Government Plan 2024-27 Review

Corporate Services Scrutiny Panel

5th December 2023

S.R.4/2023

States of Jersey
States Assembly

États de Jersey
Assemblée des États

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Chair's Foreword

For this second review of a Government Plan in this term of office, the Corporate Services Scrutiny Panel was able to pick up where we left off last year and hit the ground running. We have followed up on the recommendations from our report last year and examined how the Government Programme has developed in that time. We are pleased to present this second report, and hope that it will help inform the continued evolution of this process.

Whilst some of our recommendations on the presentation of the Government Programme have been taken forward (such as the timing of the publication of the Annex and the production of a summary document), it feels like we are sadly still in a position where many Islanders are not as engaged with this process as we may hope for in a democratic system.

We found whilst engaging with Islanders at a pop-up stall in a local supermarket, it was clear that the Government Plan was not widely identified as the important annual political debate that it is. Once we had overcome the hurdle of explaining to people what the Government Plan is, they were not shy in giving us feedback on the proposals as they became aware of them. It is clear that more could be done to establish the Government Plan in the wider consciousness of the public.

Each Scrutiny Panel has reviewed the elements of the Government Plan 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 come under our remit for examining.

Whilst each of the individual proposals in the Plan will be subject to a variety of different political views, there is one area that remains a big concern to this panel which we hope the government will treat as seriously as possible, and that is the issue of efficiency savings. Nobody, no matter what their politics are, can make a credible principled argument in favour of inefficiency. We all want our government to operate efficiently, so that it can get the best value possible out of taxpayers' money to fund the best possible quality of public services for us all to enjoy. But it is important that any drive to deliver efficiencies is realistic and does not leave departments under pressure to cut back services if those efficiencies do not materialise.

The latest iteration of an efficiencies programme in government is called the "Value for Money Programme". It aims to deliver £10m of savings in each year of the Plan. As with last year, this Plan only attempts to indicate what the distribution of savings across the different departments will be in the first year of the Plan, whilst keeping a £10m target for subsequent years with no detail whatsoever.

Last year, the Fiscal Policy Panel recommended against including speculative savings in the Government Plan, because of the risk it would pose to departmental budgets if those savings were not made. The Corporate Services Scrutiny Panel reiterated this recommendation to the Minister and are disappointed to find that the same approach has been adopted again this year, which has provoked the Fiscal Policy Panel to have to repeat their recommendation to the government again.

The Fiscal Policy Panel is an independent body made up of highly regarded and well qualified individuals whose expertise we should be grateful to benefit from. Their recommendation against including speculative savings in the Government Plan is sound, and it is our view it should be heeded. That is why we have lodged an amendment to the Government Plan to require the government to give much greater clarity on this programme and give confidence to States Members that we are not unwittingly approving cuts to services, but delivering on the genuine efficiencies that everybody wants to see.

Lastly, our Panel was very grateful to all the stakeholders we approached who provided specific responses to us, as well as members of the public who gave their feedback. Perhaps the most enjoyable and enlightening part of conducting this review was the time we spent one evening with members of the Jersey Youth Parliament. Their perspective was extremely valuable to us, and we hope to continue to include them when we review subjects which may be of interest to them.

It was disappointing to find out that they had not been proactively approached by the government whilst they produced the Plan itself and had only connected with them after we had met with them. This gave the impression of them being an afterthought. We have a special responsibility to Jersey’s young people to build an Island society where they can all flourish. The Jersey Youth Parliament was set up to help transmit their views and aspirations directly to the heart of our government system. So, we should all ensure we work with them for that purpose.

Deputy Sam Mézec
Chair of the Corporate Services Scrutiny Panel

Executive Summary

The proposed Government Plan 2024-2027 [P.72/2023] (hereafter the Government Plan) was lodged on 19th September 2023 for earliest debate on 12th December 2023. Accompanying this year's Government Plan are the Financial Annex 2024-2027 and Ministerial Plans 2024. The Delivery Plans 2024 are due to follow early next year. These components together make up the Government Programme, a fresh approach which commenced with the new Government term in 2022.

The Corporate Services Scrutiny Panel (hereafter 'the Panel') launched its review of the Government Plan on 4th October 2023. The Panel's focus has been, in the main, on reviewing the Proposition where relevant to the Panel's remit in respect of the responsibilities for the Chief Minister and Minister for Treasury and Resources. However, consideration has also been given to any overarching themes as appropriately identified during the review process.

The review considered the Government Programme design, income and expenditure (for 2024), Value for Money Programme, funding proposals for Projects and Revenue Growth Allocations (under the Panel's remit) as well as States borrowing, investments and Funds. Moreover, due regard has also been given to the requirements of the Public Finances (Jersey) Law 2019 and the Draft Finance (2024 Budget) (Jersey) Law 202- which will give effect to the revenue measures proposed within the Government Plan.

Government Programme

One year on from delivering the Government's budget as part of a Government Programme, the Council of Ministers is content that the process is working well. The Panel observed that measures were being taken to improve the core outcome indicators of the Performance Framework, alongside providing support to departments to improve service performance measures. It is anticipated that collectively these improvements will deliver more focus when designing future Government Plans.

The Panel has observed that through the Revenue Growth Allocation – Statistics Jersey – Administrative Data Linkage Team, it is anticipated that statistics to determine duration-related data for low-income individuals and households may be possible. This would action a recommendation made by the Panel when reviewing the previous Government Plan and would provide a means to assess progress related to poverty in Jersey.

The Panel has identified that, although steps have been taken to improve the accessibility of the Government Plan, by providing a summary document – Government Plan in Brief, this measure was not appropriately promoted by the Government and has therefore not delivered on its aim to improve accessibility of the Government Plan to the public. The Panel was disappointed to observe that, although work had been undertaken to develop a child-friendly version of the Government Plan, it was not published at the time of presenting this report. Neither had the Government reached out to the Jersey Youth Parliament to engage with its members on the Government Plan or to hear its members' views on the proposals. As a result, the Panel has **recommended** that for future Government Plans, the Government must engage with Jersey's Youth Parliament in their capacity as a link between Jersey's young people and the Government on the Government Plan process and its purpose. Moreover, the Panel has **recommended** that the child-friendly version of the Government Plan must be published alongside the Government Plan and that appropriate measures must be taken to communicate and promote it to children and young people.

The Panel notes that some design improvements have been made in this Government Plan, including through the addition of a ministerial mapping table within the Financial Annex, which is intended to better align head of expenditures to ministers and strengthen ministerial lines of accountability. However, further improvements could be made by including narrative of ongoing expenditure and business-as-usual workstreams in the Government Plan and Delivery Plans. The Panel was disappointed to observe that the 2023 funding figures were not displayed against each item in all the tables within the Government Plan and highlights that this diminishes transparency and makes comparing budgets across the years for the Government term challenging. The Panel has therefore **recommended** that for all future Government Plans, all tables must include the figures of the preceding year to improve budget comparison, transparency and accountability. Also, that consideration be given to how narrative for ongoing expenditure and business-as-usual workstreams can be demonstrated within the Government Plan and Delivery Plans to provide further clarity.

The Panel was pleased to observe the presentation of the Minister for Treasury and Resource's report for the first Classification of Functions of Government (COFOG) on 21st November 2023, as this was highlighted in the Panel's previous review and delivers on the previous States Assembly's adoption of P.94/2029 – States' Expenditure Classification in Accordance with International Best Practice. Following best practice standards, this intends to improve transparency of resource allocation trends and Government expenditure to provide enhanced financial transparency and accountability.

Moreover, that the Minister for Children and Education presented report 174/2023 – Childs Rights Impact Assessments – Proposed Government Plan 2024-2027 to address the areas identified within the Government Plan for which a CRIA should be completed. The Panel emphasises the necessity for further commitment by the Council of Ministers and the States Assembly in this area to encourage the progressive realisation of children's rights as required by the United Nations Convention on the Rights of the Child and has therefore **recommended** that the Council of Ministers considers how CRIAs can be completed on the proposals for future Government Plans.

Financial Strategy – Income and Expenditure

When considering Jersey's economic and fiscal strategy, the Panel has observed that the outlook for global growth over the next few years has weakened with the ongoing geopolitical tensions creating risk and uncertainty. In addition, global inflation is declining more slowly than previously expected and rising interest rates have subdued global growth but have had a positive result on profits and growth for Jersey's banks. The elevated inflation is an ongoing risk for Jersey and is particularly affecting the most disadvantaged in our society. Furthermore, low productivity growth and an ageing population continues to place pressure on Jersey's fiscal position and the high cost of housing continues to inhibit economic growth and productivity and is also contributing to the challenges for recruiting and retaining workers in Jersey. The Panel has **recommended** that due regard be given to the sufficient provision of targeted support to Islanders significantly affected by the continuing cost-of-living crisis, with particular focus on the most disadvantaged of our society.

The Panel has identified — on the basis of the Government's current spending commitments and forecast tax revenues — that there will be a primary budget deficit in 2024 and 2025. It is highlighted that the Reserves (Stabilisation Fund and the Strategic Reserve Fund) are not at sufficient levels, despite the current and recent past strength of the Government revenues as noted by the Fiscal Policy Panel (FPP). Although, the Social Security Fund appears to be in a good position, the Long-term Care Funds are likely to be exhausted by 2040.

As significant uncertainty remains in relation to the increasing levels of inflation, the Panel has observed that the Government has allocated an additional £70 million for 2024 to address the inflationary pressures.

The Panel has found that the Covid-19 debt has been repaid in 2022, however, the financial and resourcing implications remain unclear in respect of the major emergency incidents that have occurred in Jersey in the past 11 months. It was the view of the FPP that any unspent balances as a result of repaying the Covid-19 debt early should be allocated to the Stabilisation Fund at the year end. However, the Panel has observed that a decision on how the unspent funds will be used will need to be considered in reflection of the forecast spend for the emergency incidents. Notwithstanding this, the Panel has **recommended** that consideration should be given to how unspent balances can be allocated to the Stabilisation Fund to replenish its much-depleted balance.

The Panel has observed that the proposals for new budget measures to support enterprise and innovation appear to be positively received by the financial services industry. Notwithstanding this support, the Panel has **recommended** that enhanced procedures are put in place to ensure that the existence of potential conflicts of interest and the mitigation actions taken are recorded. In addition, that proper monitoring and reporting for this pilot programme is undertaken. Concern has been raised regarding the proposals to increase alcohol duties under the current economic conditions in respect of the potential effect on the hospitality industry.

The Panel found that appraisals, in the main, are not undertaken on the budget measures including for the allowances thresholds implemented in the previous year to identify their outcome in that year or to inform the budget proposals to take forward in the subsequent Government Plan. This is concerning, so the Panel has **recommended** that modelling exercises to identify the outcomes of the revenue raising measures on businesses, the economy, Islanders and Island life should be undertaken by the Treasury and Exchequer ahead of delivering all future budget measure proposals. The Panel has also **recommended** the need for early stakeholder engagement on the proposals to appropriately inform them prior to the lodging of future Government Plans. Particularly, as concern has been raised regarding the considerations of future tax measures including the charges for liquid waste and their potential affect, should these not be appropriately informed.

Value for Money Programme

Last year, the previous Government Plan proposed a new Value for Money (VFM) Programme, aimed at delivering savings across Government departments. The Panel evaluated the proposed VFM Programme in the previous and this Government Plan considering, how the estimated savings are evidenced, the effect thereof, and how the Government proposes to deliver, monitor, and govern the Programme. The Panel identified that, similarly to the previous, this Government Plan also includes speculative savings amounts for 2025 and 2026 without any information on how these will be achieved. Considering that the Panel was neither satisfied with how its previous recommendations were addressed in 2023, nor within this Government Plan, the Panel has lodged an **Amendment**[1] to address its concerns. The Panel has also **recommended** that all future Government Plans must distinguish the specific areas and projects to which VFM savings are attached, include reporting on all VFM savings which were made during the duration of the Government Plan

[1] CSSP Amendment 12 – Government Plan 2024-27

and identify and provide full details of the monitoring process that has been undertaken on the VFM Programme during the duration of the previous Government Plan.

Projects and Revenue Growth Allocation

When undertaking high-level analysis of the Capital Projects and New 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, tangible benefits to Islanders and Island life and any effect on departmental budgets and resources. This year, the Panel received the business cases for the Revenue Growth Allocation items in confidence prior to the lodging of the Government Plan. However, found that very limited detail of the proposals was provided within the Government Plan which effects the transparency of the Revenue Growth Allocations for 2024. As such, the Panel has **recommended** that 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.

The Panel observed that resourcing pressures continue across the Government departments and give rise to a level of uncertainty in the delivery of projects within the specified timeframes and the agreed funds. The Panel notes that these pressures are further exacerbated by the continuing cost-of-living and high inflationary pressures which require increased pay costs to recruit and retain the skills and expertise required within a competitive labour market.

Balance Sheets and States Funds

The Panel found that short term debt has been repaid as recommended by the FPP and that the debt for the New Healthcare Facilities project will be a long-term debt. The FPP highlights that although it is anticipated that the project will not cost more than £710 million, the funding strategy is due to be developed in 2024 and is not accounted for in the forecast for Jersey's debt-to-GDP ratio.

During its review the Panel focused its consideration on the Consolidation Fund, Stabilisation Fund and the Strategic Reserve Fund, in the main. The Panel identified that the FPP continues to raise concern regarding the depleted levels of the Stabilisation Fund and the Strategic Reserve Fund. The FPP also highlights its disappointment that a stronger commitment was not taken by the Government to replenish the Reserves during the current recent strength of the Government's revenues. The Panel notes that this Government Plan seeks approval for up to £25 million in 2024 to be transferred to the Stabilisation Fund, subject to the availability of funds. However, it does not commit to any transfers. In light of the above the Panel has **recommended** that the Council of Ministers must strengthen its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve Fund to rebuild the Funds to appropriate levels. Moreover, that a shorter term, renewed policy action plan must be developed to replenish the Stabilisation Fund and Strategic Reserve Fund and this must be addressed within the next Government Plan. In addition, all Prior Year Basis receipts must be ringfenced and transferred to the Strategic Reserve as they arise.

