they are able to apply.*

Deputy H.M. Miles:

> *How are you going to address the lack of corporate knowledge that comes with losing such experienced staff*

Chief Executive Officer:

> *Every situation needs to be taken on its merits and every business case needs to be taken on its merits to understand the succession plan, if it is an internal succession plan in that area, and the structure of the department. I think we have got one example which is in the public domain already. In that case, I think I, as the chief executive, the chief people officer, and we consulted the Ministerial team as well, I think we all recognise there was very strong succession in that area, which was a credit to the leader who departed because they built that succession. So that is part of the assessment*[53]

The Panel was also informed that the first focus was to strip out any unnecessary vacancies, rather than a redundancy programme.[54] However, the Panel had been made aware of eight senior civil servants taking voluntary redundancy through a response received during a sitting of the States Assembly.[55] The Panel sought to understand how this would impact upon

[53] Transcript – CM – 20 September Pg 22 -23
[54] Transcript – CM – 7 October – Pg 40
[55] Transcript – CM – 20 September Pg 21

redeployment as well as staff morale and how Government was balancing redundancies with staff retention.

Deputy H.M. Miles:

> *Given the uncertainty then around potential redundancies, the restructuring process, what measures is the Government taking to maintain morale and also job security among civil servants? Especially those who are going to be affected by the changes.*[56]

The Panel heard that the voluntary redundancies of eight senior civil servants was a move costing £330,000 but anticipated to save £552,000 annually in recurring expenses. To ensure these savings, the posts of those taking redundancy were generally eliminated (unless a saving could be made within the department by promoting internally), though measures were in place to maintain organisational resilience and support remaining staff. The Panel was informed that the Government was implementing a recruitment freeze at senior levels, prioritising internal redeployment to retain talent and avoid external hires. That approach was part of a broader effort to reduce a top-heavy leadership structure, distinguishing it from the previous OneGov restructuring, now considered overly expansive. While the Panel was informed that no broad invitation for redundancy exists, employees could inquire if their roles qualified, with each case reviewed individually to ensure it aligns with cost-saving goals. Additionally, there was a focus on retaining local employees over consultants and non-residents, aiming to preserve institutional knowledge and stabilise morale. The Government aims were to streamline costs, while maintaining essential services and organisational stability.[57]

The Panel notes that restructuring and recruitment freeze efforts undertaken to curb public sector growth, particularly within the Cabinet Office, have broader implications across other departments. While the focus of the changes was to reduce overall public sector costs, concerns are raised about the impact of these changes on the effective delivery of frontline services.

KEY FINDING 15: Although frontline services are prioritised and exempt from the recruitment freeze, the wider impact of the restructure on back-office functions and policy teams, suggest the recruitment freeze could affect the smooth functioning of essential services. The redundancy programme risks the loss of institutional knowledge, Government's capacity to deliver key services, and could negatively impact upon staff morale.

RECOMMENDATION 9 (OVERARCHING): Prior to any further structural changes or staffing reductions, the Council of Ministers must ensure that a comprehensive Impact Assessment is conducted to consider the effects on service delivery, capacity, morale and the long-term resilience of departments. The assessment should include specific measures for mitigating risks associated with the loss of institutional knowledge, particularly at senior levels.

RECOMMENDATION 10 (OVERARCHING): The Council of Ministers must ensure that measures are in place to protect critical back-office and policy functions which recognise their critical role in enabling effective service delivery on the front line. A flexible approach should be taken to ensure that expertise and capacity in these areas are preserved, particularly where expertise is vital to the delivery of Government priorities, such as health policy development.

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[56] Transcript – CM – 20 September Pg 26
[57] Transcript – CM – 20 September Pg 21

RECOMMENDATION 11 (OVERARCHING): As the restructuring process progresses, the Council of Ministers should continually monitor its impact, particularly on service delivery and staff retention. Where gaps in capacity are identified, a clear process must be in place to address this, including through the reallocation of resources, redeployment or recruitment where required, to ensure that the Government is able to deliver on its priorities effectively.

RECOMMENDATION 12 (OVERARCHING): Succession planning processes should be strengthened, particularly at senior levels, to ensure that departments retain the necessary skills and institutional knowledge. Consideration should be given to mentorship programmes, internal training opportunities and clear career progression pathways to ensure that key functions are maintained without compromising service quality.

Monitoring and Reporting

Noting that Budget reductions to Statistics Jersey for 2025 would result in the discontinuation or reduction of several statistical outputs, including the discontinuation of the Business Tendency Survey and the Jersey Opinion and Lifestyle Survey on an annual basis, the Panel sought to understand the rationale for imparting this change, yet continuing to promote the importance of monitoring for ongoing planning. The Panel found it difficult to understand the contradiction, where such a change would undoubtedly impact the Government's ability to monitor what is happening on the ground in Jersey to effectively deliver on the Outcomes Indicators. The Panel explored this during a hearing with the Chief Minister.

Group Director, Policy:

> *You referred to the Jersey opinion and lifestyle survey. That has moved from annual to biennial, so there will be one in 2025, there will not be one in 2026. Stats Jersey has written to the Chief Minister on the business tendency survey, which of course is going to feed into the Fiscal Policy Panel, so a response will be forthcoming on that, but fundamentally it comes from cutting our cloth and resizing of the Cabinet Office. We have to prioritise.*

Deputy H.M. Miles:

> *I think this is where the contradiction is coming out here. On the one hand you are saying that you are keen on making sure that you are on top of things, that you are monitoring things, that you are moving forward, and yet 2 key pieces of data and information that feed into the Jersey Performance Framework, that contribute to understanding wellbeing, have been dropped as a result of a reduction in budget to the Cabinet Office. I am just trying to understand the rationale for that.*

The Chief Minister:

> *Well, it was deemed that these pieces of work would provide the information we required on a biennial basis rather than an annual basis and we were looking to prioritise how we did that. Sometimes we do not do enough in some areas and we tend to perhaps over-report sometimes in other areas.*

Deputy H.M. Miles:

Those are 2 critical areas.[58]

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[58] Transcript – CM – 7th October 2024 – Pg 11-12

The Panel identified a significant contradiction between the Government's stated priorities for monitoring and planning, and the decision to reduce funding for Statistics Jersey in 2025 and not protect and enhance the growth of statistical data. While the Government emphasises the importance of monitoring key indicators to inform decision making and deliver on the Outcomes Indicators, the reduction in these critical data sources undermines the ability to effectively track and assess progress in areas like business trends and public sentiment. The rationale provided by the Chief Minister that surveys will continue on a biennial basis rather than annually, was seen by the Panel as insufficient, especially given the critical role that timely and reliable data plays in shaping policy and assessing well-being. The Panel is concerned that cutting these vital data outputs will limit the Government's capacity to make informed decisions and could negatively affect the ongoing monitoring of the Jersey Performance Framework. The Panel has proposed an Amendment (see Appendix 2 of this report for further detail) to increase the funding for Statistics Jersey and thereby reinstate the statistical outputs. This is further discussed in Chapter 4 of this report.

KEY FINDING 16: A significant contradiction was identified between the Government's stated priorities for monitoring and planning, and the decision to reduce funding for Statistics Jersey in 2025. Reducing vital data outputs will limit informed decision-making both within Government and the community and will negatively affect the ongoing monitoring of the Jersey Performance Framework and delivery against the Outcome Indicators and the Future Jersey Vision.

RECOMMENDATION 13 (OVERARCHING): The Council of Ministers must invest in enhancing data collection mechanisms to ensure data continuity for performance monitoring, and should prioritise the maintenance of high quality, timely data collection that feeds directly into key decision-making processes and supports evidence-based policy. As strategic investment in data collection and analysis improves efficiency and reduces the need for reactive decision-making based on incomplete or outdated information, the Council of Ministers must effectively balance any decision to reduce statistical outputs against long term benefits of informed policy development.

In respect of monitoring the delivery of departments' key performance indicators, the Panel sought to understand whether there was a consistent tracking mechanism across departments to address this and to ensure accountability. This was explored in a hearing with the Chief Minister.

Deputy H.M. Miles:

> *I just wanted to move on to talk about performance and accountability. How are the key performance indicators for each department being tracked and reported? Is the tracking system consistent across departments? How do you know what is going on?*

Group Director, Policy:

> *Both the Executive Leadership Team and the Council of Ministers regularly review performance and K.P.I.s (key performance indicators) are within that, as well as considering that along with the risk registers that are out already. These are key considerations for the Chief Executive and the key objectives for his chief officers and that is part of the quarterly appraisals that he has introduced.*

Deputy H.M. Miles:

What mechanisms are in place to address discrepancies in those performance indicators and to deal with underperformance?

Treasurer of the States:

Not just through the new system in terms of connected performance. There is an increased focus by this Chief Executive on performance, so each chief officer has quarterly performance objectives, not just annual, in addition to delivering the priorities within the departmental plan. They are more focused on delivery against those objectives. That cascades down through the organisation with a much increased mid-year review, mid-year reviews being the performance review for each individual member of our teams. A big pick-up in the number of people who have their half-yearly reviews recorded on the system. So there is a greater focus on it, alongside prioritisation. Previously we used to have far many objectives which led to a good percentage of those not being delivered because they did not recognise the resources and the time it would take to do so. Now we have fewer but more homed-in objectives, more specific objectives, and they are done on a quarterly basis.

The Panel further explored the mechanisms used to monitor departmental spending.

Deputy H.M. Miles:

What systems are in place to monitor the effectiveness and efficiency of departmental spending in particular? How are public services performance evaluated within that?

Treasurer of the States:

If we are talking about the Government Plan as opposed to a discussion about annual reporting, which is something else again, in terms of this Government Plan in terms of the savings programme, the change in the way that we have done it this year is to be more targeted and more focused on the back-office functions as opposed to front-line functions. We have also looked across and have committed to savings arriving from the office, so that is included within the savings profile in a way that it had been at this point. The elements of delivery in terms of savings focus on vacancies to reduce the level of consultancy spend that government incurs and overall are to be clear on what the priorities are and to deliver against those priorities, be very clear about the performance that is expected against those priorities.

Deputy H.M. Miles:

Could you give an example of a metric that would show that you have succeeded?

Treasurer of the States:

In terms of towards the end of 2025 for example for Treasury, specifically on the Treasury one, we are rebalancing what is expected of departments and what is expected of certain core functions. At the end, part and parcel of that will be to have a very clear S.L.A. (service level agreement) or M.O.U. (memorandum of understanding) between the Treasury and those departments and we will be able to monitor and report back to the Minister and senior management regarding how we have adhered to the S.L.A. and the M.O.U. At the moment it is far more fluid than that, not as specific as to whose responsibility is what to be clear on what we deliver.[59]

[59] Transcript – CM – 7th October 2024 – Pg 12-14

The Panel observed that while there are efforts to track the delivery of departments' key performance indicators (KPIs), it remains unclear whether a standardised tracking mechanism across departments is consistently adopted or how that is monitored. The Panel identified that the Executive Leadership Team and the Council of Ministers review performance and KPIs, as well as risk registers, on a regular basis. Additionally, quarterly appraisals have been introduced for Chief Officers to monitor their performance objectives. However, the Panel noted that while performance reviews are becoming more structured with quarterly objectives and mid-year reviews for individual staff, the systems in place to track and ensure accountability for KPIs appear not to be uniformly applied across all departments. This lack of consistency in tracking and addressing discrepancies in performance raises concerns about the Government's ability to ensure effective and coordinated accountability. Specific metrics or clear criteria for measuring the success of performance in terms of cost efficiency were not sufficiently articulated, particularly when it comes to public service performance evaluations.

KEY FINDING 17: It is unclear whether a standardised mechanism for tracking Key Performance Indicators is consistently adopted across departments. Any lack in consistency in monitoring and addressing discrepancies in performance, risks effective and coordinated accountability

RECOMMENDATION 14 (OVERARCHING): The Council of Ministers should take appropriate steps to clarify and strengthen the mechanisms and metrics in place for the assessing, monitoring and reporting of Key Performance Indicators to ensure consistency across departments. Clear processes should be in place for managing any identified discrepancies in departmental Key Performance Indicators, with specific measures and actions for supporting departments in improving performance.

RECOMMENDATION 15 (OVERARCHING): The Council of Ministers should consider how transparency in monitoring departmental spending can be enhanced so that public service performance and spending are transparently evaluated, governed and communicated to the public.

Sustainable Wellbeing

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.

In addition, 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 notes that the Budget incorporates narrative on Sustainable Wellbeing on pages 14 – 17, aligning it to the Common Strategic Policy, Future Jersey Vision, Jersey Performance Framework, Ministerial priorities and Business Plans as well as risk. The Panel considered this statutory requirement and sought to determine how this Budget ensures that Sustainable Wellbeing is intentionally factored into its creation. The Panel wanted to understand what has changed in practice since the Law was enacted to genuinely deliver Sustainable Wellbeing from the outset, rather than as a add on or retrofit, which was a concern of the Panel.

Deputy J. Renouf:

To talk about sustainable wellbeing and the 2019 law, as you know, says that we must take into account sustainable wellbeing in the formulation of Budgets. The C. & A.G. (Comptroller and Auditor General) says that the consequence of that is sustainable wellbeing should be central to considerations underpinning the way in which Government plans, makes decisions and designs public services in Jersey. I wondered if you could say how have the Government, Council of Ministers ensured that sustainable wellbeing under the Public Finances (Jersey) Law is reflected in Budget allocations. Can you provide specific examples?

The Chief Minister:

You have quoted the law and the 2019 Public Finances (Jersey) Law requires the Council of Ministers to take into account sustainable wellbeing, including economic, social, environmental and cultural wellbeing. Those are the themes that link into what we were talking about in relation to the Future Jersey work. Our C.S.P. and our Budget, which is aligned from that, are largely based around those key subjects.

Deputy J. Renouf:

I guess what I am looking for is measurable indicators, monitoring. How do we understand whether or not we have achieved anything in sustainable wellbeing?

Group Director, Policy:

To be honest, it is difficult to elaborate more than what is already in the draft Budget at pages 17 and 18. It is referring back to those outcome indicators but, as I mentioned, some of them are 2 years apart in terms of those indicators, so it requires Ministers to take that judgment about where it is most likely to have the effect, even though you will not be able to prove until the next round of indicators come through.

The Panel sought to understand what direct efforts were made by the Council of Ministers to maintain a focus on Sustainable Wellbeing when creating the Budget. The Panel was keen to identify as a result of the legislative change, what practical changes had been actioned by the Council of Ministers.

Deputy J. Renouf:

Can I come at it from a slightly different angle then and ask how much time was spent in those extensive meetings that you talked about in the Council of Ministers talking about sustainable wellbeing?

The Chief Minister:

I think all of our deliberations are focused around sustainable wellbeing. That is at the very heart of the work as a Government and the work we do in budgeting. Our thoughts around the Council of Ministers table have been about prudent sustainability, careful budgeting, curbing growth, all for the very reasons that are mentioned aligned with our duties under the law. I cannot give you a list of specific examples but those are the guiding principles that we follow.

Deputy J. Renouf:

I think what I am trying to understand is the law came in in 2019. What has it changed? What has made it different? What it sounds like is the Government decide they are in *favour of sustainable wellbeing and then everything that happens afterwards is justified as part of that. It is a retrofit, if you like. You decide what you want to do and then say: "It is fine, it is sustainable wellbeing. We are in favour of that." What are the specific things that sustainable wellbeing makes that law bite?*

Treasurer of the States:

In respect of this particular Government Plan, this Government Plan in particular comes very hot on the heels of a new Government C.S.P. That C.S.P. by its very nature focuses on sustainable wellbeing. It brings sustainable wellbeing to life across the 13 priorities within it. The Budget, hot on the heels of that, has prioritised those matters. So for all the years that you might be looking at a Government Plan, this year on particular focuses heavily and you can see that quite clearly by the focuses on the outcomes of the C.S.P. approved by the Assembly, which focuses on nothing else but sustainable wellbeing.

Assistant Chief Minister:

It is a good question though because when the law was introduced in 2019 there were arguments that say: "Well, you will change the law but what will it change in practice?" There have not been that many plans since that law was introduced and Ministers do need to be mindful that it means something in practice but as the Treasurer has just said - I have got the C.S.P. priorities in front of me - they are very much focused on sustainability and that wellbeing. So there is a good link across but I think it is a challenge for all governments that you should make it mean something rather than it being a retrofit. I do not think this was a retrofit but it is always a danger and I think there has always been a danger with Government Plans that it could be that.

Deputy J. Renouf:

It will be interesting to see. I believe the Comptroller and Auditor General is bringing out a report on Government performance on this in the next week or so.

Assistant Chief Minister:

It will probably be quite challenging because of those very issues.

Deputy J. Renouf:

The only follow-up really is to say to what extent might you be monitoring the impact of the Budget on things like capital projects and revenue expenditure in terms of sustainable wellbeing? What monitoring is done to see whether the ambition matches up with the delivery?

The Chief Minister:

If we look at our C.S.P. priorities, if we look at extending nursery and childcare provision as one example, in relation to Future Jersey that sustainable wellbeing is in the subcategory of community wellbeing and under Island Outcomes it is children. We will analyse that through those categories and some of that analysis will come from Treasury, some will come from the departments that are involved. I think Stats Jersey will pick on some of the work we do and report on that. Those are the key areas. Every single priority is linked to Future Jersey and it links the sustainable wellbeing aspect and the Island Outcomes. So we are clearly guided. I think this is the first Budget - I could be wrong - since 2019 that has linked the C.S.P., which was a guiding principle for a lot of the Budget, to the Future Jersey work.

Although it was affirmed by the Chief Minister that Sustainable Wellbeing was central to their decision making process, particularly within the framework of the Common Strategic Policy which prioritises these wellbeing themes, the Panel maintains its concern that despite the legislative requirements, nothing in practice has changed to integrate Sustainable Wellbeing into the Budget from the outset. The Panel also questions how sustainable wellbeing is measured and monitored in practice, particularly in terms of tracking the long-term impact on public services and projects.

The challenge of tracking the success of Sustainable Wellbeing, given that many indicators are measured on a biennial basis which can delay assessments, was identified. The Chief Minister indicated that while Sustainable Wellbeing was discussed at the Council of Ministers' meetings, concrete examples or specific actions resulting from the legislative requirement were difficult to pinpoint. The challenge of ensuring that Sustainable Wellbeing is meaningfully integrated, rather than retroactively applied was also acknowledged.

KEY FINDING 18: It is difficult to identify what has changed in practice to embed Sustainable Wellbeing from the outset when developing the Budget since the enactment of the Public Finances (Jersey) Law 2019. The Law requires that Sustainable Wellbeing including economic, social, environmental and cultural be accounted for in the proposals of the Government Plan (Budget). However, how the success or otherwise of any actions taken for Sustainable Wellbeing are tracked and measured is not clear.

RECOMMENDATION 16 (OVERARCHING): The Council of Ministers must be mindful that the Public Finances (Jersey) Law 2019 should demonstrate changes in practice and must ensure ongoing Ministerial engagement and take proactive measures to ensure Sustainable Wellbeing is meaningfully integrated, rather than retroactively in all future Budgets. Consideration should be given for establishing a process to embed Sustainable Wellbeing in core decision-making at all stages of the budgetary decisions. The Council of Ministers should also strengthen monitoring and reporting of Sustainable Wellbeing embedded in the Budget to assess the impact. This should include establishing a clear and measurable mechanism to identify how Sustainable Wellbeing is tied to the Budget's proposals with indicators that are specific, measurable and linked to the long-term outcomes. This should be actioned for all future Budgets.

Gender Responsive Budgeting

The Panel notes that Gender Responsive Budgeting has been implemented in certain jurisdictions (including Morocco, Austria, Colombia and Rwanda), which endeavours to create budgets that work for everyone (women, men, girls and boys)[60] through considering and analysing the unique and diverse needs of every person in respect of gender and the associated norms and roles. Thereby, budgets strive for a fair distribution of resources. It has been revealed that economic models and budgets can lead to fiscal policies and budgets that are biased, which would have negative consequences to certain groups. However, when gaps (such as gender gaps) are brought to the surface, governments can target available resources to address inequalities and support sustainable, inclusive development for all. Gender Responsive Budgets foster a sense of justice (both gender and fiscal justice), strengthen

[60] Oxfam Policy and Practice – A Guide to Gender Responsive Budgeting

government accountability, and support better alignment of national budgets with sustainable development goals.[61]

The Panel enquired about the Government's stance on implementing Gender Responsive Budgeting during a public review hearing with the Chief Minister, noting that this approach to developing budgets encourages a Budget that equitably supports all citizens, including vulnerable groups, by analysing how funds are allocated within the Budget.

The Panel identified that although Gender Responsive Budgeting is not implemented in Jersey, that policy decisions do consider gender and other protected characteristics as per the Discrimination (Jersey) Law 2013. A standardised template and guidance are utilised by policy officers to help assess indirect discrimination, ensuring policy inclusivity. The Chief Minister was supportive of exploring the area further.

Deputy H.M. Miles:

> *I take all those examples but they are very much at policy level. The idea of a gender responsive budget is to look at it from the top down and see where budgets are being allocated proportionately to support and it is not just about women. It is about all vulnerable groups.*

The Chief Minister:

> *I think probably next year's Budget is too soon. I think it is something we need to perhaps debate in the Assembly during this term of office because there are ...*
>
> *I am quite happy to discuss it around the Council of Ministers table in the near future but I think there are challenges. For example, insufficient data is one of our weaknesses. If you look at the gender pay gap and our move to encourage the private sector, we need to ... if we implement a policy of responsive budgeting then we are going to need data to back it up so we can make the right decisions and we are still ...*

Deputy H.M. Miles:

> *We know we have had propositions to introduce gender pay reporting, so it is all part of the same thing.*

The Chief Minister:

> *I think we are moving in that direction.*

Assistant Chief Minister:

> *It is interesting, when you look at some of the C.S.P.s and look at new growth money in the Government Plan, you have got the violence against women and girls, you have got the childcare extension funding, you have got the school meals, so that is happening. The question really is a wider question of do we put some more structure around it or legislation around it. Sitting here at this point, I think it is worth looking at that but I would be worried ...*
>
> *Deputy Renouf's question about sustainable wellbeing. It is in the law but what are we doing practically, although we can point at things that we are doing, and we would not want to create another overlay that was ... maybe we could argue that this one is currently bedded in about wellbeing but it is interesting too that some of the priorities*

[61] United Nations – UN Women

> *are already achieving that. We will no doubt be interested in your work if you look at the current Budget through that lens and see what it shows.*

During the hearing, the Panel emphasised the value of Gender Responsive Budgeting for top-down budget analysis. The Panel identified that while the Government of Jersey has not yet adopted Gender Responsive Budgeting, it has made efforts to consider gender and other protected characteristics and inclusive policy development. However, the Chief Minister noted that Gender Responsive Budgeting at the macro-budget level, such as through top-down analysis of resource allocation, has not yet been implemented, citing challenges such as insufficient data (e.g., gender pay gap data) as a barrier to making informed, responsive decisions. The Chief Minister expressed openness to exploring it further, acknowledging that the concept could be debated in the States Assembly in the current term, with further data collection being necessary to support its implementation.

It was also identified that while Jersey may not yet have a formalised process for Gender Responsive Budgeting, several existing initiatives in the current Common Strategic Policy align with goals of Gender Responsive Budgeting, which demonstrates a commitment to inclusivity within the budgeting process.

The Panel expresses support for Gender Responsive Budgeting in future Budgets and encouraged the Chief Minister to explore the area further, as it could strengthen the inclusivity and fairness of future budget allocations.

KEY FINDING 19: While Jersey has not yet adopted Gender Responsive Budgeting the Government has made efforts to consider gender and other protected characteristics through the Discrimination (Jersey) Law 2013, and inclusive policy development when developing Budget proposals. The Chief Minister expressed openness to exploring Gender Responsive Budgeting, acknowledging that the concept could be debated in the States Assembly in the current term. However, challenges such as insufficient data were highlighted, and it was noted that further data collection would be necessary to support its implementation.

RECOMMENDATION 17 (OVERARCHING): The Council of Ministers should consider taking meaningful steps towards exploring, developing and implementing Gender Responsive Budgeting in Jersey to ensure that public resources are distributed equitably and that the needs of all Islanders, including vulnerable groups, are met. The Council of Ministers should report back to Scrutiny and the States Assembly on the trajectory for progressing this workstream by Q2 2025.

3 Financial Strategy - Income and Expenditure

Economic and Fiscal Context

Fiscal Policy Panel

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.

The FPP's work is guided by five key principles, these are:

- economic stability is at the heart of sustainable prosperity
- fiscal policy needs to be focused on the medium term
- policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment
- supply in the economy is as important as demand and
- low inflation is fundamental to the competitiveness of the economy.

Economic Outlook

The FPP reports within its Annual Report 2024[62] that the near-term outlook for global growth remains stable yet below pre-pandemic levels, with inflation significantly reduced from its 2022 peak, though still above target in many economies. It explains that Jersey's economy likely experienced strong growth in 2023, primarily driven by exceptional profits in the financial sector, although overall growth outside of this sector was weak. As finance profits are expected to slow down from 2024, the economic growth outlook is comparatively less optimistic. Referencing the implementation of the OECD Pillar Two framework, the FPP notes that it will alter Jersey's tax regime, impacting the financial sector and overall economic stability. Moreover, notes that while short-term tax receipts may rise, the long-term effects remain uncertain.

The FPP notes that the headline inflation has decreased with further reductions anticipated as interest rates drop. Nonetheless, raised concern that a recent increase in underlying inflation may signal domestic inflationary pressures. Furthermore, its noted that the housing market has slowed, with a 43% drop in turnover and a 3% decrease in prices in 2023. However, higher mortgage costs have maintained housing affordability challenges, potentially hindering productivity.

[62] FPP Annual Report 2024

The FPP explains that although real earnings saw growth in 2024, a 3.3% decline from 2020 to 2024 was experienced, mainly due to high inflation and low productivity. It is raised that to support an aging population without lowering living standards, productivity improvements will be essential moving forward.

Household Living Costs and Spending

A recent report by Statistics Jersey published on 23rd October 2024 reflects the Jersey Retail Prices Index (RPI) and summarised the following data during the 12 months to September 2024:

- the All Items RPI for Jersey increased by 3.0% to stand at 233.7 (June 2000 = 100)
- the increase in the RPI was less than that to June 2024 (5.0%); hence the annual rate of inflation decreased by 2.0 percentage points (pp) since last quarter
- a few groups contributed to the decrease in the annual rate of inflation, most notably the housing group
- prices in most groups increased and these increases were similar to or less than those over the 12 months to June 2024, which resulted in an overall downward contribution to the annual rate of inflation
- leisure services which include entertainment, sport and leisure fees and foreign and UK holidays, was the price group that made the largest contribution to the annual rate of inflation, contributing +0.8 pp to the rate
    - the overall price change in the leisure services price group was lower compared with the 12 months to June 2024, hence its contribution to the change in rate of the RPI was -0.3 pp
- the increase in the RPI was 7.1 pp smaller than a year ago (10.1% in September 2023)
- RPI(Y)[63], which measures underlying inflation, increased by 3.3%, 1 which was 0.6 pp smaller than the June 2024 rate (down from 3.9%)
- RPI(X)[64] increased by 3.5%
- RPI Pensioners increased by 3.6%
- RPI Low Income increased by 3.4%
- annual changes in RPI(X), RPI(Y), RPI Pensioners, and RPI Low Income were 0.6 to 0.8 pp smaller than those in June 2024
- the rate of inflation in Jersey as measured by the RPI, was 0.4 pp higher than the UK CPIH[65], which is the broadly comparable headline rate of inflation for the UK

KEY FINDING 20: The economic outlook for Jersey in the near term presents a mixed picture, with growth primarily driven by the financial sector and weaker performance in other sectors. While global inflation has decreased, domestic inflationary pressures, particularly in housing and the cost of living, remain a concern. Real earnings have been negatively impacted by high inflation and low productivity. To sustain long-term growth and support an aging population, improving productivity and diversifying the economy beyond the financial sector will be crucial.

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[63] RPI(Y) excludes mortgage interest payments and indirect taxes (such as GST and impôts). During periods involving the introduction of, or changes in, indirect taxes, the annual change in RPI(Y) is the pertinent measure of underlying inflation.

[64] RPI(X) excludes mortgage interest payments.

[65] Consumer Prices Index, including owner occupiers' housing costs (CPIH) is the headline rate of inflation for the UK – see Comparison with the UK on page 7. Costs associated with owning and occupying one's own home are reflected through a rental equivalence method in the UK CPIH, hence its rate of increase is less directly affected by changes in the Bank of England Bank Rate, than the Jersey RPI.

Fiscal Outlook

In respect of public finances, the FPP reveals within its Annual Report 2024[66] that increasing public expenditure focused primarily on operational costs, rather than capital investments, would lead to anticipated operating deficits in 2025 and 2026, with only a small surplus projected for 2027. It is raised that this rising expenditure in a low-capacity economy poses risks of higher inflation and increased imports, which could undermine real income gains.

In respect of capital spending, the FPP notes that the Budget includes a significant £710 million capital investment for the new hospital, however, highlights concern that inflationary risks persist. It is also noted that as past departmental budgets have often been underspent due to capacity issues, reallocating those savings to strengthen the Stabilisation Fund and Strategic Reserve Fund would be advantageous instead of increasing current spending.

The FPP emphasises that although the central tax revenue forecast has improved, the additional revenue has not been directed toward enhancing the resilience of the Stabilisation Fund or Strategic Reserve Fund. Further explaining that the Strategic Reserve Fund remains significantly below the recommended range (is expected to represent only 17% of GVA by 2028), while the Stabilisation Fund is nearly exhausted, limiting its ability to provide fiscal support during economic downturns. The FPP reiterates the requirement for Government to be proactive in replenishing the levels of these Funds.

The FPP raises concern regarding the unsustainable expenditure growth directed to Health and Community Services, with 76% of the increase in expenditure growth over 2025-2028 being allocated to healthcare and emphasises that given that healthcare demands may rise faster than income growth; there is a risk that difficult choices would need to be made between funding healthcare and other priorities.