The Panel's review has resulted in one **Amendment**, which can be viewed in Appendix 2 of this report, **45 Findings** and **25 Recommendations**. 11 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: The view of the Council of Ministers is that the new Government Programme model for presenting the Government's budget is working well, however, focus is now being placed on how to improve the refinement of ministerial priorities to ensure their effective delivery.

KEY FINDING 2: The summary document – Government Plan in Brief – provided alongside the Government Plan sets out the themes and their deliverables to provide a more helpful, easy to follow and digest summary of the Government's aims and actions for delivery through the Government Plan.

KEY FINDING 3: The utilisation of the Performance Framework in the creation of the Government Plan was unchanged from how it was used to develop the previous Government Plan. However, further work is being undertaken to refine and improve the core outcome measures and indicators of the Framework. Alongside work to support departments to improve service performance measures, it is anticipated that collectively these improvements will deliver more focus and precision when designing future Government Plans.

KEY FINDING 4: Through the Revenue Growth Allocation – *Statistics Jersey – Administrative Data Linkage Team* - it may be possible to produce statistics on the patterns to determine duration related data for individual and household low income including by sex, ethnicity and/or nationality. This could be used for assessing progress related to poverty in Jersey.

KEY FINDING 5 A ministerial mapping table is included within the Financial Annex to the Government Plan to better align head of expenditures to ministers and to strengthen ministerial lines of accountability. However, narrative for ongoing expenditure and business-as-usual workstreams is not available in the Government Plan.

KEY FINDING 6: The 2023 funding figures are not displayed against each item in the tables within the Government Plan. This diminishes transparency and makes it challenging to compare budgets across the years for the Government term.

KEY FINDING 7: The rationale for presenting the Delivery Plans subsequent to the debate and approval of the Government Plan is an operational decision. It is the view of the Council of Ministers that proceeding in this way is the most respectful of the democratic process.

KEY FINDING 8: The annual progress reports are provided in confidence to each Scrutiny Panel in December of each year. These reports are not provided in the public domain. The provision of these in December provides no benefit to the Scrutiny process for the Government Plan which in undertaken prior to December each year.

KEY FINDING 9: Although progress has been made to enhance the accessibility of the Government Plan through the production of the summary document – Government Plan in Brief - and work is being undertaken to develop a child-friendly version (not published at the time of presenting this report), the Government Plan remains inaccessible to members of the public, including children and young people. The Government has not successfully communicated and promoted the Government Plan, therefore, any progress made through the production of the summary document, has not achieved its intended aim to improve accessibility.

KEY FINDING 10: Timely engagement with Jersey's youths to inform them of the Government Plan process and to provide an opportunity to hear their views did not occur.

KEY FINDING 11: The term Government Plan and its purpose is not widely understood by the public. The term Government Budget appears to be a more familiar and recognisable term.

KEY FINDING 12: The Minister for Treasury and Resources presented the first Classification of Functions of Government (COFOG) report on 21st November 2023, covering the spending in 2021 and 2022. This highlights resource allocation trends and Government expenditure to provide enhanced financial transparency and accountability. This delivers on the previous States Assembly's adoption of P.94/2029 – States' Expenditure Classification in Accordance with International Best Practice.

KEY FINDING 13: The statutory factual requirements of the Government Plan in respect of the Public Finances (Jersey) Law 2019 appear to be appropriately included. Narrative is included on pages 17-23 of the Government Plan to articulate the Government's approach to sustainable wellbeing, which is an improvement on how this information was delivered in the previous Government Plan. The information provided this year aims to demonstrate a broader perspective of how sustainable wellbeing cascades through the Government Plan.

KEY FINDING 14: The Minister for Children and Education has presented report 174/2023 – Childs Rights Impact Assessments – Proposed Government Plan 2024-2027. The report addresses the areas identified within the Government Plan for which a CRIA should be completed. The Minister emphasises her commitment to the progressive realisation of children's rights as required by the United Nations Convention on the Rights of the Child.

KEY FINDING 15: The outlook for global growth over the next few years has weakened slightly with ongoing geopolitical tensions creating risk and uncertainty. Global inflation is declining more slowly than previously expected and rising interest rates have subdued global growth but have had a positive effect on profits and growth for Jersey's banks. Elevated inflation is an ongoing risk for Jersey. Low productivity growth and an ageing population (looking to be addressed by the Future Economy Programme) will continue to place pressure on Jersey's fiscal position. High cost of housing continues to inhibit economic growth and productivity and is contributing to the challenges for recruiting and retaining workers in Jersey.

KEY FINDING 16: On the basis of the Government's current spending commitments and forecast tax revenues, there will be a primary budget deficit in 2024 and 2025. Jersey's net asset position as a percentage of Gross Value Added (GVA) has declined since the previous Government Plan and is expected to fall further by 2027. The Reserves (Stabilisation Fund and the Strategic Reserve Fund) are not at sufficient levels despite the current and recent past strength of the Government revenues. The Social Security Fund appears to be in a good position. However, the Long-term Care Funds are likely to be exhausted by 2040.

KEY FINDING 17: Global and United Kingdom inflationary pressures continue to affect the Jersey economy and are particularly impacting the most disadvantaged in society. This is a principal risk that the Government is aware of, thus ensuring that it remains on the Corporate Risk Register.

KEY FINDING 18: Significant uncertainty remains in relation to the increasing levels of inflation. In contrast to what was reflected in the previous Government Plan, the Government now expects higher levels of inflation to persist for longer which will result in additional improvement in forecasts for Government income, however, will also place pressures on Government expenditure and Islanders' finances. It appears that due regard has been given to the potential risk of prolonged high inflation and the impact thereof on Government, through the additional £70 million allocated to address inflationary pressures during 2024.

KEY FINDING 19: The Covid-19 debt was repaid in 2022 and the Fiscal Policy Panel has recommended that any unspent balances could be allocated to the Stabilisation Fund at the year end. There is estimated to be an £18 million underspend and considerations for how this underspend will be used will take place at the end of the year. Further, no funding allocation has been made in the Revenue Heads of Expenditure for 2024 for Covid-19 Response and Recovery. However, the forecast for emergency incidents-including operation Spire and Nectar - is forecast to exceed £16 million, which will need to be considered when reallocating any Covid-19 unspent balances.

KEY FINDING 20: The financial and resourcing implications remain unclear in respect of the major emergency incidents that have occurred in Jersey in the past 11 months.

KEY FINDING 21: Jersey's current economic position is impacting the most disadvantaged of our society.

KEY FINDING 22: The decision taken by the Council of Ministers to not halt the phased removal of mortgage interest tax relief to provide targeted support to Islanders was resultant of the view that mortgage tax relief fosters inflation in the housing market and runs contrary to equitable treatment of the tax system between homeowners and those renting homes.

KEY FINDING 23: Although Inflation has peaked and is forecast to fall steadily, higher prices are affecting households who face an elevated cost of living. With many mortgage holders protected by fixed rates the full effect of the interest rate rises has not been felt yet but will materialise as these fixed deals come to an end.

KEY FINDING 24: The Treasury and Exchequer department will undertake a formal policy evaluation of the rent-a-room tax relief in 2024, however, it requires data to be gathered which is not currently taking place.

KEY FINDING 25: Appraisals, in the main, are not undertaken on the budget measures. This includes how allowance thresholds are implemented in the previous year to identify their impact in that year or to inform the budget proposals to take forward in the subsequent Government Plan.

KEY FINDING 26: Significant concerns have been highlighted by the hospitality industry regarding the impact of the alcohol duties proposals on the industry. Particularly as the industry is expecting further significant cost increases in 2024 as a result of utility price increases, wage increases and increasing costs to recruit and retain staff.

KEY FINDING 27: It is the view of health professionals that increasing the cost of alcohol and tobacco products will help to advance the public health goals in reducing their consumption. Therefore, fiscal measures are being used to advance public health outcomes.

KEY FINDING 28: There appears to be stakeholder support for the proposal to include hybrid and electric vehicles that emit emissions within the Vehicle Emissions Duties framework.

KEY FINDING 29: The causal relationship between the rising Vehicle Emissions Duties and the electric car shift is complicated by price and income factors. However, there appears to be an overwhelming shift toward smaller engine sizes and more fuel-efficient vehicles registered in Jersey.

KEY FINDING 30: Stakeholder engagement by Government was undertaken on the Regulatory Technology proposal. The adoption of Regulatory Technology is a priority for the financial services industry, however, several barriers to adoption exist (including cost). The industry is supportive of initiatives that seek to remove the barriers to adoption to support efforts in maintaining compliance, reducing and mitigating risk and improving operational efficiency.

KEY FINDING 31: Some modelling has been undertaken to inform the Income Forecasting Group in identifying the stamp duty forecasts within the Government Plan. However, the forecasts for stamp duty are suppressed currently and the major changes being proposed for 2024 are for first-time buyers. The stamp duty review is very delayed. It will now include consideration for the wider Housing Strategy to identify any fiscal levers which could assist in achieving the aims of that strategy.

KEY FINDING 32: The review process to identify the taxation levels and changes for High Value Residents is not sufficiently evidenced and fails to convincingly substantiate the proposals. Neither does it measure the impact of the proposals, in particular their impact on the property markets and property price distortion, which remains unclear.

KEY FINDING 33: The hospitality industry is concerned about the potential significant impact of any future liquid waste charges on the industry, should the proposals not be appropriately modelled and evidenced, with regard to their impact on the economy and businesses.

KEY FINDING 34: A continued focus of the States Employment Board (SEB) will be strategic workforce planning, which will consider how any headcount implications of growth should be managed to reduce the impact on the wider labour market and to rationalise the number of funded posts that continue to remain vacant.

KEY FINDING 35: The use of any unspent reserve budgets at the end of 2023 will likely be allocated to cover the overspends within the department for Health and Community Services of up to £29 million.

KEY FINDING 36: As part of the Value for Money Programme, the Government Plan includes speculative savings amounts for 2025 and 2026 without any information on how these will be achieved, which directly contradicts the recommendations made by the Fiscal Policy Panel. The Panel has lodged an amendment to remedy this in future Government Plans.

KEY FINDING 37: Although the business cases were provided to Scrutiny in confidence for the Revenue Growth Allocations, very limited detail on these is provided within the Government Plan.

KEY FINDING 38: The Records Transformation Programme (formally known as Electronic Document Management Solution) is in the early stages of procurement, and whilst the estimated funds should be sufficient to complete the programme, the overall funding for the project was set prior to recent increases in inflation and so the programme is managing a risk that funding may be insufficient and determining mitigating actions. Furthermore, a risk of delay has been identified for this Programme, should the procurement process take longer than anticipated.

KEY FINDING 39: The detailed planning for Replacement Assets and Minor Capital for the Cabinet Office will commence in January 2024 as the budget is tight and prioritisation will need to take place.

KEY FINDING 40: Given that the renewal dates for the insurance premiums for 2024 are after the Government Plan approval there is a risk that adverse changes in market conditions may further affect the insurance premiums. It is highlighted that those currently unknown risks are difficult to quantify at this time. It is expected that insurance premiums will continue to have pressure applied to them during 2024.

KEY FINDING 41: Staffing and resourcing challenges across Government departments give rise to a level of uncertainty in the delivery of projects and programmes within the specified timeframes and within the agreed funds. These pressures are further exacerbated by the continuing cost-of-living and high inflationary pressures which require increased pay costs to recruit and retain the skills and expertise required also in a competitive labour market.

KEY FINDING 42: Short term debt has been repaid, as recommended by the Fiscal Policy Panel, and the debt for the New Healthcare Facilities project will be classified as a long-term debt. The FPP highlights that although it is anticipated that the project will not cost more than £710 million, the funding strategy is due to be developed in 2024 and is not accounted for in the forecast for Jersey's debt-to-GDP ratio.

KEY FINDING 43: The Government is undertaking work to ensure Funds' objectives are clear and that policies are adjusted in line with the objectives.

KEY FINDING 44: The Stabilisation Fund and Strategic Reserve are depleted and require urgent replenishing. The Government has not observed the recommendations made by the Fiscal Policy Panel in the 2021 and 2022 Annual Reports to build reserves through transfers to the Stabilisation Fund and Strategic Reserve. The Fiscal Policy Panel has emphasised its disappointment that a stronger commitment was not taken to replenish the reserves during the current recent strength of the Government's revenues. Although the Government Plan seeks approval for up to £25 million in 2024 to be transferred to the Stabilisation Fund, subject to the availability of funds, it does not commit to any transfers. The FPP strongly recommends that this commitment is strengthened and incorporated into the Government Plan.

KEY FINDING 45: The transfer from the Technology Accelerator Fund into the Consolidated Fund to fund investment in the Government's Digital Services Platform may not be stipulated within the Terms of Reference of the Fund. However, it would be permissible for the States Assembly to decide to transfer money between the Funds, regardless of the Fund's Terms, as Public Finances Law provides that power to the States Assembly.

Recommendations

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.

1 Introduction

Context

The Proposed Government Plan 2024-27 [P.72/2023] (Government Plan) was lodged on 19th September 2023 for earliest debate on 12th December 2023. The Financial Annex to the Government Plan 2024-27 [R.141/2023] was presented simultaneously (as recommended (3) by the Panel the previous year). As part of the Government Programme for 2024, the Council of Ministers also presented the Ministerial Plans 2024 [R143/2023] and it is anticipated that the Delivery Plans 2024 will be presented early next year.

The preceding Government Plan 2023-2026 (previous Government Plan) explained that the:

- Common Strategic Policy sets out the seven interlinked priorities for change.
- Government Plan sets out the funding position for Government.
- Ministerial Plans provide a clear focus for action and aid the in holding Ministers to account for their delivery.
- Delivery Plans support the above

The Common Strategic Policy was approved by the States Assembly on 23rd November 2022, this policy continues to demonstrate the Council of Ministers' shared priorities for its four-year Government term, which commenced last year.

This year's Government Plan follows the same format as the previous for 2023-26 and details the following:

- 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 Government Plan and shown in Appendix 2 of the Government Plan, in accordance with the Public Finances (Jersey) Law 2019, seeks approval by the States Assembly each year. When considering the Proposition to the Government Plan, in addition to those elements that were included in the Proposition to the preceding Government Plan 2023-26 [P.97/2022] (comprising the appropriations from the Consolidated Fund, the movement between other Funds and reserves, parameters around income, expenditure estimates, budgets and borrowing), three further parts are included for 2024 for approval by the States Assembly. The additional parts (b, d, f) are as follows:

(b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of 'user pays' charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste.

(d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article.

(f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as of 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024.

The Public Finances (Jersey) Law 2019

When considering the Government Plan, it is important to note the statutory requirements of the Public Finances (Jersey) Law 2019[2] in the context of the content of the Government Plan.

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[3] of the Government Plan.

The requirements are predominantly factual. However, more judgmental requirements of Article 9 of the Law require that:

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

The Draft Finance (2024 Budget) (Jersey) Law 202-

The Draft Finance (2024 Budget) (Jersey) Law 202-[4] (lodged on 31st October 2023 for debate alongside the Government Plan on 12th December 2023) will give effect to the revenue measures[5] proposed within the Government Plan and will also provide for administrative and technical amendments in respect of the Government Plan, as set out in Appendix 4[6] of the Government Plan. Therefore, any amendments to the revenue measures outlined in the Government Plan would require the appropriate amendments to be made within the Draft Finance (2024 Budget) (Jersey) Law 202- .

Review Methodology

The Panel's review focus has been, in the main, on reviewing the Proposition[7] where relevant to the Panel's remit in respect of the initiatives 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.

[2] Public Finances (Jersey) Law 2019
[3] P.72/2023 – Government Plan 2024-27 – Pg 109
[4] Draft Finance (2024 Budget) (Jersey) Law 202-
[5] P.72/2023 - Government Plan 2023-26 - Pg 104
[6] P.72/2023 - Government Plan 2023-26 – Pg 112
[7] P.72/2023 – Pg 2

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

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

The main Funds allocated under the Panel's remit for consideration are as follows:

- Consolidated Fund
- Strategic Reserve Fund
- 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, and these can be viewed here. Private meetings were also held with stakeholders.

The Panel held a pop-up stand in St Helier and a meeting with the Jersey Youth Parliament to engage with members of the public and young people.

Public Hearings were held with the Chief Minister and the Minister for Treasury and Resources in November 2023. The transcripts for these 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 2022 and 2023 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 Government Programme Design and any changes and impacts on the preceding Government Plan for 2023. With the focus on:

- Common Strategic Policy, Performance Framework Indicators, Ministerial Plans (priorities) Government Plan and Delivery Plans
- Consideration for alignment and ministerial mapping, transparency, clarity, accessibility, communication and engagement

- Reflection on changes, progress monitoring and evaluation of impact

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

- Economic and Fiscal Context
- General Revenue Income
- Income Forecasts
- Public Sector Spending
- Public Sector Staffing and Headcount
- Impact of Inflation
- Impact of Covid-19 Pandemic
- Impact of Emergency Incidents

Chapter 4 of this report provides high-level analysis and commentary on the Value for Money Programme to deliver departmental efficiencies. With a focus on:

- Value for Money Programme in 2023 progress
- Thematic and Best Value Reviews for 2023 and 2024
- Delivery, monitoring and recording of value for money savings
- Governance of Value for Money Programme

Chapter 5 of this report provides high-level analysis and commentary on the projects and programmes as appropriate for 2023 and 2024, specific to the remit of the Panel. It highlights any identified concerns and considers:

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

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

All chapters draw from evidence received from the public hearings, responses to written questions and submissions from key stakeholders, members of the public and children and young people. The Panel's report is also informed by the reports published by the Fiscal Policy Panel and Income Forecasting Group, which advise the Minister for Treasury and Resources and States Members.

2 Government Programme

Design

As part of the Panel's review of the Government Plan it sought to establish any design advancements made on the previous Government Plan[8]. Since the previous year was the first time that the Government presented a Government Plan as one component of a Government Programme (the 'umbrella term'), the Panel made several recommendations[9] at that time for improving the Council of Ministers' (COMs) 'fresh approach' for presenting the Government's budget. The Panel concluded from its review of the previous Government Plan, that further enhancements could be made, such as, amongst others, the provision of:

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

By delivering these design enhancements it was the Panel's view that transparency and accountability of the Government Programme would be improved. Therefore, the Panel made recommendations which encompassed these elements in order to initiate the changes within future Government Plans.

The Panel notes that this year, the Financial Annex to the Government Plan was presented in tandem with the Government Plan and Ministerial Plans as recommended by the Panel the previous year. This was a notable improvement on the previous year.

Alignment

In particular, recommendations (see appendix 3 of this report) were made that addressed considerations for improving the alignment of the multiple components, which make up the Government Programme. Moreover, the Panel recommended (1) that an evident link should run through the components of the Government Programme to effectively demonstrate how the components: Common Strategic Policy, Ministerial Plans, Government Plan, Delivery Plans align. Furthermore, how the Jersey Performance Framework is used in the creation of the Government Programme.

Through accomplishing these improvements, the Panel envisaged that the Ministerial workstreams and policy initiatives laid out in the Ministerial Plans and appearing as funding proposals in the Government Plan would demonstrate improved alignment.

Considering that the recommendations detailing design considerations were accepted within the joint Ministerial Response from the Chief Minister and Minister for Treasury and Resources (Ministerial Response) to the Panel's report (S.R20/2022) for the previous review of the Government Plan, the Panel sought to understand what changes were made to this year's Government Programme and its components in actioning these recommendations. The Panel

[8] P.97/2022 - Government Plan 2023-26
[9] S.R.20/2022 – MR - Recommendations: 1, 2, 5

raised this with the Chief Minister during a public hearing[10] and also sought to understand whether the Chief Minister was content with the implementation and outcomes of the Government Programme model, a year on from its establishment.

Deputy S.Y. Mézec:

> *… I wanted to ask about the government programme itself and its constituent parts; the Government Plan, the Ministerial Plan and delivery plans, which is different to what the previous Government did. Could you give us your assessment on the effectiveness of doing it that way, now that you have had one year with a government programme and are now in the stage of proposing the second part? Has that been as effective as you hoped it would? Are there any, perhaps, changes to that model of doing it that you might consider?*

The Chief Minister:

> *… Our focus is on encouraging consistency, resilience and maintaining a steady course with our public finances. The Government Plan is linked to individual Ministerial Plans, which I will go on to address shortly. They have each been developed to outline specific objectives and priorities for 2024. Of course, the purpose of that is to ensure that we provide a level of transparency and clarity for both yourselves and the public with which to hold ourselves to account on the delivery of those policies and priorities against their objectives. Our Ministerial Plans execute the broader vision of the Government Plan, which is to deliver tangible improvements to the lives of Islanders, and to create a community where families and everyone can thrive.*

Deputy S.Y. Mézec:

> *Is that model of doing it as a government programme with its constituent parts working to your satisfaction, as you might have hoped it would when you deviated from the previous Government's model, which did not have the Ministerial Plans and delivery plans presented in this way? Is that working, and is there anything you might consider tweaking to improve it in future?*

The Chief Minister:

> *I think it is working relatively well. Everything always needs tweaking as we progress, and I think, particularly now we are working with our interim chief executive, honing some of those priorities and really focusing so that we can ensure delivery of those is something that we are particularly focused upon.*

KEY FINDING 1: The view of the Council of Ministers is that the new Government Programme model for presenting the Government's budget is working well, however, focus is now being placed on how to improve the refinement of ministerial priorities to ensure their effective delivery.

The Panel continued to ask what was done differently in the creation of this Government Programme and its components to tie them together in a way that improves clarity and comprehension, in particular, regarding the connection between the Government Plan and Common Strategic Policy priorities. The Chief Minister noted that the summary document provided alongside the Government Plan this year, sets out the themes and deliverables against each of them. It was her view that the document provides a more helpful, easy to

[10] Transcript – Chief Minister – 15th Nov 2023 – Pg. 2-4

follow and digest summary of what the Government is aiming to action and deliver through the Government Plan. [11]

KEY FINDING 2: The summary document – Government Plan in Brief – provided alongside the Government Plan sets out the themes and their deliverables to provide a more helpful, easy to follow and digest summary of the Government's aims and actions for delivery through the Government Plan.

In respect of how the Jersey Performance Framework was utilised in the creation of this Government Plan in comparison to the previous, the Panel heard that the utilisation was very similar, however that its use has become more sophisticated and more informative as the Framework has continued to mature. It was further explained that Statistics Jersey[12] was undertaking work to refine and improve the core outcome measures and indicators of the Framework. In addition, it was undertaking work to support departments to improve service performance measures. It was the view of the Assistant Chief Executive Officer that collectively that work should deliver more focus and precision when designing future Government Plans.[13]

KEY FINDING 3: The utilisation of the Performance Framework in the creation of the Government Plan was unchanged from how it was used to develop the previous Government Plan. However, further work is being undertaken to refine and improve the core outcome measures and indicators of the Framework. Alongside work to support departments to improve service performance measures, it is anticipated that collectively these improvements will deliver more focus and precision when designing future Government Plans.

In a submission[14] received from Statistics Jersey, it was noted that during 2023 it has reviewed the Island Outcome Indicators with a view to making them more relevant and meaningful, and to also present the indicators in a way that it is possible to get a clear overview of progress. It was further explained that Statistics Jersey's initial proposal sought to reduce the number of indicators and also to change the presentation of the Island Outcome Indicators so that it is easier to get an overview of progress on the sustainable wellbeing indicators. It was noted that the proposed new format for the Island Outcome Indicators[15] is still under development.

Statistics Jersey[16] also explains--in response to the Panel's previous recommendation (2) on gathering data on low income and its duration to assess progress of the Housing and Cost of Living priority--that although it has not been possible to produce the required statistics during 2023, the request for funding within the Government Plan for admin data linkage work by Statistics Jersey[17] would include a research project on low-income statistics from administrative data held by government.

It was noted that such data linkage has the potential to enable annual estimates of low income based on administrative data already held by Government. In addition, Community and Local Services data could enable Statistics Jersey to produce statistics on the patterns to determine duration related data. Furthermore, Revenue Jersey data, linked to other data, could provide statistics on those in low income by age, sex and ethnicity and/or nationality. It was further explained that it may be possible when producing statistics on duration in low income, to

[11] Transcript – Chief Minister – 15th Nov 2023 – Pg. 4
[12] Submission – Statistics Jersey
[13] Transcript – Chief Minister – 15th Nov 2023 – Pg. 4
[14] Submission – statistics Jersey
[15] Island Outcome Indicators – New Format
[16] Submission – Statistics Jersey
[17] Government Plan Annex 2024-27 – Pg 16

determine whether cohorts of people cycle in and out of low income, subject to obtaining the data and researching its quality. Data on individuals in low-income should be possible from administrative data. However, it was noted that it would be more challenging to produce household level low-income data as this will require reliable formation of households based on administrative data. However, this is also a subject of research to be funded by this request.

KEY FINDING 4: Through the Revenue Growth Allocation – Statistics Jersey – Administrative Data Linkage Team - it may be possible to produce statistics on the patterns to determine duration related data for individual and household low income including by sex, ethnicity and/or nationality. This could be used for assessing progress related to poverty in Jersey.

Transparency and Accountability

Budget mapping

The Panel notes that early efforts were made last year to improve ministerial accountability in the previous Government Plan through changes to the proposed revenue heads of expenditure to align departmental budgets to ministerial remits, as required by P.52/2022 – Ministerial Priorities[18] and in accordance with the Council of Ministers' 100 Day Plan. However, clear ministerial mapping was absent within the previous Government Plan. To improve clarity, transparency and accountability for departmental budgets, it was the Panel's view that clearly mapping budgets to Ministers and their departments would better achieve this.

The Panel notes that, this year, the inclusion of the Ministerial Mapping - Table 4 in the Financial Annex[19] is an advancement on the previous year. However, although Table 4 was included within the Financial Annex to better align revenue heads of expenditure to Ministers and to strengthen ministerial lines of accountability, the Panel remains concerned that further clarity for ongoing expenditure is needed.

KEY FINDING 5: A ministerial mapping table is included within the Financial Annex to the Government Plan to better align head of expenditures to ministers and to strengthen ministerial lines of accountability. However, narrative for ongoing expenditure and business-as-usual workstreams is not available in the Government Plan.

Budget comparison

Therefore, during a hearing with the Chief Minister, the Panel questioned[20] whether changes were made to improve clarity of how ongoing expenditure and business-as-usual projects are demonstrated in this Government Plan in contrast to the previous, for easier identification and comparison of the changes in expenditure over the years. Ultimately, the Panel sought to understand what improvements had been made in this Government Plan to progress the transparency in relation to annual budget comparisons to clearly see how public money is spent in delivering public services over time.

The Panel notes, however, that the Chief Minister acknowledged, regrettably, that the inclusion of the 2023 expenditure line was excluded from this Government Plan, which makes comparing expenditure across years difficult.

The Chief Minister:

[18] P.52/2022 – Ministerial Priorities
[19] R.141/2023- Financial Annex 2024-27
[20] Transcript – Chief Minister – 15th Nov 2023 – Pg. 5

I have to admit that here, this is something that we have raised recently. What would be most helpful in this situation would be to provide the 2023 figures against each item in the tables, and that is something that we have not been able to achieve this year.