Jersey's net asset value as a percentage of GDP is projected to decline from 152% in 2019 to 111% by 2028, indicating a decrease in the Island's financial resilience.

KEY FINDING 21: Significant concerns regarding Jersey's public finances, particularly the increasing public expenditure focused on operational costs rather than capital investments, has been highlighted by the Fiscal Policy Panel. This trend is expected to lead to operating deficits in 2025 and 2026, with only a small surplus projected for 2027. The rising expenditure in a low-growth economy poses risks of higher inflation and increased imports, which could undermine real income growth. Additionally, the unsustainable growth in healthcare expenditure, representing 76% of the growth in spending over 2025-2028, raises concerns about the potential for difficult trade-offs between funding healthcare and other Government priorities and Jersey's declining net asset value as a percentage of Gross Domestic Product (GDP) further signals a reduction in the Island's financial resilience.

Recommendations of the Fiscal Policy Panel

This year the Budget was informed by the FPP's Economic Assumptions published in May 2024. The FPP's Annual Report for 2024 was lodged in September 2024, which followed the lodging of the Budget.

[66] FPP Annual Report 2024

Within its Economic Assumptions 2024, the following notable updates were provided by the FPP to update their economic forecasts for 2023-2028 to inform the Government's Budget proposals:

1. **Global Growth Projections:** Since the Panel's 2023 Annual Report, global growth projections for 2024 have slightly improved, but those for 2025 remain the same. While inflation has peaked and the global economy has avoided a recession, growth prospects are uneven and below the 2009-2019 average of 3.8%. The US is leading the recovery, but advanced economies like the UK are expected to see low growth as governments focus on reducing public spending. Additionally, China's economic slowdown poses risks to global growth, and geopolitical tensions in the Middle East threaten price volatility in energy and commodities markets. The Panel is aware of these risks and their implications for forecasting Jersey's economic outlook.

2. **Inflationary Pressures:** In its previous economic assessments, the Panel discussed the Bank of England's tightening monetary policy to address inflationary pressures in the UK. In 2023, the Bank Rate was raised five times, reaching a 16-year high of 5.25%. Jersey experienced similarly high inflation rates, with an average annual Retail Prices Index (RPI) rate of 10.2% and an RPI(X) rate of 6.0% in 2023. However, both inflation measures are anticipated to decline from 2024 to 2027.

3. **Growth of Economy:** The Jersey economy has shown strong growth despite weak global conditions, though it may be operating at an unsustainable level. Registered unemployment remained low at 700 in March 2024, and average earnings rose by 7.7% in June 2023 compared to the previous year. The Business Tendency Survey indicated positive business activity in the finance sector throughout 2023, with profitability supported by increasing deposits and high interest rates. However, the outlook for the non-finance economy is less optimistic, with decreased current and future business activity reported from September 2023 to March 2024. Concerns about input costs and product prices persist across the economy. Overall, while robust growth was estimated for 2023, more modest growth is expected in the coming years.

4. **Inflation and RPI:** The Panel anticipates a continued decline in inflation in Jersey, projecting that by the end of this year, the Retail Prices Index (RPI) will fall to 2.2%, while RPI(X), which excludes estimated mortgage interest payments, will reach 3.1%. Additionally, it is expected that the gap between RPI and RPI(X) will narrow by mid-2024, with RPI(X) growth anticipated to surpass that of RPI thereafter.

5. **Earnings:** Average earnings growth is expected to increase slightly from 2024 to 2026, primarily driven by the 2023 public sector pay deal and higher remuneration in the financial sector. This growth in earnings will positively impact employee compensation and, consequently, gross value added. However, expectations regarding employment growth remain largely unchanged.

6. **Housing:** In 2023, the housing market experienced a slowdown due to higher mortgage rates, resulting in a 42.9% decrease in transactions. However, the market is projected to recover to pre-pandemic levels by 2026, with modest growth expected thereafter. House prices fell by 2.6% in 2023, following strong increases in 2021 and 2022, and are not anticipated to rise again until 2025.

7. **Real GVA:** Current market expectations suggest that the UK Bank Rate has peaked at 5.25% and is anticipated to decline throughout 2024 and 2025, although it is expected to remain above 3% during the forecast period. Based on data received from the industry regarding bank performance, the Panel has revised its profit outlook for

the financial sector, now expecting significant growth in 2023, followed by a slowdown in growth from 2024 to 2028. Consequently, the Panel has sharply increased its forecasts for real Gross Value Added (GVA) growth in 2023 from 1.7% to 9.3%.

Within its Annual Report for 2024, on considering Jersey's economic outlook and fiscal outlook (public finances), the following recommendations were made:

1. Fiscal Strategy and Spending: The Panel recognises there are pressures for higher current spending in Jersey, particularly following the pandemic and the costofliving crisis. The Government faces difficult choices in balancing these current spending pressures against investment in the Island's productive capacity as well as addressing the depletion of the Island's reserves. The Budget includes some welcome measures to rebuild the reserves in the longer term. Nonetheless, the Panel is concerned with the prioritisation given to current (or day-to-day) expenditure growth, rather than rebuilding the reserves and using strong tax revenue to preserve resources for future investment. In line with the principles which guide its work, the Panel believes that fiscal decisions need to give greater consideration to medium term challenges, ensuring the Island's economy is resilient to cyclical and structural shocks in an increasingly turbulent global economy.

2. The Strategic Reserve: The Reserve is significantly below the level the Panel believes is necessary to provide economic resilience and to protect Islanders from the impact of major crises. The Panel welcomes the decision to invest the proceeds from Prior Year Balance taxation debts into the Strategic Reserve. This will provide the Strategic Reserve with much needed support in the long run, but in the short and medium term the Strategic Reserve will remain below recommended levels making Jersey's economy vulnerable if a crisis was to occur. Further action to increase this reserve should be taken as a matter of urgency.

3. The Stabilisation Fund: The Fund is effectively exhausted and cannot fulfil its purpose by delivering cyclical Fiscal policy to support Jersey's economy in the case of an economic downturn. The Panel's assessment is that the recent period of strong and above trend growth experienced since 2021 should have resulted in a minimum of £50-£80 million (and more likely £60m-£250 million) investment into the Stabilisation Fund. The Panel is pleased to note the intentions to invest a proportion (£41.6 million) of the base case Pillar Two tax revenues into the Stabilisation Fund and to invest surpluses of up to £25 million, from the Consolidated Fund, into the Stabilisation Fund in 2025. The Panel recommends that further, immediate action be taken to improve the balance of the Stabilisation Fund. This could take the form of a commitment investing a proportion of cyclical tax revenues into the Stabilisation Fund as well as a commitment to invest a proportion of upside/additional Pillar Two revenues.

4. Pillar Two: The implementation of Pillar Two will mean a change in the tax regime primarily affecting financial services. The Panel welcomes the Government's prudent approach to forecasting Pillar Two revenues. These future tax revenues create an opportunity for the Government to restore States Reserves to the levels needed to protect current and future generations of Islanders from economic shocks and instability. Investing Pillar Two income in reserves will generate future investment returns which could in turn be used to fund investment into increasing Jersey's productive capacity, crucial for long-term economic growth. Such a prudent approach in the short term is recommended considering the medium-term risks around the changing global tax regime.

5. Healthcare Expenditure and Related Funds: The Budget 2025 has allocated £124 million, in expenditure growth over 4 years, to healthcare. Spend on Health and Community Services will equate to 27% of total Government expenditure; this is high by OECD standards. The level of healthcare spend is a societal and political choice, but the rate of growth in healthcare spend is not sustainable given that income growth will fall back to much more moderate levels. The Panel notes that health demands can be expected to rise faster than incomes creating pressures for further spend. Managing this pressure will have consequences as it limits spending on other areas of the economy too, such as public services and investment into productive capacity for economic growth.

6. Inflation and Overheating: Headline RPI inflation is falling, but there are signs that inflationary pressures may be building on Island (shown by an increase in RPIX last quarter) putting further pressure on the cost of living faced by Islanders. The Panel is concerned that the proposed expenditure growth, when there is little spare capacity in the Island, can be expected to generate additional inflation or force demand offshore, outside of Jersey's economy.

When undertaking its review, the Panel aimed to assess how the recommendations of the FPP were considered by the Government when developing the proposals within the Budget.

Income

Income Forecasts

The Budget explains that the Income Forecasting Group (IFG) updated its income projections for taxation and social security contributions in Spring 2024, reflecting the FPP's latest economic assumptions. This forecast accounts for a slightly improved global outlook, though growth remains below historic averages, with low growth expected for economies like the UK.

Key revisions include expected interest rate decreases over the forecast period, a faster decline in inflation through 2024, but higher levels in 2025-26, and an increase in average earnings driven by public sector and financial sector wages.

Employment growth projections remain steady, while house prices are expected to remain stable until 2025, with transaction levels returning to pre-pandemic rates by 2026. The IFG's central forecast also considers 2023 tax data, early 2024 revenue information, and input from Treasury and market intelligence.

A summary of the latest forecast can be found on page 28 of the Budget. Moreover, detail on overall changes from the summer of 2023 for personal income tax, corporate income tax, GST and International Services Entity Fees, impôts (excise) duties and stamp duty can be found on page 29 of the Budget.

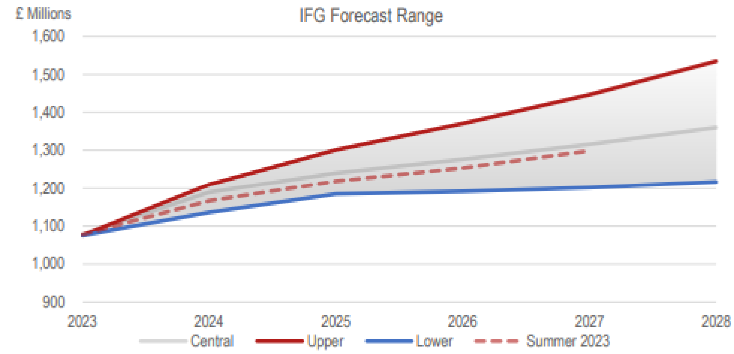


Figure 18: Range of IFG forecast. Source: IFG

The Panel sought to identify how post COVID-19 consumer behaviour trends and long-term consumption patterns for alcohol, tobacco and fuel, impacted revenue from excise duties, and how these trends were factored into future revenue forecasts. In a letter[67] it was explained that trends in volumes are considered as part of the forecasting carried out by the IFG, and that the report of the IFG sets this out and explains how it is factored into future forecasts.

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.

The Assembly are asked in the Proposition to approve the estimate of total States income to be paid into the Consolidated Fund in 2025 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. See below Summary Table 1 for further reference.

[67] Letter – MTR – 30 October 2024

Summary Table 1 - States Income				
	2025	2026	2027	2028
£'000	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Income Taxes				
- Personal Income Tax	716,500	742,500	771,500	800,500
- Corporate Income Tax	221,000	220,000	220,000	226,000
- Interest Tax Relief (Letting Properties Only)	-	-	1,900	1,900
	937,500	**962,500**	**993,400**	**1,028,400**
Goods and Services Tax (GST)				
- Goods and Services Tax	116,300	119,300	122,300	125,300
- International Service Entities Fees	12,700	12,700	12,700	12,700
	129,000	**132,000**	**135,000**	**138,000**
Impôt Duties				
- Spirits	7,397	7,602	7,821	8,070
- Wine	9,058	9,208	9,369	9,563
- Cider	921	927	934	944
- Beer	6,514	6,621	6,739	6,877
- Tobacco	17,764	17,804	17,861	17,995
- Fuel	25,137	25,293	25,478	25,742
- Goods (Customs)	700	700	700	700
- Vehicle Emissions Duty (VED)	3,131	2,986	2,847	2,724
	70,622	**71,141**	**71,749**	**72,615**
Stamp Duty and Land Transaction Tax				
- Stamp Duty	37,329	43,066	44,206	45,288
- Land Transaction Tax (LTT)	3,614	4,534	4,717	4,907
- Probate	2,600	2,600	2,600	2,600
- Enveloped Property Transaction Tax	1,000	1,000	1,000	1,000
	44,543	**51,200**	**52,523**	**53,795**
Other Income				
- Island-Wide Rates	17,660	17,960	18,319	18,722
- Dividend Income	21,226	12,331	9,457	9,600
- Income from Andium Homes	29,645	29,628	29,820	30,024
- Other Non-dividend Income	20,021	19,982	19,983	20,068
	88,552	**79,901**	**77,579**	**78,414**
Total States Income (before Pillar 2)	**1,270,217**	**1,296,742**	**1,330,251**	**1,371,224**
Base Case Forecast Pillar 2	-	52,000	52,000	54,000
Total States Income (after Pillar 2)	**1,270,217**	**1,348,742**	**1,382,251**	**1,425,224**

Budget Proposals

The Panel sought further detail in respect of the Budget proposals tabled below during a public review hearing[68,69].

[68] Transcript – MTR – 18 October 2024
[69] Letter – MTR – 30 October 2024

Summary of Budget Proposals		
£'000	Proposed vs Forecast[7]	Proposed vs no change
New tax measures		
Excise duty relief for craft spirits producers	(175)	(175)
Group relief for Stamp Duty	-	-
Second-hand bicycle margin scheme	-	-
GST refunds for DIY home builders	-	-
Annual tax adjustments		
Personal allowances incl. child allowances	-	(11,300)
Alcohol duty freeze	(868)	-
Tobacco duty increase	-	1,410
Fuel duty freeze	(905)	-
Vehicle Emissions Duty increases	243	243
Budget proposals	**(1,705)**	**(9,822)**

Table 6: Summary of Budget Proposals

The Panel sought to understand what degree of stakeholder engagement was undertaken on the proposals to inform them, and to identify whether the shortened timeline due to lodging the Budget earlier, impacted upon that process.

Deputy H.M. Miles:

…I have some questions about the general revenue income and the budget proposals. Can you just talk to us about the level of stakeholder consultation that was undertaken when deciding on the thresholds and the allowances and the excise duties, et cetera?

The Minister for Treasury and Resources:

Well, we consult very widely in terms of budget measures. So, we go out to a number of groups in the ... I think it must be in the spring. Well, the closing date was ... we had about 5 weeks to consult. So we go out to people like the Law Society, Age Concern, Chamber of Commerce, Children's Commissioner, Charities Commissioner, Institute of Directors, J.A.C.S. (Jersey Advisory and Conciliation Service), Jersey Landlord Association, Consumer Council, Jersey Business, C.I.O.T. (Chartered Institute of Taxation), and the J.S.C.C.A. (Jersey Society of Chartered and Certified Accountants), which is the accountancy body. We also include agriculture, construction, retail, property, finance, legal and digital. So, we do consult very widely on all tax changes. I am not sure if that necessarily led ... that is about tax policy more generally, what we might do in terms of changes to tax, is the structure right, and they do come back with suggestions. We have worked through those suggestions with them. Some of them have come through and some have not.

Deputy H.M. Miles:

So, did the consultation process look like you writing to these people and inviting them to submit their opinions?

The Minister for Treasury and Resources:

Yes.

Deputy H.M. Miles:

Okay. Because I think we have received some views that proper consultation did not take place this year and that it appeared to be more of an exercise of providing the Government's views or likely decisions to stakeholders rather than a proper consultation on views.

The Minister for Treasury and Resources:

Well, that may be people who just feel that ... I think we do consult. Without telling me where you think the gap is, I cannot really answer that, but we have ... I have had meetings with some of those bodies. The officers certainly have had meetings with those bodies. It may be that they just do not like the outcome rather than they were not consulted, without further detail.

Deputy H.M. Miles:

Did the shortened timeline in preparing the budget to launch the proposed budget sooner in August have any impact at all on the consultation process?

Deputy Comptroller of Revenue, Treasury and Exchequer:

I would not say so, Chair. In early March, the Comptroller wrote to a very wide range of organisations, as the Minister said. So that was still in plenty of time and a number of them did come back. That led to follow-up meetings. On particular topics there was then a lot more detailed consultation took place.

Noting that a recommendation[70] of the previous Panel was for the Treasury and Exchequer to identify impacts of the revenue raising measures on businesses, Islanders and the economy, the Panel sought to understand what monitoring had taken place of those measure in 2024.

Deputy H.M. Miles:

…How have the agreed and implemented budget measures from the last year's plan, 2024 to 2027, been monitored across 2024 to understand the impact that those proposals had on Islanders and businesses and the economy in general?

Treasurer of the States, Treasury and Exchequer:

So, if we are talking impôts duties, those are straightforward in terms of the freezes on previous years. Any implications relating to long-term health would obviously take a long time to be felt, arising from reducing in real terms duties. The holding down of duty rises are fairly mathematically evident in terms of they are not contributing to the additional costs in the economy. Therefore, you could say that you are, and indeed we would have done, in illustrating how much had you increased them by inflation that would have contributed to the rate of inflation.

Deputy H.M. Miles:

…Has any analysis on the inflationary impact of excise duties been undertaken to model how revenue-raising measures affect businesses?

Treasurer of the States, Treasury and Exchequer:

So, in terms of duties, in making the decisions we generally, when we are talking about rises in real terms to impôts duties, are able through the Economics Unit to say what the consequent increase would be to the R.P.I.

KEY FINDING 22: The Government endeavoured to engage widely with key stakeholders for the Budget proposals. The process however faced criticism from some stakeholders who felt that the consultation was more directed to informing them of decisions rather than genuinely gathering feedback, and there were concerns that some views were not sufficiently incorporated. Despite the shortened timeline for preparing the Budget 2025-2028, which

[70] S.R.4/2023 – Recommendation 13

aimed for an earlier launch, the Treasury and Exchequer maintained that consultation was conducted in sufficient time.

KEY FINDING 23: Some monitoring of the impacts of excise duty freezes and the resulting effect on inflation, particularly using the Economics Unit to model the inflationary impact of duty changes, has been undertaken by the Treasury and Exchequer. There is recognition that the long-term effects of these fiscal measures, particularly on businesses and Islanders, may take time to fully manifest. While the immediate mathematical impact of excise duty freezes on the retail price index (RPI) is assessed, there appears to be a lack of comprehensive ongoing monitoring of broader economic impacts across all revenue-raising measures on businesses, consumers and overall economic growth.

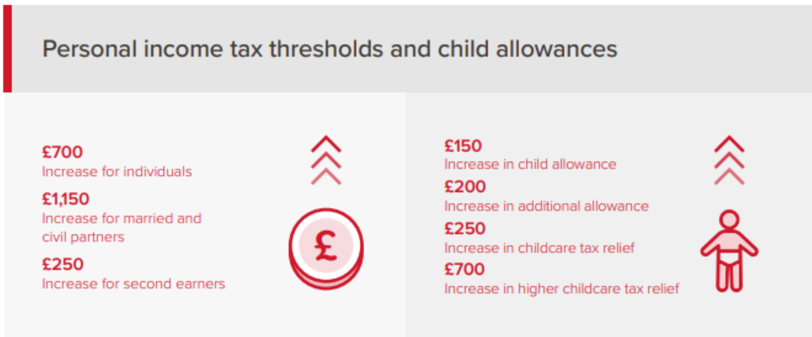
RECOMMENDATION 18: The Council of Ministers should consider how it can improve the consultation process for revenue raising and relief measures to ensure that it is truly participatory to demonstrate that feedback is genuinely taken into account, giving stakeholders ample opportunity to influence policy decisions.

RECOMMENDATION 19: The Council of Ministers should establish a more robust framework for monitoring the longer-term effects of revenue raising measures, including excise duties, on businesses, consumers, and the economy. Ways of monitoring how specific revenue measures affect different sectors, particularly vulnerable groups, in a more granular and systematic manner should be considered.

RECOMMENDATION 20: The Council of Ministers should invest in improving data collection and economic forecasting tools to better understand the broader and longer-term implications of fiscal measures, including improving the granularity of data in key areas like inflationary pressures, employment trends and sectoral impacts. The Council of Minister should consider expanding the scope of economic modelling to include more detailed assessments of how revenue measures may interact with broader economic and social factors, such as household income levels, business growth and sector-specific productivity.

Personal income tax thresholds and child allowances

The Panel notes that it is being proposed that the main tax allowances be uprated by 3.6% in 2025 based on the economic assumptions produced by the FPP. The Budget notes that proposals form part of a balanced package of measures, including the freeze of alcohol and fuel duties, the move to the living wage and amongst other support for the lowest earners.



Commencing in 2022 with the mini-budget, targeted support measures have been provided through the subsequent Budgets to alleviate the costofliving pressures. The Panel notes that measures are also included in the Budget to continue the provision of support for those Islanders most affected by continuing costofliving pressures.

The FPP, in its 2024 Annual Report[71], highlights that inflationary pressures are building on Island, which is continuing to put pressure on the cost of living faced by Islanders. The Panel wanted to explore this further, particularly as higher interest rates and inflation levels are still being faced by Islanders. The Panel considered this in respect of the personal taxation and exemption thresholds proposed for 2025.

Deputy H.M. Miles:

So how was it decided then that the percentage increase in the threshold would be effective at alleviating the continued cost of living pressure?

The Minister for Treasury and Resources:

Well, we did this ... because of the timescale, the budget was ... we had done a lot of work on the budget before the R.P.I. figures came out, so we had worked on the previous forecast figures from the F.P.P., was it?

Treasurer of the States, Treasury and Exchequer:

Yes.

The Minister for Treasury and Resources:

F.P.P. figures, and then when the inflation came out, we ... the cost of increasing it would have been ... it would have been money that would have had to have been found from elsewhere. So given that we have a rate that is some £5,000 more than anyone else, we did not think it was necessary to increase it right up in line with inflation.

The Panel sought to identify how Jersey's personal taxation and exemption thresholds increases compare with other jurisdictions, and the impact on the competitiveness of Jersey's tax system. The Minister for Treasury and Resources highlighted that Jersey's personal tax threshold, set to increase to £20,700, is considerably higher than nearby jurisdictions, with Guernsey's threshold at approximately £15,000 and the UK's at £12,750. It was further noted that even prior to the increase, Jersey's threshold of £20,000 was already above those in comparable areas, underscoring Jersey's relatively favourable tax position. However, the Minister acknowledged that other factors also influence overall tax burdens, despite the higher threshold for single and married individuals compared to the UK and other regions.[72]

KEY FINDING 24: The proposed 3.6% uprating of Jersey's main tax allowances for 2025 is part of a broader package of measures aimed at alleviating cost-of-living pressures, including the freeze on alcohol and fuel duties and the introduction of a living wage. Jersey's tax allowances are comparatively high, particularly when compared to neighbouring jurisdictions such as Guernsey and the United Kingdom. A broader understanding of how to reduce cost of living pressures is required.

Alcohol duty freeze

It is noted within the Budget that as the hospitality industry continues to face challenges, it has been proposed to freeze alcohol duties in 2025. It is also noted that this measure would provide relief to Islanders with the ongoing cost of living pressures. The Panel explored the rationale for the freeze during the public review hearing with the Minster for Treasury[73] and

[71] FPP – Annual Report 2024
[72] Transcript – MTR – 20 Octobre – Pg 12
[73] Transcript – MTR – 18 October 2024

Resources, to determine the decisionmaking of the Council of Ministers from both a social and economic perspective, as well as what the impact of that decision would be on the Treasury and Exchequer.

The Minister for Treasury and Resources explained that the decision to freeze alcohol and fuel duties aligned with the Common Strategic Policy priorities of keeping Government fees and duties as low as possible. It was emphasised that the decision reflects the complex balance between controlling inflation and addressing the costofliving crisis, while considering the social and economic impacts of duties.

Deputy M.B. Andrews:

> *… in relation to freezing alcohol duties, some would say, in fact, if you were to increase the rates, then potentially you would be discouraging consumption of alcohol and also you have to take into account we have an issue with overspend in health. So how was it that you came to the decision to maintain alcohol consumption when some people would say that it is a negative externality?*

The Minister acknowledged the concerns regarding alcohol consumption's social costs, such as healthcare and policing the nighttime economy. However, the hospitality sector, which has expressed struggles with rising costs, advocates against higher alcohol duties. The Minister emphasised that the freeze may be temporary, with potential increases to align with inflation once costofliving pressures ease.

The Minister for Treasury and Resources:

> *I absolutely agree and I absolutely understand that point. But equally our hospitality sectors are always telling us that they are really struggling and that every time we put duties up that is ... well, they tend to suggest bigger price rises than actually is the increase in duty. But if you have an economic sector that says they will really struggle, so you are balancing the health of a sector of the economy with cost of living on individuals with the ongoing costs of alcohol. I would like to think that this is a temporary measure and that as we get over the cost of living ... we would like to think the cost-of-living issues will diminish in the next couple of years and that we will revert to increasing ... or go back to previous practices of increasing alcohol duties more in line with inflation. But it is a very difficult balancing act when we do have the hospitality sector telling us they are struggling*

It is noted that although freezing these duties alleviates financial pressure on consumers, it also means lost revenue for the Government.

KEY FINDING 25: The decision to freeze alcohol duties for 2025 is aimed at alleviating cost of living pressures and supporting the struggling hospitality sector, and reflects a complex balancing act between economic, social and fiscal priorities. While the freeze is seen as beneficial for consumers and the hospitality industry, it also represents lost revenue for the Government and does not address the broader public health concerns associated with alcohol consumption. More comprehensive solutions are needed to address the rising costs and the cultural shift required around alcohol consumption to resolve the ongoing economic challenges facing the sector. It is noted that the duty freeze may be temporary, with potential increases to align with inflation once cost of living pressures ease.

RECOMMENDATION 21: The Council of Ministers should review the long-term social, economic and fiscal impacts of freezing alcohol duties, including the potential health and public sector costs associated with alcohol consumption. This review should consider alternative measures to support both the hospitality sector and public health, such as targeted subsidies or incentives for responsible drinking practices, alongside fiscal policies that help alleviate cost-of-living pressures. Additionally, the Government should continue to actively engage with the hospitality sector, public health experts and economic analysts, to assess the effectiveness of the duty freeze and explore sustainable solutions for both industry support and reducing the social costs of alcohol for future Budgets

Tobacco duty increase

It is noted within the Budget that the rationale for proposing increases for tobacco duties is to support public health objectives, as smoking represents a significant threat to the health and wellbeing of Islanders and continues to place a burden on the health care system. Therefore, it is proposed to increase duties on tobacco products by 8.6%, which is the sum of the forecasted June 2024 RPI (3.6%) and an additional 5% escalator. Cigars will be subject to an increase of 11.6% in line with existing policy to close the gap between the duty charged on cigars and cigarettes.

The Panel inquired about the impact of tobacco duties on consumption and the Treasury's future plans regarding these duties during a public hearing[74]. It was explained that tobacco duties are set by an "escalator," with increases based on the Retail Prices Index (RPI) plus an additional 5%, meaning that tobacco duties generally rise above inflation. It was noted that monitoring of the effects on consumption shows a significant decrease, especially among young adults, with smoking rates dropping by 9 percentage points for 16 to 34yearolds from 2020 to 2023. However, it was emphasised that concerns persist about rising vaping rates among young people. The Minister for Treasury and Resources noted that while tobacco industry representatives have provided input, there are legal restrictions on Government engagement with the industry regarding tax policy.[75]

The Panel received a submission[76] from the Channel Islands Tobacco Importers and Manufacturers Association (CITIMA). CITIMA's members comprise Fox Trading, Liberation Group, BAT and Imperial Tobacco Ltd. In its submission CITIMA confirmed that it was invited to make a submission to the Minister for Treasury and Resources earlier in the year, and following the substantial increase in excise duty in last year's Budget, and the ongoing cost of living pressures, CITIMA urged that restraint be exercised.

In its submission, CITIMA raises its view in respect of the increasing tobacco duties as follows:

> *The planned increase in tobacco duty of 8.6% is significantly lower than the increase currently being applied to the price of tobacco products. However, once again the*

[74] Transcript – MTR – 18 October
[75] Transcript – MTR – 18 October – Pg 16
[76] Submission - CITIMA

Treasury has used the June RPI figure as its base figure. The same move was made last year, with tobacco duties set when RPI was at or near its highest level. In previous years, the Treasury had used the December RPI[77] and only switched to using the June figure in last year's budget. At the time, we echoed the point made by the Fiscal Policy Panel that while inflation would begin to come down in 2023, it was expected to fall at a much slower rate than experienced in the UK. It therefore seems clear to CITIMA that while the addition of 5% was a predictable escalator, the Government looked at maximising the return it would receive from islanders who buy tobacco from retailers rather than from duty free sources.

CITIMA argues that higher increases in duty are pushing a large and growing proportion of adult smokers to switch to more affordable channels. Furthermore, that the upward trajectory of excise duty is not producing the health policy aim of reducing smoking prevalence among the adult population.[78]

In a submission[79] from the Jersey Consumer Council (JCC), it notes its support for increasing tobacco duties as it believes it is beneficial for Jersey Consumers' health, and that it has no economic impact on most consumers. The JCC also raises that as the number of smokers decrease, the Government may wish to explore other future revenue raising opportunities.

KEY FINDING 26: The proposed increase in tobacco duties in 2025 is aligned with the Government's public health objectives to reduce smoking rates and alleviate the burden on the healthcare system. However, while tobacco consumption, particularly among young adults, has decreased significantly in response to these increases, concerns remain regarding the shift to more affordable channels and the rise of vaping as an alternative. With the assumption that consumption is increasingly sourced from lower cost imports, revenues would not increase with duty increases. These factors suggest that the impact of tobacco duties on consumption patterns and public health outcomes require ongoing evaluation to ensure the policy achieves its intended goals.

RECOMMENDATION 22: The Council of Ministers must closely monitor the effectiveness of the tobacco duty increases in achieving both public health and fiscal objectives. Specifically, the long-term impacts of the increased tobacco duties on smoking prevalence, including the potential unintended consequences such as increased reliance on duty-free channels and rising consumption of vaping products must be evaluated. Alternative revenue-raising measures as smoking rates decline should be explored, ensuring a balanced approach that continues to support public health while maintaining fiscal sustainability. Key stakeholders and public health experts should be engaged with when developing policy to ensure it meets both public health and revenue goals in a sustainable manner.

Fuel duty freeze

The Panel notes that following the freeze on road fuels duties in 2023 and 2024 to help with the cost of living, it is proposed to freeze fuel duties again in 2025. It is noted within the Budget report that Ministers maintain the commitment to allocating 9 pence per litre from fuel duty receipts to the Climate Emergency Fund.

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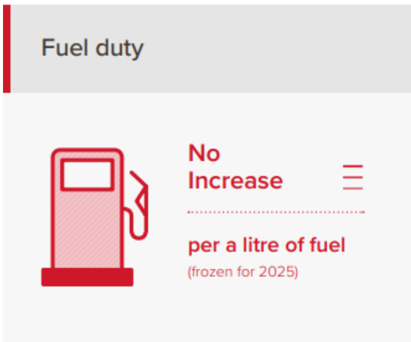
77 Government has confirmed that the June RPI has been used for many years and that it would not be possible to use the December RPI in the Budget as it is not released until January the following year.

78 Submission - CITIMA

79 Submission - JCC



The Panel endeavoured to explore the impacts of the previous fuel duty freeze during 2024. In a public review hearing with the Minister for Treasury and Resources, the Panel sought to understand the impact of the continued freeze on the Carbon Neutral agenda, noting that the FPP in its 2024 annual report had raised a lack of dedicated funds for the transition to net zero. The Panel sought to understand if the intention was to increase fuel duties in future Budgets.

The Minister for Treasury and Resources explained that while fuel duty contributes to the carbon neutral roadmap, freezing it was a balanced decision made in response to costofliving pressures, and emphasised the economic impact on individuals and small businesses who rely on vehicles, especially in the care, gardening and cleaning sectors.

The Minister for Treasury and Resources:

> *… fuel duty is still there. It is frozen so there is still some money going into the carbon neutral roadmap, but again it is a balance with cost-of-living pressures. There are also people who rely on their cars still, you know, until such time as people stop using their cars. There are also small businesses. There are lots of small businesses, the care sector particularly, gardeners, cleaners, who rely on vehicles, not just members of the public. So, it is trying to look at the wider economic impacts of increasing fuel duties. Deputy Miles asked earlier on about addressing cost of living and that is one of the ways we are trying to do it. So, it is a difficult balance to reach.*

The Panel further discussed the potential shift toward electric vehicles and the impact thereof on fuel duty revenues over time. The Minister for Treasury and Resources acknowledged that alternative revenue options were under consideration, such as a vehicle ownership charge or a mileage-based charge. However, noted that each option has challenges, especially for a small island. She noted that while fuel use was declining, the decrease was gradual, so the urgency to replace fuel duty revenues was less immediate than previously anticipated.

Deputy M.B. Andrews:

> *… We tend to be seeing more of a consumer shift, for instance, when we are looking at, say, electric vehicles. Of course, there will be a reduced level of income in terms of when we are looking at, say, fuel duties. So, do you think there will be any plans that will be brought forward in any future Government Plan to try and increase revenue to initiate climate emergency initiatives?*

The Minister for Treasury and Resources:

> *Yes, that is something that is ... I think we mention that in the budget. It is something there that is ... it is clearly something we are aware of, a fuel duty replacement policy. We have had several meetings about it this year in terms of looking at what the options are. There is no perfect option in terms of how you do that. [10:30] Do you do a ... so the 2 principal ways of replacing fuel duty are either to add a vehicle ownership charge, which says for every car you own you pay X amount, and there would be some people who have 8 cars who do not have a problem with that, but then there will be people who have one car, maybe older people with one car they use once a week to do their shopping, and it is that ... The other obvious example, which I think is in London, they do number plate ... it is a mileage charge. Now, places like London, they can do that*

by number plate recognition technology. New Zealand have trackers in vehicles. Introducing those types of technologies on a small Island would be difficult so that is equally challenging. So, we are working through those, but we discussed it quite recently. The economic analysis at the moment is that while fuel duty is declining and use of those fuels are in decline, they are not declining as rapidly as we thought. It is very much more gradual. So, if you like, the urgency of replacing fuel duty is not as marked as we may have thought it was. So, there is a decline, but it is …not something that is immediate cause for concern… But it is on our agenda, and it is something we are continuing to work through.

In a submission[80] received, EVie notes that while the freeze helps alleviate some of the cost burden on households, that it may be worth exploring parallel initiatives that simultaneously incentivise the transition to low-emission alternatives, ensuring that short-term relief does not undermine long-term sustainability goals.

KEY FINDING 27: While the freeze on fuel duties in 2023 and 2024, and its continuation into 2025, has been seen as a necessary measure to alleviate cost of living pressures for Islanders, especially for small businesses and individuals reliant on vehicles, it also presents challenges for Jersey's long-term climate goals. There is a need for a balanced approach that addresses both the immediate cost of living concerns and the future funding of climate initiatives which remains a critical issue for future fiscal planning.

RECOMMENDATION 23:
The Council of Ministers must actively progress consideration for introducing a comprehensive long-term strategy to replace fuel duty revenues to support its climate neutral agenda. This strategy should focus on incentivizing the transition to low-emission alternatives, such as electric vehicles (EVs), while ensuring continued financial support for the carbon-neutral roadmap. When exploring options, careful consideration of their impact on different demographics, particularly those who are dependent on vehicles for daily activities must be considered. Any continued short-term initiatives that provide financial relief to households, should be balanced as to not undermine the Island's long term sustainability goals. Key stakeholders must be engaged with to ensure that the fiscal measures are aligned with the broader objectives of the Island's climate agenda. Proposals for a fuel duty replacement policy much be included within the next Budget for 2026.

Biofuel duty reduction (update)

The previous Government Plan proposed to reduce fuel duty by 9 pence per litre on specific biofuels to support the transition to greener transportation by applying a reduction in fuel duty to Hydrotreated Vegetable Oil (HVO) which was available locally as a renewable diesel. It was confirmed that the cost to the Exchequer would be approximately £85,000 per annum and that the 9 pence per litre reduction of fuel duty on biofuels was representative of the 9 pence per litre hypothecated to the Climate Emergency Fund.

The Panel sought an update on that workstream, and in written questions to the Minister for Treasury and Resources asked for an update on the effects of the proposal and what the final cost to the Exchequer was the impact on the Climate Emergency Fund.

The Panel was provided with initial estimates based on actual consumption data to date, as the year had not ended at the time of questioning. It was forecasted that the HVO imports

[80] Submission – EVie

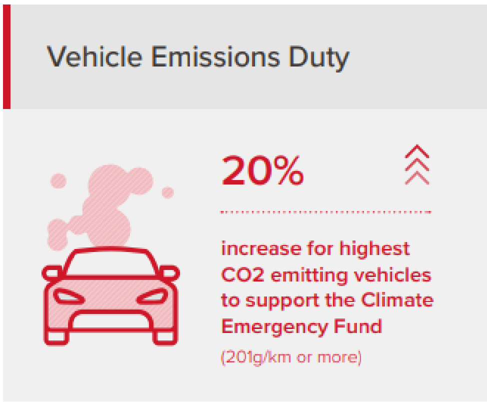
would be 889,600 litres for 2024 and the total quantity of HVO charged to excise duty to date in 2024 was 720,615 litres. It was further noted that based on figures from Q1 2023 to Q3 2024, imports of HVO fuel were predicted to increase with the overall increase for the 2024 year expected to be 2.7%.

It was estimated that the gross decrease in income for 2024 was expected to be £60,000 rather than the £85,000 forecasted, the difference correlating to the increase in consumption. The increase in consumption would increase the amount hypothecated to the Climate Emergency Fund (CEF) by approximately £2,100, with the total cost to the Exchequer to be estimated to be £57,900 for 2024. The forecast consumption for 2025 remained unchanged (£85,000).

KEY FINDING 28: The preceding Government Plan 2024-2027 proposed a reduction of 9 pence per litre on Hydrotreated Vegetable Oil (HVO) biofuels to support the transition to greener transportation. This reduction, to encourage the use of renewable diesel, was forecast to cost the Exchequer approximately £85,000. The gross decrease in income for 2024 was expected to be £60,000 rather than the £85,000 forecasted, the difference correlating to the increase in consumption. The increase in consumption would increase the amount hypothecated to the Climate Emergency Fund (CEF) by approximately £2,100 with the total cost to the Exchequer to be estimated to be £57,900 for 2024. The forecast consumption for 2025 remained unchanged at £85,000.

Vehicle Emissions Duty increases

The Budget notes that Vehicle Emissions Duty (VED) is charged when a vehicle is first registered in the Island. The amount of VED payable depends on the vehicle's CO2 emissions data, meaning that the charges are higher for the most polluting vehicles. It is noted that the increase in income from VED proposals will be transferred into the Climate Emergency Fund. It is proposed that from 2025 to increase the three highest emission bands for non-commercial vehicles. The highest three emission bands will be increased by 5%, 10% and 20% with no increases for most vehicles, which fall into the less polluting bands. It is noted that commercial vehicle rates have not been increased since the category was introduced on 1st April 2022, and at the time reflected the rates from 2018. It is proposed that for commercial vehicles, VED will increase by forecast RPI (3.6%) across all bands to maintain the rate in real terms. Restricted Speed Agricultural Tractors VED rates will not be increased for 2025. It is noted that VED rates would be kept under review in future years to encourage the importation of more efficient petrol and diesel vehicles, as well as electric vehicles.



In a submission[81] received from EVie, the following view was shared:

The proposed increases in VED for higher emission vehicles are a positive step. However, we suggest that levies should not only be placed on emissions but also on vehicle size and weight, which have a direct correlation to embodied carbon emissions. Larger BEVs, while emitting less during use, still carry a significant environmental cost in their production, and this should not be overlooked. A holistic approach, which incentivises smaller, more efficient vehicles or

[81] Submission – EVie

alternative modes of transport, would be more effective in reducing overall carbon impacts.

Vehicle Emissions Duty – Non-commercial vehicles			
CO_2 Mass Emissions (grams)	2024 Actual	2025 Proposed	Proposed Increase %
0	-	-	-
1-50 [new rate band]	35	35	-
51-75	73	73	-
76-100	240	240	-
101-125	422	422	-
126-150	715	715	-
151-175	1,367	1,435	5%
176-200	4,200	4,620	10%
201 or more	7,937	9,524	20%

Table 5: Vehicle Emissions Duty

The Panel wrote to the Minister for Treasury and Resources to ascertain the impacts of the 2024 VED increases on vehicle sales, emissions and lower income earners. The Panel also sought to understand how these findings influenced the 2025 VED proposals. The Panel was informed that it was not possible to ascertain the effects of the 2024 increases on those areas raised.

In correspondence[82] it was noted that the 2024 VED increases applied an ascending increase to all non-commercial VED bands as well as created a new VED band, 1-50g, which applies to EV and hybrid vehicles that emit low levels of emissions. Full EVs are zero-rated for VED.

It was explained that road transport emission data is published for the Island two years in arrears as part of the greenhouse gas inventory with Figures for 2022 published in May 2024.

It was further informed that road transport emissions decreased by 5% between 2021 and 2022, and it was expected for this decrease to continue and to see the impact of the electric vehicle purchase incentive (EVPI) in the 2023 and 2024 inventories given the rapid expansion of the local EV fleet. It was further noted that the decline in vehicle registrations will also play a role in reducing road transport emissions, as less cars are being imported into Jersey. Vehicle registration data between 2011 and 2023 showed the following trends which would influence the VED rates proposed for 2025:

> *In 2023, total vehicle registrations were 4,204. These are the lowest number of registrations since the introduction of VED in 2010. It signifies the long-term trend that registrations are declining year on-year.*
>
> *In comparing 2022 and 2023 registrations, the middle three bands (76-100g, 101-125g & 126g - 150g) had the greatest decline in registrations, whereas the lowest bands had the greatest increase in registrations indicating that consumer preference is leaning towards lower emission vehicles. There was also significant increase in electric vehicle registrations of over 55% from 2022 to 2023. The introduction of the EVPI may have influenced the increase in EV purchases.*
>
> *The top four VED emission bands faced the largest decline between the period 2021 – 2023 signifying the increase in VED rates are having a positive outcome in reducing the registrations of the highest emission vehicles.*

[82] Letter – MTR – 30 October 2024

Vehicle registration trends provided an indication as to whether the VED Optimiser policy was influencing vehicle registrations. As the highest VED bands were declining, it would indicate that the policy was working, and that focus should be in maintaining the VED increases for the higher VED bands.

The Panel questioned how the Budget balances environmental objectives with economic concerns for local businesses, particularly in relation to VED increases for commercial vehicles, and what consultations were held with stakeholders. The Panel was informed that it had been a long-standing commitment to increase VED rates on an annual basis for non-commercial vehicles, and that the commitment supports the wider climate emergency agenda by discouraging the importation of high emission vehicles and encouraging Islanders to purchase lower emission vehicles. Commercial vehicles had not been subjected to the increases in VED rates over the past three years. VED rates for commercial vehicles have remained at 2018 rates, with the highest rate of £1,931.58 for the most polluting commercial vehicle compared to £7,937 for the most polluting non-commercial vehicle in 2023. The proposals to increase commercial VED rates by RPI (at 3.6pp) would maintain the rate in real terms. It was explained that the modest RPI increase adds an additional £3 (lowest) to £70 (highest) to the VED emission bands for commercial vehicles.

In respect of balancing the environmental objectives with the economic concerns for local businesses, the modest VED increases support the EV Purchasing Incentive that was offering up to £4,000 to local businesses who wished to purchase a commercial EV by providing funding to pay for such grants. It is important to note, that VED only applies to vehicles that are imported to Jersey and does not apply to businesses who purchase second-hand vehicles already registered in Jersey.

The previous Panel had found challenges within the electric vehicle supply chain, so the Panel wished to identify whether those challenged remained, and if so, the impact on future VED proposals and the broader policy for encouraging EV adoption.

In that regard, it was noted that no significant issues with the EV supply chain had been identified. The majority of EVs are not currently subjected to VED as they have zero emissions. It was explained that EVs and hybrid vehicles are subject to VED charged at a nominal £35 per registration, which is significantly less than the VED bands for higher emission vehicles. Furthermore, that VED receipts were being monitored to see the impact of both the changes to VED rates, and the electric vehicle purchase incentive which was launched in August 2023, and that current projections were that the incentive will close by the end of 2024, with approximately 1200 electric vehicles imported under the scheme. It was further noted that EVPI rate of take-up had been double initial projections meaning the incentive will close a year earlier than expected.

In respect of stakeholder engagement, the Panel was informed that vehicle retailers have not had any issues meeting this demand, so we remain confident in the robustness of the EV supply chain.

It was noted that under policy TR5 of the Carbon Neutral Roadmap, Jersey is due to commence the ban on importation and registration of petrol and diesel vehicles from 2030 and that engagement was underway with the UK Department for Transport to align Jersey's approach with the UK's, with respect to the Labour Government's manifesto pledge to reinstate the original 2030 date for this policy. In the period to 2030 it was expected to continue raising VED rates in line with policy TR4 of the Carbon Neutral Roadmap. Therefore from 2030, VED receipts will be limited to the importation of larger and more specialist vehicles not yet captured by the proposed ban. It is noted that Government will work with industry to ensure it is ready for the ban and able to meet customer demand for passenger vehicles and vans captured by the ban. It was noted that, should EVs continue to displace fossil fuel vehicles, it would be expected that VED receipts will decline.

In a submission from EVie, the absence of continued support for EV subsidies in this Budget was raised. EVie emphasised that encouraging wider adoption of electric vehicles is crucial to reducing our carbon footprint, and sustained government incentives have been key in many jurisdictions for accelerating this transition. Reintroducing or expanding EV subsidies could be a highly effective step, especially as the Island works toward its carbon-neutral targets.

In a submission[83] from EVie, it was further raised that focusing solely on tailpipe emissions, while important, overlooks a significant contributor to overall carbon emissions: the embodied carbon in vehicle production, particularly for larger Battery Electric Vehicles. EVie notes the following:

> *Larger vehicles, regardless of their emissions profile, come with a higher environmental cost due to the energy and materials required for their production. As such, it may be beneficial to consider levying charges not just based on emissions but also on vehicle size. This could encourage the purchase of smaller, more resource-efficient vehicles, or even reduce overall car ownership – an important step towards creating a more sustainable transport system. Incentivising reduced car ownership and promoting shared mobility solutions can further accelerate progress towards carbon neutrality.*

The Panel notes that this was also a consideration of the previous Panel and a recommendation[84] was made to Government at that time - *The Council of Minsters should consider the benefits for including parameters that also take into account the size and mass of vehicles when determining Vehicle Emissions Duties, to prioritise the reversal of the trend toward larger and heavier vehicles. These are inherently less efficient, exacerbate traffic congestion and impact road maintenance costs. This could assist in meeting Jersey's climate goals.*

This Recommendation was rejected by Government in favour of undertaking policy work to devise an alternative charge to replace declining fuel duty revenue. It was noted however, that as part of that policy work, consideration would be made to the impact of size and mass of vehicle on the wider impact of Jersey's environment.

A submission[85] for the JCC notes its view that the proposed VED increases on the three highest bands for non-commercial vehicles would penalise the less well-off consumers who cannot afford a newer vehicle and must use their vehicles for work due to expensive public transport. In respect of the increases to commercial vehicles, the JCC raised concern that consumers would be indirectly penalised. The Council questions whether there is a risk that consumers and small business owners become "priced out" of being able to purchase new vehicles and instead opt to keep their existing (potentially less reliable vehicles) on the road for longer. Noting that this could lead to motorists having to pay more in fuel by keeping less efficient vehicles e giving a knock-on impact of businesses passing the costs on to consumers.[86]

[83] Submission – EVie – September 2024
[84] S.R.4/2023 – MR – Recommendation 17
[85] Submission - JCC
[86] Submission - JCC

Jersey Business[87] noted concern raised by the JMTF, that the rise in VED may have an unintended negative impact for young people who are entering motor sports, as they typically purchase high-emission cars not for daily use, but to get involved in the sport.

KEY FINDING 29: Data suggests a long-term trend that vehicle registrations are declining year-on-year for the middle to higher Vehicle Emissions Duties (VED) bands and increasing in the lowest VED bands. This suggests a consumer preference towards lower emission vehicles. Data also shows that the introduction of the Electric Vehicle Purchase Incentive may have influenced the significant increase in purchases of electric vehicles. Stakeholders have raised concern about the absence of continued Government support for electric vehicle subsidies in the Budget 2025-2028 to continue to incentivise and accelerate the shift to electric vehicles. In addition, that vehicle size and mass, which contribute to embodied carbon emissions, are not adequately addressed in the current VED policy. Further concern is raised that the VED increases may lead to unintended economic consequences, such as incentivising the retention of less efficient vehicles by consumers and small business owners who get 'priced out' of being able to purchase a new vehicle, or negatively affecting young people entering motorsports who purchase high-emission vehicles for infrequent recreational use.

RECOMMENDATION 24: The Council of Ministers must keep the Vehicle Emissions Duties policy under review and consider how to accommodate for vehicle size and mass (embodied carbon emissions), alongside tailpipe emissions, to reflect the full environmental cost of vehicles more accurately. In parallel, enhancing incentives for encouraging the shift to electric vehicles should be considered. The policy must be closely monitored to assess the potential for any unintended consequences to lower income consumers and small businesses. Key stakeholders must be engaged with to ensure that the fiscal measures are aligned with the broader objectives of the Island's environmental goals and economic realities of consumers and businesses.

Innovation and enterprise (update)

Budget Measures for Innovation

£'000	2024 Estimate
RegTech Super-Deduction	(200)
Unilateral relief	(150)
60-day threshold for short-term visitors	(100)
Total tax measures to support innovation	**(450)**

Table 7: Budget for Innovation: Summary costs of tax measures

The previous Government Plan proposed new measures to encourage innovation and enterprise (displayed above). Noting that £450,000 for this tax incentive was available to businesses during 2024 to help grow Jersey's economy, the Panel sought to identify the success or otherwise of the incentive during 2024 and an update on how the incentive was being monitored during 2024. In respect of the progress of the workstream the following update was provided[88]:

[87] Submission – Jersey Business
[88] Letter – MTR – 30 October 2024

> *The 60-day short-term business visitors exemption has been well-received with positive feedback from stakeholders. Technical guidance and customer service support has been provided for employers and tax agents.*
>
> *The RegTech Super-Deduction is being monitored and take-up will become clearer following the end of the 2024 tax year as companies file their returns in November 2025. The Super-Deduction is a pilot programme that will be reviewed based on its outcomes when these are known.*
>
> *Consultations are underway on additional measures that will support Jersey's tax policy on the global mobility of staff and international competitiveness. The priority for 2025 is to remove frictions in the tax system and administrative processes to support mobile workers and their employers.*

It was further noted that the company tax return has been amended to collect data on the uptake for the Reg-Tech Super Deduction, and that unilateral relief will be monitored through Personal Income Tax returns. However, noting that short-term visitors were not required to register of remit taxes, so establishing the take-up and benefit will prove more challenging but Revenue Jersey is exploring options to monitor the relief.

KEY FINDING 30: The 60-day threshold for short-term visitors has been well received, however, establishing the take-up and benefit is proving challenging and options to monitor the relief are being explored by Revenue Jersey. The Reg-Tech Super Deduction and unilateral relief will be monitored through company and personal income tax returns respectively. Additional measures to remove frictions in the tax system and administrative processes to support mobile workers and their employers is a priority workstream for 2025.

Excise Duty Relief for Craft Spirits Producers

The Panel notes that small distillers can currently benefit from lower rates of excise duty. The Budget proposed to make two changes to the regime which will provide a new category of relief for small producers who use base spirit from an external supplier during the manufacturing process, and where the maximum amount that can be made by a small producer to qualify for the lower duty rates will be increased from an average of 10,000 litres of pure alcohol over five years to 40,000 litres annually. The rationale for provided for this is that the changes will enable more local artisans to benefit from reduced rates and provide them with room to grow their business. The measures will also lower costs for pubs, restaurants and hotels that stock these products, while promoting the Island as a centre of high-quality spirits production, showcasing Jersey's distinctive botanicals, agricultural products and other natural resources. Stakeholder submissions show support for this relief.

In a submission from the JCC, the Council is supportive of this relief:

> *The Council believe this would be good for consumers and will promote small business growth.*[89]

Jersey Business[90] on feedback from businesses, suggested consideration for including duty relief for wine producers. Noting that although Jersey currently has a relatively small wine output, reducing duty rates could incentivise increased production and export. It is further noted that several small artisanal businesses use local products such as Jersey Dairy milk and Jersey Royal potatoes to craft vodka, and some use off Island distillers to do this.

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[89] Submission - JCC
[90] Submission – Jersey Business

Including them in the small producer excise duty relief based on the volume they produce, rather than the maximum volume produced by the supplying offshore distilleries, as is presently the case, would offer significant support. There was a further suggestion by Jersey Business on whether the UK's strategy could be followed to permit duty-free alcohol for industrial, medical or scientific use.

KEY FINDING 31: Stakeholders are supportive of the Excise Duty Relief for Craft Spirits Producers highlighting the economic benefits, potential consumer interest and the growth opportunities for small Jersey businesses. Suggestions have been made to consider extending the relief to other local industries with consideration for wine producers and for industrial, medicinal and scientific purposes. (This finding reflects the original budget proposal).

RECOMMENDATION 25: The Council of Ministers must regularly assess the economic impact of the revised Excise Duty Relief for Craft Spirits Producers measures on small producers, local businesses and the hospitality sector. This would provide valuable data to inform any future policy adjustments and further support for Jersey's economic and cultural objectives. In doing so consideration should also be given to the potential for extending the duty relief to other relevant local businesses to expand the support to artisanal producers and potentially for industrial, medicinal and scientific purposes. (This recommendation reflects the original budget proposal).

Future Tax Measures

The Budget notes tax measures for future consideration including:

- Net Zero Financing Strategy for the Carbon Neutral Roadmap
- Carbon Tax or Charge on Private Aircraft
- Fuel Duty Replacement Policy
- Interest Deductions for Landlords
- Taxing Vaping Products
- On Premises Retail Alcohol Sales: "Tap relief"
- Review of International Services Entities
- International Tax Reform
- Forecasting Pillar Two Tax Receipts.

As these remain to be considered and not proposed in this Budget for 2025 approval, the Panel did not seek to fully review these proposals. However, briefly considered some of them as appropriate in respect of areas raised within submissions received from Stakeholders.

In respect of ***Net Zero Strategy for the Carbon Neutral Roadmap*** and the funding of the transition to net zero, the Panel received comments from EVie[91]. The Panel's review did not focus on this area as it would be covered by the Environment, Housing and Infrastructure Panel as part of its review.

The following were briefly discussed in the hearing with the Minister for Treasury and Resources[92] and it was identified, in the main, that work was underway to consider these, at varied stages of progress, for future implementation, not likely before 2026.

[91] Submission - EVie
[92] Transcript – MTR – 18 October 2024

The Panel was informed that ***Carbon Tax or Charge for Private Aircraft*** was policy under development and internal considerations were underway with the Minister for the Environment. In addition, Jersey Ports was also considering this area and the requirement for coordination on the matter had been identified. A stakeholder consultation was anticipated to commence in the coming months.

In respect of the ***Fuel Replacement Policy*** the Panel highlighted concerns raised by the Jersey Motor Trades Federation[93] (JMTF) regarding the workstream, and its request that genuine consultation with the trade be carried out at every stage of the policy research and planning to avoid a situation where *consultation is little more than the trade being presented with a "fait accompli".* The JMTF requested the Panel to seek assurance from the Minister for Treasury and Resources that meaningful consultation will be undertaken with the trade. The Panel raised this during the hearing and received the Minister's commitment in that regard:

Deputy H.M. Miles:

> *…But again, it comes back to some consultation and stakeholders have raised concerns with the panel regarding the future measures and early awareness of any changes that might be sought. So, what are your plans to communicate changes with stakeholders in a timely manner so that they understand the implications of any fuel duty replacement policies?*

The Minister for Treasury and Resources:

> *We will consult with people. We do consult with them, and it will be part of our process.*

Deputy Comptroller of Revenue, Treasury and Exchequer:

> *On something like that, which would have widespread impact on the Island, we would do a public consultation as and when we got to a point to put out a consultation document with either options or suggested approach. That would be something that would go through a public consultation.*

Deputy H.M. Miles:

> *We have had a submission from the Jersey motor traders' association, and they have specifically requested your commitment to a full consultation process rather than what they feel is being presented with a fait accompli.*

The Minister for Treasury and Resources:

> *Well, I think that is an unfair comment. I have met with them. We have written to them. I met with them on things like V.E.D. (vehicle emissions duty) and, as Cora said, that is such a wide-ranging issue, of course there would be full consultation about it.*

The JCC raises its view that replacing fuel duty seems like a sensible evolution of the existing taxes. Its raised that the shift away from fossil fuel powered vehicles could result in a substantial loss of revenues to the Treasury and Exchequer, however, the cost for road maintenance and improvement would still require funding. It is the view of the Council that a road user charge might be a fair way to achieve that with consideration for scaling proportionally depending on the type of vehicle being used (cyclists paying less than car owners, who pay less than van owners, who pay less than HGV owners etc.).

Jersey Business highlighted the concern of the JMTF, noting the following:

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[93] Submission - JMTF

The Motor Trade Federation is concerned and would like the earliest opportunity for awareness of what this could entail and to understand the implications of the current proposal, as it is currently proposed taxing every change of car ownership. Whilst they recognize that the intention is to recover losses from Fuel Duty, this proposal could negatively impact car dealerships. It would affect the buying and selling process, as vehicles often pass through multiple dealerships before being sold to a consumer, including transactions through part exchanges and subsequent sales to other dealerships.

An alternative solution could be to implement a pay-per-mile system, similar to the one being proposed in the UK. To ensure fairness, exemptions could be included for certain groups or circumstances.[94]

KEY FINDING 32: Meaningful consultation on the Fuel Replacement Policy is being sought by key stakeholders at every stage of the policy development process to ensure ample opportunities for those impacted by the change to provide input. Replacing fuel duties with an alternative revenue-raising measure is generally accepted as a sensible evolution to balance fiscal needs and road maintenance requirements.

RECOMMENDATION 26: The Council of Ministers must establish a structured and transparent consultation process for all stakeholders affected by the Fuel Replacement Policy. This should be carried out at all stages of policy development. This should include regular updates, feedback channels and ample opportunity for the industry to provide input throughout the policy development stages. Careful consideration should be given to the impact of any chosen policy on all stakeholders and transparent and timely engagement on any changes must be ensured.

The Panel explored the ***Interest Reduction for Landlords*** workstream, noting that this was the result of an amendment adopted through the preceding Government Plan. The Panel was informed that this workstream remained under consideration and that analysis of timing and cumulative impact on the market was required. Work would commence in Quarter 1 2025, which would include a consultation. It was not envisaged for the scheme to be implemented before 2026.

The Panel sought an update of the ***Taxing Vaping Products*** workstream, particularly as it had received stakeholder feedback in that regard and was aware that it was an area of work that was already underway in respect of the Minister for the Environment's portfolio.

The Minister for Treasury and Resources:

Again, we have had some discussions on that this year. It is something that I would like to do. I do think it is something we need to address. We have to recognise the Minister for the Environment is looking at a ban, I believe, on disposable vaping products. There is some view that we should wait to see how that happens before we do anything through a tax. I am less of that view. So, it is something that again we have been talking about and we are looking at that. If it happened, it would not come in before 2026 because we have to work through all the ... again, do a degree of consultation with colleagues. But I think with everything we hear about young people and vaping and the potential risks; I think it is something we have to address. So, it is certainly something that I would like to see coming in.

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[94] Submission – Jersey Business

The JCC comments[95] that future tax measures are needed for vaping products. However, questions whether some of the revenue could be used to fund education, prevention and quitting. The JCC further highlights that while more consumers are giving up smoking tobacco for vaping, the Government should ensure that its tax policies are applied fairly and in a way that doesn't dissuade people from giving up smoking.