Deputy S.Y. Mézec:

Was that a conscious decision not to do that?

The Chief Minister:

No, I do not think it was a conscious decision not to do that, but it is something that we would certainly like to be able to do next year.

Assistant Chief Minister:

We would certainly expect to see the 2023 figures feature far more frequently so you can compare like for like. Only on Monday we were having that discussion, looking at forecasts for the end of this year, for example, and wanting to see how it compared to last year.

KEY FINDING 6: The 2023 funding figures are not displayed against each item in the tables within the Government Plan. This diminishes transparency and makes it challenging to compare budgets across the years for the Government term.

RECOMMENDATION 1: 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.

The Panel recalls in the Ministerial Response following its review of the previous Government Plan that its recommendation (8) was accepted, and it was commented that:

It is vital that Government can transparently show how taxpayers' money is spent, both delivering services and projects. This is delivered through the suite of Ministerial Plans, Delivery Plans, the Government Plan and the Annual Report and Accounts. Government will continue to look to improve these documents. Specifically, Delivery Plans should describe the work of departments, including ongoing Expenditure and BAU projects.[21]

The Panel sought to further understand whether the Delivery Plans for 2024 will include descriptions of the departments' work and their ongoing expenditure and business-as-usual projects for improved transparency and accountability. The following was explained:

Assistant Chief Executive Officer:

It will include a description of those ongoing resources and programmes where they are connected to what is in the Ministerial Plans. Some things in the Ministerial Plans relate to new initiatives or new resources. But a lot of the things in the Ministerial Plan are essentially about using the existing resource to meet Ministerial priorities. The delivery plans directly relate to the Ministerial Plans and use a mixture of existing resources and new resources to take those Ministerial Plans forward.

[21] S.R20/2022 – Ministerial Response

The Panel raised concern last year[22] regarding the process followed for presenting the Delivery Plans in the year that follows the presentation of the Ministerial Plans and the lodging and States' approval of the Government Plan. Particularly it was the Panel's view that further clarity was needed in respect of the budgeting process, and this was not aided by providing the Delivery Plans subsequent to the approval of the Government Plan.

Therefore, this year, the Panel sought to explore this process further[23] to determine whether any consideration was given to altering this process so that the Delivery Plans are presented in tandem with the other components of the Government Programme to achieve a more comprehensive view. The Chief Minister explained that the rationale for proceeding in this way was an operational decision.

Assistant Chief Executive Officer:

> *The reason we do not do that is so as not to run ahead of the Assembly. We are conscious that the plan, as proposed by the Council of Ministers, is a draft plan that is proposed. We have always been mindful of the need to await the democratic decision of the Assembly before then knowing the totality of what needs to be delivered during the following years. We tend to do the delivery plan following the decisions of the Assembly. That seems to us to be the most respectful of the democratic process.*

KEY FINDING 7: The rationale for presenting the Delivery Plans subsequent to the debate and approval of the Government Plan is an operational decision. It is the view of the Council of Ministers that proceeding in this way is the most respectful of the democratic process.

RECOMMENDATION 2: 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.

Mid-year progress reports

The Panel notes that with the commencement of the Government Programme last year, a mid-year progress report was not published as actioned by the previous Government. The Panel recommended (6)[24] last year that consideration should be given to publishing a mid-year progress report prior to the lodging of future Government Plans. Although, this recommendation[25] was rejected, the Panel maintains its view that such a report remains beneficial to inform on any progress made for the delivery of projects within the agreed funding proposals. Particularly, as it was observed when reviewing the previous and this Government Plan, that no progress updates or further detail is provided on any continuing business-as-usual expenditure associated projects within the Government Plan. This makes it difficult to ascertain whether the estimated levels of funding were sufficient to meet the projects' objectives.

There was the view last year that the rationale for not delivering the mid-year progress report at that time was merely a timing issue as it was an election year and the assumption was that for future years a mid-year progress report would be delivered, as explained below:

[22] Submission – PAC – 11 November 2022
[23] Transcript – Chief Minister – 15th Nov 2023 – Pg. 5 -6
[24] S.R.20/2022 – MR - Recommendation: 6
[25] Ministerial Response

Treasurer of the States:

> *The discussion on the mid-year report - we will next year, subject to Ministers agreeing release - was purely one of timing. So June fell between Governments, as it were, and therefore the added value of doing so was felt not to be as great as it would have been in other years; it would land in the middle of either an election or in the middle of a subsequent election for Chief Minister. There was debate around the table as to what the value would be. It was felt that the value was not great during the middle of an election but we can and will be getting back on track with that next year.*[26]

The Panel notes, however, that the Government's view had changed, as in the Ministerial Response received to its review last year, it was commented that the Government would commit to each Minister providing an annual progress report to the relevant Scrutiny Panel in December of each year and that a mid-year progress report would not be produced. The Panel notes that these annual reports are not provided within the public domain.

The Panel's view remains that the provision of a mid-year progress update, prior to the lodging of the Government Plan each year, would be beneficial to the Scrutiny process as the progress report provides further required clarity for informed decisions to be made. In addition, the mid-year progress report provided by the previous Government was published within the public domain, which improved transparency and accountability for the Government Plan process for the delivery of projects within the approved funding allocations.

KEY FINDING 8: The annual progress reports are provided in confidence to each Scrutiny Panel in December of each year. These reports are not provided in the public domain. The provision of these in December provides no benefit to the Scrutiny process for the Government Plan which in undertaken prior to December each year.

RECOMMENDATION 3: 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: 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.

Accessibility

Last year, having engaged with members of the public and by reaching out to Jersey's Youth Parliament to hear young people's views, the Panel identified that the Government Plan was inaccessible to members of the public, children and young people. Therefore, in an attempt to improve its accessibility, the Panel recommended (10 & 11)[27] a number of ways to achieve this for future Government Plans, by taking on board the views and suggestions it had received. Proposals included education measures, as well as the production of the

[26] Transcript – Minister for Treasury and Resources
[27] S.R.20/2022 – MR

Government Plan in alternative forms: a summary document, digital release and a child appropriate version.

Equally, this year, the Panel engaged with members of the public through the use of a pop-up stand held at a central supermarket location and met with Jersey's Youth Parliament to offer further insight into its review of the Government Plan and to hear its members' views.

Considering the Panel's recommendations to improve accessibility were accepted, the Panel was hopeful that improvement would be evident. However, similarly to the previous year, it appeared that, this year, the Government Plan continued to be inaccessible to the public and young people.

As such, during the hearing[28] with the Chief Minister, the Panel sought to understand the Government's communication efforts for this Government Plan, how they differed from previous year and the effects thereof.

Deputy S.Y. Mézec:

The next few questions are about the communication of the Government Plan. Again, we had made some recommendations on that, that were accepted as well. How has the communication effort for this plan differed from last year's plan?

The Chief Minister:

I think I outlined the summary document, of course. There is another document that has been created for younger people to make the plan accessible to them, and that is readily available on our website. I think that has been shared with younger people.

The Panel also sought to understand what other actions were taken to improve accessibility and what measures were used to promote the documents that were created to deliver improved accessibility. It was acknowledged that the two main changes were the production of the 'Government Plan in Brief' and a child-friendly version.

Assistant Chief Executive Officer:

I think you are right. I think the 2 main changes have been production of the Government Plan in brief, which was in response to some of your earlier recommendations, and also doing a child friendly version and starting to think more about what we could do to engage young people. I think those have been the 2 main changes from last year.

Considering the evidence obtained by the Panel on the accessibility of the Government Plan from the public and young people and noting the above actions confirmed by the Government, the Panel questioned whether the Government's efforts had worked as intended.

Deputy S.Y. Mézec:

Has it worked?

The Chief Minister:

I guess the proof will be, as we approach the Government Plan, and see whether there is any greater engagement with States Members ahead of it. I can certainly see that

[28] Transcript – Chief Minister – 15th Nov 2023 – Pg. 6-10

you, as a panel, have received, I would say, a considerable number of submissions; very helpful submissions as well. So that is good to see.

The Panel highlights that all the submissions received by the Panel were resultant of Scrutiny reaching out to Stakeholders, the public and young people and not as a result of Government's communications of the Government Plan. This appeared evident when speaking to the Jersey Youth Parliament, in particular, who were not informed by the Government of the Government Plan prior to its lodging.

The Panel also notes that through its engagement with the public it had identified that generally people did not understand the term 'Government Plan'. Instead, the term 'Government Budget' was more familiar. Thus, the Panel asked whether consideration was being given to improve the wider understanding of what the Government Plan is and its purpose.

Deputy S.Y. Mézec:

We have also tried to engage with the public where they are. Both this time and last time we did stalls at a supermarket as people come in and out to speak to people. It is fair to say that a lot of the people we were speaking to did not understand what the term "Government Plan" meant. We then responded with it is basically the Government's Budget, they all went: "Oh, right, okay." It felt to us that the term "Government Plan" and what it meant, to at least the people we spoke to, was not seeming to permeate through to their consciousness. Is there any consideration you are giving to how you can improve the wider public understanding of what the Government Plan is and what its purpose in our democratic system is?

The Chief Minister:

I think that is helpful feedback, and certainly considering changing the name to Government Budget might help people to understand better exactly what is inside the tin, might it not?

The Panel noted at the time of the hearing (15th November 2023) that the child-friendly version was not yet available or published, despite the Panels repeated efforts to obtain it following the lodging of the Government Plan.

Deputy S.Y. Mézec:

You mentioned the young person's Government Plan summary. We have been asking about that for some time now and, as of yet, it does not appear to have been published. Is there any reason why it has taken that long, and why it was not ready to go alongside the rest of it?

Assistant Chief Executive Officer*:*

I think it is now ready to go. Ministers have that for final review and that is due out very shortly.

Deputy S.Y. Mézec:

What was the process in putting that together?

Assistant Chief Executive Officer:

It is the challenge of just trying to make a document that has the right level of accessibility. Trying to do a document which is accessible for a range of different age *groups and a range of different interests requires a lot more thought to get that pitch just at the right level.*

The Chief Minister emphasised that she recognised the importance to engage with young people and noted that a briefing would be held for the Jersey Youth Parliament to provide them with an opportunity to delve into some of the detail of the Government Plan and to raise any questions. The Panel raised concern that this meeting had not yet taken place and emphasised the risk of this engagement happening too late in the process.

Deputy S.Y. Mézec:

In terms of the timing of it, though, what happens if you get devastating feedback at it? What happens if you get a very persuasive argument made by Jersey's young people that says: "You should have done this particular element differently"? It would be too late by then, would it not?

The Chief Minister:

We have still got 2 weeks to make amendments to the Government Plan, have we not, and then, of course, there is the process of amendments to amendments. So there is a bit of time yet.

The Panel highlighted its meeting held with the Jersey Youth Parliament in the previous week and explained that it appeared to the Panel that earlier engagement by the Government with them would have been beneficial. The Panel sought to understand whether this would be considered by the Government going forward.

Deputy S.Y. Mézec:

We met with members of the Jersey Youth Parliament on Monday evening and had an extremely good discussion with them. I got the impression that ... they are a diverse group themselves and have a diversity of opinion there. But I got the impression that an earlier engagement with them would have been of benefit. Is that something you would consider for next time, having something as early as possible with them?

The Chief Minister:

It certainly is.

The Panel emphasised that part of the purpose of establishing the Jersey Youth Parliament was for it to be a communication link for young people to the Government.

KEY FINDING 9: Although progress has been made to enhance the accessibility of the Government Plan through the production of the summary document – Government Plan in Brief - and work is being undertaken to develop a child-friendly version (not published at the time of presenting this report), the Government Plan remains inaccessible to members of the public, including children and young people. The Government has not successfully communicated and promoted the Government Plan, therefore, any progress made through the production of the summary document, has not achieved its intended aim to improve accessibility.

KEY FINDING 10: Timely engagement with Jersey's youths to inform them of the Government Plan process and to provide an opportunity to hear their views did not occur.

KEY FINDING 11: The term Government Plan and its purpose is not widely understood by the public. The term Government Budget appears to be a more familiar and recognisable term.

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: 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: The Council of Minister 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.

Legal Obligations

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'.

Other Information

When reviewing the previous Government Plan, the Panel highlighted that P.94/2019 – States' Expenditure Classification in Accordance with International Best Practice was adopted by the previous Assembly demonstrating support for classifying States' spending in functional groups or sub-sectors of expenditure in accordance with international standards. Noting that this aims to simplify the compilation of statistics for Jersey that are comparable to other jurisdictions and would assist in providing a benchmark of public spending. This had not been published at that time.

The Panel notes that on 21st November 2023, the Minister for Treasury and Resources presented the first Classification of Functions of Government (COFOG) report [R.173/2023], providing enhanced financial transparency and accountability in the Island's public sector. The COFOG provides detailed information about the use of public funds on a basis comparable to other jurisdictions. Including the analysis of public sector expenditure by specified categories for health, education, welfare and public order and safety. Being developed as an international standard, it has also been adopted by most large economies. This report covers spending in 2021 and 2022, highlighting resource allocation trends and government expenditures.

KEY FINDING 12: The Minister for Treasury and Resources presented the first Classification of Functions of Government (COFOG) report on 21st November 2023, covering the spending in 2021 and 2022. This highlights resource allocation trends and Government expenditure to provide enhanced financial transparency and accountability. This delivers on the previous States Assembly's adoption of P.94/2029 – States' Expenditure Classification in Accordance with International Best Practice.

Sustainable Wellbeing

The Panel considered this area when reviewing the previous Government Plan and recommended (7) for the Government to demonstrate regard for further long-term sustainability of the Island's economy and sustainable well-being of Islanders. To do this, it must demonstrate how the economic, social, environmental, and cultural sustainability and wellbeing requirements of the Public Finances (Jersey) Law 2019 are evidenced, which must be demonstrably outlined and linked throughout the components of the Government Programme and in future Government Plans.