CITIMA notes that since e-cigarettes became more widely available, vaping has made a positive contribution to public health in Jersey, enabling many smokers to switch to a reduced-risk alternative to smoking tobacco.

CITIMA raised concern in relation to Government's engagement with it on the development of the policy changes. Further concern was raised regarding the lack of alignment between Guernsey and Jersey and the potential impact thereof, the following was explained:

> *When the governments of both Bailiwicks planned to introduce plain or standardised packaging for tobacco products, there was a period of constructive dialogue between the industry and government officials. It meant that the introduction of standardised packaging with new health warnings and images was coordinated across the Channel Islands. Now that Jersey and Guernsey are intending to introduce regulations on vaping, we are concerned that they are moving at different speeds and are not coordinating their actions. We are urging them to work together, and we have submitted a lengthy set of comments to both governments. I have reproduced those in this submission, and I hope that these additional points about vaping will be of interest to the panel as our view is that these are not being coordinated and risk causing confusion.*

It was CITIMA's view that any excise duty on vaping products will improve scrutiny of the category, however, emphasises its view that a sufficiently low excise duty on vaping products should be introduced to avoid disincentivising consumers switching from combustible tobacco to vaping products.

KEY FINDING 33: It is Government's clear ambition to introduce a tax on vaping products to address the related public health concerns, particularly for young people. The role of vaping in helping smokers to transition away from tobacco was raised by stakeholders, and the need to appropriately balance the tax threshold to avoid discouraging smokers from switching to vaping, which is seen as a reduced- risk alternative. In addition, stakeholders agreed that consideration should be given to how the tax revenue could be used to fund education, prevention and cessation programmes related to both smoking and vaping.

RECOMMENDATION 27: When establishing the public health-oriented tax policy for vaping products, any initial excise duty on vaping products should avoid a sharp rise in costs for consumers transitioning from smoking to the reduced-risk alternative of vaping. An appropriate balance should be achieved whereby the tax can support public health by continuing to encourage the shift away from combustible tobacco. Consideration should be given to how a portion of the tax revenues can be earmarked to fund education, prevention and support programmes, which would align with the health objectives and community concerns regarding vaping among young people.

[95] Submission - JCC

In respect of a tax relief ***On Premises Retail Alcohol Sales "Tap Relief"***, the Panel sought an update on this workstream, noting that it was also in the preceding Government Plan. The Panel identified that work was continuing to try to understand how the relief works in the United Kingdom and how it would operate in Jersey. It was the view that, should the relief be implemented, it would not happen prior to 2026. It was further confirmed that engagement continued with the hospitality sector in terms of the scope for the potential relief.

Treasurer of the States, Treasury and Exchequer:

> *…We have been working towards tap relief across ... with this Minister and the previous Minister, trying to understand how it works in the U.K. …But we have been working towards what they may look like. They are, of course, limited given that not all drinks are available on tap. There were, I understand, some concerns raised previously relating to those establishments that only provide alcohol by bottle. So, I think we understand those are in place, but we are largely looking at what the reliefs in place or tap relief are elsewhere. Some proposals - for example, the rebate scheme - are administratively costly and very difficult to eliminate any, shall we say, error, but work does continue on tap relief in the meantime and alcohol duty is frozen.*

Deputy Comptroller of Revenue, Treasury and Exchequer:

> *Deputy, there has been some work done on ... so the initial work done in law drafting for tap relief. I think the important thing is that the Minister is continuing to engage with Jersey hospitality in terms of exactly the scope and what that would look like.*

The Minister for Treasury and Resources:

> *Yes, and it has become slightly wider from the initial ... it would basically cover any alcohol served in large containers, which apparently does include more than just beer. But as Cora says, it is still something that is under review*[96]

Jersey Business[97] commented that it was supportive of this initiative to support the hospitality sector.

KEY FINDING 34: Work is continuing to develop Government's understanding of how the 'Tap Relief' mechanism might operate in Jersey and to appropriately scope the relief to meet the needs of Jersey and local hospitality businesses. Implementation of any relief will not take place before 2026.

RECOMMENDATION 28: Engagement with stakeholders must be strengthened, particularly with the hospitality sector, while developing the 'Tap Relief' policy to ensure that the chosen model appropriately aligns with both the Government and business need.

Having recently reviewed and reported on the Pillar Two workstream (P.53/2024 and P.54/2024) for the implementation of the Pillar Two regime, the Panel only briefly explored the ***Forecasting Pillar Two Tax Receipts*** with the understanding that increased tax receipts would result from this workstream. The Budget proposes for the receipts to be utilised as follows:

[96] Transcript – MTR – 18 October 2024 - Pg 25
[97] Submission – Jersey Business

Pillar Two Forecast Revenues				
£'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate
Base Case Forecast Pillar Two	-	52,000	52,000	54,000

Table 7: Pillar Two Forecast Revenues

It is proposed that receipts from the Base Case are applied based on the following priorities:

- Servicing of borrowing for the NHF Phase 1 (as set out in the section "New Healthcare Facilities Programme")
- Funding investment to improve the competitiveness of the Island
- Funding the costs of implementing and administering Pillar Two
- Strengthening Reserves – including consideration of transfers to the Stabilisation Fund or the Strategic Reserve, in line with FPP recommendations

Pillar Two Net Position				
£'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate
Base Case Forecast Pillar Two	-	52,000	52,000	54,000
Hospital Financing Costs[10]	-	(15,000)	(24,000)	(28,000)
Investment in competitiveness	-	(15,000)	(15,000)	(15,000)
Implementation costs	(1,760)	(2,600)	-	-
Transfer to Reserves	-	(17,640)	(13,000)	(11,000)
Net Position	**(1,760)**	**1,760**	**-**	**-**

Table 8: Pillar Two Net Position

The Panel approached its review of this area with consideration for the FPP's recommendations within the Annual Report 2024[98] to use the additional revenues to replenish the reserve funds and for the Minster for Treasury and Resources to acknowledge a commitment in that regard. The FPP noted that it strongly supports the allocation of forecast Pillar Two tax revenue to investment and to the Reserves along with the prudent approach to forecasting this income and recommends *a formal commitment to ringfence any Pillar Two income in excess of the base case forecast for investment in the Strategic Reserve or Stabilisation Fund.*

The Connétable of St. Mary:

> *… So, as we anticipate increased tax receipts from that area, how will the Government ensure that the revenues are not over-relied upon for long-term recurring spending, given their future uncertainty which is flagged?*

The Minister for Treasury and Resources:

> *That is exactly the concern and that is exactly our plan for Pillar 2. Because you will see from the budget that we have the base case, which is income that we think is reliable over a period of time, and we have set out our plan for doing that, which is the hospital financing costs. We will have some implementation costs in the first year, transferring for reserves, and some funds to go into investing in competitiveness for the Island. So, we are earmarking £50 million over the next 3 years from Pillar 2 to invest in competitiveness. If there is greater than anticipated, we are still proposing on that being used really for infrastructure such as the hospital and reserves. I think it would be unwise to add it to recurring revenue reserve because we are not sure that it will recur. A lot of it will recur. Obviously, the competitiveness work is about ensuring*

[98] FPP – Annual Report 2024

the Island remains a place where people want to stay and do business or come and do business.

The Panel sought to understand how it was identified to prioritise the tax receipts and questioned what discussion took place as part of the decision-making process.

The Connétable of St. Mary:

… can you explain the discussion which led to the priorities which you just mentioned, i.e. spending on healthcare, competitiveness, investments in reserves? Can you elaborate on what discussions took place regarding those particular items?

Deputy Comptroller of Revenue, Treasury and Exchequer:

The approach is twofold, really, and was thought about very, very carefully. So, we wanted to be sure that anything that was factored into forecasts for recurring spend we could reasonably foresee would recur on an ongoing basis. That is the £52 million to £54 million that is in the Government Plan. Then if we are fortunate to get additional revenues from Pillar 2 - there is a lot of behavioural change aspects to Pillar 2 - then the Government Plan also sets out what would be done with the upside that comes from that. So, on the approach to the forecast, that was how we did the forecast, and then the decisions about how the spend was made was really in relation to the interest on the financing for the hospital is an important cost that Pillar 2 will contribute to. It is obviously very prudent to put the money into reserves, but also, we do need to maintain a focus on international competitiveness in a world post Pillar 2 with the introduction of this 15 per cent rate for these very large multinational groups. So that is why we thought it was very important to allocate some money to that competitiveness project.

Considering the recommendation of the FPP in respect of the Pillar Two income, the Panel sought a commitment from the Minister for Treasury and Resources.

The Connétable of St. Mary:

… Going on to the longer term, you said what the intention is, but the Fiscal Policy Panel goes one stage further and recommends a formal commitment to ring-fence any Pillar 2 income in excess of the base case forecast for investment in the strategic reserve or stabilisation fund. Are you able to give that commitment?

The Minister for Treasury and Resources:

Well, that is our plan is to try and build our reserves to use that.

The Connétable of St. Mary:

I am saying that the panel concluded that you had not actually given it as a formal commitment. Is that what you are ... will you be giving that commitment?

Treasurer of the States, Treasury and Exchequer:

Firstly, of course, the plans for those uses are laid out in the budget. They include allocating to reserves, but they also include part funding of the new hospital facilities. They also set out, dependent on how large those excess receipts are, allocating them towards future infrastructure as well. So, it is one of the prime parts of the plan that says that is where excess receipts would be applied, but it is not the only one.

KEY FINDING 35: The Fiscal Policy Panel within its Annual Report for 2024 sought a formal commitment that any monies in excess of the forecasted base case amounts for Pillar Two receipts would be allocated to rebuild the Stabilisation Fund and Strategic Reserve balances. A formal commitment has not been made.

KEY FINDING 36: All the future tax measures in the Budget 2025-2028 are policy under development and are unlikely to be implemented before 2026.

Expenditure

Public Sector Spending

The FPP in its Annual Report for 2024[99] highlights that the growth is in day-to-day spend rather than investment into the economy's productive capacity. Moreover, that despite an increase in an already strong tax revenue forecast, there will be an operating deficit in 2025 and 2026, with only a small surplus in 2027. The FPP raises that the increase in public spending in an economy with little spare capacity, risks pushing up inflation and pulling in more imports, significantly reducing any beneficial impact on real incomes. The FPP notes that the proposed increase in current spending budgets has required savings across Government departments to help fund the expenditure growth. In addition, highlight that reserve funds are also being used to finance short-term policies introduced in the Budget. The FPP summarises the Budget proposals for 2025 as follows:

- *A 1% increase in States income of £47 million over 2025 – 2027 compared to Government Plan 2024, generated by higher forecast tax receipts. Across the Budget States income will total £5.268 billion.*
- *A 3% increase in expenditure of £103 million over 2025 – 2027 compared to Government Plan 2024 - this is net of a proposed saving programme worth £47 million per annum.*
- *Allocating £29 million to fund the Government's Common Strategic Policies ('CSP') and an additional £31 million annually (£124 million total) funding for the Health and Community Services Department ('HCS') across 2025 – 2028.*
- *Spending increases of £97 million to help meet inflationary pressures from 2025 – 2028.*
- *The operating balance will be in deficit in 2025 (- £18 million) and 2026 (- £1 million), with a surplus in 2027 (+ £10 million) and 2028 (+ £18 million. Across 2025 – 2027, Government Plan 2024 forecasted a total operating surplus of £52 million, under Budget 2025 this will move to a total deficit of - £9 million over the same period.*
- *Total reductions of £21 million across capital budgets, compared to Government Plan 2024, to help 'right-size' the capital programme and make projects more deliverable*
- *A financing strategy for Phase 1 of the New Healthcare Facility. This includes £523 million of public borrowing and up to £277 million of transfers from the Strategic Reserve.*
- *The Pillar Two 'base case' forecast, which anticipates additional Government revenue of £52 million annually (from 2026), This additional revenue has not been included in the forecast for general income.*

The Previous Panel noted the publication of the first Classification of Functions of Government (COFOG) report by the Minister for Treasury and Resources in November 2023, which covered the spending for 2021 and 2022. This was a result of a previous States Assembly

[99] FPP – Annual Report 2024

decision on P.94/2019, which sought for States' Expenditure Classification in Accordance with International Best Practice to be adopted to demonstrate support for classifying States' spending in functional groups or sub-sectors of expenditure in accordance with international standards. Thereby, to simplify the compilation of statistics for Jersey that are comparable to other jurisdictions, and to assist in providing a benchmark of public spending. Below is a demonstration of this being utilised by the FPP in its Annual Report 2024 in respect of 2022.

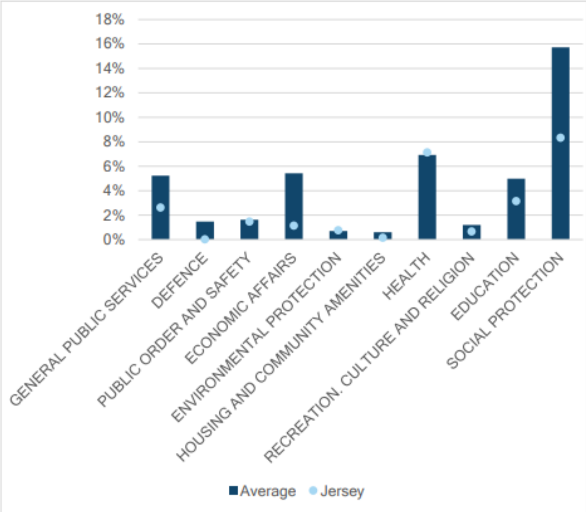
Figure 2.5

Classification of the Functions of Government - Jersey 2022 vs OECD 2022 average (spending as a % of GDP)

£ million (current prices)

The Classification of the Functions of Government (COFOG) breakdown public spending into different areas of Jersey's economy. Jersey statistics are compared to the published 2022 OECD dataset (most recent)

Source: Treasury and Exchequer



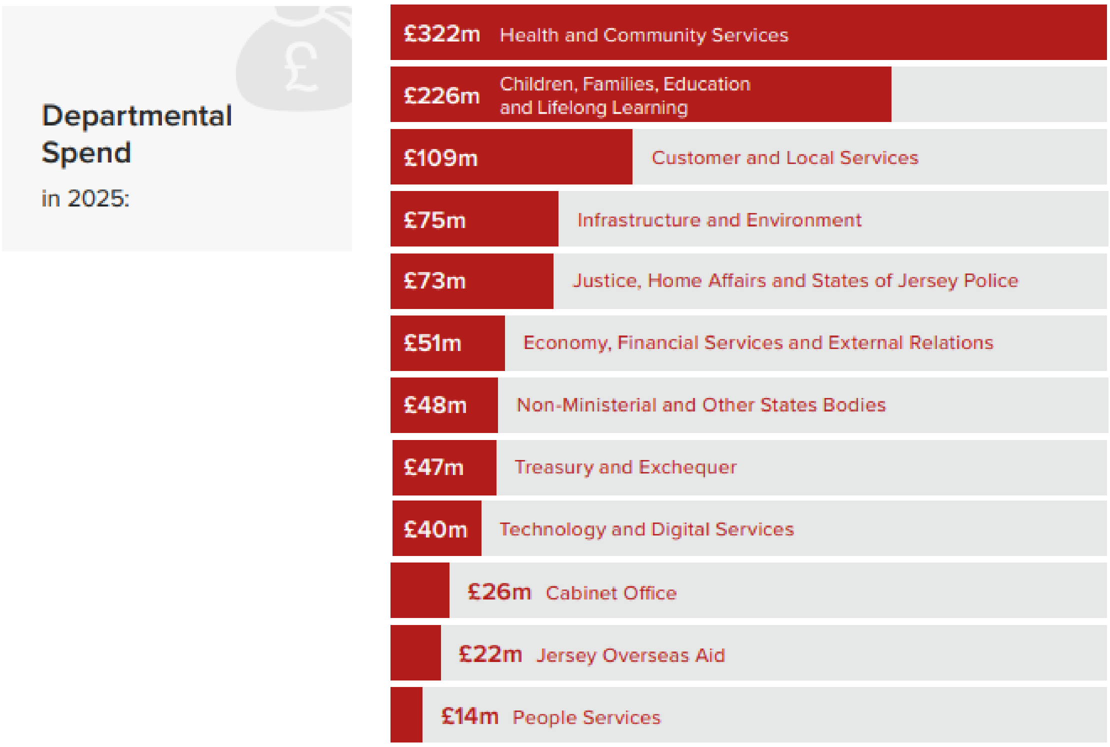
KEY FINDING 37: A further Classification of Functions of Government report was not published at the time of publishing this report.

Revenue Heads of Expenditure

The Assembly are asked in the Proposition to approve the proposed amount to be appropriated from the Consolidated Fund for 2025, 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.

Table 5i - Revenue Heads of Expenditure			
2024			**Head of**
£'000	**Income**	**Expenditure**	**Expenditure**
Departmental Expenditure			
Cabinet Office	(5,120)	84,320	79,200
Children, Young People, Education and Skills	(22,945)	229,698	206,753
Customer and Local Services	(11,774)	118,023	106,249
Infrastructure	(24,643)	81,882	57,239
Environment	(6,351)	17,268	10,917
Health and Community Services	(23,792)	310,367	286,575
Jersey Overseas Aid	-	20,041	20,041
Justice and Home Affairs	(4,531)	44,660	40,129
States of Jersey Police	(162)	27,544	27,382
Ministry of External Relations	(330)	3,712	3,382
Economic Development, Tourism, Sport & Culture	-	35,537	35,537
Financial Services	-	11,228	11,228
Treasury and Exchequer	(4,189)	143,837	139,648
Past Service Pension Liability Refinancing	(174)	13,964	13,790
Departmental Expenditure	**(104,011)**	**1,142,081**	**1,038,070**
Non-Ministerial and Other States Bodies			
Bailiff's Chambers	(68)	3,276	3,208
Comptroller and Auditor General	(97)	1,249	1,152
Judicial Greffe	(2,094)	10,953	8,859
Law Officers' Department	(127)	13,008	12,881
Office of the Lieutenant Governor	(132)	1,037	905
Official Analyst	(53)	788	735
Probation	(78)	3,029	2,951
States Assembly	-	9,904	9,904
Viscount's Department	(882)	3,295	2,413
Non-Ministerial and Other States Bodies Expenditure	**(3,531)**	**46,539**	**43,008**
Covid-19 Response	-	-	-
Departmental and Non-Ministerial Expenditure	**(107,542)**	**1,188,620**	**1,081,078**
Reserves			
Central Reserve	-	65,171	65,171
Reserve Expenditure	**-**	**65,171**	**65,171**
Healthcare Facilities - Financing Costs	-	7,820	7,820
Revenue Heads of Expenditure Total	**(107,542)**	**1,261,611**	**1,154,069**

This Budget proposes approximately £1.2 billion of spending in 2025 on delivering services to Islanders. The below chart illustrates the proportion of net revenue spending in 2025 across departments.



Jersey Public Services Ombudsperson

The Panel identified that no funding or narrative is present within the Budget in respect of the establishment of the Jersey Public Services Ombudsperson. The Panel investigated the rationale for this and as a result of the evidence gathered has proposed an Amendment to include narrative within the Budget. The purpose of the Panel's Amendment is to bring this workstream to the forefront and make it visible within the Budget. By doing so, the Amendment ensures that the significant level of work already undertaken, and progress made in respect of the JPSO is not wasted. In addition to this, reflects within the Budget 2025-2028 the continuing work being undertaken in this area. Furthermore, the Panel wishes to ensure that the Government's review must be fully informed by current consultation responses and outcomes including from the Jersey Law Commission and the Complaints Panel. This ensures that its decision-making reflects the complete evidence base, so that any proposals brought to the States Assembly for approval are well informed and appropriately aligned with the previous decisions of the States Assembly. The Panel's Amendment aims to ensure that the proposals are finalised and brought to the States Assembly in 2025 and detailed in the successive Government Plan. The Panel's Amendment and accompanying report can be viewed in Appendix 2 of this report.

The Panel more generally explored the spending proposals for 2025 in a hearing[100] with the Chief Minister. The Panel sought to understand the rationale behind the direction of increase in expenditure considering the Government's goal to reduce public spending. The FPP explains[101] that the Budget proposes a net increase of £103 million in current expenditure across years 2025-2027 when compared to the previous Government Plan 2024-2027. With that additional expenditure being used to fund the delivery of the Common Strategic Policy,

[100] Transcript – Chief Minister – 7th October 2024
[101] FPP Annual Report 2024 – Pg 33

create provisions to meet future inflation pressures, fund 'formula driven' budget increases and address ongoing deficits in the Health and Community Services department. Noting that the inflation provisions are, in part, to fund the 3-year public sector pay settlement of RPI +1%. The Chief Minister explained that increase in net revenue expenditure as follows during a public hearing:

The Chief Minister:

> *Well, if you take out the inflationary pay increases, the increase to health and one or 2 other things, you would probably find it is … if you strip that out we are coming in in real terms, we are probably below the previous year's Budget. I am looking to Andy here to confirm that.*

Group Director, Strategic Finance:

> *Yes, so I guess if we refer back to one of my favourites, page 42 of the Budget, which has the changes in revenue expenditure, you can go through and you can see the increases are all explained. So, as the Chief Minister has pointed out, there are some increases for inflation, and we have talked about formula driven growth. In terms of revenue growth, the total of 32 and a bit plus the 6 for the C.S.P. is partly offset by savings which have been proposed in the plan as well. Some of that is funded and indeed those savings continue into future years so by the time you get to the end of the plan, taking out inflation, you end up almost back where you started, I think. I would have to add up the numbers quickly on my fingers, but that is how it worked.*[102]

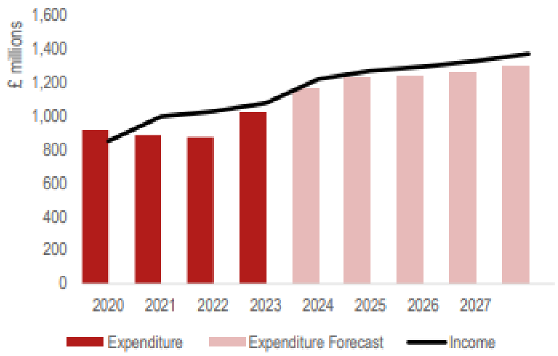


Figure 20: Income and expenditure trends before depreciation

Noting the clear example of significant growth in spending in respect of Health and Community Services and that the FPP had raised that such levels of increased spend would not be sustainable for Jersey, the Panel explored this further. The FPP notes the following:

Healthcare costs are rising. Jersey spends a high proportion of its budget on health, more so than in OECD countries. 76% of the Budget's total expenditure growth for 2025 – 2028 is being spent in the Health and Community Services department. This rate of growth in healthcare spending is not sustainable given that income growth is forecast to fall back to much more moderate levels. Health demands are likely to rise faster than incomes which will mean difficult choices in the medium term between funding for healthcare versus funding for other important areas of the economy.

The Chief Minister explained the following during a public hearing[103] in respect of the increasing spend:

> *So, it is a concern. Any expenditure that is growing exponentially is going to ultimately have to be checked at some time. I think there are special circumstances relating to health. The first one is our failure to properly look after our health care facilities and the delay in the hospital, the change of plan in the hospital and when the new hospital*

[102] Transcript – Chief Minister – 7th October 2024 -Pg 38-39
[103] Transcript – Chief Minister – 7th October 2024

> *is delivered, which if all goes to plan will be complete and operational by the end of 2028. That will present significant opportunity to curb the growth in health expenditure not least because we will not be spending many millions every year on retaining and patching up a falling down health system. Many, many millions of pounds are having to be invested to that. On top of that, we have had the challenges from Brexit. The fact that we have a shortage in qualified labour means we are having to use agency staff, which is very, very expensive and I think a lot of the increase in the Budget is based around the cost of staffing, which is not unique to Jersey. It is happening in health systems all over the world. It is something that we are going to have to reign in and make sure it is right sized, and I do have confidence that the Minister for Health and Social Services and his team are working towards that.*

The Panel was further informed that although healthcare funding is a pressing matter, it was not unique to Jersey. It was explained that while safety in healthcare is a priority of Government, the rising costs do pose challenges and without a consistently growing economy, the current healthcare funding model may become unsustainable. Although it was thought that recent economic growth is promising, ongoing economic expansion is essential to ensure future funding for safe healthcare and this required careful consideration.[104]

When the Panel questioned what measures were being taken to address this challenge, it was informed that the Minister for Health and Social Services were acutely aware of the challenges and was working towards addressing them.

Capital Projects

In respect of the capital programme, considering it has been right-sized to match what is deliverable against spend allocations, the Panel sought to determine whether the Chief Minister was confident that all the capital projects would be delivered as outlined within the Budget, given that the attempt was made to align delivery with actual resource in this Budget.

The Chief Minister:

> *We are a lot more confident than we have been. We believe what we have put into the plan is deliverable. We have the resources to deliver it internally and externally the resources are there to build or produce it, where that is the case.*

In addition, the Panel wished to understand whether any unintentional risks, which may come to light mid-delivery had been considered.

Treasurer of the States:

> *There are the usual risks that face any project and that is obtaining planning permission. That is not criticising the planning process at all. Let us just say every project has to go through the various stages.*

The Chief Minister:

> *Political interference remains a high risk as well. That is not aimed at anything here, but we have seen what happens if we get caught up in lots of different political views, projects get delayed, but that is high risk.*

Treasurer of the States:

[104] Transcript – CM – Pg 34

We go out to tender for each of those projects with the appetite for those projects and there is a cost of delivering against those projects. What we are happier with is we have got a capacity to control those projects and progress those projects better than we have ad in the past where we have been spread too far across many different projects.

The Panel sought to identify any risk as a result on Government's position in relation to reducing the reliance on consultants.

Deputy J. Renouf:

One of the things that marks capital projects out is they are one-off projects and they might well have consultants attached to them in order to deliver the preparatory work and so on. How are you ensuring that the reductions in headcounts that you are doing in senior levels and on consultants are not affecting the ability to deliver capital projects?

The Chief Minister:

… This is an opportunity for me to make clear that consultants are necessary and valuable on certain projects at certain times, but not where they become permanent and fixed. We have had some consultants being in place for 2, 3, 4, 5 years. We are making sure that when we do employ consultants, where it is necessary, it is done appropriately with that in mind.

Deputy A.F. Curtis:

Quickly, to understand, you are confident that the policies you have in place will not hinder the delivery of capital programmes across the spectrum of projects, from I.T. through to the estate, through to infrastructure?

The Chief Minister:

Yes.

Deputy A.F. Curtis:

You are confident that where a project is allocated money it will be able to procure and deliver?

The Chief Minister:

In actual fact, I am more confident than I have been in the past, because we have presented a capital Budget that is more realistic. We are doing a bit less. We are spreading out the timescale into a more realistic budget, which means we should be able to get it done, rather than having things sitting on the capital programme that get carried forward and carried forward.[105]

Long Term Financial Planning

Considering the increasing expenditure trend. The Panel also sought to understand what measures were being taken to ensure long-term financial planning and the influence on resources and risk management and raised this during the hearing with the Chief Minister.

[105] Transcript – CM – 7 October 2024 – Pg 44-27

Deputy A.F. Curtis:

> *…Chief Minister, looking to how long-term financial planning is part of the Budget, what scenarios are considered in the Government's long-term financial planning and how do they influence resource allocation and risk management?*
>
> *In essence, what risks … what in the long term has been taken into account that could happen that influenced how financial planning in the Budget, whether that be for the capital estate, for revenue or for the longer term, how is that being taken into account? That could be population decline. It could be another pandemic. It could be any scenario that would require us to be planning and addressing risks. Which scenarios were considered?*

The Chief Minister:

> *It is believed, and I think acknowledged by our economic advisers or presented almost by economic advisers, that our biggest medium to long-term challenge is the working age population and how that impacts upon our economy and our revenues. Our Budget has been put together with that in mind in relation to curbing growth in expenditure, right sizing the public sector, starting to reign in on some of the costs of running the Island, notwithstanding all the very valid questions you are raising today about how we prioritise. We can present 100 different plans and all of them would work but it is the Government thinking that leads the current plan. So, that is why we have produced a Budget that, I believe, is prudent. It is balanced. It commits to putting money … replenishing the Strategic Reserve and Consolidated Fund and I think coincidently - or not quite co-incidentally - we started to move in the direction of which the latest F.P.P. report suggests we move further in. So, that is at the heart of our thinking, and I can refer to Deputy Gorst who has been Minister for Treasury and Resources.*

Assistant Chief Minister:

> *As the Chief Minister knows, there is a very good Corporate and Island Risk Register and that is the start, back to the point that the Treasurer made earlier, thinking about risks. Thinking about risk helps you prioritise where you are spending your money. Thinking about Island risk also helps you think about those issues but equally, we have to be absolutely clear that those who might think it is an easy hit to spend from the Strategic Reserve, if you do that you mean that we are no longer resilient for the medium and long term and therefore that is why the F.P.P. keep challenging successive governments. It is not new, Chief Minister, is it? They have been doing it for a long time to make sure there is money in the Strategic Reserve, that you replenish that Strategic Reserve which is partly what we are proposing to do from Pillar 2, and they say that you should keep doing that. Of course, we do not think you should raise new taxes just to put money in the Strategic Reserve, but it is really important that you have that Strategic Reserve in place because without that then we could not meet those risks confidently.*

The Panel sought to identify whether risk was identified when endeavouring to balance the creation of financial resilience for the future versus funding for today and asked this.

The Chief Minister:

> *Well, I think we have found a good balance, and I know that the Treasury team are always mindful of the pressures on our cash flows and available cash, so we have tried to provide a balance. I mean we have perhaps … had we not been facing such broad*

economic challenges in relation to affordable housing, cost of living, population pressures, you could have argued that we could have curtailed more growth, reigned it in a bit more and let the economy move forward but of course we are not in that position yet and perhaps the Treasurer would … we have had many conversations about the importance of making sure that we retain a strong cash position.

Treasurer of the States:

Yes, so there is alongside sustainable wellbeing a requirement for the consideration of the Council of Ministers and being at the workshops that set it up, that legal requirement sits alongside long term sustainability of public finances so those 2 are born in mind, side by side, and the Council of Ministers are just thinking through its options for the short to medium term. Treasury is starting work on longer-term capital requirements and capital plans, starting with 10 and then moving to 25 years. The further up you go the more variability there will be in those plans but that will start to inform the next Government Plan.

Deputy A.F. Curtis:

Just touching on where the Treasurer was on the recommendations from officers to Ministers regarding risk and how does the business planning process around areas of high-risk work and how will that work as risks emerge in 2025 with such prioritisation already focused in on money, how are you prioritising funding of key risks and are you already making reallocations based on emerging risks?

Treasurer of the States:

Other than emergency or crisis situations, there is a more gradual process than you indicate. The opportunity, however, for the successive government they have to be doing that in the annual budgeting cycle. I will give an example particularly through the project side where we are addressing risk alongside government priorities whether that is all the same category. That will continue into the next year because what will often happen is that capital programme will get prioritised during the year or external factors relating to planning or supply chain, for example. There are opportunities within the capital programme should there be any sort of crisis or emergency, so to change plans during the year and move monies between capital projects, for example.

The Chief Minister:

Can I just reiterate? I think it is important to know from practical terms when we start work on the C.S.P. and the Budget, we get constant advice from officials and Treasury officials on the risks and the consequences of certain decision. That advice always guides our direction. So, that is just an ongoing modus operandi. You all know because you have worked in government, and it is no different this time.[106]

Changes to Net Revenue Expenditure

The Budget proposes £1.2 billion of spending to deliver public services in 2025, an increase on 2024, which is largely due to inflationary pressures, funding the Common Strategic Policy and Health and Community Services. Changes in net revenue expenditure encompass are reflected in the table below:

[106] Transcript – CM – 7 October 2024 – Pg 35-37

2024 Approved	Changes to Net Revenue Expenditure £'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate
985,044	**Base Budget**	**1,162,591**	**1,229,715**	**1,238,649**	**1,260,912**
	Adjustments for net changes to Base Budget;				
(21,691)	Adjustments from Previous Government Plan	(4,872)	(3,804)	215	-
70,166	Inflation	30,205	25,410	19,927	21,781
14,649	Formula Driven Growth	23,429	8,535	6,454	10,224
-	CSP Revenue Growth	5,919	2,326	(1,721)	1,533
51,177	Oher Revenue Growth	32,747	467	(112)	115
77,596	Reintroduction of States Grant to Social Security Fund	-	-	-	-
(14,350)	Savings	(20,304)	(24,000)	(2,500)	(466)
1,162,591	**Net Revenue Expenditure**	**1,229,715**	**1,238,649**	**1,260,912**	**1,294,099**

Table 11: Changes to Net Revenue Expenditure

The Budget notes that In line with the Common Strategic Policy, where possible existing allocations have been reprioritised to deliver objectives. Revenue expenditure growth has been limited to delivering specific Common Strategic Policy priorities and providing funding to address ongoing and worsening deficits in Health and Community Services. The Panel identified that Health and Community Services had a forecast deficit of between £24-£29 million in 2024, which was driven by several factors including activity increases in high-cost, low volume services and treatments, pressures in tertiary care and non-pay inflation in excess of budgets.[107]

Common Strategic Policy Priorities

CSP Revenue Expenditure Growth £'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate
Implementation of VAWG Taskforce Recommendations	375	124	-	-
Extend Nursery and Childcare Provision	1,517	2,358	3,423	4,629
School Meals	1,169	1,169	1,169	1,169
Investing in Lifelong Learning & Future Skills Provision	1,158	1,544	1,882	2,209
Minimum Income Standards	200	50	50	50
Deferral of Waste Income Charges	1,500	3,000	-	-
Living Wage Transition Support	10,000	10,000	-	-
Adjustment to the States Grant	(10,000)	(10,000)	-	-
CSP Revenue Expenditure	**5,919**	**8,245**	**6,524**	**8,057**

Table 12: CSP Revenue Expenditure Growth

The Budget explains that the Common Strategic Policy sets out the 13 priorities over the next two years, aligned with the long-term vision set out in the Future Jersey Vision and ten Island Outcomes arising from it. Where delivery of these priorities cannot be met through reprioritisation of existing resources and budgets, additional funding has been provided. This includes funding to deliver the Violence Against Women and Girls (VAWG) Taskforce recommendations, extending nursery and childcare provision, providing nutritious school meals for Government maintained primary schools, investment in lifelong learning and future skills provision, as well as funding for the deferral of waste charges until 2027. The Panel did

[107] Letter – CM – 27 October 2024

not focus its review on these growth areas as they were reviewed by the other Scrutiny Panels where they were better aligned with their remits of focus.

The below table reflects other growth funding in addition to that for delivering against the Common Strategic Policy priorities.

Other Revenue Expenditure Growth				
	2025	2026	2027	2028
£'000	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Health and Community Services	30,520	30,520	30,520	30,520
Non-Ministerial and Other States Bodies	2,227	2,694	2,582	2,697
New Revenue Expenditure	**32,747**	**33,214**	**33,102**	**33,217**

Table 13: New Revenue Expenditure Growth

The Panel reviewed the Non-Ministerial related growth funding as part of its review in respect of the growth allocations as demonstrated in the table below:

Revenue Expenditure Growth					
£'000		**2025**	**2026**	**2027**	**2028**
Reference	**Description**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	Bailiff's Chamber				
I-BAC-GP25-001	Court & Case Costs	174	174	174	174
	Comptroller and Auditor General				
I-CAG-GP25-001	Contractual Inflation	-	-	-	32
	Judicial Greffe				
I-JUG-GP25-001	Staff Resources, Legal Aid Costs & Court Refurbishment	860	820	824	828
	Law Officers' Department				
I-LOD-GP25-001	Staff Resources for Additional Cases	258	463	463	463
	Probation				
I-PRO-GP25-001	Staff Resources, Recharge Removal & Fleet Management	268	292	295	289
	Viscount's Department				
I-VID-GP25-001	Staff Resources	114	109	109	109
Total		**1,674**	**1,858**	**1,865**	**1,895**

The Panel requested submissions from the relevant Non-Ministerial departments in respect of the funding allocations and to further understand the requirement for the growth funding and any associated challenges or risks. The Panel received submission from the Judicial Greffe, Law Officers' Department, Probation and the Viscounts Department. All submissions were received in confidence with the exception for the submission from the Law Officers Department[108].

The Panel also sought to understand what oversight the Chief Minister has with regard to the allocations for the Non-Ministerial departments in respect in relation to the decision-making process for the funding allocations and asked this of the Chief Minister. It was noted that in respect of the Non-Ministerial departments, that estimates are not put forward by the Council of Ministers, instead the Non-Ministerial departments provide estimates which are inserted into the Budget.

> *Under article 10 of the Public Finances (Jersey) Law, the Council of Ministers must include budget submissions from non-ministerial bodies in the Government Plan. These were submitted and discussed at Council of Ministers workshops during the development of the Budget, alongside business cases received for additional budget*

[108] Submission – Law Officers Department

requests. As part of the development of the Budget, the Treasury and Resources Minister wrote to all non-ministerial bodies informing them that there would be no revenue growth process for departments outside of the Common Strategic Policy objectives. As part of this process non-ministerial bodies were requested to contribute to savings targets and identified £0.5 million of savings to deliver in 2025.[109]

It was further noted that communications with Non-Ministerial bodies was via letter and through their Head of Finance Business partnering. Moreover, that business cases were provided to the Council of Ministers and reviewed as part of the budget workshops; no face - to-face meetings took place.[110]

KEY FINDING 38: Under Article 10 of the Public Finances (Jersey) Law, the Council of Ministers must include budget submissions from non-ministerial bodies in the Government Plan. These were submitted and discussed at Council of Ministers workshops during the development of the Budget, alongside business cases received for additional budget requests.

The Panel sought to understand what growth bids were presented to the Council of Ministers for consideration that were not successful. The Panel was informed that during the development of the Common Strategic Policy, the Council of Ministers had agreed their priorities and their approach to curb the growth in the public sector and reprioritise budgets. Accordingly, Ministers agreed not to run an open bidding process for revenue expenditure growth items during the development of the Budget. Therefore, specific revenue growth funding was only considered where necessary to meet Common Strategic Policy objectives so that there will be a greater focus on the prioritisation of existing budgets to deliver Ministers' objectives and meet any pressures. In addition to focus efforts on spending existing budgets well, rather than on developing proposals that would drive further growth in the cost of the public service.[111]

KEY FINDING 39: As part of the reprioritisation process to target funding to deliver against the Common Strategic Policy priorities, an open bidding process for Revenue Expenditure Growth funding was only considered where necessary to meet the Common Strategic Policy objectives.

RECOMMENDATION 29 (OVERARCHING): The Council of Ministers must provide to Scrutiny a list of the Revenue Growth bids that were presented, but not successful for either business case commissioning and/or inclusion within the Budget. This information should be provided to Scrutiny each year at the time of lodging of the Budget.

Inflation

This Budget notes that the Government is proactively addressing the financial impact of inflation by allocating funds to cover inflationary pressures on pay, social benefits and non-pay expenditures. Noting that, after peaking at 12.7% in 2023, inflation is expected to decrease to around 1.7% by 2025. Accordingly, the Budget has set aside an additional £30 million for inflation's impact on spending in 2025, with 1.7% of non-pay expenditure inflation allocated directly to departments. Furthermore, a multi-year pay deal has been established with all pay

[109] Letter – CM – 27 October 2024
[110] Letter – CM – 27 October 2024
[111] Letter – CM – 27 October 2024

groups to provide certainty until 2026, incorporating an extra 1% above inflation assumptions for pay in both 2025 and 2026.

It is noted that provisions for future pay and non-pay inflation will be managed from a Central Reserve, with adjustments made once the 2025 pay award is finalised. Although inflation is projected to stabilise around 2% in later years, any unforeseen increases could strain the Budget.

It is noted that the transition to a living wage may also affect Government income and benefits, but no provisions have yet been made due to uncertainty. It is explained that future economic assumptions will consider these factors for upcoming Budgets.

Contingency Funding

The Panel questioned what contingency funding was available and the process involved for accessing that funding and asked this during the hearing with the Minister for Treasury and Resources.

Deputy H.M. Miles:

> *…Can you just explain the outlined process for contingency funding and where such funding would be made available from where? If you could just give us an example of when you have used that process?*

Treasurer of the States, Treasury and Exchequer:

> *Inflation reserve is pretty much as you would expect. We would expect once inflation rate is known to allocate those reserves to departments in terms of the … I do enjoy that it has gone back to being called the general reserve. In respect of the general reserve, the process is with the Minister for Treasury and Resources. Applications need to be made, and they are made into the Treasury from the department. They are then subject to scrutiny by the Treasury and then a recommendation to award or otherwise is made to the Minister. That is done through ministerial decisions and those ministerial decisions are published. There is a half-year report. I know some of the members of the panel like some half-year reports. We do a half-year report of all decisions made either directly by the Minister or any delegations to me.*

It was further noted that provisions for unforeseen expenditure are carried, which totals £7 million in the Budget.[112]

The Panel asked how the transition to a living wage may impact inflationary pressures, and it was explained that work was undertaken to consider that, and in terms of impact it was relatively minor, however, the risk has been identified, but not included within the budget, as it is not a forecast, but a risk.[113]

Considering the number of recent major emergency incidents that the Island has faced the Panel sought to understand what impact these continue to have on this Budget, and whether any further measures were considered to ensure that further contingency funding is available for such unforeseen circumstances in the future.

Deputy H.M. Miles:

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[112] Transcript – MTR – Pg 44
[113] Transcript – MTR – Pg 44

Can you just identify how any measures in this budget support major incident recovery and enhance overall preparedness and any specific proposals to improve resilience and recovery in response to major incidents?

Treasurer of the States, Treasury and Exchequer:

We have some funds - Andrew will correct me if I am going in the wrong direction - within the current year that they are currently ring-fencing to be carried forward into the next financial year for those particular incidents and the work arising from them. In terms of when any of the investigation element of that becomes an actual court case, then it will be from within existing budgets for departments or a call upon the court and case cost reserve … [114]

Formula Driven Growth

The Budget notes that a further £13.4 million[115] added to a number of areas of expenditure that are determined by pre-agreed formulae. Key allocations are a 2% annual increase in Health budgets to manage healthcare inflation and maintain service standards, gradual increases in Jersey Overseas Aid funding to reach 0.3% of GVA by 2025, and formula-based increases to the States Grant for the Social Security and Long-Term Care Funds. Provisions are also made for overdraft charges, dependent on the Consolidated Fund's cash balances. Additionally, Arts, Heritage and Culture budgets, now set at 1% of Net Revenue Expenditure, will be adjusted annually by the Retail Price Index (RPI).

Reserve Head of Expenditure

The Budget[116] explains that the inclusion of a single Central Reserve head of expenditure simplifies previous practice. It is noted that as well as a provision of £7 million for unforeseen expenditure in year (including £2 million ring-fenced for social benefits), this now incorporates centrally held items such as provisions for inflation that have not been allocated to departments. It is noted that the Central Reserve is held outside of operational expenditure limits, and can be used to meet unforeseen pressures, or to provide advance funding for urgent expenditure in the public interest. Moreover, that 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. Furthermore, that £10 million has been allocated from the central reserve to the department in 2024, and underspends will be carried forward. An additional £2 million is held in the Central Reserve for the First Step assisted home ownership scheme.

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[114] Transcript - MTR – October – Pg 49-50
[115] The Government has clarified that the £13.4 million is the net adjustment to the States Grant and that the correct figure should be £23.4 million (not £13.4 million) per Table 11 of the Budget.
[116] P.51/2024 – Page 41

	Central Reserve Expenditure				
2024		2025	2026	2027	2028
Approved	£'000	Estimate	Estimate	Estimate	Estimate
7,000	General Reserve	7,000	7,000	7,000	7,000
55,188	Inflation Reserve	25,197	47,286	64,145	84,158
-	First Step Scheme	2,000	-	-	-
62,188	**Total Central Reserve Expenditure**	**34,197**	**54,286**	**71,145**	**91,158**

Table 16: Central Reserve Expenditure

The Panel notes that in the preceding Government Plan, an allocation was made for Reserve for Central Risk and Inflation, with £1 million proposed for 2025. The Panel sought to understand the rationale for demonstrating this allocation differently in the Budget and questioned how it was detailed within the Budget for 2025.

In a written response from the Minister for Treasury and Resources, it was confirmed that there is no additional provision for the Capital Risk and Inflation Reserve in 2025. However, it was noted that there is currently £9 million in the Capital Risk and Inflation Reserve, and it is intended that amounts not required in 2024 will be carried forward to 2025. In addition, capital pressures arising in the year will be met through reprioritisation within the wider programme where possible.

The Panel also requested an update on the breakdown of the Reserve for Central Risk and Inflation in 2024, noting that an allocation of £5 million was estimated within the preceding Government Plan for 2024. The following breakdown was received for how allocations were made in 2024:

> *-Up to £290,000 for the Firearms Range Project – to meet the higher than estimated costs of the police firearms range*
>
> *- Up to £3,800,000 for the acquisition of Greve De Lecq café as approved by the States Assembly in p.5/2024*
>
> *-In addition to the £5 million provided by the Government Plan 2024-27, the funding available in the Reserve was increased by £8.4 million through the End of Year Flexibility process.*

It was further noted that all transfers from the Reserve are made through Ministerial Decisions that, other than in exceptional circumstances such as where commercial interests could be prejudiced, are published on gov.je. The reserves transfers are also summarised in the Finance Law Delegation Report that is presented to the States Assembly every six months. The most recent report is R.134/2024, which includes the transfers outlined above.

The Panel questioned how the Central Reserve is utilised to manage unexpected financial challenges and what the plan was for increasing the reserve balance by 2028. In respect to the other unforeseen matters, it was highlighted that previously unspent funds from the budget would be carried forward that would bolster the size of those reserves. However, that will not be the case this year in that we are anticipating needing to use all our available resources to meet the pressures within 2024, almost entirely within health. It was noted that the reserves balances are largely as they are presented within the report. It was explained that:

> *We have the inflation reserve which is based upon what we anticipate the inflation rate to be. We have the £7 million general reserve available for those pressures that will be prioritised towards variations in inflation upwards. In particular relating to the pay award, subject to other pressures as we go through the year. In terms of capital,*

though, we also do expect and there is a priority there will be unspent capital and one of the priorities we will expect to put those unspent monies towards would be to increase the size of the capital risk and inflation provision.[117]

The Panel sought to understand how depreciation was managed in the Central Reserve and questioned this during the public hearing with the Minister for Treasury and Resources.

Deputy A.F. Curtis:

…how are the estimated uplifts in asset values factored into increased depreciation costs for 2025-2028 and how does this affect the overall budget planning for Treasury?

Group Director - Strategic Finance, Treasury and Exchequer:

The depreciation number is updated on an annual basis, so we take into account the carrying value of the assets that are held there and look at their useful life. You referred to the uplift in asset values that does occur on a cyclical basis and when each asset is reviewed. So, if you look at property, for example, they will revalue them. The value of the asset may go up or indeed it may go down, but they will also look at the useful life. So, they may also say: "Well, this building is okay. It may last a little bit longer." So, the depreciation number that goes into the Government Plan is based on all of that information. What we would expect depreciation ... which for listeners at home who may not be familiar, depreciation is basically spreading the cost of an asset over its useful life. So normally straight line, if it lasts for 10 years, the cost is recognised over those 10 years. So, that is how it is factored in across the assets…

KEY FINDING 40: There is no additional provision for the Capital Risk and Inflation Reserve in 2025 as opposed to the Government Plan 2024-2027. There is currently £9 million in the Capital Risk and Inflation Reserve in 2024, and it is intended that amounts not required in 2024 will be carried forward to 2025. Capital pressures arising in the year will be met through reprioritisation within the wider programme where possible.

4 Savings

Value for Money Programme

Last year, the previous Government Plan included a Value for Money (VFM) Programme, aimed at delivering savings across Government departments. The previous Panel evaluated the VFM Programme considering, how the estimated savings were evidenced, the impact thereof, and how the Government proposed to deliver, monitor and govern the Programme. The previous Panel proposed an amendment[118] to the preceding Government Plan, which sought to enhance transparency, accountability and the effective monitoring of Value for Money within the Government's fiscal planning.

The Panel sought to understand the implementation of that amendment during 2024 and was informed that it would be addressed in the Annual Reports and Accounts and that, whilst the

[117] Transcript – MTR – 18 October 2024
[118] CSP amendment twelve to P.72/2023

VFM programme no longer exists in its previous form, departments are required to track progress against savings targets and report to the Treasury and Exchequer on delivery of financial amounts.[119]

Noting that the VFM programme is no longer being utilised in its previous form, the Panel sought to identify any progress made on the savings allocations of £10 million in 2024. It was confirmed that savings targets were allocated to departments in line with the agreed preceding Government Plan, thus reducing department budgets accordingly. Therefore, budgets have been reduced, and Accountable Officers are required to deliver within the reduced limits, thereby delivering the savings. It was noted that the actual target was increased to £14.3 million following amendments to the preceding proposed Government Plan.[120]

In respect of whether departments were on track to achieve the savings targets in 2024 and how those savings were being made, the following was explained:

> *As at the end of August, departments had achieved savings of £9.6 million. The balance of savings will need to be delivered before the end of the year. As budgets have been reduced, any shortfall would need to be met from within the departmental budget.*

When asked what challenged had been identified in meeting those targets for 2024, the Panel was informed that inflation (high inflation leading to cost pressures), changing circumstances (impacting original assumptions) and project or initiative slippage, (delays through various reasons like resources, competing priorities, stakeholder buy-in and support) were challenges faced.[121]

Thematic and Best Value Reviews

The Panel also sought to understand the progress in respect of the Thematic and Best Value Reviews established in 2023 and their development in assisting departments with achieving the savings targets for 2024. It was noted in writing that as a result of the change in Government, the new Council of Ministers has instigated a change in the emphasis in the delivery of savings towards practical and deliverable initiatives that will curb public sector expenditure. Noting that a strong focus remained on delivering the savings previously approved for 2024. It was further explained that the Thematic Reviews have informed the actions taken in year (2024) and in those set out in the proposed Budget with the overarching theme to address right-sizing Government, which has been informed by the following:

- ***Reduction in Growth budgets and new initiatives*** – *reprioritised to release capacity and budget.*

- ***Capital programme deliverability*** – *in recent years departmental spend has lagged behind the available budget, due to both internal and external 11 challenges such as only having finite resources to manage numerous projects simultaneously, or the capacity of the local construction industry. Since taking office earlier in 2024, the Council of Ministers has recognised these limitations and sought to reprioritise and reprofile projects in the current year and in the considerations for the proposed Budget for 2025- 28. While there is further work to do on the longer-term capital plan, the Budget proposal makes significant strides towards a more manageable and fully deliverable programme.*

[119] Letter – MTR – 30 October 2024
[120] Letter – CM – 27 October
[121] Letter – CM – 27 October

- ***Use of Consultants and contractors*** *– as previously stated to the Panel and publicly, the Government is committed to reducing the reliance on consultants and third-party labour, such as agency and interims. The aforementioned actions will make a significant contribution in reducing the need to draw on external consultants and third-party support. However, there will be times when it is necessary to draw on specific external expertise and knowledge, although these should be more exceptional than has perhaps become the case recently.*

- ***Vacancy Management*** *– departments have been carrying a number of vacancies, often for some time, which has served to deliver an amount of savings on an annual basis. However, savings are required on a recurrent basis. Senior managers have been asked to commit to more sustainable resourcing and pay budgets. Vacancies over six months old have been removed from Connect People, thus removing this annual budget balancing process.*

- ***Focus on removing extraneous activity*** *– in order to curb public expenditure and prioritise resources, Departments, in discussion with their Ministers, have been asked to cease unnecessary activities and consider what are reasonable delivery timeframes for lower priority tasks. They have used a framework (referred to as the 'MoSCoW' approach) which facilities consideration of "What we Must do, Should do, Could do and Won't do" and then to assess the implications of deprioritising or stopping such activities.*

- ***Health & Community Services*** *– the 2024 Government Plan recognised the ongoing challenges in HCS with additional deficit funding. A team has been in place to deliver the Financial Recovery Plan for health and this continues to be an area of focus. Ensuring that that there is a clear understanding of cost drivers and a plan to bring the department's budget under control across all categories of spend and income. In the current recovery plan, there has been focus on high value contracts, areas of volatile spend as well as workforce (e.g. recruitment and resource planning to reduce use of agency and locums).*

KEY FINDING 41: The Value for Money Programme is no longer being utilised in its previous form. The Council of Ministers has instigated a change in the emphasis in the delivery of savings towards practical and deliverable initiatives that will curb public expenditure, with a strong focus remaining on delivering the savings previously approved for 2024. The Thematic Reviews have informed the actions taken in year (2024) and in those set out in the Budget 2025-2028. The overarching theme is to address right-sizing Government, which has been informed by the reduction in growth budgets, new initiatives, Capital Programme deliverability, use of consultants and contractors, vacancy management, focus on removing extraneous activity and Health and Community Services workstreams.

The Below table reflects the savings proposals for 2025. During the public hearing[122] the Panel explored the savings proposals further and questioned how the savings for 2025 had been identified by departments and the potential impacts on service delivery.

Savings Proposals

£'000	ALOs	Office	Growth Reductions	Roles	Non-Mins	FRP	2025 Estimate
Department							
Cabinet Office	-	-	(788)	(893)	-	-	(1,681)
Technology and Digital Services	-	(29)	-	(687)	-	-	(716)
People Services	-	(18)	-	(243)	-	-	(261)
Education and Lifelong Learning	-	(65)	(682)	(702)	-	-	(1,449)
Children and Families	-	(24)	(253)	(260)	-	-	(537)
CLS	-	(242)	(227)	(284)	-	-	(753)
Infrastructure	-	(1,134)	(117)	(179)	-	-	(1,430)
Environment	-	-	(60)	(499)	-	-	(559)
HCS	-	(97)	-	(500)	-	(8,000)	(8,597)
Jersey Overseas Aid	-	-	-	-	-	-	-
Justice and Home Affairs	-	-	(90)	(244)	-	-	(334)
States of Jersey Police	-	-	(47)	(125)	-	-	(172)
External Relations	-	-	(27)	(52)	-	-	(79)
EDTSC	(571)	-	(220)	(256)	-	-	(1,047)
Financial Services	(429)	-	(287)	(67)	-	-	(783)
Treasury and Exchequer	-	(110)	(335)	(1,009)	-	-	(1,454)
Non-Ministerial Savings	**-**	**-**	**-**	**-**	**(452)**	**-**	**(452)**
Future Savings	-	-	-	-	-	-	-
Savings Total	**(1,000)**	**(1,719)**	**(3,133)**	**(6,000)**	**(452)**	**(8,000)**	**(20,304)**

Table 55: Savings Proposals

The Connétable of St. Mary:

On efficiency and savings, how was the £20.3 million allocated in savings for 2025 identified among departments as being the most appropriate? Leading on from that, what are the expected impacts on service delivery?

Treasurer of the States:

The last Government Plan for 2025 included £20 million in savings, if you include the Health and Community Services savings target. The current plan for 2025 includes that as well, so the target now is £20.3 million compared to the £20 million that is in the previous Government Plan.

It was further explained that the analysis for departments was applied, looking through the services they provide whether they were required on a statutory basis, where they could be provided or whether they would not be provided in the future.

It was further explained that for departmental savings, the approach was to target savings at the back office, so instead of doing a broad percentage allocation across the departments the savings are directed away from the front line, in the main. The savings target was identified by looking at the proportion of civil service grade 11 roles and above across the departments in determining those targets, which is why, for example, Treasury and Cabinet Office across People Services, Strategic Policy, Planning and Performance and Digital Services are predominantly higher targets to achieve than in previous plans compared to other departments. It was further noted by reducing the footprint of Government services through the office relocation, those savings have been allocated where they currently exist as costs departments would usually incur those costs.

The Panel questioned what measures were in place to audit how savings have impacted upon public services in order to measure any negative affect resulting from the savings.

Treasurer of the States:

> *They predominantly relate to savings in the back office or for the support functions. We are looking at stripping out our reliance upon consultants. That is drawing back. We are also looking, as referred to in earlier answers, at focusing our attention by prioritising on things we can deliver. That helps us reduce the size of the public sector in the back office that we need. It also helps us reduce the level of dependence on consultants to deliver those projects.*

Assistant Chief Minister:

[122] Transcript – CM – Pg 42-44

It is not as straightforward if you are making reductions in one department, it is a negative. As you have been pointing out in all your questions, the overall budget is not reducing. The overall budget will continue to grow. Where you were spending here, you are now taking that money and spending it over here, back to Deputy Renouf's point about the majority of it is now going into Health, into C.S.P. priorities and into investing in people through the payroll. It is a question of: do you think on balance that that prioritisation is the right way to go? Ministers have come to the clear view that it is.

The Panel argued that although money is being focused on the frontline, that the frontline cannot function efficiently if the back office is being decimated and reiterated that significance of accounting for risk when reprioritising funding in this way to meet other objectives.

Deputy H.M. Miles:

Therein lies the question. You are focusing your money on the front line, but the front line cannot function as efficiently as it might do if you are starting to decimate the back office.

The Chief Minister:

Yes, but we will not decimate the back office. We are doing some fine tuning to make sure we are not wasting money. That is the plan. What we are trying to do is to make sure we spend every pound carefully, without compromising …

Deputy H.M. Miles:

I understand that, but hence the questions about risk and prioritisation that were fed through this.

Treasurer of the States:

The £6 million highlighted as reduction in roles and pointed towards the back office, when you look at the proportion of the budgets for the departments, currently that is less than 1 per cent for each of those departments. It is a higher percentage in the central departments, but they have also seen quite a degree of growth from 2018 and 2019.

Deputy H.M. Miles:

I was interested in your description of prioritising those that had the majority of grade 11 and above, because your grade 11 and above will be where you get your technical expertise to support evidence base, to support policy, which means that the front line are not just doing things right they are doing the right things. Our concern is there needs to be a very careful balance in prioritisation between the 2 and we are not confident at this point that we are seeing that. I am sure we will in the fullness of time.

KEY FINDING 42: The savings proposals for 2025 were primarily identified through an analysis of departmental structures, focusing on reducing reliance on consultants and streamlining back-office functions, rather than cutting frontline services. Prioritising savings in areas with a higher concentration of senior roles aims to reduce civil service costs without affecting core public service.

KEY FINDING 43: Reducing back-office capacity significantly risks technical expertise, which is crucial for supporting evidence-based decision-making and effective policy implementation. The potential consequences of this were not fully addressed, so a risk remains over the balance between prioritising spending for frontline services and ensuring sufficient resources in support functions are maintained so as to not undermine essential service delivery.

Savings to Allow Reprioritisation

The Budget notes that to fund the Common Strategic Policy priorities that budgets would be reprioritised. As part of this the Budget includes savings proposals, which will deliver savings over the Budget period. These are identified in the Budget as follows:

Saving Proposals					
£'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	Total Estimate
Arm's Length and Regulatory Organisations	1,000	1,000	1,000	-	3,000
Reduce Office Footprint	1,719	1,715	481	466	4,381
Reprioritisation of previous Growth	3,133	-	-	-	3,133
Reduction in Roles	6,000	9,000	-	-	15,000
Non-Ministerial and Other Bodies	452	-	-	-	452
Future Savings	-	3,285	1,019	-	4,304
Total (before FRP)	**12,304**	**15,000**	**2,500**	**466**	**30,270**
Financial Recovery Programme - HCS	8,000	9,000	-	-	17,000
Total (after FRP)	**20,304**	**24,000**	**2,500**	**466**	**47,270**

Table 14: Saving Proposals

Savings of £3.133 million is proposed to be achieved through reducing previous growth funding.