In the hearing[29] with the Chief Minister, the Panel sought to establish whether any improvements had been made in this area when constructing this year's Government Plan and asked the following of the Chief Minister:

Deputy S.Y. Mézec:

> *We also have made a recommendation previously about how the government programme is presented in line with the requirement in the Public Finances Law about economic, social, environmental and cultural sustainability and well-being of the Island generally. I guess that is a slightly intangible thing but the more that can be done to demonstrate that is obviously helpful. When you were putting this Government Plan together, having had the experience of putting the previous plan together, did you consider anything or make any changes to highlight those sustainability and well-being elements in a way that is easier to understand?*

The Chief Minister:

> *I think a lot of our thinking relates to sustainability and well-being. If you are talking about sustainable well-being and measures of it, that is a slightly different thing.*

The Panel emphasised that under the Public Finances Law, the Government is obligated to have regard to those elements when establishing its Government Plan. The Panel further sought to determine what regard was given to those requirements and how this is demonstrated in the Government Plan, acknowledging that there would be many ways to demonstrate this. Ultimately, the Panel sought to understand how this was achieved and whether the process had changed from the previous iterations.

Assistant Chief Executive Officer:

> *I can understand the question because the focus on sustainable well-being has the largest influence on the system at the policy development stage. At the earliest stages of developing the plan, when you are working with Ministers around what their priorities might be, that is where a lot of the outcome indicators are used. It is where a lot of the comparative analysis is done. Then that results in a series of prioritised decisions made by Ministers later on in the process. I can understand the question because it has its strongest influence, if you like, right at the start of the process when we are thinking about how best to advise Ministers and how best to present data for them to make decisions and choices in.*

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[29] Transcript – Chief Minister – 15th Nov 2023 – Pg. 6-10

Deputy S.Y. Mézec:

Do you have any process for demonstrating how that has been measured when you are deciding on a growth element or a capital project or something in the Government Plan?

Assistant Chief Executive Officer:

Different elements of the plan have a different genesis. Some things in the plan are driven by the sustainable well-being perspective and the outcome indicators. Other things are driven by risk. Strategic risk mitigation has an equal influence on some things in the plan. It is one of the inputs but it is probably not the only input to Ministerial decision making in terms of what they need to prioritise within the plan.

The Chief Minister:

We certainly talked a lot about outcomes-based accountability and which indicators where we want to see the turning of a curve. Of course, that is something that will be measured as we progress.

The Panel raised that it had recommended (7)[30] previously that more evidence should be provided for how due regard is given to long-term sustainability when establishing the Government Plan. The Panel noted that in the Ministerial Response received, that recommendation was partially accepted and, in the comments, it was acknowledged that improvement could be made for demonstrating further long-term sustainability of the Island's economy and sustainable well-being. Therefore, the Panel asked to be directed to an example in the Government Plan where it demonstrates improvement in that area.

The Chief Minister:

I think, as I just suggested, measuring is something that happens afterwards, and therefore while our decision making is focused at choosing measures that will improve sustainable well-being and have an impact, it is quite hard to demonstrate when you are at the beginning of that process, making that decision to invest in a particular area or not. The proof, I think, will be in the pudding as we see those measures come through in the performance indicators, once those decisions come into effect.

Deputy S.Y. Mézec:

But the question refers to something that you are obliged under law to do, which is to have regard for these things. The question is about evidencing how you have regard and how that is demonstrated in the plan itself to anyone who wants to read it and work out whether what you did was good enough in that process. The question is not about the outcomes. They come later. But is there anything specific in the Government Plan that we can look at and say: "That shows a tangible consideration of those issues" in a way we can understand?

The Chief Minister:

Short of publishing our notes of every meeting, which I think would be a rather lengthy read.

Assistant Chief Executive Officer:

Pages 17 to 23 are really an endeavour to articulate the Government Plan's approach to sustainable well-being. We think that we have made a good fist, hopefully, of explaining that within those pages and how the process works and what is being taken into account. It is an improvement over last year and we think that those parts of the plan do make a good job of showing how that broader, sustainable well-being perspective then flows through into the plan.

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[30] S.R20/2022 - Ministerial Response

In a submission received from the Comptroller and Auditor General (C&AG)[31], the C&AG provides analysis of the Government Plan in respect of 'open' C&AG recommendations. With reference to overarching 'sustainable wellbeing', the C&AG notes that the recommendations from her Risk Management follow up (October 2022) report, which remains open would be beneficial to consider in this regard. The C&AG recommends that the Government:

> *Review the Managing Risk section in future Government Plans to ensure that it reflects high level risks of delivering the priorities in the Government Plan rather than a small sample of risks taken from the Corporate Register.*

The C&AG explains that with reference to risk contained throughout the Government Plan, there are clearer links between risks, priorities and the corresponding response of the Government Plan, especially in the overarching 'sustainable wellbeing' section.

KEY FINDING 13: The statutory factual requirements of the Government Plan in respect of the Public Finances (Jersey) Law 2019 appear to be appropriately included. Narrative is included on pages 17-23 of the Government Plan to articulate the Government's approach to sustainable wellbeing, which is an improvement on how this information was delivered in the previous Government Plan. The information provided this year aims to demonstrate a broader perspective of how sustainable wellbeing cascades through the Government Plan.

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.

Children's Rights Impact Assessment

The Panel notes that, in its entirety, the Government Plan is exempt under Schedule 2 of the Children (Convention Rights) (Jersey) Law 2022 (new Law) from the requirement to prepare a Children's Rights Impact Assessment (CRIA). The new 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.

Although it would not be a legal requirement to undertake CRIAs on the proposals within the Government Plan, the Office of the Children's Commissioner believes that it would be best practice for these to be undertaken on the proposals brought forward in the Government Plan where they directly impact children and young people. In the submission[32] received it is explained that the process would allow for the effects on the rights of children and young people to be identified, thus enabling States Members to take a more informed view before reaching a decision on the proposals.

The Panel notes that on 24th November 2023, the Minister for Children and Education presented report R.174/2023 – *Child Rights Impact Assessments – Proposed Government Plan 2024-2027* – noting that:

Minister for Children and Education

[31] Submission – C&AG
[32] Submission – Children's Commissioner

> *Ahead of enactment and in keeping with the spirit of the new law the Minister for Children and Education has identified the following areas in the proposed Government Plan 2024-27 which should have a Child Rights Impact Assessment completed.*[33]

The Minister for Children and Education further emphasises her commitment to the progressive realisation of children's rights as required by the United Nations Convention on the Rights of the Child. Moreover, notes that the new Law once enacted, will further strengthen the commitment of the whole Council of Ministers to put the best interests of children and young people at the heart of Government decision-making.

KEY FINDING 14: The Minister for Children and Education has presented report 174/2023 – Childs Rights Impact Assessments – Proposed Government Plan 2024-2027. The report addresses the areas identified within the Government Plan for which a CRIA should be completed. The Minister emphasises her commitment to the progressive realisation of children's rights as required by the United Nations Convention on the Rights of the Child.

RECOMMENDATION 9: The Council on 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.

3 Financial Strategy - Income and Expenditure

Economic and Fiscal Context

During the Panel's review of the previous Government Plan, with the assistance of an expert advisor the Panel explored the economic and fiscal context in detail, which resulted in the Panel making a number of recommendations regarding the Government's financial strategy.

In the Panel's report[34] to its previous review, the significance of the dependence of the Island's economy on the financial services industry was highlighted and concern was raised should a downturn in the industry be experienced and the impact thereof on the Island's economy and Islanders' lives as a result. This is a risk that is highlighted by the Fiscal Policy Panel (FPP) in its Annual Report for 2023 – where reference is made to the high percentage of Jersey's economy being funded through a 'major Island industry'. Concern is raised that measures should be in place for any unforeseen disaster (the collapse of a major Island industry or from a natural disaster) where the economy is impacted by a drastic change, hence the importance of ensuring that the fiscal buffers (the Strategic Reserve) are maintained at appropriate levels to support Jersey for any unforeseen circumstance.

The requirement for better use of data was also explored in the review of the previous Government Plan and the potential to make greater use of the administrative and statistical data in order to further develop the accuracy and understanding of the state of economic activity in Jersey to better frame Jersey's economic and fiscal strategies. The Panel recommended (12) that consideration should be given to how administrative data collected from businesses and households can be used to assist in framing Jersey's economic and

[33] R.174/2023 – CRIAs for Government Plan
[34] S.R20/2022

fiscal strategy more accurately in order to get a proper purchase on local economic activity, proposing that this work should be completed in time for inclusion in next year's Government Plan.

In a response to written questions received from Statistics Jersey[35], it is noted that the proposals in this Government Plan for the Statistics Jersey Administrative Data Linkage (see Section 5 of this report for more detail), through improved data collection, could assist to drive improved decision making in this area.

Household Living Costs and Spending

When reviewing the previous Government Plan, up to date detail on household spending in Jersey was not available as the survey which commenced in 2019 to gather this data was halted due to the Covid-19 pandemic. Therefore, the Panel's previous report (S.R.20/2022) reflected on the data available which was from the Household Spending Survey 2014/15[36]. This survey recorded that (after adjusting for Retail Price Index (RPI) inflation) total household spending was nine per cent lower than in 2009/10[37].

The latest reported figures in the Household Spending Survey 2021/22[38] presents the expenditure results of the 2021/22 Jersey living costs and household income. It was recorded that after adjusting for inflation, average household spending in 2021/22 was three percent lower than in 2014/15. It is noted that the timing of the latest survey should be considered in respect of the impact of events such as the Covid-19 pandemic and the increases in inflation and mortgage interest rates, particularly when making comparisons between the 2021/22 and 2014/15 survey results.

The purpose of the Household Spending Survey is to collect data on spending, income and demographic makeup of each household in Jersey to present estimates of average weekly household expenditure. When comparing the results 2014/15 and 2021/22 spending figures the following is notable:

- Total weekly expenditure rose from £761 per week in 2014/15 to £901 per week in 2021/22, an increase of 18%.
- In real terms (after adjusting for retail price inflation), total household spending in 2021/22 was 3% lower than in 2014/15.
- Spending on Health increased by almost a third (30%). Whilst some of this change may be attributed to the change in survey design, increases were seen in almost all components of this group, notably dentists, other medical services (e.g. opticians and other private health professionals) and pharmacy/medical products. Expenditure on doctors remained at a similar level to 2014/15.
- Spending on Housing, fuel and power increased by almost a quarter (23%) over the seven-year period between surveys; increases in spending were seen for nearly all components of housing expenditure except for mortgage endowments.
- The proportion of expenditure on Housing, fuel and power increased from 28% in 2014/15 to 30% in 2021/22.
- Spending on Food & non-alcoholic drinks increased by almost a fifth (17%) over the period, however, the proportion of total expenditure on Food was essentially unchanged (11% of total expenditure).

[35] Submission – Statistics Jersey
[36] Household Spending Survey 2014/15
[37] Household Spending Survey 2009/10
[38] Household Spending Survey 2021/22

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[39] reports that the outlook for global growth over the next few years has weakened slightly with ongoing geopolitical tensions creating risk and uncertainty. It notes that global inflation is declining more slowly than previously expected and rising interest rates have subdued global growth but have had a positive effect on profits and growth for Jersey's banks. The Panel highlights that this sector accounts for 20% of Jersey's economy, and its strong performance has enabled the economy to grow by 6.7% in 2022. However, emphasises that the rest of Jersey's economy has seen no change in GVA in 2022.

The FPP also notes that Jersey's economy is at full employment and the number of people registered as actively seeking work, a measure of unemployment, remains low, whilst vacancy rates are high. The FFP explains that in 2022, the number of people in employment increased by 1,600 (full-time equivalent workers) compared to 2021. It is noted that low productivity growth has become a pervasive feature of Jersey's economy and economic growth has depended on a growing workforce.

With regards to inflation, the FPP's view is that it has peaked and is forecast to fall steadily throughout 2024. However, the FPP raises concern that a lack of spare capacity means that elevated inflation is an ongoing risk for Jersey. It is also highlighted that as well as low productivity growth, an ageing population will put increasing pressure on Jersey's fiscal position. It is noted that that Future Economy Programme has been established to tackle these issues, which is welcomed.

The FPP noted that despite a slowing of housing market activity in 2023, the high cost of housing continues to be a potential drag on economic growth and productivity and is also likely to be contributing to difficulties in recruiting and retaining workers in Jersey.

[39] FPP – Annual Report November 2023

KEY FINDING 15: The outlook for global growth over the next few years has weakened slightly with ongoing geopolitical tensions creating risk and uncertainty. Global inflation is declining more slowly than previously expected and rising interest rates have subdued global growth but have had a positive effect on profits and growth for Jersey's banks. Elevated inflation is an ongoing risk for Jersey. Low productivity growth and an ageing population (looking to be addressed by the Future Economy Programme) will continue to place pressure on Jersey's fiscal position. High cost of housing continues to inhibit economic growth and productivity and is contributing to the challenges for recruiting and retaining workers in Jersey.

Public Finances

When reporting on the Government Public Finances, the FPP notes that on the basis of current spending commitments and forecast tax revenues, there will be a primary budget deficit in 2024 and 2025, with spend on the public sector boosting demand further. The FPP raises concern, given the strong addition to revenues from banking profits and evidence of overheating in the economy that this is an inappropriate fiscal stance. The FPP explains that this position forces demand offshore, carries risks to inflation and does not allow for the Government to build up its reserves, increasing its vulnerability to shocks.

The FPP notes that Jersey's net asset position as a percentage of GVA has declined since the last Government Plan from 168% of GVA in 2020 to 135% in 2022 and states that the net asset position is projected to fall further to 122% of GVA by 2027. The FPP raises concern that the projected net asset position remains lower than pre-pandemic levels.