The Panel sought a breakdown of the savings proposals and was directed to a States Assembly Written Question – WQ.322/2024. Herein it notes that certain growth lines are excluded from having their revenue growth funding reduced to deliver these savings. The exceptions were provided as follows:

- *Deficit funding for Health and Community Services, and the Health Board.*
- *Insurance premiums, which continue to increase significantly. Fire and rescue pay, terms and conditions review agreed by the States Employment Board.*
- *Agriculture and fisheries – amendment by the States Assembly to Government Plan 2024 – 2027.*
- *Free GP visits for full time students – amendment by the States Assembly to Government Plan 2024 – 2027.*
- *Non-Ministerial growth – under article 10 of the Public Finances Law, non-ministerial bodies submit their budget for inclusion in the Government Plan.*

A table detailing the list of 2025 estimates of revenue growth items in the preceding Government Plan and the reductions to those lines in the Budget to deliver saving in 2025 can be found here.

£'000 Reference/Head of Expenditure	Description	2025 Estimate	2025 Reduction	2025 Lodged
I-SPP-GP24-001	Statistics Jersey – Administrative data linkage team	436	(79)	357

Of particular interest to the Panel was the reduction in growth funding for Statistics Jersey. This has resulted in the Panel proposing an Amendment to increase Statistics Jersey's funding in respect of growth and budget allocations. In summary the purpose of the Panel's Amendment is to align the Budget funding position for Statistics Jersey for 2025, to the funding position previously proposed for 2025 in the preceding Government Plan. The Panel identified that due to Cabinet Office budget reductions, Statistics Jersey would be reprioritising work, which would result in wide reaching impact resulting from the discontinuing of certain key statistical outputs:

1. Business Tendency Survey - BTS (last report to be published on 16th October 2024)
2. Actively Seeking Work - ASW (last report to be published on 10th July 2024)
3. Energy Trends (last report to be published on 7th August 2024)
4. Jersey Opinion and Lifestyle Survey - JOLS (after 2025, the survey would be carried out every two years and therefore would not run in 2026).

The Panel's proposed Amendment aims to reinstate the funding position for 2025 by reflecting an increase in Budget allocation and Growth Allocation so that Statistics Jersey can continue to produce key statistical outputs including the BTS, the JOLS (annually) and to undertake work in relation to Gross Value Added (GVA) for quarterly reporting. With this funding being made available through the Cabinet Office Head of Expenditure. The Panel's proposed Amendment and accompanying report can be found in Appendix 2 of this report.

In respect of the proposed delivery of savings of £1 million through ***Arm's Length and Regulatory Organisations***, the Panel sought further detail on this and on how those saving would be realised. The Panel was informed as follows:

> *This £1m of savings has been allocated to the Department for the Economy and then allocated pro-rata to the Minister for Sustainable Economic Development (MSED) and the Minister for External Relations (MER). The pro-rata sums were determined by reference to the current year grants paid across a number of non-regulatory arms length organisations under each Minister. It has been agreed that MER will reduce the grant funding available to Jersey Finance Limited from 2025 onwards by £429,000, this representing the MER share of the £1m savings. The MSED will seek £571,000 of savings through a rationalisation of activities conducted by Jersey Business Limited and Digital Jersey Limited. The Minister will also continue to challenge grant funding across his wider portfolio to ensure prioritisation of activity and value for money.*[123]

In respect of the savings through reducing the office footprint, the Panel sought to identify the longer-term financial benefits of consolidating office space and how the savings would be phased over the years. The Panel was informed that the benefits include reducing on-going revenue costs, namely estate running costs and that lease costs will be released over a number of years.[124]

In respect of the future savings of £4 million, the Panel recalled from the FPP Annual Report 2024, the reiteration by the FPP that it *cautions against relying on future unspecified savings*. This was also identified by the previous Panel in respect of the preceding Government Plan, who found that speculative savings were included for following years without detailing how those savings would be realised, which also conflicted with recommendations of the FPP at that time. The FPP raised in its Annual Report 2023 that *including unspecified savings is unwise as they may lead to pressures in later years if the savings are not found*.

The Panel sought to identify how the future savings (estimated for 2026 and 2027) would be determined. The Panel was informed that the remaining £4 million of savings will be allocated in the next proposed Budget and will be determined based upon the financial envelope and

[123] Letter – CM – 27 October 2024
[124] Letter – CM – 27 October 2024

resources available. The Council of Ministers considered that these savings will be achievable given the size of overall expenditure budgets of £1.2 billion.[125]

The FPP states in its Annual Report 2024 that *'Future Savings' of £4 million (9% of the total savings targets), are yet to allocated to specific departmental budgets The FPP reiterates its previous advice and cautions against relying on future unspecified savings.[126]*

The Panel raised this during the hearing and questioned why this practice continued despite the continued advice of the FPP. It was the view that the unallocated sum of £4 million for future savings was small.[127]

KEY FINDING 44: £4 million of future savings is in the Budget without clarification of how this will be achieved. The Fiscal Policy Panel reiterates previous advice and cautions against relying on future unspecified savings.

RECOMMENDATION 30: In alignment with the advice of the Fiscal Policy Panel the Council of Ministers must refrain from including any unspecified savings in future Budgets.

5 Projects and Programmes

The Panel undertook high-level analysis of the Projects as applicable to the remit of the Chief Minister and Minister for Treasury and Resources. Those projects allocated to the Panel for review can be found here. As part of its review the Panel raised questions with the Chief Minster[128] and Minster for Treasury and Resources[129] during public hearings and via written questions. The written responses provide an outline of the progress made to date, the rationale for changes in projected funding, and any impact on department budgets and resourcing.

The Panel also requested updates on the progress to date for the Projects agreed through the previous Government Plan. Updates were provided for these in written responses from the Chief Minister[130] and the Minister for Treasury and Resources[131], where further details can be found.

The Assembly are asked in the Proposition to approve each major project that is to be started or continued in 2025, 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 4 to the Government Plan Report.

Business Cases

The Panel notes that business cases for the Capital Projects, New Revenue Growth Allocations as well summaries for the Common Strategic Priorities were provided to Scrutiny in confidence. However, as very limited detail is provided within the Budget and the accompanying Financial Annex for these, it is the Panel's view that more detail should be

[125] Letter – CM – 27 October 2024
[126] FPP – Annual Report 2024
[127] Transcript – CM – 7 October
[128] Transcript – CM – 7 October
[129] Transcript – MTR – 18 October
[130] Letter – CM
[131] Letter – MTR

made available in the public domain, where possible to improve clarity and transparency for States Members as well as members of the public.

Projects and Programmes: Chief Minister

The Panel notes that the Revenue Heads of Expenditure for the Chief Minister have been split out in this Budget into Cabinet Office, Digital Services and People Services. The Panel identified that the rationale for this change was to provide improved transparency over the spend across those sections. It is noted that the budgets are managed individually by budget holders within each Head of Expenditure. Funds allocated to those separate sections can only be spent within that Head of Expenditure (unless a Ministerial Decision provides for a transfer of budget). As such there is improved transparency around these budgets.

Table 5i - Revenue Heads of Expenditure

2025 £'000	Income	Expenditure	Head of Expenditure
Departmental Expenditure			
Cabinet Office	(380)	26,654	26,274
Technology and Digital Services	(1,778)	41,568	39,790
People Services	(6,063)	20,170	14,107

Technology and Digital Services

The Panel took a broader look at this section in particular considering the significant spend on Information Technology to date. Expenditure is allocated for 2025 in the Budget at £41,568 million. Also in light of the revised strategy to prioritise the gamut of projects under this service by reducing the number of projects for delivery (resulting in many projects being delayed and not progressed) and the impact thereof.

The Panel received a briefing from the Chief Information Officer on 22nd July in respect of the priorities of the department spanning 2024-2026. The public record for this meeting can be found here. In summary the Panel identified that the department offered a wide range of digital support and IT dependent change services to departments across Government. It was noted that there had been eight high priority IT operational incidents at the beginning of 2024 that affected several departments and public services, which highlighted the fact that the IT systems had not been sufficiently invested in to be kept up to date. There had been a proliferation of applications across the organisation which had resulted in an increase in technical debt, which had become increasingly costly to maintain. Also, there were hundreds of suppliers that provided the applications over multiple IT platforms that had been implemented across Government departments. Further, due to the push to digitise Government, projects were currently in progress pulling on resources, which was also running maintenance and support activity. It was noted that this complexity, combined with a lack of sufficient resources to maintain the scale of IT systems, was materially impacting how digital services were being delivered to the front line and Government departments. Given the issues experienced with the IT incidents, a health check review to inform the required turnaround plan was initiated. The current IT and Digital Services environment was explained as being too complex. There was a requirement to go through a process of simplification in nearly all the key management domains of IT Services, in addition to a risk reduction programme. Investing in and implementing recommendations derived from this health check review was intended to strengthen digital services to deliver a more robust and secure offering for Islanders. It was noted that this required capital investment to mitigate risks and position the organisation for sustained success in an increasingly digital landscape. It was explained that the implication of the above was that some major change projects would need to be delayed if the remediation of the old legacy IT infrastructure, networks and applications was to be achievable given the funding envelope, along with a desire to reduce the use of consultants, focus on must-haves and reduce overall risk position.

The review had showed that there were areas that required investment to upgrade and update IT infrastructure, networks, and applications.

The turnaround plan was intended to deliver the required implementation of up-to-date IT solutions to mitigate the risks from aging hardware and software, as well as aligning internal processes and governance to best practice, with a major focus on systems simplification of the current complex IT and digital estate.

The turnaround plan was based around four programmes of work to mitigate the risks identified in the health check:

- Security Remediation
- IT Network Remediation
- IT Application Remediation
- IT Infrastructure Remediation

The plan would address the overall issues within Government IT systems and the core issues identified.

At the time, the Panel questioned what level of cross cutting oversight the department had in relation to digital projects across Government. It was noted that the Head of Architecture had oversight of those for identifying good practice and limiting the number of programmes. It was explained that there was not currently an architectural blueprint for the Government, however, this was intended to be in place by the end of 2024. It was noted that work on the overall IT strategy had been paused so that attention could be paid to addressing the immediate issues within the systems. Once this had been completed, and controls had been put in place with the correct resources, then further work on the strategy could be taken forward.

It was noted that in terms of reducing the reliance on external suppliers for systems, this would be a complex process over a number of years. It was highlighted that HCS currently had a high number of systems, some of which needed urgently replacing. It was noted that funding had been allocated over the next three years in order to address these issues. This further highlighted the need for an overall architectural plan.

It was noted that the move to the new office accommodation provided a challenge for the department in terms of its logistics. It was noted that this was currently being planned, with a view to staging moves for colleagues over weekends. It was also noted that the records management project had been paused whilst some of the more immediate issues were addressed.

During a hearing with the Chief Minister the Panel sought further detail on the reprioritisation of projects and reduction in spend for this department. In respect of Technical and Digital Services, and the reprioritisation of spending on IT, it was identified that the view was to focus on the foundational projects to get those realised, before commencing new projects, and that was an example of where savings were identified in respect of the department.

The Panel questioned why a prioritisation list for projects had not yet been provided to the Public Accounts Committee. The Panel references two outstanding recommendations of the

Comptroller and Auditor General in respect of the report – Electronic Patient Record (February 2024):

Undertake a high-level stock take of all major digital change programmes planned over the next four years and map out these programmes against the capacity and capability of the teams within Government to support these changes.

Produce an ongoing full cost summary for all long running Major and Strategic programmes, particularly those funded through wider Government or Departmental programmes or where funding is allocated to multiple Government Departments. This summary should be reconciled annually, to ensure whole life programme cost control is visible.

Deputy I. Gardiner:

… A response to C. & A.G. report and to P.A.C. this year that by September - and we are beyond September - we will see the list of prioritisation for the I.T. projects because it was very clear that we have very big projects. We have a very wide programme. We do not have enough resources and what was clear as a first step is to have this prioritisation list of what is coming first, what is coming second and why. So, I still have not seen this. Has this been done, the prioritisation list for response to C. & A.G. and P.A.C. report?

Treasurer of the States:

Yes, it has been done. C.E.O. asked the E.L.T. to go through all the projects and asked each departmental S.L.T. (senior leadership team) to be prioritising the projects that they want the now Digital Services Team to be pointing their resources towards, so that piece of work has been done.

Treasurer of the States:

The work has been done. I know it has been received at E.L.T. level. I am not too sure if it is at the C.O.M. level or to be reported into P.A.C. So, it is a prioritisation. It is a forward-looking …

Deputy I. Gardiner:

So, has this Budget been done before you finalised the prioritisation list for the I.T. programme?

Treasurer of the States:

Lots of these priorities … the work that the new C.I.O. revealed, lots of these projects will not be managed as projects. They were being managed through a B.A.U. (business as usual) activity. They do not necessarily lead to increased spending within the customer departments but they are a burden upon the resources or a call upon the resources within Digital Services. We needed a fuller 30 record of what all that activity was so that departments could choose to prioritise where they would want Digital Services resources pointed towards.

Group Director, Policy:

If I may add some detail to that. As the Chief Executive described to the panel about a week and a half ago, that totalled a long list with about 333 different projects and, as the Treasurer has described, the Chief Information Officer has worked with *departments to identify what are the top 30 per cent priority areas that each department needs and at the moment that total number is down to about 102.*

KEY FINDING 45: The Budget 2025-2028 refers to the department currently known as Modernisation and Digital (M&D) as Technology and Digital Services (TDS). Reprioritisation of spending within Technology and Digital Services for technology projects is aimed at focusing resources on delivering foundational projects before commencing new projects, which is how savings have been identified in this department. It is not clear to what extent different departments' digital priorities have been considered.

KEY FINDING 46: The level of cross cutting oversight of Technology and Digital Services in relation to projects across Government departments is uncertain, as an architectural blueprint or digital strategy for Government was not yet available.

RECOMMENDATION 31: The architectural blueprint demonstrating all the digital projects across Government departments are designed to common standards must be made available to Scrutiny. The list detailing the prioritisation of all technology projects, alongside an update on any progress to a digital strategy for Government services must be made available to Scrutiny by end of Q4 2024.

Having identified that several departments had aspirational goals to improve customer service and the delivery of services to Islanders, and their feedback that the reprofiling and prioritisation of IT projects has meant that the services they want to deliver can no longer proceed with the previous timeframes, the Panel sought to explore this further with the Chief Minister to understand specifically to Digital, the process that was followed and how risks are being managed in this area.

The Chief Minister:

It became apparent fairly quickly that we inherited a department that had quite a lot of unfunded aspirations in relation to I.T. The original ask for the investment was considerable, it was unaffordable, unsustainable within the boundaries of the Budget we have put together. The team went off and thought about that and reworked it and reprioritised and they come back with the 3 key objectives that now sit in the business plan. Everything is aimed ... well, not everything, but the objectives there are designed to addressing the older I.T. platforms, the things that need immediate attention rather than starting on new projects…

Deputy A.F. Curtis:

…We have had several briefings from different areas of the Minister's remit, and we have heard from departments who are aspirational in their goal to improve customer service and the delivery of their services to Islanders. But their feedback has been that the reprofiling and prioritisation of projects has meant that the services they want to deliver to customers can no longer proceed at what was a timeframe, and they felt that there had been several years of development of platforms that had funding in place, but obviously for good or otherwise reasons that is for everyone to make their mind up. That interaction, that improvement, that third pillar that you mentioned, Minister, is not there. That is what we are trying to reflect on and understand what has been assessed in making that decision from your side as Chief Minister?

The Chief Minister:

First of all, notwithstanding those comments, the aim is still for Islanders to have better access to digital information and access to better platforms. But we can do that without being as aspirational as some of the plans that are already in place. There was a huge amount, we have invested tens if not £100 million-plus in Modernisation and Digital and it is unsustainable. I think it has become an unsustainable, unrealistic aspiration. I have visited the team a number of times and spent quite a bit of time getting to know how they work. I believe they deliver an excellent customer service. Their response times and everything to the way they, as you will know from the work you did with them ... and on the back of that, I see we are seeing some of the advantages now. I do not believe the reprioritisation in their programme, in the key objectives and the reduction ... not in their spend, but in the reduction in what they were asking for is not going to compromise the Modernisation and Digital offering.[132]

KEY FINDING 47: While several departments have aspirational goals to improve customer service and digital service delivery for Islanders, the prioritisation and reprofiling of technology projects have delayed the intended timelines for these enhancements.

RECOMMENDATION 32: A risk assessment of the digital reprioritisation of technology projects across Government departments should be conducted to monitor the potential impacts on departments, public services and customer satisfaction. These assessments should identify high-risk areas where delays could significantly affect Islanders' access to services. The risk assessments should be reviewed quarterly and provided to Scrutiny. The first to be completed by Q1 2025.

Projects – 2025

The Panel considered the following projects in the main during its review of the Budget.

- Cyber Programme 2.0 (Major Project) – Technology and Digital Services (continuing)
- Digital Services Platform - Technology and Digital Services (continuing)
- IT Major Upgrade and Replacement – Technology and Digital Services (new)
- Replacement Assets and Minor Capital – Technology and Digital Services.

The Panel sought a progress update from the Chief Minister on the allocations approved through the previous Government Plan and received this in a written response.

The Panel sought further information from the Chief Minister on the allocations for 2025 listed above via written questions.

Cyber Programme 2.0

The following is explained in the Budget:

Investment in the Cyber Security 2.0 Major Project continues in the Budget. The project seeks to ensure that Government is able to adequately respond to the heightened cyber threat related to the new geopolitical risk landscape. It builds on the successful implementation of the earlier Cyber Programme.

In a response to the Panel's written questions on this project the Panel identified the progress in respect of the £1.096 million funding allocation for 2024 as follows:

[132] Transcript – CM – 7 October 2024

- Improvements to IT General Controls (ITGC) around core financial systems.
- Configuration Management System implementation with early scope to cover secure operations for the new government HQ.
- Identity Management analysis for end-to-end improvement of all identity related systems and processes for delivery 2025-2026
- Programme roadmap planning and design work in preparation for execution 2025-2027.
- Establishing Programme Governance.

The Panel was further informed that the Cyber Programme 2.0 is forecasting an underspend of £129k (forecast 30 September) due to a delay in onboarding external service providers. It was explained that a request for an end of year flexibility to allow the budget to be carried forward into the period it is required to be spent, will be made.

In respect of the allocation of £2.154 million for 2025, the Panel sought to understand whether the allotted amount would be sufficient to meet the aims during 2025, and whether any challenges had been identified for delivering within that allocated amount. It was noted that the allocated amount would be sufficient, and would be allocated to the following workstreams:

- Operational security enhancements
- Asset and Configuration Management improvements
- Identity and Access Management improvements
- Information Lifecycle Management improvements

When asked what specific geopolitical risks are driving investment in Cyber Programme 2.0 and how the allocation addresses that risk, the response explained that the risk of cyber-attacks has been increasing against individuals, businesses and governments globally as digital technology and expertise develop, and the risks for cyber-attacks are by nature very broad and unpredictable. Therefore, the Cyber Programme 2.0 is enabling the Government to increase the measures in place to provide protection to public services.

Digital Services Platform*.*

In a response to the Panel's written questions on this project, the Panel identified the progress in respect of the £808K funding allocation for 2024 as follows:

- Develop the Customer and Appointment Management feature that will be used to support citizen booking appointments at the Government building in Union Street
- Knowledge transfer to GoJ Development team
- Digital Registration Card Enhancements o Enhancements to:
    - Service Catalogue
    - Infrastructure & Security
    - Customer Dashboards

It was noted that as of 30th September 2024 no underspends were being forecasted for 2024.

In a response[133] to the Panel's written questions on this project the Panel identified that the rationale for changing this from being a major project in 2024, and halving the budget allocation for 2025, (now £600K) as opposed to the estimate that was allotted to it for 2025 through the previous Government Plan (£1.289 million).

[133] Letter – CM – 27 October 2024

The response explains that the rationale was part of a wider review of digital project investment across the Government as part of the Budget planning process. In was noted that the priority was to invest in IT infrastructure that requires important maintenance, upgrades and replacements to protect front line services. As context, the Digital Services Platform (DSP) is part of the Digital Government Platform (DGP), now in development and is managed by the related DGP programme, with a goal to provide citizens with access to the new platform in Q1 of 2025 and continue to increase the services and available functionality in line with the objectives and goals of the Customer and Local Services (CLS) Transform Project.

When asked what changes were made in the re-scoping of the Digital Services Platform project and the impact thereof on Government systems, the response identified that as part of re-scoping activity, the team moved to focus its scope on only the delivery of the CLS Transform programme. This resulted in reducing the items on the roadmap to what is needed to ensure CLS Transform is successful, and focusing on ensuring the implementation partner can utilise the platform.

In respect of ensuring that the Digital Services Platform can integrate with existing systems and that benefits can be realised, the response explained that the Digital Government Platform is being integrated into other Government systems using a standard approach that is reusable, and to simplify the overall Government IT systems landscape. The first phase will enable citizens to have an improved approach to accessing their own data, and to create the foundation for an improved approach across other Digital Services as and when priorities drive that improvement.

IT Major Upgrade and Replacement

IT Major Upgrade and Replacement - Breakdown of Grouped Head of Expenditure						
£'000	**Spon Dept**	**Supp Dept**	**2025 Estimate**	**2026 Estimate**	**2027 Estimate**	**2028 Estimate**
Cyber Remediation	TDS	TDS	200	200	-	-
Network Remediation	TDS	TDS	2,100	1,800	200	-
Application Remediation	TDS	TDS	2,800	4,000	800	-
Infrastructure Remediation	TDS	TDS	900	-	-	-
IT Major Upgrade and Replacement			**6,000**	**6,000**	**1,000**	**-**

Table 30: IT Major Upgrade and Replacement - Breakdown of Grouped Head of Expenditure

The following is explained in the Budget:

> *In recent years, the Government has invested significantly in technology that has improved Islanders' ability to interact with Government online, empowered hybrid working patterns to reduce demand for office space and driven increased productivity across the public service. This investment in new technology has not in all cases been accompanied by investment in the infrastructure and network that supports government systems. More work is also needed to rationalise and upgrade the range of applications in use by government departments. This Budget provides significant new investment in a programme intended to upgrade government's aging digital infrastructure, simplify digital systems and improve the reliability of the IT network across government. To support the delivery of this programme of work, the IT Major Upgrades and Replacements grouped head of expenditure has been established and Table 30 sets out the indicative allocation for each of the underlying projects.*

In a response[134] to the Panel's written questions on this project, the Panel identified the rationale for the creation of this new grouped head of expenditure for 2025, and the key objectives thereof. It was explained that high priority IT incidents at the beginning of 2024 that affected several departments, and public services highlighted the underlying IT estate, including the applications, network and infrastructure had not been sufficiently invested in to keep up to date. Given these issues the Government Chief Information Officer initiated a review which could then be used to inform the required remediation work. The review showed there are areas that are 'end of life' across applications, infrastructure and networks. It was noted that the programme will run four projects with the following key objectives:

Applications

- A modernised application portfolio with improved performance, security and user satisfaction.
- Decommissioning of the JDE archive platform, reducing maintenance costs and freeing up resources.

Infrastructure

- Storage, back-up and compute environments migrated to new hardware with an update cycle ensuring all servers will be kept current.
- Storage and backup architecture will be designed to ensure components are able to be changed dynamically, removing the need for lengthy rebuilds which impact delivery of public services.
- Data centres will be synchronised to ensure more resilience and reducing down time for affected public services, should there be an issue with one data centre.
- A pre-production and development test environment will be developed to enable new system testing, improving the way testing is done and reducing the risk of introducing system changes without sufficient end-to-end testing.

Network

- A redesigned and more efficient network architecture through consolidated approach and removal of old technology.

Cyber

- Optimise the processes to ensure efficient and secure management of user identities when staff join, move department or leave the organisation.
- Optimise Asset Management and Configuration Management Database (CMDB) and supporting processes and tools. This will provide a more comprehensive visibility into all IT assets and their configurations, which will improve the management of changes in the IT environment.

In respect of how the £13 million investment between 2025-2027 is justified, the response explained that the issues identified expose the organisation to several major business risks due to the ongoing likelihood of public services being disrupted by IT system outages. It notes that these outages are due (but not limited) legacy issues including applications that are no longer supported or have reached end of life pose significant risks. They also lack updates and technical assistance, making them costly to maintain. Issues were highlighted as follows:

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- Compatibility Issues - Legacy applications become less compatible with modern infrastructure, software and hardware. This therefore reduces overall resilience.
- Maintenance Challenges - Maintaining and supporting outdated applications becomes increasingly costly. The cost to maintain increases as availability of skilled personnel who understand legacy technologies declines over time.
- Regulatory Compliance - Legacy systems may not comply with current data protection laws, privacy regulations or accessibility standards. Non-compliance poses legal and reputational risks.
- Dependency on Vendor Support - When an application reaches its 'end of life', vendor support ceases. The Government is relying on such systems and faces challenges in obtaining assistance during emergencies.

It was further noted that specifically, in each area, the following issues were identified and require remediation:

Applications

- Over 950 have been identified so far in the applications register across Government.

Infrastructure:

- A proportion of the IT storage capability in GoJ data centres are approaching end of life. Lack of documentation in some areas and procedures not fully up to date.

Network:

- A high proportion of the 150 buildings in the Government estate have cabling deployments below the minimum standard required to support Gigabit Ethernet (1Gb), and faster Wi-Fi speeds up to 100Gb. This means sites have to be upgraded to support the new more mobile ways of working of the civil service. Also, two-thirds of the network hardware (storage units, network switches, Wi-Fi access points, routers and firewalls) need replacing.

Replacement Assets and Minor Capital – TDS

The following is explained in the Government Plan:

> *Replacement asset funding is provided to departments to replace key operational equipment on an annual basis to ensure our assets are maintained at an appropriate standard for the ongoing delivery of public services. Funding is generally provided at a consistent level that is aligned with the average replacement cycles as equipment reaches the end of its safe useful life and needs replacing for newer equipment. Specific funding will also be provided in 2025, for the replacement of the Fisheries Protection Vessel.*

In a written response[135] it was explained that the Asset Replacement budget (£2.5miilion) for Technology and Digital Services is in place to cover IT related asset replacement. In 2019, £1m was received by the then Modernisation and Digital Department, with a further £5m recurring approved in the Government Plan 2020. In the Government Plan 2022, this was reduced to £3m in 2022 and 2023, and further reduced to £2.5m in 2024 and 2025. It is explained that replacement asset funding is not apportioned on a departmental basis since it is utilised for the remediation of technical debt in relation to hardware, which covers infrastructure such as servers, networking equipment and end user devices on an asset

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management lifecycle basis which is mainly shared IT infrastructure across multiple departments.

Resourcing

In a written response[136] the Panel identified that the Chief Minister is satisfied that the departmental resources provided will be sufficient for the Cabinet Office, Technology and Digital Serves and People Services are sufficient to deliver the essential services and policies across those Heads of Expenditure. The following was explained.

> *The Council of Ministers is focused on delivering the Common Strategic Policy, while curbing the growth of the public sector. To ensure that the Government operates within a prudent and balanced budget, savings were identified from non-frontline functions, including the Cabinet Office. After careful consideration of the impact, the Council of Ministers is satisfied that the resources provided will be sufficient to deliver the essential services and policies across the three Heads of Expenditure. This requires a process of prioritisation that includes removing unfunded and aspirational projects in these areas. The Cabinet Office savings will be met through a combination of vacancy management, reductions in the use of consultants and an external recruitment freeze. Such savings will result in the Cabinet Office being able to focus on doing fewer things, better. For example, the legislative programme will be resized to a realistic level; the 115 potential Laws and Regulations on the initial long list will be prioritised to focus on the number that can actually be delivered. Once finalised, this list can be shared with the Scrutiny Panel and will be published as part of the Cabinet Office Departmental Plan. Digital Services is working with Departments to define the core services and provide defined Service Level Agreements to ensure the focus is on essential needs. This process of prioritisation has already sought to reduce the number of digital projects from a long list of 343 to approximately 100. In terms of People Services, there has been significant work undertaken to right size the departmental headcount, so that the team can now focus on the delivery of recruitment and vacancy management, as well as getting the basics right. Resources have been focused on understanding the candidate experience and designing effective resourcing campaigns.*

In respect of any funding pressures that those Heads of Expenditure would face and how those might be addressed, the Panel identified the following:

> *In general, funding pressures arise from a disconnect between the resources provided and the services expected. In devising the draft Budget 2025-28, the Council of Ministers reviewed the Corporate Risk Register and the Community Risk Register to ensure that Tier 1 risks would still be addressed 3 proportionately. For example, cyber security was identified as a risk and resulted in investment continuing as agreed in the previous Government planning cycle. However, the main driver of funding pressures within the Cabinet Office has been identified as the proliferation of unfunded projects. The remaining funding pressures will be reduced by setting realistic and transparent expectations of our services, including publishing the legislative programme and statistical outputs in advance.*

The Chief Minister confirmed that there are no significant resourcing or staffing challenges that would hamper the revised expectations of project delivery in each Head of Expenditure area under the Chief Minister’s remit.

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[136] Letter – CM – 27 October 2024

In respect of Technology and Digital Services, the Panel explored resourcing during a hearing with the Chief Minister. In particular whether those roles would be classified as essential roles.

Deputy A.F. Curtis:

> *Can I quickly check on this essential, because obviously there are essential front liners ... there is front liners essential work. You have highlighted, Chief Minister, the challenges you have observed within Modernisation and Digital, which is both a lot of delivery, but part of the Cabinet Office structure. Are all roles in M. and D. essential or who decides? What has the impact been there, given the capacity challenge you have shared?*

The Chief Minister:

> *We rely very much on the leadership team. At M. and D. I have got great faith and confidence in. They are aware of the political agenda and what we are trying to achieve. They understand about prioritisation and they understand they really need to focus on what is necessary for them to maintain the standards.*

Deputy A.F. Curtis:

> *Do they get the delegated power to decide what is an essential function, whether a networking engineer or a cyber-security engineer is different?*

The Chief Minister:

> *No, and the reason we have poured all of that back to the chief executive at the moment is because it was not working. Hence, we ended up with 1,000 vacancies on our system. We are trying to control it and manage it, but at any time any head of department can come and request an additional post.*[137]

Projects and Programmes: Minister for Treasury and Resources

Table 5i - Revenue Heads of Expenditure			
2025			Head of
£'000	Income	Expenditure	Expenditure
Treasury and Exchequer	(4,353)	51,052	46,699
Grants to States Funds	-	119,821	119,821
Living Wage Transitional Support	-	10,000	10,000
Past Service Pension Liability Refinancing	(174)	13,957	13,783

Living Wage Transitional Support

This workstream was not a primary focus of the Panel's review as it sits within the remits of the Economic and International Affairs Panel and the Health and Social Security Panel for review. However, the Panel did briefly consider this area in respect of how it is demonstrated within the Budget, noting that that the allocation was proposed within the Budget without the provision of any supporting documentation on how the allocations were identified, and how the support would be implemented.

[137] Transcript – CM – 20 September

The Budget explains that

As part of the 2024 Common Strategic Policy, Ministers have committed to implementing the States Assembly decision to bring the minimum wage to two-thirds of the median wage by the end of this term of office. In recognition of the impacts on employers and employees, funding of up to £10 million will be provided in 2025 and 2026 to support businesses and charities whilst the living wage is implemented, with the cost met through a temporary reduction in the States Grant made to the Social Security Fund in both of these years. The primary objectives of the support will be to improve productivity and maintain competitiveness. A separate head of expenditure has been established, and suitable governance will be developed to ensure that schemes will meet those objectives. Further detail on the governance and support schemes under consideration will be provided in September. Where possible, existing schemes, adapted to fit new circumstances, will be used to minimise both bureaucracy and risk. The dual focus on competitiveness, particularly for exporters and productivity will aim to both drive economic growth and help reduce the cost of living in the medium term. Achieving this priority will support employees in critical industries like retail, hospitality and agriculture with higher wages. It will also help support a thriving and more productive local economy and help us to attract workers to alleviate labour shortages.

The Panel identified a contradiction in how the numbers (page 42) and narrative (page 46) are reflected within the Budget (as both formulae driven growth and revenue expenditure), which resulted in further clarification being sought. It was confirmed that the values were demonstrated erroneously and would be rectified in the final version of the Budget document to ensure clarity around the funding amounts.

	Changes to Net Revenue Expenditure				
2024 Approved	**£'000**	**2025 Estimate**	**2026 Estimate**	**2027 Estimate**	**2028 Estimate**
985,044	**Base Budget**	**1,162,591**	**1,229,715**	**1,238,649**	**1,260,912**
	Adjustments for net changes to Base Budget;				
(21,691)	Adjustments from Previous Government Plan	(4,872)	(3,804)	215	-
70,166	Inflation	30,205	25,410	19,927	21,781
14,649	Formula Driven Growth	23,429	8,535	6,454	10,224
-	CSP Revenue Growth	5,919	2,326	(1,721)	1,533
51,177	Oher Revenue Growth	32,747	467	(112)	115
77,596	Reintroduction of States Grant to Social Security Fund	-	-	-	-
(14,350)	Savings	(20,304)	(24,000)	(2,500)	(466)
1,162,591	**Net Revenue Expenditure**	**1,229,715**	**1,238,649**	**1,260,912**	**1,294,099**

Table 11: Changes to Net Revenue Expenditure

Formula Driven Growth

The Budget also allocates a further £13.4 million to a number of areas of expenditure that are determined by pre-agreed formulae. These include:

- an annual 2% increase in Health budgets to maintain service standards and meet the costs of health care inflation,
- staged increases in the Jersey Overseas Aid (JOA) budget to 0.3% of GVA by 2025
- formula driven increases for the States Grant to the Social Security Fund and Long-Term Care Fund (as set out in the sections "Social Security Fund" and "Long-Term Care Fund").
- Overdraft charges based on projected cash balances in the Consolidated Fund.

As budgets for Arts, Heritage and Culture have now been increased to 1% of Net Revenue Expenditure, in future, this level will now be maintained and increased by RPI.

Deputy I. Gardiner: Okay.

… Why on page 46 budget allocated to formula driven growth is £13.4 million compared to the table on the page 42, which is £23.49?

Group Director - Strategic Finance, Treasury and Exchequer:

Yes. So, you will see that the difference is around £10 million which is due to the reduction in the States grants that was used to pay for the support to living wage. If I am honest, it is somewhat unfortunate that that number does not say 23.4. That would have been more helpful but that is why that number was different.

Deputy I. Gardiner:

But the 23 … but the £10 million … I understood £10 million for the transition to the minimum … so for transition for the living wage you have included in the formula-driven growth, but it is net revenue growth, not formula-driven growth.

Group Director - Strategic Finance, Treasury and Exchequer:

> *So, for clarity, before the reduction of living wage, so going to the formula for the States grant, the increase would be 23. In the number that has been used in that paragraph we have then removed the 10. It is basically an error if that is an easier way of saying that.*

Deputy I. Gardiner:

> *It is an error. Okay.*

Further clarification was sought in respect of how the £10million allocation was reflected as Revenue Expenditure Growth. The Panel sought to understand how the £10 million was factored into the overall Revenue Growth (table on Page 107). As it appeared inconsistently demonstrated across the tables.

CSP Revenue Expenditure Growth				
	2025	2026	2027	2028
£'000	Estimate	Estimate	Estimate	Estimate
Implementation of VAWG Taskforce Recommendations	375	124	-	-
Extend Nursery and Childcare Provision	1,517	2,358	3,423	4,629
School Meals	1,169	1,169	1,169	1,169
Investing in Lifelong Learning & Future Skills Provision	1,158	1,544	1,882	2,209
Minimum Income Standards	200	50	50	50
Deferral of Waste Income Charges	1,500	3,000	-	-
Living Wage Transition Support	10,000	10,000	-	-
Adjustment to the States Grant	(10,000)	(10,000)	-	-
CSP Revenue Expenditure	**5,919**	**8,245**	**6,524**	**8,057**

Table 12: CSP Revenue Expenditure Growth

Treasurer of the States, Treasury and Exchequer:

> *Well, it corresponds in accordance with the way that Cora and I put it together with a reduction in what would otherwise be the grant to the social security fund. So, there is a reduction in … sorry, there is reduction in how much that would increase by compared to what the formula would have otherwise led to.*

Group Director - Strategic Finance, Treasury and Exchequer:

> *Yes, so it is a similar thing. It is a slight inconsistency between how that £10 million has been shown. So, the £10 million is in the new revenue growth on page 107 and it would have been adjusted in the inflation of formula-driven growth, so it is slightly inconsistent with the way that they have been shown. We can clarify those. It would be good …*

Deputy H.M. Miles:

> *It is just not displayed in a very transparent way, and you have 3 different areas that are showing different things, and we are just trying to work out your working out.*

Group Director - Strategic Finance, Treasury and Exchequer:

> *I do not think it is intentional and I think it is something that we could review when we go to the finalised document to make sure that it is clear and very consistent between*

them, but it might be worth … if we could come back and clarify what it may look like to make sure that we can …[138]

Projects – 2025

The Panel considered the following projects in the main during its review of the Budget.

- Revenue Transformation Programme Phase 3 (Major Project)
- Revenue Transformation Programme Phase 4 (Major Project)

The Panel sought a progress update from the Minister for Treasury and Resources on the allocations approved through the previous Government Plan and received this in a written response[139].

The Panel sought further information from the Minister for Treasury and Resources on the allocations for 2025 listed above via written questions[140].

Insurance Premiums

In a response[141] received the Minister confirms that £4.3 million growth was provided for in the preceding Government Plan which was to support increasing renewal costs. It was noted that Insurance premiums are driven by several factors; general market conditions, size and nature of Government's risk portfolio and claims experience, which makes it challenging to predict the adequacy of future budget allocations. However, following an external actuarial review of Government's Insurance Fund, insurance premiums have been stabilised for 2024/ 2025 by restructuring insurance programmes to increase policy excesses. This is with the aim of reducing the volatility experienced in recent years, stabilising premium costs for the longer term and lowering the overall Total Cost of Risk to Government.

Tax Compliance and Customer Service

In a response[142] received from the Minister, an update is provided on the 2024 progress. It is explained that at the end of the third quarter:

we are broadly on track to achieve the activities set out in the 2024 Compliance Programme. Some activities will (as usual with tax enquiries and investigations) have been carried over from 2023 and some will run into 2025. During 2024 we have completed our projects looking at compliance among take-away food outlets and Estate Agents. (The Comptroller does not routinely speak about the outcomes of particular projects to ensure that he does not inadvertently breach his Oath of Office which requires strict taxpayer confidentiality.) 2024 is the first year in which we have begun to use information drawn from the international procedure for Automatic Exchange of Information (AEOI) which provides us with data about assets held abroad by Jersey-resident taxpayers which can be compared with tax returns. Following a number of changes to make tax law more effective, 2024 successes include a prosecution of an employer for failure to comply with tax and social-security obligations in respect of employees. At the end of September total revenue benefits arising from our compliance work stood at around £35 million comprising around £25 million from corrections to 2023 and earlier tax years. Revenue benefits also include other things

[138] Transcript – MTR – 18 October 2024
[139] Letter – MTR – 30 October 2024
[140] Letter – MTR – 30 October 2024
[141] Letter – MTR – 30 October 2024
[142] Letter – MTR – 30 October 2024

including, for example, "Revenue Loss Prevented" from the denial or reduction in incorrect repayment claims. It should be stressed that these are total revenue benefits arising from Revenue Jersey's compliance work and a stricter methodology is adopted for scoring additional "cash to bank" to avoid double-counting for revenue forecasting purposes. Revenue Jersey's annual compliance out-turn is subject to audit and some aspects of delivery can only be quantified in arrears.

In respect of funding, it was noted that for 2024 growth monies totalling £1,676,350 for 2024 were granted to provide full funding for the then establishment of Revenue Jersey personnel and to provide an 8-person intervention team. This was necessary to ensure that customer services standards were maintained at an acceptable level, international tax administration standards were met and to ensure effective compliance work could be continued. The amount originally allocated was reduced by £335,000 in accordance with the reprioritisation of previous growth.

Revenue Transformation Programme (Phase 3 and Phase 4)

The Panel received a briefing in September 2024 on the progress of the Revenue Transformation Programme and a detailed briefing note on the programme and its financing can be found here.

The briefing note summarises the progress of the programme from commencement 2015 – 2021 (phases 1 and 2), 2022-2023 (phase 3) and 2024-2027 (phase 4).

A list of significant projects within Phase 3 of the programme are included as follows:

- The introduction of the "Jersey Tax Professional" City and Guilds accredited learning programme – the first of its kind – from January 2023.
- The launch of the "Combined Employer Return" enabling Revenue Jersey to collect ITIS, Contributions and Workforce data at the same time and share appropriately with other Government departments.
- Delivery of online enquiry services ("online forms") to improve customer service and creation of the Tax Community Helpdesk.
- Work to extend the Economic Substance Law beyond companies to include partnerships.
- Work to prepare to recover the Prior Year Basis of paying taxes (now deferred).
- Work to commence the phased implementation of Independent Taxation.
- Work to integrate Social Security Contributions into the Revenue Management System (including early work on IT system changes known as the Contributions Function Integration – CFI – project which had been delayed due to prioritisation of PYB (Prior Year Basis) abolition).
- Funding to grow Revenue Jersey's compliance programme and so deliver additional tax yield
- Some seed funding to support the creation of the team which has developed the Pillar 2 proposals to the point of lodging the necessary legislation. This included funding dedicated resource within LDO.
- Some seed funding to enable early work on the (Phase 4) project to modernise our system (AEOI (automatic exchange of information) MAN) for dealing with the international exchange of tax information including new international requirements relating to crypto assets

In respect of the business case for the Budget the following key projects are included:

Key projects include:

- Completion of the Contributions Function Integration (CFI) project continued from Phase 3. We expect to complete this project by December 2024.
- Completion of the project to deliver Independent Taxation (by December 2026 in practical terms) – principally development of the software and supporting measures needed to make Independent Taxation mandatory from the 2026 year of assessment, including the creation of the Compensatory Allowance and ability to elect for joint filing of tax returns.
- Completion of work to fully implement the Economic Substance Law.
- Enhancement or replacement of the AEOI (automatic exchange of information) MAN system (by December 2025) to ensure Jersey's compliance with the Common Reporting Standard and FATCA, taking into account changes for crypto assets.

The Business Case also includes funding to maintain the Revenue Management System and to fund the annual Budget changes.

Allocations of Phase 3 (Government Plan 22-25) totalled £9.425m over 4 years. Further detail can be found here.

It is noted that the Phase 4 allocations (preceding Government Plan 24-27) total £11.237m over 4 years relate to the early provision for the International Tax systems needed to deliver the extensive new global compliance requirements ("Pillar 2"); for contract renewals relating to keeping the various Revenue Systems licenced and maintained and related costs.

In respect of closure of the programme, it is anticipated that once the CFI project has gone live, everything that has been created from the programme team will be transitioned to business-as-usual resources, close RTP Phase 3, manage Independent Taxation as a stand-alone project alongside the Phase 4 programme to deliver AEOI (automatic exchange of information) MAN changes and Pillar 2.

Resourcing

In a written response[143] the Panel identified that the Minister for Treasury and Resources is satisfied is content that the departmental allocations are sufficient to deliver the key priorities of the Department, although it was highlighted that some lower priority activity may be deferred or progressed at a slower pace.

In respect of any resourcing or staffing challenges being experienced by the Treasury and Exchequer and the impact thereof on project delivery, it was explained that to fulfil its function, the Department employs several professionals including specialists, whose services are in great demand both in Jersey and internationally. Therefore, recruitment can be challenging, but the Department uses a number of recruitment techniques to ensure that high quality candidates are sourced. The Department is committed to reprioritising its work to fit within the available resource and expects to continue to deliver its key objectives.

6 Balance Sheet and States Funds

[143] Letter – MTR – 30 October 2024

The balance sheet shows the net value of Government's total assets, including capital, reserves and liabilities which measure borrowing and other long- term liabilities. The value of the Government's physical and financial assets is forecast to increase by £1.216 billion between 2024 and 2028, but this will be offset by the £505 million addition for non-current liabilities - the New Healthcare Facilities (NHF) borrowing scheme. Although the Government's net asset nominal value is set to increase, as a percentage of GDP it is forecast to decrease from 116% in 2024 to 111% in 2028.[144]

Finance and Borrowing

The Assembly are asked in the Proposition to approve the proposed Changes to Approval for financing/borrowing for 2025, 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 2025						
£'000	2024 Approved	Change to Approved	2025 Approval	2026 Proposed	2027 Proposed	2028 Proposed
Refinancing of past-service liabilities	477,000	-	477,000	477,000	477,000	477,000
Housing bond	250,000	-	250,000	250,000	250,000	250,000
Borrowing (before healthcare facilities)	**727,000**	**-**	**727,000**	**727,000**	**727,000**	**727,000**
Healthcare facilities	142,071	380,929	523,000	523,000	523,000	523,000
Borrowing	**869,071**	**380,929**	**1,250,000**	**1,250,000**	**1,250,000**	**1,250,000**

The FPP notes within its Annual Report[145] for 2024 that the Budget for 2025 proposes a blended financial strategy for the New Healthcare Facilities (NHF) including borrowing, revenues and the Strategic Reserve. For 2024-2026 this includes £523 million of public borrowing, including £142 million of existing borrowing approvals, with up to £500 million made available through a Revolving Credit Facility.

In respect of debt, the FPP notes that the financing strategy for the NHF will increase the level of Jersey's public debt by £381 million. The gross debt-to-GDP ratio will reach 17% in 2025. Whilst low compared to many countries, this represents a significant increase in recent years (the ratio was 5% in 2019 and 12% in 2024). While using the Strategic Reserves reduces the borrowing requirement and protects the Government from further, expensive interest costs, it also reduces the ability of the Strategic Reserve to support or protect Jersey's economy should a crisis occur.

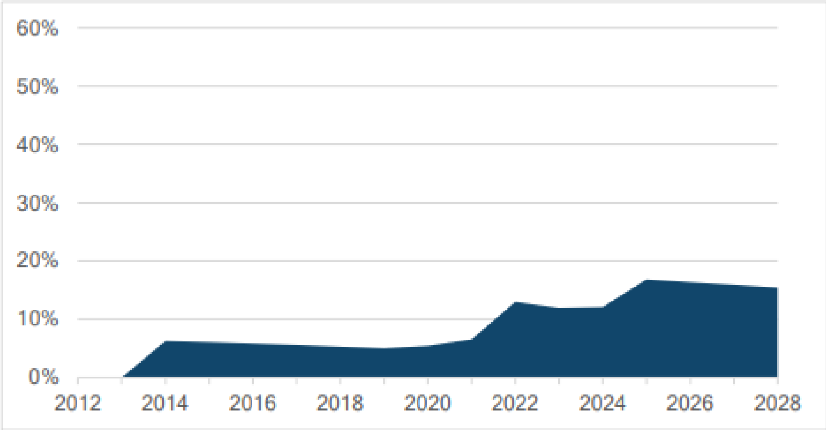
[144] FPP – Annual Report 2024
[145] FPP – Annual Report - 2023

Figure 2.14

Debt as a percentage of GDP

£ million (current prices)

Source: Treasury and Exchequer



The Panel raised this during a hearing with the Minister for Treasury and Resources and sought to identify the profile of the Government's current and future debt, and how it was being managed under the present economic circumstances.

Treasurer of the States, Treasury and Exchequer:

> *We set out in the Government Plan the proposal in respect to the additional debt arising from N.H.F.1 (New Healthcare Facilities) Programme Phase 1, which is predominantly the build at Overdale. Those are the only plans within the Government Plan, but they build upon the existing level of debt. We take advice as to what level of debt capacity there is for Government within a reasonable expectation of not leading to an increase in the cost of that, which would probably come through any future downgrade were we to exceed that level. We keep that updated. We are doing an update currently. We are confident that this level of debt, which is obviously known in the plans by S. and P. (Standard and Poor's), would not lead, in itself, to a downgrade in the credit rating. But we do and are working on, alongside long-term capital plans, sustainable ways that that would be resourced, which may well include in the future further debt, but we would give consideration to how that would be repaid. Our principles are generally that we are clear that any debt has a plan for repayment. There is an overstress finances for Government for this generation and for future generations and is affordable.*

Deputy A.F. Curtis:

> *Okay. I think picking up in there, I think I felt, Treasurer, that you are satisfied that this is within our debt tolerance, in essence, the level of borrowing.*

Treasurer of the States, Treasury and Exchequer:

> *Yes, yes.*

Deputy A.F. Curtis:

> *Do you feel we are close to where we would be breaching your tolerance for debt?*

Treasurer of the States, Treasury and Exchequer:

> *We are closer. But I still think we have headroom above that but, as I say, it is very important that there are robust plans for repayment of any debt that is brought forward*

The New Healthcare facilities Programme is being reviewed by a separate Review Panel.

The Panel sought to identify the processes to minimise excessive borrowing and whether unspent monies would be returned to the Consolidated Fund to assist with this.

Treasurer of the States, Treasury and Exchequer:

> *If I could point backwards firstly, that is exactly what we did in respect of ensuring that we did not over-borrow and, continue, to over-borrow beyond or through a phase where we were carrying balances on the consolidated fund. Then this is indeed part of the reason that we have not been able to, as quick as we would like, place more funds into the stabilisation fund. Because first and 52 foremost we prioritise repayment of the COVID debt. As we had come from COVID, went through COVID, we would have originally anticipated that that debt would have been required for longer. As it turned out, the recovery from COVID, as well as the impacts during the COVID years not being as severe as could have been the case, have allowed us to make sure that we repay that debt. To answer your question, it is what we do to make sure that we are not over-borrowing at any point in time or not significantly overdrawing. We are looking when we draw down debt at the latest forecast of spend from the hospital team and we keep that under regular review and then rebalance as we draw down subsequent funds from the revolving credit facility….*[146]

During a hearing with the Minister for Treasury and Resources[147,] the Panel sought to understand the Government's longer-term financial position and its plan for balancing spend in the short term, against investing in the future and restoring the Island's reserves. Particularly noting that the FPP emphasises in its Annual Report for 2024, the requirement for Government to focus fiscal policy on the medium-term, the Panel sought to identify what measures were being used to ensure financial sustainability for the short, medium and long-term.

The Panel was informed that generally, planning for the short-term - is up to 4 years. So, while the Budget has previously been referred to as a medium-term financial plan, it is on the short side of medium. The medium-term is - 5 to 12 years (outside of the Budget) and then long term would be further on. It was explained that two projects within the Treasury and Exchequer look at this and are within the Business Plan for 2024. The first project considers the long-term capital plan (knowing how much we need to spend on our assets outside of the 4-year window of the Budget and looking up to 25 years). The second workstream involves longer-term financial planning, which considers both capital and revenue expenditure, and what the impact on reserves and borrowing would be into that longer term. This work which was underway was emphasised as important as it provides more tools to assist in developing future budget processes to understand what the longer-term focus is.[148]

It was noted that the workstreams explained would improve over time and could potentially inform the next Budget. However, was caveated with the fact that that other data can be brought in with more of a focus on the medium-term and long-term, which these workstreams are helping to align. The following was explained:

Group Director - Strategic Finance, Treasury and Exchequer:

> *So, for example, in capital, there are condition surveys that that are in place. There is a pipeline of works which maybe did not quite make it into the Government Plan, but we know about that will be happening. So, it is pulling that together in a way that can be used. Similarly, on longer-term financial planning we have actuarial reviews of the social security funds. We have a piece of work around what is likely to happen to healthcare costs moving into the future, what are the projections in terms of what*

[146] Transcript – MTR – 18 October -Pg - 51
[147] Transcript – MTR – 18 October
[148] Transcript – MTR – 18 October – Pg 3

happens with an ageing population, so there is already lots of work going on in that space. These projects are more bringing all of those together to a single piece that can then be used to inform that decision making as we go into budgets.

The Panel asked the Minister whether she was of the view that the Budget demonstrates the appropriate balance between day-to day spending and investment in the future.

The Minister for Treasury and Resources:

> *… That is what we are trying to do, and I think the F.P.P. itself recognised that our challenge is between current spend, balancing investment into productive capacity and long-term topping up reserves. We have tried to address that. We have started off that process in terms of we have said ... Ministers were told: "Do not come with a whole load of growth bids." We did not have the process that we had last year, so people were not coming with bids for more money and more employees, out with the only new money was for the C.S.P. (Common Strategic Policy) priorities. So, we have tried to ... everybody has been asked to go away and work within the money they already have and prioritise. So that is a very good start. We have made a good start towards earmarking funds for the strategic reserve and the stabilisation fund, so we have started a plan there. Yes, we are trying to look forward. We have an obligation. The budget has to take into account long-term sustainability and well-being, so that is first principle, and we are trying to ... that is definitely something that we have taken into account in terms of trying to start topping up the reserves. It is not something we can do overnight, but we have a clear plan to start building both the strategic reserve and the stabilisation fund, as well as trying to balance spend.*[149]

The FPP note within the Annual Report 2024 that *the Fiscal Framework is specifically concerned with the role of the Strategic Reserve, which should include enough capital to insulate the Island from severe structural decline or major natural disasters and only be used in these instances, as well as the Stabilisation Fund which should enable countercyclical fiscal policy to create a more stable economic environment with low inflation in the Island.*[150]

KEY FINDING 48: In light of balancing day to day spend with financial sustainability for the short (up to 4 years), medium (5 to 12 years) and long term (beyond 12 years), the Treasury and Exchequer are undertaking two projects. These include a capital plan project, which focuses on spend for assets in the medium to long term window (5-25 years), and a project for longer term financial planning, which considers both capital and revenue expenditure and longer term impact of borrowing and reserves. This work provides tools to assist in developing future budget processes with a longer term focus.

RECOMMENDATION 33 (OVERARCHING): The capital plan and longer term financial planning projects undertaken by the Treasury and Exchequer, should be used as a tool to inform the next Budget to focus fiscal policy on the medium to long term, and to align with the advice of the Fiscal Policy Panel that advised that fiscal policy needs be focused on the medium term.

[149] Transcript – MTR – Page 4
[150] FPP Annual Report 2024 – Pg 31

States Funds

The Panel recalled a previous recommendation of the FPP (and recommended by the previous Panel)[151] that the Council of Ministers must ensure that the objectives and associated policies of the States Funds are clear and suitably aligned. The Panel sought an update on the progress of meeting that recommendation. It was noted that the first priority was to revise the objectives and policy in relation to the Strategic Reserve, noting that the Budget sets out a revised policy for the Strategic Reserve. It was the view that the next Fund to be reviewed would be the Stabilisation Fund and thereafter potentially the Social Security Fund.[152]

KEY FINDING 49: The Budget sets out the revised policy for the Strategic Reserve. This aligns with a previous recommendation of the Fiscal Policy Panel to ensure that the objectives of all the States Funds are clear and that policies are adjusted in line with the objectives.

RECOMMENDATION 34: In line with a previous recommendation of the Fiscal Policy Panel, the Council of Ministers must ensure that the objectives of the States Funds are clear and that policies are adjusted in line with the objectives. This work should continue to be carried out and reported for the remaining States Funds with revised policy proposals for the Stabilisation Fund and Social Security Fund to be included in the next Budget.

The FPP note in the Annual Report 2024 that the reserves are an essential part of the Government's balance sheet and highlight the total value of the Government's major reserves to be forecast to grow to £4,429 million by 2027 (56% of GDP), before seeing a net decrease of £22 million in 2028.

Figure 2.15

Government of Jersey's major reserves

£ million (current prices)

Source: Treasury and Exchequer

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actuals					Estimate				
Consolidated Fund	479	36	122	100	95	83	22	6	1	1
Strategic Reserve *(as a % of GVA)*	906 (18%)	968 (21%)	1,032 (20%)	992 (17%)	1,090 (16%)	1,1124 (16%)	1,449 (20%)	1,506 (20%)	1,516 (19%)	1,349 (17%)
Stabilisation Fund	50	1	1	1	1	1	1	1	1	1
Social Security Reserve Fund	1,983	2,093	2,264	2,031	2,179	2,320	2,429	2,543	2,671	2,810
Social Security Fund	92	76	66	70	89	86	88	90	100	112
Health Insurance Fund	108	108	100	105	112	104	94	85	76	67
Long Term Care Fund	26	37	41	49	45	56	58	61	64	67
Total	**3,645**	**3,608**	**3,626**	**3,347**	**3,611**	**3,774**	**4,141**	**4,292**	**4,429**	**4,407**
Total as % of GVA	***73%***	***79%***	***71%***	***57%***	***53%***	***53%***	***56%***	***56%***	***56%***	***54%***

The Assembly are asked in the Proposition to approve the transfers from one States fund to another for 2025 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.

[151] S.R.4/2023 – Rec 24
[152] Transcript – MTR – Pg 52

Table 3 - Transfer of monies between States Funds					
		2025	2026	2027	2028
£'000		Proposed	Proposed	Proposed	Proposed
Transfer from	**Transfer to**				
Technology Accelerator Fund	Consolidated Fund	1,289	3,387	1,387	-
Consolidated Fund	Climate Emergency Fund	4,299	4,254	4,210	4,167
Strategic Reserve	Consolidated Fund (capital costs)	73,000	152,000	208,000	225,000
Strategic Reserve	Consolidated Fund (financing costs)	9,000	-	-	-
Consolidated Fund	Strategic Reserve (pension refinancing)	2,580	3,002	3,436	3,881
Consolidated Fund	Agriculture Loans Fund	5,000	-	-	-
Consolidated Fund	Insurance Fund	7,700	-	-	-
Dwelling Houses Loan Fund	Consolidated Fund	1,075	-	-	-
Assisted House Purchase Scheme	Consolidated Fund	250	-	-	-
99 Year Leaseholders Fund	Consolidated Fund	675	-	-	-

Consolidated Fund

The Consolidated Fund is the main fund through which the States collects taxes, other income, and spends money in providing services. Income received or due is accounted for in the Consolidated Fund, except where specified in Law. Expenditure from the Consolidated Fund is approved by the States Assembly in the Government Plan. The Council of Ministers must not lodge a Government Plan which shows a negative balance in the Consolidated Fund at the end of any of the financial years that the plan covers.

The Budget notes several planned transfers between the fund to and from other States Funds. Further detail can be found on Page 74 of the Budget.

Consolidated Fund					
2024 Estimate	**£'000**	**2025 Estimate**	**2026 Estimate**	**2027 Estimate**	**2028 Estimate**
94,744	**Opening Balance**	**83,116**	**23,456**	**4,220**	**1,188**
	Operating Surplus/(Deficit)				
1,220,420	General Revenue Income	1,270,217	1,296,742	1,330,251	1,371,224
(1,162,591)	Net Revenue Expenditure	(1,229,715)	(1,238,649)	(1,260,912)	(1,294,099)
57,829		**40,502**	**58,093**	**69,339**	**77,125**
	Other Movements in Fund Balances				
11,000	Prior Year Basis Tax Debt Receipts	12,500	-	-	-
9,507	Release of unspent Capital Allocations	-	-	-	-
-	Property Disposals	-	3,000	-	-
20,507		**12,500**	**3,000**	**-**	**-**
	Capital and Other Projects Expenditure				
(107,049)	Capital and other projects expenditure	(96,372)	(76,460)	(66,112)	(68,909)
(107,049)		**(96,372)**	**(76,460)**	**(66,112)**	**(68,909)**
	Capital Financing Transfers In				
777	Criminal Offences Confiscation Fund	-	-	-	-
2,194	Technology Accelerator Fund	1,289	3,387	1,387	-
336	Strategic Reserve - Capital Repayment	-	-	-	-
3,307		**1,289**	**3,387**	**1,387**	**-**
	Fund Transfers In/(Out)	**-**	**-**	**-**	**-**
(4,130)	Climate Emergency Fund	(4,299)	(4,254)	(4,210)	(4,167)
20,000	Strategic Reserve - States Grant	-	-	-	-
(2,167)	Strategic Reserve - Pension Refinancing Repayment	(2,580)	(3,002)	(3,436)	(3,881)
75	Health Insurance Fund	-	-	-	-
-	Agricultural Loans Fund	(5,000)	-	-	-
-	Insurance Fund	(7,700)	-	-	-
-	Dwelling Houses Loan Fund	1,075	-	-	-
-	Assisted House Purchase Scheme	250	-	-	-
-	99 Year Leaseholders Fund	675	-	-	-
13,778		**(17,579)**	**(7,256)**	**(7,646)**	**(8,048)**
-	Borrowing Drawdown/(Repayment)	-	-	-	-
83,116	**Closing Balance (before Pillar Two)**	**23,456**	**4,220**	**1,188**	**1,356**
-	Net Impact of Pillar Two	(1,760)	1,760	-	-
83,116	**Closing Balance (after Pillar Two)**	**21,696**	**5,980**	**1,188**	**1,356**

Table 40: Consolidated Fund

Strategic Reserve Fund

2025 balance in the Strategic Reserve:

£1.2bn

The Strategic Reserve is a permanent reserve, where the capital value is to be used in exceptional circumstances to insulate the Island's economy from severe structural decline, such as the sudden collapse of a major Island industry or from major natural disaster. It forms a critical part of the infrastructure of financial and risk management and helps to protect the long-term financial sustainability of the Island.