The FPP notes that the Stabilisation Fund is much depleted and that the Strategic Reserve balance is forecast to decline as a share of GVA. The FPP explains that in 2027, it is forecast to stand at £1,206 million, roughly half the minimum level recommended by the Panel and is unlikely to be sufficient to meet a major crisis. The FPP highlights its disappointment in there not being a stronger commitment to add to the reserves, given the current and recent past strength of government revenues. The FPP highlights that whilst the actuarial review for the Social Security Funds show that they are in a good position under high migration scenarios, the Health Insurance and Long-Term Care Funds are likely to be exhausted by the 2040s, well before the end of the demographic transition that they are designed to mitigate. The FPP emphasises that the review into the future of health and care funding is of critical importance.

KEY FINDING 16: On the basis of the Government's current spending commitments and forecast tax revenues, there will be a primary budget deficit in 2024 and 2025. Jersey's net asset position as a percentage of Gross Value Added (GVA) has declined since the previous Government Plan and is expected to fall further by 2027. The Reserves (Stabilisation Fund and the Strategic Reserve Fund) are not at sufficient levels despite the current and recent past strength of the Government revenues. The Social Security Fund appears to be in a good position. However, the Long-term Care Funds are likely to be exhausted by 2040.

Recommendations

The Panel's review of the previous Government Plan was informed by the FPP's Medium Term Report published in July 2022 and Annual Report published in November 2022, which on considering Jersey's economic outlook and public finances, the FPP made recommendations for the Minister for Treasury and Resources and States Members to take into consideration when developing the proposals for the previous Government Plan.

The more recent reports include the Economic Assumptions letter published in July 2023 which outlines the FPP's macroeconomic assumptions. This includes projections for the size of the economy (GVA) and inflation. When developing this Government Plan, the Economic Assumptions 2023 were used to assist in informing the proposals. Following this publication, the FPP's Annual Report for 2023 was published in November 2023, which was post lodging of this Government Plan.

Within its Economic Assumptions 2023 letter, the following notable updates were provided by the FPP to inform the Government's proposals:

1. Financial services profits: using the latest available data from the Jersey Financial Services Commission and the Bank of England, the Panel has upgraded its assumption on the sector's growth in profits in 2022 from 30% to 50%. Growth for 2023 and 2024 has been revised to 9% and 11% respectively. As interest rates begin to fall in the outer years of the forecasting period, it is likely that financial sector profits will fall moderately.

2. Housing transactions and prices: we previously forecast a slight growth in housing transactions; we now forecast transactions to fall by 50% in 2023. This is based on information gathered on our recent visit. The sharp fall is driven by higher mortgage rates. The Panel has assumed that housing transactions will return to pre-pandemic level of transactions by 2026. Similarly, the Panel has forecast house prices to fall in 2023 by 2%, with no growth in 2024, before resuming increases of 4% in the outer years.

3. Employment and earnings: 2022 outturn data for employment showed strong growth in both the non-finance and public sectors. The Panel has not changed its employment growth assumptions. As financial services profits increase, renumeration in the sector is likely to increase. As such the assumptions for average earnings are revised upward in 2023 to 2026 implying some small real wage growth.

4. Real GVA: the real economy is estimated to have grown by 8.7% in 2022, up from 4.3%, and remain positive until 2025.

At that time the FPP also reiterated its firm view that the Government should both eliminate any remaining short-term debt, make significant contributions to the Stabilisation Fund and, ideally, some contribution to the Strategic Reserve Fund.

Within its Annual Report for 2023, on considering Jersey's economic outlook and public finances, the following recommendations were made:

1. The Government's long-run goals: The Government's Strategy for Sustainable Economic Development sets out Jersey's fundamental economic challenges in the coming decades: to maintain living standards for all as the population ages, and to reverse the trend of declining labour productivity. The FPP agrees that meeting these long run challenges via the Future Economy Programme is vital.

2. Reserves: In the shorter term, renewed policy action is needed. Both the Stabilisation Fund and the Strategic Reserve as a proportion of GVA have shrunk and have not been replenished despite strong economic growth and exceptionally strong government revenues. The Strategic Reserve is about half the minimum value recommended by the Panel. The low values of both mean that Jersey is increasingly vulnerable to a serious economic downturn. The FPP recommends that the Government takes urgent action to replenish these funds. The FPP has previously recommended that the Strategic Reserve should be between 30% and 60% of GVA.

The Panel recommends that all Prior Year Basis receipts should be ringfenced and transferred to the Strategic Reserve as they arise.

3. Housing: Following strong growth in both transactions and prices in recent years the market has cooled: while prices have held up, the number of transactions has dropped sharply. The high cost of housing (and land) is likely to be a drag on productivity on Jersey and as such a risk to economic growth. The Panel are currently undertaking a review into Jersey's housing market, which will be published in due course.

4. Fiscal Strategy and Spending: Jersey's economy grew strongly in 2022. Growth was driven by higher profits in the banking sector as a result of higher interest rates; the rest of the economy saw no growth. The improved fiscal position should be used to rebuild reserves and not to fund further expenditure growth, though the Panel welcomes the Government's extensive capital programme. It recommends that the primary balance should move to a surplus as soon as possible, but that this shouldn't be achieved through cuts to the capital programme.

5. Inflation: Inflation has peaked and is forecast to fall steadily. However, higher prices are affecting households who face an elevated cost of living. With many mortgage holders protected by fixed rates the full effect of the interest rate rises has not been felt yet but will materialise as these fixed deals come to an end. There is a risk of worsening the inflation outlook if the Government's fiscal stance adds too much demand into the economy.

6. Health-related funds: Recent actuarial reviews have established that the Health Insurance and Long-Term Care Funds will be exhausted before the end of the demographic transition that they are designed to mitigate. It is important that in the context of Jersey's future health and care financing needs, the sustainability of these Funds is considered.

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 this Government Plan.

Impact of Inflation

This Government Plan notes that global and United Kingdom inflationary pressures continue to affect the Jersey economy in 2023 and are particularly impacting on the most disadvantaged in society. This is reflected in the fact that it is still currently a principal issue on the Corporate Risk Register.[40]

The Government Plan also notes that the Government expects to see inflation persisting at higher levels for longer, driving the expectation of interest rates remaining higher for longer than anticipated in the previous Government Plan. It is noted that whilst these changes have resulted in an additional improvement in the forecasts for Government income, it also places pressures on both Government expenditure and Islanders' finances.[41] As inflation is cumulative, it increases through the Government Plan. It is highlighted that there remains a significant amount of uncertainty around the levels of inflation.

[40] P.72/2023 – Pg 22
[41] P.72/2023 - Pg 27

It is explained in the Government Plan that in the context of a high inflation environment and impact on Government spending, an additional £70 million has been provided for inflation (covering staff, social benefits and other costs) in 2024. Although, inflation is expected to fall in later years of the Government Plan, additional amounts are provided to maintain departmental budgets in real terms.[42]

Considering the continuing inflationary pressures, the Panel sought to understand the impact of this on the Government's finances and spending in 2023. In addition, whether the impact experienced in 2023 has contributed to the development of the 2024 proposals in this Government Plan.

The Minister for Treasury and Resources:

> *The effect of inflation in 2023 was dealt with when we lodged the 2023 Government Plan. We put into reserve ... we allocated money to deal with inflation, and we have done the same in this Government Plan. But you are targeting or hitting on the issue that of course there is some growth across departments directly for new projects but you have got a big reserve number for inflation, which will be dealt with during the course of the year. Then you have also got that big number for the transfer into the Social Security Reserve Fund. You have really got those 3 pots of growth; inflation, Social Security Reserve Fund or supplementation, as we call it and then growth across departments.*

Deputy S.Y. Mézec:

> *Okay. In 2024 I think it is £70 million held centrally for assistance with continued inflationary pressures, how confident are you that that is a sufficient amount?*

The Minister for Treasury and Resources:

> *It is a forecast, so I can only be as confident as that. It is based on F.P.P. advice and the Forecasting Group. It seems to me that it should be a sufficient number.*

Deputy S.Y. Mézec:

> *What flexibility do you have in case the forecast turns out to be too optimistic?*

The Minister for Treasury and Resources:

> *This is where we expect departments to manage their budget. If it is too optimistic then we will need to make adjustments elsewhere.*

Deputy S.Y. Mézec:

> *What is your assessment of the impact of inflation on income and expenditure for this year compared to last year?*

The Minister for Treasury and Resources:

> *It is going to continue to be difficult. As I said earlier, 6 months ago economists were expecting inflation to have been falling a little bit more than we have seen and we are starting to see for the first time, as I said, commentators thinking that it might be even stickier than they had thought previously.*

[42] P.72/2023 – Pg 50

KEY FINDING 17: Global and United Kingdom inflationary pressures continue to affect the Jersey economy and are particularly impacting the most disadvantaged in society. This is a principal risk that the Government is aware of, thus ensuring that it remains on the Corporate Risk Register.

KEY FINDING 18: Significant uncertainty remains in relation to the increasing levels of inflation. In contrast to what was reflected in the previous Government Plan, the Government now expects higher levels of inflation to persist for longer which will result in additional improvement in forecasts for Government income, however, will also place pressures on Government expenditure and Islanders' finances. It appears that due regard has been given to the potential risk of prolonged high inflation and the impact thereof on Government, through the additional £70 million allocated to address inflationary pressures during 2024.

Impact of Covid -19

The Panel recalled from its review of the previous Government Plan that it was the Government's intention to repay all the Covid-19 response debt by the end of 2022 as recommended by the FPP. In addition, the Panel heard at the time that should the debt be repaid as intended that any available unspent balances could be allocated at the year end to the Stabilisation Fund.[43]

The Panel notes that for 2023, in respect of Covid-19 response and recovery spend, the previous Government Plan allocated £25 million for direct costs for 2023. In addition, a reserve of £5 million was provided in 2023 within the Reserve Head of Expenditure – General Reserve for any unforeseen costs.

Considering the above, the Panel sought to understand whether there would be any continued impact in respect of Covid-19 response and recovery in 2024 and, if so, how that would impact on the public funds in 2024. The Panel raised this in the hearing with the Chief Minister.[44]

Deputy S.Y. Mézec:

> *We can ask some questions specifically on COVID. How is that legacy from having to deal with the COVID response impacting on the financial position right now and as it will be in the next year as well?*

The Chief Minister:

> *That is now largely closed. We have moved into the business-as-usual approach. Some of the Public Health team have been transferred into Public Health. As I mentioned earlier, we have paid down the debt that had been accrued. We did so earlier than anticipated, which now offers us opportunities to flex budgets and look to those reserves or doing other things.*

Assistant Chief Minister:

> *There was a budget of £28 million for COVID and the forecast spend is £18 million. Deputy*

S.Y. Mézec:

[43] Transcript – Minister for Treasury and Resources – Pg. 45
[44] Transcript – Chief Minister – Pg.45

What happens to that underspend then?

The Chief Minister:

That is an additional underspend and will be considered as usual at the end of the year. We, of course, listen to the advice of the F.P.P.; that is part of what their job is.

Assistant Chief Minister:

The forecast for spend in other areas is over £16 million with operation Spire and Nectar. That is the challenge we face.

KEY FINDING 19: The Covid-19 debt was repaid in 2022 and the Fiscal Policy Panel has recommended that any unspent balances could be allocated to the Stabilisation Fund at the year end. There is estimated to be an £18 million underspend and considerations for how this underspend will be used will take place at the end of the year. Further, no funding allocation has been made in the Revenue Heads of Expenditure for 2024 for Covid-19 Response and Recovery. However, the forecast for emergency incidents—including operation Spire and Nectar—is forecast to exceed £16 million, which will need to be considered when reallocating any Covid-19 unspent balances.

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.

Impact of Emergency Incidents

Considering the number of major emergency incidents that the Island has faced in recent months, the Panel sought to understand what impact these have had on this Government Plan and whether any further measures were considered when developing the Government Plan to ensure that further contingency funding is available for such unforeseen circumstances.[45]

The Chief Minister:

As you rightly identified, these have all been unforeseen major incidents. To have 4 in the space of 11 months is quite unprecedented. We are fortunate, and Islanders have been reassured by the way the public service has stepped up and supported them through these various, sometimes as you say tragic, incidents and responded to them. We have in the main been able to do so through additional budgets. There has been some additional resourcing, but that has not put too much pressure on our budget. There are always allocations for emergencies within those budgets…

Deputy L.J. Farnham:

How has the funding for major incidents last year and this year impacted upon the budgets and how are you going to manage it moving forward?

The Chief Minister:

That is something that is still being monitored as they continue. The chief of police spoke earlier in the week about the complex work that they have been doing, which

[45] Transcript – Chief Minister – Pg 44

has impacted on their resourcing. They have managed that. We continue to quantify and officials maintain that overview.

KEY FINDING 20: The financial and resourcing implications remain unclear in respect of the major emergency incidents that have occurred in Jersey in the past 11 months.

Income

Income Forecasts

The Government Plan explains[46] that the Income Forecasting Group (IFG) advises on the forecasts of all States income from taxation and social security contributions. The IFG's latest forecast was prepared in summer 2023[47] and reflects the latest economic assumptions produced by the FPP in July 2023. The forecast is published alongside the Government Plan.

A summary of the latest forecast can be found on page 33[48] of the Government Plan. Moreover, detail on overall changes from the summer of 2022 for: personal income tax, corporate income tax, GST and International Services Entity Fees, impôts (excise) duties, stamp duty and one-off dividend income can be found on page 34 of the Government Plan.

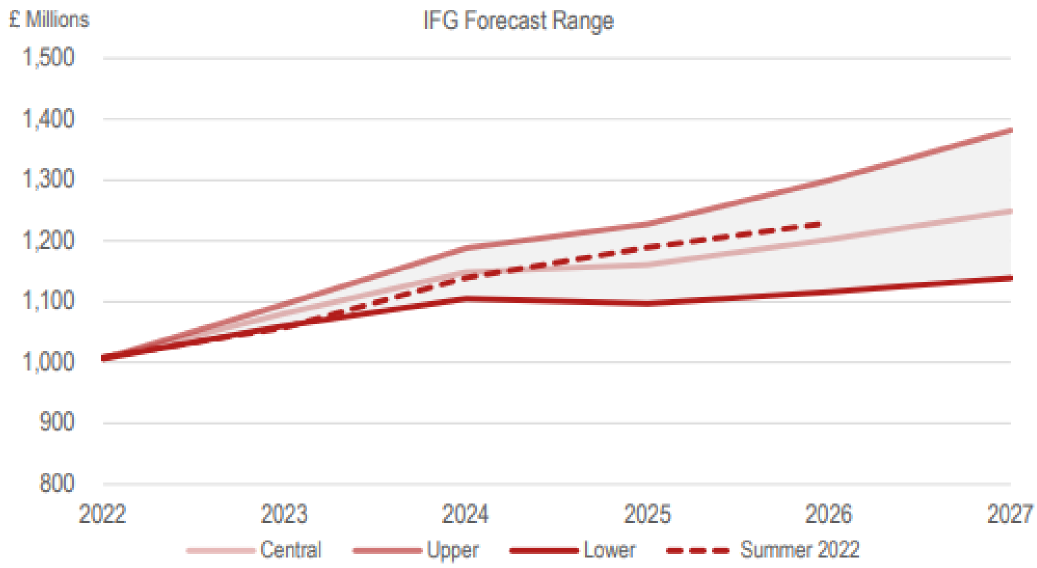

Figure 7: Range of IFG Income Forecast Summer 23. Source: IFG

When reviewing the previous Government Plan, the Panel sought to understand any changes in trends in respect of income generated from income tax across the income deciles. Last year the Panel heard that a large number of taxpayers, below the average income, were large in number, however in terms of contribution to tax revenues, it was not as significant. It was noted then that the highest contribution was from the higher end of the income deciles, from a fewer number of Islanders.

[46] P.72/2023 – Pg 32
[47] R89/2023 – IFG Report -Summer 2023
[48] P.72/2023 – Pg 33

The Panel discussed this at the hearing[49] with the Minister for Treasury and Resources this year as well, to identify whether any changes to that trend had been identified from the previous year. It was explained that similarly to the previous year the vast majority of personal income tax is paid by the top two deciles and that the two bottom deciles, contribute two to three percentage points of the personal income tax.

Identifying that the trend appears broadly static year on year (Statistical Digests[50] demonstrates this detail), that the top three deciles are contributing to over 70 percent of the personal income tax, with the 10th decile contributing about one percent of the personal tax,[51] the Panel sought to understand what consideration was being given to any potential risk for changes in this trend, particularly as income tax contributes significantly to the general revenue income.

Deputy M.B. Andrews:

> *…Minister, in relation to personal income tax, Jersey as a jurisdiction generates a considerable amount of revenue, between about 36 to 39 per cent across say the last 5 years from personal taxation. Do you believe this trend should be allowed to continue or do you believe there should be measures that are in place and introduced to diversify revenue streams?*

The Minister for Treasury and Resources:

> *We have always been a jurisdiction that benefited from international trans-border business and I believe we wish to continue to be a jurisdiction that does that, which has meant that we have had to carefully navigate changes around corporate taxation from international and other bodies. We have always sought to not add additional layers of corporate tax to funds that come into Jersey and are likewise invested around the globe. If we wish that model to continue, we have limited options for, in your words, diversification but, as you know, we are engaged with the O.E.C.D. on their Pillar One and Pillar Two work and that will, when it comes to fruition, give us the ability to broaden that corporate tax base.*

Noting that Prior Year Basis taxation liabilities would result from the taxation transformation process, the Panel sought to understand how those liabilities are reflected in the general income revenue.

Deputy M.B. Andrews:

> *…The Panel also is fully aware of the prior year tax basis. How is that featured in the total States income across the 4-year plan?*

Head of Financial Planning:

> *In the Consolidated Fund we have estimated P.Y.B. (prior year basis) tax receipts coming in each year roughly to the tune of £12 million. That is in the Consolidated Fund table in the Government Plan.*

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[49] Transcript – Minister for Treasury and Resources – Pg 14

[50] Revenue Jersey - Statistical Digest

[51] Transcript – Minister for Treasury and Resources – Pg 15

General Revenue Income

The Government funds ongoing, annual expenditure and investment in assets through three main sources including general tax revenues, other Government income and departmental income which are paid into the Consolidated Fund.[52] The Assembly are asked in the Proposition to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law. Please see below Summary Table 1 for further reference.

General Revenue Income:

£1.2bn

Summary Table 1 - States Income

£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Income Taxes				
- Personal Income Tax	710,386	736,386	770,386	812,386
- Corporate Income Tax	159,900	174,900	172,900	171,900
	870,286	**911,286**	**943,286**	**984,286**
Goods and Services Tax (GST)				
- Goods and Services Tax	108,300	111,300	114,300	118,300
- International Service Entities Fees	12,700	12,700	12,700	12,700
	121,000	**124,000**	**127,000**	**131,000**
Impôt Duties				
- Spirits	7,929	8,445	8,601	8,796
- Wine	9,584	10,099	10,181	10,304
- Cider	1,078	1,125	1,123	1,125
- Beer	6,977	7,351	7,411	7,502
- Tobacco	16,007	16,424	16,168	15,975
- Fuel	27,389	28,557	28,497	28,550
- Goods (Customs)	1,000	1,000	1,000	1,000
- Vehicle Emissions Duty (VED)	3,727	3,667	3,703	3,530
	73,691	**76,668**	**76,684**	**76,782**
Stamp Duty and Land Transaction Tax				
- Stamp Duty	32,336	37,070	45,082	47,084
- Land Transaction Tax (LTT)	3,720	4,836	6,724	7,196
- Probate	2,700	2,700	2,700	2,700
- Enveloped Property Transaction Tax	1,000	1,000	1,000	1,000
	39,756	**45,606**	**55,506**	**57,980**
Other Income				
- Island-Wide Rates	17,300	17,439	17,648	18,071
- Dividend Income	22,231	22,517	13,976	11,379
- Income from Andium Homes	29,715	30,252	30,476	30,546
- Other Non-dividend Income	20,343	19,561	18,797	18,806
	89,589	**89,769**	**80,897**	**78,802**
Total States Income	**1,194,322**	**1,247,329**	**1,283,373**	**1,328,850**

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

Cost of Living

Last year the debate and approval of the Government Plan followed that of the Mini-Budget, which provided targeted support measures to Islanders at the start of and during the cost-of-living crisis. The Panel notes that measures have been included in this Government Plan to continue the provision of support for those Islanders most affected by the continuing cost-of-living pressures.

The FPP in its 2023 Annual Report[53] highlights although inflation has peaked and is forecast to fall steadily, higher prices are affecting households who face an elevated cost of living. With many mortgage holders protected by fixed rates the full effect of the interest rate rises has not been felt yet but will materialise as these fixed deals come to an end. It is noted that there is a risk of worsening the inflation outlook if the Government's fiscal stance adds too much demand into the economy.

The Panel wanted to explore this further, particularly, considering the high interest rates and inflation levels being faced by Islanders, which were anticipated to continue until at least the end of 2024. In addition, that the cost-of-living is one of COMs areas of relentless focus. Also, as it has been highlighted in this Government Plan that Jersey's economic position is impacting the most disadvantaged of our society.[54]

KEY FINDING 21: Jersey's current economic position is impacting the most disadvantaged of our society.

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.

This was further explored during the hearing with the Chief Minister and the Minister for Treasury and Resources.

The Panel asked the Chief Minister what steps were taken when developing this Government Plan to reduce inequality in Jersey.

The Chief Minister:

> *As you know, one of our areas of relentless focus is the cost of living. We have taken decisions to focus on increasing tax allowances, to put more money in people's pockets, and therefore to assist people who are feeling financial pressure to live their best lives and feel less financial pressure, which helps to reduce income inequality. With regards to equality as a whole, we are progressing with independent taxation, of course, which is one of those key areas of inequality in our system. Progressing towards removing the use of the word "chattel" in our income tax legislation, which will be an important step, and also funding and prioritising areas of work, such as introducing the hate crime legislation, which I think is an important item that was held back by the previous Government. I think it is absolutely clear, as we see a situation rolling out at the moment, why hate crime legislation is required.*[55]

[53] FPP – Annual Report 2023
[54] P.72/2023 – Pg 22
[55] Transcript – Chief Minister -Pg 14

The Panel further questioned how increasing tax allowances reduces inequality. The Chief Minister noted that the tax allowances enabled those who are earning the least to retain more of their income. However, the Panel disputed that there are lots of people in Jersey who have zero per cent income tax rates because their allowance entitlement is greater than their incomes, and so they have no taxable income. Therefore, an increase in tax allowances does not benefit them at all.[56]

The Chief Minister emphasised in such cases; they will receive increases to their income support across the board.[57]

The Panel reiterated that raising tax allowances is not a measure that reduces income inequality.

Deputy S.Y. Mézec:

> *… I want to explore that a little bit more. Raising tax allowances also does not see the highest earners pay more because they are not eligible for allowances in the first place. My question is: when asking about financial inequality and efforts to reduce it, is it fair to say that tax allowances, while they may be a good mechanism and do something good for people who benefit from it, they are not a measure that reduces income inequality because it does not see the highest earners pay more, and it does not see the lowest earners pay less.*[58]

The Chief Minister:

> *We have a low, broad, simple and fair tax system. It is something that makes us competitive. Something that has worked extremely well for many decades. Therefore by maintaining the position where people who are on the 20 Means 20 rate do not benefit from increased allowances, surely that is closing the gap between those people who pay a full tax on their entire income versus those who benefit from a greater amount?*[59]

The Panel raises concern regarding the Government's sentiment that raising tax allowances reduces inequality in Jersey. It is the Panel's view that raising tax allowances neither bridge the gap between the poorest and the wealthiest nor help the worst off in our society, who would not be paying tax anyway.

The Panel recalled that when reviewing the previous Government Plan, the Minister for Treasury and Resources considered whether to propose an amendment to the Government Plan to provide support to Islanders through a Mortgage Interest Tax Relief Mechanism.[60] However, this did not come to fruition.[61] Considering the currently higher interest rate levels experienced by Islanders, one year on, the Panel sought to understand the pressures being felt by Islanders as a result and whether consideration was undertaken when developing this Government Plan to support Islanders experiencing continued mortgage interest rate pressures. The Panel raised this with the Minister for Treasury and Resources at a public hearing.

[56] Transcript – Chief Minister – Pg 15
[57] Transcript – Chief Minister – Pg 15
[58] Transcript – Chief Minister – Pg 15
[59] Transcript – Chief Minister – Pg 15
[60] Transcript – Minister for Treasury and Resources – Pg 19
[61] Letter – Minister for Treasury and Resources – 30th November 2022

Additionally, in a submission[62] received, Citizens Advice Bureau (CAB) questioned if it would be possible for the Government to consider the removal of the policy of phasing out interest tax relief on main residences. Explaining that the resumption of a policy providing tax relief on main residences would provide significant and positive support to Islanders, especially considering the increase in mortgage interest rates.

Deputy L.J. Farnham:

> *…Bank interest rates are now 5.25 per cent and this time last year I think they were somewhere around 3 per cent and they are forecast to stay at those levels for some time to come. They could increase slightly; let us hope they do not. Let us hope they can stabilise now and then start to reduce. Do you have an up-to-date view on the pressures being felt by Islanders in relation to this specifically in relation to mortgage rates and do you know how many, roughly, Islanders are impacted by the current situation?*

The Minister for Treasury and Resources:

> *…when it comes to mortgages, the difficulty of the treating of or giving benefits to mortgage holders and home owners who have mortgages differently from the rental market, but it is something that we continue to watch and engage with banks on. The last number of conversations I have had personally with banks is that they are not seeing stress in the market in the way that we know they are seeing elsewhere in the United Kingdom, but it is something that we are very mindful of because overall across the economy Islanders are still struggling with the cost of-living crisis.*

Deputy L.J. Farnham:

> *Was halting of the phased removal of mortgage interest relief considered?*

The Minister for Treasury and Resources:

> *Well, I am not sure it was considered by the Council of Ministers but I certainly asked for an update from the Comptroller about the cost of doing that, about the actual benefit of doing it to the economy, and from both of those perspectives it was not something that was argued as being the right approach to take at this point.*

Deputy L.J. Farnham:

> *Was consideration given to the impact that mortgage pressures on Islanders might have on the overall economy, their ability to spend? While there might be, the banks have not seen as much impact as they would have thought but it certainly would have impacted on Islanders' ability to spend and the knock-on effect of this on G.S.T. (goods and services tax), excise, et cetera, or was it not considered to be ...*

The Minister for Treasury and Resources:

> *Of course, all of those things are considered in the economic assumptions that the F.P.P. provides and then they are taken into consideration by the Income Forecasting Group. They are all considered and you are right, Islanders that have got increased mortgage payments can only, just like Government, spend that money once. If they are having to spend additional money on their mortgages, it means they have got less money for other pressures.*

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[62] Submission - CAB

In a response to the Panel's written question[63] following the hearing, the Panel observed the following evidence from the data and trends in respect of current mortgage pressures being felt by Islanders from the Government's discussions with banks:

> *Discussions with mortgage lenders suggest that the majority of residential mortgages are on fixed rate products that pre-date the rise in interest rates. This has been confirmed by Statistics Jersey in their Household Spending Report, 2021/2022 which shows that 73% of residential mortgages were on long-term fixed rate products. Additionally, discussions with mortgage lenders also suggest that few mortgage holders are in arrears and mortgage lenders have reassured Ministers that they are proactively working with mortgage holders at risk of arrears.*[64]

In addition, the Minister for Treasury and Resources provided further detail on the data that influenced the decision against halting the phased removal of mortgage interest tax relief:

> *It remains the Government's view – supported by OECD research – that mortgage interest tax relief fosters inflation in the housing market. It also runs contrary to equitable treatment of the tax system between renters and owners. It is not right to provide a relief which would be targeted only at homeowners. The Government's policy is to support Islanders by increasing the personal tax thresholds, which apply regardless of whether a person owns their own home or rents.*[65]

A common theme in the submissions[66] received by the Panel, is concerns regarding the continuing cost-of-living pressures and the impact of the budget proposals on placing further pressures on household budgets.