Strategic Reserve				
	2025	2026	2027	2028
£'000	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Opening Balance	**1,124,142**	**1,449,438**	**1,506,180**	**1,515,921**
Investment income	51,716	53,740	58,305	54,382
Transfer from Consolidated Fund (Pension Refinancing repayment)	2,580	3,002	3,436	3,881
Healthcare Facilities related;				
- Borrowing Proceeds	73,000	152,000	156,000	-
- Transfer to Consolidated Fund (financing costs)	(9,000)	-	-	-
- Transfer to Consolidated Fund (Capital costs)	(73,000)	(152,000)	(208,000)	(225,000)
Transfer of PYB Taxation	280,000	-	-	-
Closing Balance	**1,449,438**	**1,506,180**	**1,515,921**	**1,349,184**
Closing Balance (excluding PYB Debtor)	**1,169,438**	**1,238,680**	**1,260,921**	**1,106,684**

Table 44: Strategic Reserve

As noted earlier in this report, the Budget this year includes a revised purpose and policy for the Strategic Reserve, which the States Assembly is asked to approve as part of the Proposition:

(k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

"The Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, is a permanent reserve only to be used:

i. in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.
ii. if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.
iii. to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;
iv. as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and
v. in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available."

The Budget include as growth strategy for the Strategic Reserve including with consideration for:

- Investment growth (natural growth as a proportion of GVA over time)
- Prior Year Basis taxation debtors (transfer of PYB receipts transferred to the Strategic Reserve)
- New Healthcare Facilities funding strategy (from 2026 costs of servicing debt will be met from the General Reserve (and Pillar Two receipts) rather than from transfers from the Strategic Reserve)

- Application of Pillar Two receipts (upsides of the forecast base case used to strengthen Reserves).

The plan for growing the Strategic Reserve was reiterated by the Minister for Treasury and Resources during a public hearing.[153]

The States Assembly is asked to approve the transfer of prior-year basis taxation receipts into the Strategic Reserve as follows:

(I) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).

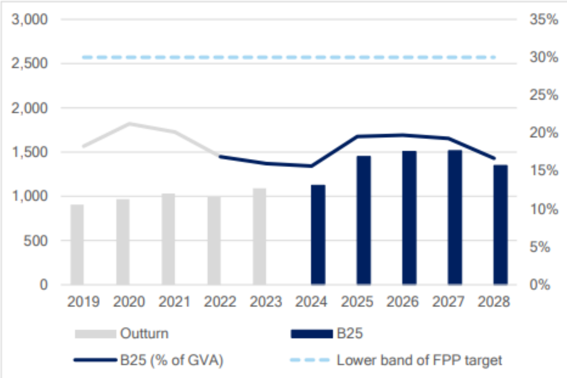
Figure 2.16

Strategic Reserve balance

£ million (current prices)

Bars show total value of the Strategic reserve (LHS), the line shows the value as a percentage of GVA (RHS), the dashed line shows the lower bound of the FPP recommended value 30-60% of GVA (RHS)

Source: Treasury and Exchequer



The FPP continues to recommend that the value of the Strategic Reserve should be equal to between 30-60% of GVA to ensure that sufficient resources are available to the Government in the occurrence of a major economic crisis. Noting that the Budget has taken steps to increase the Fund's value, but even with these commitments, the Strategic Reserve still falls short of the FPP target. It notes in cash terms, the Strategic Reserve is replenished more slowly which is a concern should a major crisis occur in the near future. Furthermore, the proposed NHF financing strategy requires withdrawals of £277 million (19% of the 2025 value) from the Strategic Reserve.[154]

Deputy I. Gardiner: Minister:

I would like just to understand your position. F.P.P. notes, and I look through the table that was presented to us, that: "Strategic reserve in 2028", okay, looking through the plan, "will only be equal to 17 per cent of G.V.A. and that the cash value will be lower still." The target that was suggested by F.P.P. is 30 per cent to 60 per cent. We will have in 2028 17 per cent compared to suggested target. How comfortable are you with this level of the reserves

The Minister for Treasury and Resources:

I agree with the suggestion. I think their recommendation is very difficult to argue with. What I am saying is the reality of getting from 17 per cent to 30 per cent is very difficult, that is why I am trying to ask what that number is. What is the difference between 17 per cent and 30 per cent?

Group Director - Strategic Finance, Treasury and Exchequer:

The balance is forecast to be about £1.3 billion, just over £1.3 billion by the end of 2028; that is based on the G.V.A. forecast of the F.P.P. have done this, where the 17

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153 Transcript – MTR – Pg 4-6

154 FPP Annual Report 2024– Pg 45

per cent comes from but you would need to not quite double it to get to the 30 per cent that is talked about.

The Minister for Treasury and Resources*:*

Yes. It is how do we find that money from …[155]

Although the FPP welcomes the transfer of the PYB taxation debt into the Strategic Reserve and notes that this asset boosts the value of the Strategic Reserve in accounting terms by £280 million, the Strategic Reserve is only expected to receive £12.5 million in repayments annually. This means that it will be over twenty years until the Strategic Reserve's cash balance has the total £280 million available to respond to a major shock to the Island's economy. The transfer of PYB taxation debt, in line with the Panel's previous recommendation, is welcomed. Nonetheless, the Panel remains concerned that the Strategic Reserve's level of liquidity may not be sufficient to provide the Government with immediate cash injections if a major crisis was to occur in the short or medium-term. The Panel reiterates the importance of using Pillar Two income to support the value of the Reserve.

The Panel sought clarification as to whether the Pillar Two receipts (in part) would be used to replenish the Strategic Reserve of the Stabilisation Fund. The Panel identified that the priority would be for the receipts to be used to rebuild the Stabilisation Fund.[156]

The Panel explored this further, noting that the FPP was seeking a formal commitment to ringfence any Pillar Two income in excess of the forecast base case amount for investment in the Reserves. The Panel asked whether the Minister was able to provide that formal commitment.

The Connétable of St. Mary:

I am saying that the panel concluded that you had not actually given it as a formal commitment. Is that what you are ... will you be giving that commitment?

Treasurer of the States, Treasury and Exchequer:

What we have said is that you should not spend it on recurring spend because you do not know whether you can bank upon that income into the future. But what we have said is that the infrastructure, in particular the hospital, and reserves are priorities for those excess funds because by doing so you are not creating future commitments to revenue.[157]

Stabilisation Fund

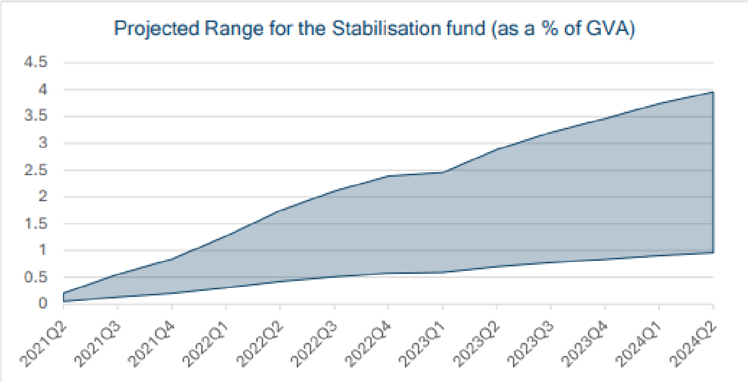
The Stabilisation Fund was created in 2006 to manage Government finances through the economic cycle, where expenditure could be drawn down in economic downturns and the Fund replenished through surpluses in economic booms and periods of above-trend growth.

[155] Transcript – MTR – Pg 54 - 56
[156] Transcript – MTR – Pg 6
[157] Transcript – MTR – Pg

Stabilisation Fund				
	2025	2026	2027	2028
£'000	Estimate	Estimate	Estimate	Estimate
Opening Balance	**615**	**643**	**669**	**694**
Investment income	28	26	25	21
Closing Balance	**643**	**669**	**694**	**715**

Table 45: Stabilisation Fund

The Stabilisation Fund will receive transfers of up to £25 million contingent on the availability of funding in the Consolidated Fund at the end of 2024 and 2025. As this is contingent, the monies are not included in the Budget forecast.



The FPP notes that the Stabilisation Fund is particularly important in economies like Jersey's that lack both the monetary policy levers or the powerful tax and benefit regimes that can act to help stabilise the economy in a downturn. However, highlights that the Stabilisation Fund is effectively exhausted at present. The FPP notes that the recent period of strong tax revenue receipts offered a major opportunity to rebuild the Fund as recommended in the Panel's previous report. The Panel strongly recommends that any current year surpluses or underspends are immediately committed to the Stabilisation Fund, and that the Government commits to investing a proportion of upside Pillar Two revenues into this fund.

During a hearing with the Minister for Treasury and Resources[158], the Panel explored the concerns around the level of investment in the Strategic Reserve and Stabilisation Fund, the impact thereof and the measures and ambition of Government to replenish the reserves as a matter of urgency as reiterated by the FPP.

The Connétable of St. Mary:

> *The recommendation 3 of the Fiscal Policy Panel begins: "The stabilisation fund is, effectively, exhausted and cannot fulfil its purpose by delivering cyclical fiscal policy to support Jersey's economy in the case of an economic downturn." It goes on about recommending further immediate action be taken to improve the balance of that fund. Ignoring Pillar 2 for the moment because that is not to come in immediately, what are your plans or intentions regarding improving the stabilisation fund?*

The Minister for Treasury and Resources:

> *I think previous Governments have prioritised repayment of COVID debt arising from the pandemic, rather than putting money into the stabilisation fund. We thought that was the sensible thing to do. The F.P.P. accepted that that is sensible because there is a cost to debt. Paying that debt down was the sensible thing to do, balancing costly debt against money going into the reserves. A contingent transfer was not possible at the end of 2023 because there was no income, no excess income. But this year if there*

158 Transcript – MTR – 18 October

is excess income that will go into the stabilisation fund, that depends on how departments do, and we will have to look at it at the end of the year in the context of where are the underspends and are there other demands for that money? But that is the plan and, again, it comes down to that difficult balance. There will be funds from Pillar 2 base case as going in in 2026, but the money has to come from somewhere.[159]

The Panel explored what level of reserves would be appropriate to have within the Stabilisation Fund.

Group Director - Strategic Finance, Treasury and Exchequer:

The F.P.P. talk about how big they think it should have been in their report. I think it is £80 million is the number that they use. That is where it should be now and so in a year's time it will be a different number again, depending on what has happened in the economic cycle. It is very hard to put it should be £100 million or £150 million; it is more of it should grow and wane with the economic activity and the like. We do look to the FPP for advice quite often in terms of how much should be in the stabilisation fund.[160]

KEY FINDING 50: The Government has not observed the recommendations made by the Fiscal Policy Panel (FPP) in previous years to commit to rebuild the reserves' balances through prioritising transfers to the Stabilisation Fund and Strategic Reserve. The FPP has emphasised that a stronger commitment is needed to replenish both the Stabilisation Fund and Strategic Reserve. The FPP recommends that the value of the Strategic Reserve should be equal to between 30-60% of Gross Value Added (GVA), however, will only be equal to 17% of GVA in 2028. Although the Budget includes measures to increase the value of the reserves, it falls short of the advised targets.

RECOMMENDATION 35: The Council of Ministers must strengthen its commitment to prioritise transfers to the Stabilisation Fund and Strategic Reserve to rebuild both Funds to appropriate levels and should observe the advice of the Fiscal Policy Panel. In addition to committing to transfer the Prior Year Basis receipts to the Strategic Reserve, to transfer up to £25 million to the Stabilisation Fund (contingent of available funding in the Consolidated fund at the end of 2024 and 2025), further commitment should be made to transfer any current year surpluses or underspends to the Stabilisation Fund and to invest any upside of Pillar Two revenues to the Funds.

Social Security Reserve Fund

The Panel did not focus its review on the Social Security Reserve Fund as it falls under the Remit of the Health and Social Security Panel, however, as the Proposition asks the States Assembly to approve the utilisation of the Fund for the investment in the New Government's Officer Accommodation, the Panel briefly touched on this area. The Proposition seeks the following approval:

[159] Transcript – MTR – Pg 53
[160] Transcript – MTR – Pg 59

(m) in relation to the new Government Headquarters (office), to approve;

i. the exercising of the option to acquire the new Government Headquarters (estimated at £91 million), by the Public of the Island, in line with the pre-agreed terms; and
ii. the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund (including authorising the meeting of expenses incurred in connection with the acquisition); and
iii. the subsequent leasing of the new Government Headquarters by the Public of the Island from the Social Security (Reserve) Fund, with commercial terms to be agreed between the Minister for Infrastructure (on behalf of the Public) and Minister for Social Security and the Minister for Treasury and Resources (both on behalf of the Fund); and

(n) in relation to the new Government Headquarters, to authorise H.M. Attorney General, the Greffier of the States, the Ministers for Infrastructure, Social Security and Treasury and Resources, and the Public of the Island, to enter into such arrangements, including financing, and pass any contracts as are necessary to put into effect paragraph (m).

From the perspective of the management of asset value and depreciation between multiple accounts, the Panel explored the following:

Deputy A.F. Curtis:

> *…With regards to the new office building, which, of course, is proposed to be purchased by the social security reserve fund, is management intended to be by Jersey Property Holdings and, if so, does that play into how asset valuation and depreciation occurs between the 2 accounts now or is that largely unchanged between the management and owner situation there?*

Group Director - Strategic Finance, Treasury and Exchequer:

> *We apply common accounting policy for both consolidated fund where Property Holdings sits and social security fund, so it would …*

Deputy A.F. Curtis:

> *It will appear in the social security fund from an accounting perspective for depreciation of assets, as it is an asset of …*

Group Director - Strategic Finance, Treasury and Exchequer:

> *We are still working through the exact detail, but I would expect that it would sit as an asset within one of those funds and depreciation would go through the fund.*

Deputy A.F. Curtis:

> *I ask as much because, of course, we will find ourselves in an interesting territory where I think the Assembly understand payments will be made on a commercial basis to the fund to provide a return, yet if management is being performed then some of the costs and burdens of the services may be … we are yet unclear where that might ... whether that was as a substantive thought within this element or it is really something that will be ironed out later.*

Treasurer of the States, Treasury and Exchequer:

> *The principles of this are that we are replacing what would be the case were the fund not to buy it with the position that will be in place with the asset being owned by the fund instead of the third party and, therefore, we work on the basis that those costs will fall to the tenant, i.e. Government.*

It was clarified that the intention was to replace the third-party ownership scenario with one where the asset is owned by the fund. As a result, the costs associated with the asset would fall to the tenant, in this case, the Government.

7 Conclusion

The Council of Ministers has focused the Budget through primarily delivering against the thirteen Common Strategic Policy priorities. The Panel observed that the dissolution of the Delivery Unit, which previously functioned to support the delivery, monitoring and reporting of Ministerial priorities, and the choice to not secure its functions through other means, has impacted the transparency and comprehensibility of the Budget. Moreover, the Panel is concerned that the governance and internal audit of the Budget's delivery during 2025 will also be negatively affected as a result, particularly in the absence of routine progress reporting.

The Panel highlights that the decision to not provide progress updates on the preceding year's delivery progress, and the departmental Business Plans for 2025 alongside the lodging of the Budget, has further hindered the comprehensibility of the Budget, particularly when reprioritisation of funding allocations and restructure within departments has been undertaken to deliver on the Council of Ministers' strategic priorities.

Although the Common Strategic Policy priorities aim to provide a clear focus for the Budget and the delivery of the proposals within, it is the Panel's view that there are significant challenges and risks inherent in balancing these priorities of focus with other Ministerial goals and business as usual workstreams which fall outside of these yet are essential to the delivery of public services. It is unclear to the Panel whether an appropriate degree of risk analysis was undertaken during the reprioritisation process to limit any adverse impact on delivering services and the Island's longer-term goals.

Despite the insistence of the Fiscal Policy Panel since 2021 for Government to rebuild the Stabilisation Fund and the Strategic Reserve, both funds remain significantly below the required target levels. Although in this Budget the Government has committed to transfer the Prior Year Basis receipts to the Strategic Reserve, and to transfer up to £25 million to the Stabilisation Fund (contingent to this funding being available in the Consolidated fund at the end of 2024 and 2025), the Panel emphasises the importance of heeding the advice of the Fiscal Policy Panel to commit to transfer any current year surpluses or underspends to the Stabilisation Fund, and to invest any upside of the Pillar Two revenues to the Funds.

The Panel considered Gender Responsive Budgeting while reviewing this Budget and is pleased to acknowledge the interest expressed by the Chief Minister to explore this further. The Panel look forward to seeing the steps that the Council of Ministers will take prior to the next Budget to explore, develop and implement Gender Responsive Budgeting in Jersey in order that public resources can be distributed more equitably to meet the needs of all Islanders.

As a result of the review, the Panel has proposed two **Amendments**, which can be viewed in Appendix 2 of this report and has made **50 Findings** and **35 Recommendations**. 19 of the Recommendations made are overarching and are supported by the other four Scrutiny Panels.

Appendix 1

Panel Membership

Deputy Helen Miles
(Chair)

Deputy Lucy Stephenson
(Vice-Chair)

Deputy Max Andrews

Deputy Alex Curtis

Constable David Johnson

Deputy Jonathan Renouf

Deputy Inna Gardiner, President SLC

(Co-opted Member)

Terms of Reference

1. To review components of the Proposed Budget 2025-2028 Proposition [P.51/2024] which are relevant to the Corporate Services Scrutiny Panel to determine the following:

    a) The impact of the Budget proposals on departmental budgets, savings and staffing levels.
    b) Whether the revenue expenditure growth, capital and other projects are appropriate and likely to have a positive impact on Islanders and Island life.
    c) How the proposed revenue expenditure growth, capital and other projects align with the Common Strategic Policy to deliver on the priorities, and in line with the Departments' Business Plans.
    d) Whether the resources allocated to revenue expenditure growth and capital and other projects are sufficient, ensure value for money and demonstrate best use of public funds.

2. To assess the impact of the Budget proposals on the Consolidated Fund, Strategic Reserve Fund and Stabilisation Fund.

3. To assess the expected impact on the ongoing delivery of public services, by Minister, through reprioritisation and 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.
    - To examine the use of the Revolving Credit Facility.

    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 the Proposed Budget on the Stabilisation Fund.
    - To explore any continued impact of emergency incidents on the 'financial envelope'.

    Design and implementation of the Budget
    - 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 Proposed Budget.
    - To consider the overall fiscal soundness of the Proposed Budget.
    - To consider gender-responsive budgeting of the Proposed Budget.

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 six months after the hearing was held.

Meetings and Visits

- Private meeting with the Jersey Hospitality Association.
- Private meeting with the Channel Islands Tobacco Importers and Manufacturers Association
- Pop-up stand held to engage members of the public.

Written Submissions

All written submissions 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

The correspondence between the Panel and the Ministers can be found here.

Other evidence considered

- Public Finances (Jersey) Law 2019
- Common Strategic Policy
- Departmental Business Plans 2024
- Fiscal Policy Panel Economic Assumptions
- Fiscal Policy Panel Report
- Income Forecasting Group Report

Review costs

The costs of this review totaled £663,80 for advertising, engagement, 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 the remits of the Chief Minister (excluding Financial Services) and the Minister for Treasury and Resources. To learn more about the Panel's work – CLICK HERE

Appendix 2

Panel Amendments

Statistics Jersey Funding: Third Amendment – Statistics Jersey Funding

Purpose of the Amendment

The Corporate Services Panel (hereafter "the Panel") Amendment to the Proposed Budget (Government Plan) 2025-2028 (hereafter "Budget 2025-2028) seeks to align the Budget 2025-2028 funding position for Statistics Jersey for 2025 to the funding position previously proposed for 2025 in the Government Plan 2024-2027.

An announcement made by Statistics Jersey on 18th September 2024 reported that, due to Cabinet Office budget reductions, it would be reprioritising work and discontinuing certain outputs including:

1. Business Tendency Survey - BTS (last report to be published on 16th October 2024)
2. Actively Seeking Work - ASW (last report to be published on 10th July 2024)
3. Energy Trends (last report to be published on 7th August 2024)
4. Jersey Opinion and Lifestyle Survey - JOLS (after 2025, the survey would be carried out every two years and therefore would not run in 2026)

The Panel's proposed Amendment aims to reinstate the funding position for 2025 by reflecting an increase in Budget allocation and Growth Allocation so that Statistics Jersey can continue to produce key statistical outputs including the BTS, the JOLS (annually) and to undertake work in relation to Gross Value Added (GVA) for quarterly reporting. This funding should be made available through the Cabinet Office Head of Expenditure.

Jersey Public Services Ombudsperson: Fourth Amendment – Jersey Public Services Ombudsperson

Purpose of the Amendment

The Corporate Services Panel (hereafter "the Panel") Amendment to the Proposed Budget (Government Plan) 2025-2028 (hereafter "Budget 2025-2028") seeks to include a narrative in the accompanying report to acknowledge the work continuing in relation to establishing a Jersey Public Services Ombudsperson (hereafter "a JPSO").

In light of Government's review underway to determine whether to establish a JPSO, this Amendment also ensures that the Council of Ministers, as part of its review, will fully consider the relevant stakeholder responses in respect of the current consultation of the Jersey Law Commission relating to its 2024 Report – *Keeping the Complaints Panel or Creating the Ombudsperson* - and the review being undertaken by the States of Jerey Complaints Panel (hereafter "the Complaints Panel") in respect of its processes and procedures.

Despite a previous decision of the States Assembly to establish a JPSO, with funding having been allocated within preceding Government Plans for this workstream, recognition within the Budget 2025-2028 is completely absent. This Amendment therefore ensures that detailed proposals will be brought forward in 2025 for States Assembly approval and also detailed in the successive Government Plan.

Appendix 3

Recommendations: Proposed Government Plan 2024-2027 [P.72/2023]

RECOMMENDATION 1 (OVERARCHING): The Council of Ministers must ensure that in all future Government Plans, all tables include the figures of the preceding year to improve budget comparison, transparency and accountability. Consideration should be given to how narrative for ongoing expenditure and business-as-usual workstreams can be demonstrated within the Government Plan to provide further clarity.

RECOMMENDATION 2 (OVERARCHING): The Council of Ministers should in the Delivery Plans for 2024 and all future Delivery Plans, include narrative of the workstreams of departments, including detail of ongoing expenditure and business-as-usual, so that the Government can transparently demonstrate how taxpayers' money is spent for delivering services and projects.

RECOMMENDATION 3 (OVERARCHING): The Council of Ministers must publish a mid-year progress report 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 4 (OVERARCHING): The Council of Ministers must publish within the public domain the annual progress reports provided to Scrutiny Panels by Ministers by the deadline of 31st December of each year to improve transparency and accountability of the Government Plan process for the delivery of projects within the approved funding allocations.

RECOMMENDATION 5 (OVERARCHING): The Council of Ministers must consider how the accessibility of future Government Plans can be further enhanced for members of the public. Consideration should be given to the terminology used (including for the title) and how to improve the comprehension of it and its purpose.

RECOMMENDATION 6 (OVERARCHING): The Council of Ministers must engage with Jersey's Youth Parliament in their capacity as a link between Jersey's young people and Government on the Government Plan process and the purpose of the Government Plan. This should be done as soon as possible after the lodging of future Government Plans so that young people's views can be heard and used to inform any amendment process to the Government Plan.

RECOMMENDATION 7 (OVERARCHING): The Council of Ministers must ensure that the child-friendly version of the Government Plan is published alongside the Government Plan and Ministerial Plans for future Government Plans and that appropriate measures are taken to communicate and promote it to children and young people.

RECOMMENDATION 8: The Council of Ministers in future Government Plans should review the 'managing risk' section to ensure that it appropriately reflects the high-level risks to delivering priorities in the Government Plan rather than focussing, in the main, on a smaller sample of risks identified from the Corporate Register. As there are clear links between risks, priorities and the Government Plan response, especially regarding overarching sustainable wellbeing.

RECOMMENDATION 9 (OVERARCHING): The Council of Ministers must for future Government Plans consider how Children's Rights Impact Assessments can be completed on the proposals for which CRIAs should be completed due to their impact on children and young people. This will strengthen the commitment of the Council of Ministers and States Assembly by ensuring that the best interests of children and young people remain integral to the Government decision making process.

RECOMMENDATION 10: The Council of Ministers should consider allocating any unspent balances from the Covid-19 response and recovery allocations to the Stabilisation Fund at year end 2023 in accordance with the Fiscal Policy Panel's recommendation. The Stabilisation Fund is much depleted and must be replenished.

RECOMMENDATION 11: The Council of Ministers must ensure that due regard is given to the sufficient provision of targeted support as appropriate to Islanders impacted the most by the cost-of-living crisis, with focus on those Islanders that are most disadvantaged in our society.

RECOMMENDATION 12: The Council of Ministers must ensure that due regard is given to the sufficient provision of targeted support as appropriate to mortgage holders, should the full impact of the interest rate rises materialise and cause increased pressures.

RECOMMENDATION 13: The Treasury and Exchequer should undertake modelling exercises to identify the impacts of the revenue raising measures on businesses, the economy Islanders and Island life. This should be undertaken ahead of delivering all budget measure proposals in future Government Plans and should be evidenced within the Government Plan to demonstrate the impact of the proposals.

RECOMMENDATION 14: The Council of Ministers must ensure that early stakeholder engagement takes place (particularly with the hospitality industry) when considering alcohol duties proposals in future Government Plans. This will provide awareness of all current concerns facing the stakeholders and the opportunity to hear and address their views so that proposals are appropriately informed prior to the lodging of the Government Plan in respect of their impact on the economy, businesses, Islanders and Island life.

RECOMMENDATION 15: The Council of Ministers must ensure that analysis is undertaken to evidence the effectiveness of utilising fiscal measures (taxes) to impact Jersey's public health goals in respect of alcohol and tobacco consumption ahead of lodging of the next Government Plan. In addition, to identify how alternative programmes including education and support can assist in changing behaviours to impact Jersey's public health goals. Narrative to evidence this must be included in the next Government Plan.

RECOMMENDATION 16: The Council of Minsters must ensure that Vehicle Emissions Duties rates remain under continued review and should undertake the required work to support widespread adoption of more efficient vehicles and electric vehicles while ensuring to balance fair tax contributions with strategic incentives.

RECOMMENDATION 17: The Council of Minsters should consider the benefits for including parameters that also take into account the size and mass of vehicles when determining Vehicle Emissions Duties, to prioritise the reversal of the trend toward larger and heavier vehicles. These are inherently less efficient, exacerbate traffic congestion and impact road maintenance costs. This could assist in meeting Jersey's climate goals.

RECOMMENDATION 18: For the new Regulatory Technology proposal, the Council of Ministers must ensure that enhanced procedures are in place to ensure that the existence of potential conflicts of interest and the mitigation actions taken are recorded in minutes of all oversight and decision-making groups. In addition, that proper monitoring and reporting for this pilot programme must be undertaken so that the use of funds is appropriately tracked and evidenced as well as the outcomes of the initiative.

RECOMMENDATION 19: The Council of Ministers must ensure that prior to proposing the next changes to the High Value Residents scheme, consideration must be given to the review process so that any subsequent proposals are sufficiently evidenced to appropriately substantiate the proposed changes. The review process should include impact analysis of the proposals including on the property markets or property price distortion in Jersey. Stakeholder representation should be broader and more inclusive and should not exclusively involve internal Government evaluation and representation of stakeholders with a vested interest.

RECOMMENDATION 20: During the development of any future tax measures, the Council of Ministers must ensure that proper and timely stakeholder consultation takes place to ensure that any proposals brought forward in future Government Plans are appropriately informed. When developing new tax measures, modelling should be undertaken to identify the impact on businesses, the economy and Islanders.

RECOMMENDATION 21: (OVERARCHING): All future Government Plans must distinguish the specific areas and projects to which Value for Money savings are attached, include reporting on all Value for Money savings which were made during the duration of the Government Plan and identify and provide full details of the monitoring process that has been undertaken on the Value for Money Programme during the duration of the previous Government Plan.

RECOMMENDATION 22: (OVERARCHING): The Council of Ministers must consider how to improve transparency of the Revenue Growth Allocations by including more detail on the proposals in the Government Plan and by publishing the business cases within the public domain, in a transparent manner, albeit, in a redacted form to maintain confidentiality when required.

RECOMMENDATION 23: (OVERARCHING): The Council of Ministers must provide to Scrutiny a list of the Revenue Growth bids that were presented to the Treasury and Exchequer, however, were not successful for either business case commissioning and/or inclusion within the Government Plan. This information should be provided to Scrutiny each year at the time of lodging of the Government Plan.

RECOMMENDATION 24: In line with the recommendation made by the Fiscal Policy Panel, the Council of Ministers must ensure that the objectives of the States Funds are clear and that policies are adjusted in line with the objectives. This work should be carried out and reported on prior to the lodging of the next Government Plan.

RECOMMENDATION 25: 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. A shorter term, renewed policy action plan must be developed to replenish the Stabilisation Fund and Strategic Reserve, and this must be addressed within the next Government Plan. All Prior Year basis receipts must be ringfenced and transferred to the Strategic Reserve as they arise.