KEY FINDING 22: The decision taken by the Council of Ministers to not halt the phased removal of mortgage interest tax relief to provide targeted support to Islanders was resultant of the view that mortgage tax relief fosters inflation in the housing market and runs contrary to equitable treatment of the tax system between homeowners and those renting homes.

KEY FINDING 23: Although Inflation has peaked and is forecast to fall steadily, higher prices are affecting households who face an elevated cost of living. With many mortgage holders protected by fixed rates the full effect of the interest rate rises has not been felt yet but will materialise as these fixed deals come to an end.

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.

[63] Letter – CSSP – Written Questions – 14 November 2023
[64] Letter – Minister for Treasury and Resources – 21 November 2023
[65] Letter – Minister for Treasury and Resources – 21 November 2023
[66] Submissions

£'000	Proposed vs Forecast[13]
Personal allowances incl. child allowances	(3,864)
Alcohol duty increase	(470)
Tobacco duty increase	595
Fuel duty increase	-
Biofuel duty reduction	(85)
Vehicle Emissions Duty increases	426
Innovation and enterprise	(450)
Codifying remittance basis[14]	100
Stamp duty – first time buyers[15]	-
Budget Proposals	**(3,748)**

Summary of Budget Proposals

Table 10: Summary of Budget Proposals

The Panel sought further detail in respect of the above-mentioned proposals during a hearing[67] with the Minister for Treasury and Resources. The Panel sought to understand what degree of stakeholder engagement was undertaken on the proposals to inform them. It was explained that discussions in the main were held on the impot duties. In addition, a lot of stakeholder engagement took place in respect of the new Regulatory Technology proposals. It is understood that subsequent to the Government Plan being lodged, further stakeholder engagement has taken place prior to the debate.

From the evidence heard during the hearing[68], the Panel identified that, in the main, the budget measures approved and implemented through the previous Government Plan were not appraised to inform their effectiveness or success in achieving their aims for 2023, nor to inform the proposals to take forward in the next Government Plan for 2024.

The Panel did, however, identify that the rent-a-room tax measure implemented through the last Government Plan would be appraised in 2024 when the data is available.

Comptroller of Revenue:

> *Yes, the rent-a-room relief is one where we would hope to do a formal policy evaluation in due course. It will probably require in the longer run either some survey activity or some changes to the tax return, because in order to deliver that relief quickly, effectively the position at the moment is that taxpayers do not have to declare £10,000 of rent-a-room income. At the moment we are not gathering the data but in the longer term we will gather the data. It is something that is susceptible to survey activity.*[69]

A submission received from the C&AG[70], highlights the 'open' recommendation from her report - *Economic, Social and Health-related Recovery from the COVID-19 pandemic* (September 2023) which states:

> *Review the lessons learnt from the implementation of all COVID-19 support schemes when considering the design of future benefits and other schemes established by Government to support businesses and individuals.*

The C&AG provides the view that for the Government Plans 'investing now' objective – supporting Islanders through the cost-of-living crisis and the associated Government actions

[67] Transcript – Minister for Treasury and Resources – Pg 16
[68] Transcript – Minister for Treasury and Resources – Pg 17
[69] Transcript – Minister for Treasury and Resources – Pg 17
[70] Submission – C&AG

- by considering this recommendation, the Government can better target its measures to ensure the outcomes are appropriate and have a positive impact on Islanders and Island life.

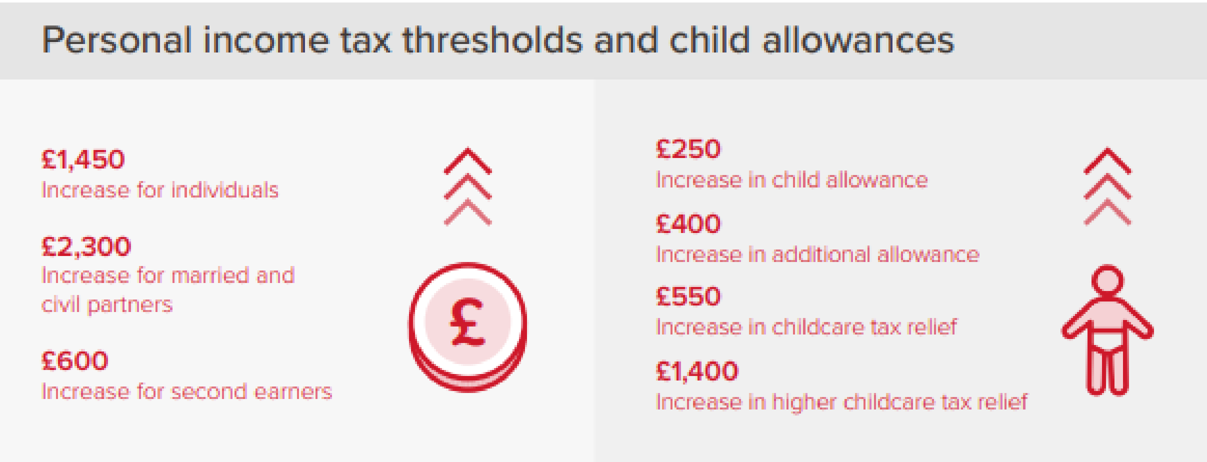
KEY FINDING 24: The Treasury and Exchequer department will undertake a formal policy evaluation of the rent-a-room tax relief in 2024, however, it requires data to be gathered which is not currently taking place.

KEY FINDING 25: Appraisals, in the main, are not undertaken on the budget measures. This includes how allowance thresholds are implemented in the previous year to identify their impact in that year or to inform the budget proposals to take forward in the subsequent Government Plan.

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.

Personal allowances and child allowances

The Panel notes that the Income tax thresholds will be increased by 7.7% in line with average earnings. The Government Plan states that over 90% of taxpayers (those paying at the marginal rate) will benefit from the increases to the income tax thresholds. The child allowance and childcare allowance will also be increased by 7.7% in response to the higher cost of living.



In a submission[71] received CAB highlights that although last year, the income tax thresholds and child allowances were increased by 12% (higher than the growth of June 2022 RPI which was 7.9%) in support of households facing a higher cost of living. This year, the policy proposal has reverted to the previous long-standing policy for uprating the above allowances being the lower of the growth of June RPI (10.9%) and the average annual earnings index (7.7%).

Citizens Advice Bureau:

> *Our impression is that many islanders continue to experience a higher cost of living causing hardship. We note that the reported growth in RPI for September 2023 is 10.1% which reflects only a slight decrease in inflation. It is reported that "Housing" continues to be the price group that makes the largest contribution to the annual rate*

[71] Submission - CAB

of inflation. We have seen clients who are suffering due to high rental increases usually in line with RPI and those islanders with mortgages who bought homes in the last two to three years who are suffering as a result of higher mortgage interest rates. We suggest that consideration should be given for the above thresholds to be increased closer to inflation rate. In addition, we also ask if it would be possible for the Government to consider the removal of the policy of phasing out interest tax relief on main residences. The resumption of a policy providing tax relief on main residences would provide significant and positive support to islanders, especially considering the hike in mortgage interest rates.

The Panel sought to understand the impact of the 2023 allowance thresholds implemented through the approval of the previous Government Plan and whether the impact was measured to inform the allowances proposed in this Government Plan. The Panel asked this of the Minister for Treasury and Resources[72].

Deputy M.B. Andrews:

…We will move on to thresholds and allowances. The Panel is aware that following the 12 per cent increase in tax thresholds and child allowances for 2023 to provide cost-of-living support, this plan proposes reverting to the longstanding policy and uprating of the main tax allowances by the lower of the growth of June R.P.I. (retail price index). It is proposed that thresholds and allowances including child allowances will increase by 7.7 per cent. How has the impact of the thresholds implemented for 2023 been monitored and measured and inform the thresholds proposed for 2024?

The Minister confirmed, as with the other budget proposals, that no appraisal takes place on the effect of the measures from the previous year.

Deputy M.B. Andrews:

But surely there has to be some form of assessment in terms of what has been proposed and then when you come to the latter part of the year when you are proposing the next Government Plan then surely you would learn lessons from what has been successful and what should be continued and what has maybe not been successful and then what you could maybe do to try to circumvent some of those problems from happening again.

The Minister for Treasury and Resources:

You are leaving money in Islanders' pockets. Is that a good thing or a bad thing? Some of this comes down to politics. Some people would say take more money out of Islanders' pockets and Government can decide what they are going to do with it. Some would say Islanders are the best equipped to decide what they want to do with their money and in a time of a cost-of-living crisis Islanders are the ones who should decide how they spend more of their money to deal with their individual circumstances. I take that view and, therefore, that is why we made the changes that we did in the mini-Budget and in this Budget we have reverted to still a substantial increase, 7.7 per cent, and I think that that will have the same positive effect.

Alcohol duty increase

Following the freeze on alcohol duties the previous year in support of the hospitality industry, the Panel sought to understand the rationale for proposing to increase duties in this

[72] Transcript – Minister for Treasury and Resources – Pg 19

Government Plan, particularly as the cost-of-living concerns continue, there is economic uncertainty and the potential negative bearing of increases on the hospitability industry. It is proposed that alcohol duties are increased by 8.9%, two percentage points below the growth in RPI.

In a submission[73] received from the Jersey Hospitality Association (JHA)[74], significant concern is raised regarding the effect of this proposal on businesses. In addition, it is highlighted that increasing tax does not reduce alcohol consumption.

Jersey Hospitality Association:

> *There is NO EVIDENCE globally that a higher alcohol tax reduces consumption. It is linked to culture rather than finances. We need to work on changing behaviour and education, not on penalising responsible users locally and visitors. Increasing tax will not stop high levels of alcohol consumption among a small number of islanders.*

The JHA continues to explain that similarly with regard to the purchase of tobacco products, if behaviour does not change, people will only resort to purchasing products (such as tobacco and alcohol) from somewhere else.

> *Raising alcohol duty will increase off license and duty-free sales, push people to drink in unregulated environments out of safe hospitality venues, increase alcohol related domestic violence, put those with issues at greater risk, while also lowering the opportunities and social benefits that going out provides.*

Noting that the rationale for increasing the duties was to strike a balance between public health objectives and support for to the hospitality industry, the Panel discussed this during a hearing with the Minister for Treasury and Resources. Particularly, as it had also received submissions highlighting concerns regarding the proposals.

Deputy S.Y. Mézec:

> *For 2024, the proposal for alcohol duties to be raised by 8.9 per cent is said to be to strike a balance between the public health goals and the Government support for the hospitality industry. What work has been done to analyse the effectiveness of that particular approach to those 2 objectives?*

The Minister for Treasury and Resources:

> *Again, we are in the world of balance, are we not? We have got the health protection and health promotion argument that says alcohol duties should be substantially raised above that which we are proposing, and then we have got the hospitality sector who quite clearly are finding things difficult with the cost-of-living crisis and the state of the economy. Since the Government Plan was lodged, I have met again with the hospitality*

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[73] Submission - JHA
[74] Submission - JHA

sector and heard their views and they have made some suggestions to me that we are exploring.

Further discussions took place in relation to what bearing increasing duties on alcohol tangibly has on reducing alcohol consumption to effect public health objectives.

Deputy S.Y. Mézec:

Is it your view that the lever of alcohol duties is an effective one to pull or push to effect the Government's public health goals?

The Minister for Treasury and Resources:

It is certainly the view of public health.

... I have to ensure that we lodge a Government Plan that is balanced and does not breach public finances law. Again, this is another area around the Council of Ministers table where there is robust conversation.

Deputy S.Y. Mézec:

I am sure. There is a line of thought that says that simply making alcohol more expensive is not the most effective way of effecting the public health goals we might have on reducing alcohol dependency or alcohol abuse and of course the effect it has on inequality. How much did that argument feature in your thinking about whether to go ahead with this particular rise in alcohol duty or an alternative rise you might have considered?

The Minister for Treasury and Resources:

Let us just be clear. I do not think that is a line of thought that is supported by any of the health professionals. The health professionals are quite clear in their view and that is a perfectly legitimate view. Let us not try to pretend that it is something else. There is that view, and then there is the view that is also clearly articulated in the current economic circumstances from the hospitality sector.

Deputy S.Y. Mézec:

I am sorry if I misunderstood that answer. The view that raising alcohol duty, making alcohol more expensive, to put people off buying it and therefore risking becoming dependent on it or taking too much of it, is that a view that is influential in determining what the alcohol duty rate ought to be?

The Minister for Treasury and Resources:

That is the view that is articulated by health colleagues and therefore that is a view that should be appropriately considered and that is the view which was balanced slightly, which is why it is not the full amount, from the view of the economy.

Deputy S.Y. Mézec:

So that line of thought or that argument is one that has contributed to this particular policy being as it is?

The Minister for Treasury and Resources:

Of course it has.

Deputy L.J. Farnham:

> *I would like to pursue that a little bit in relation to investing in greater programmes of education, and greater support mechanisms for people with problems with alcohol and addictions in general. The only result that is achieved by putting prices up is sometimes negative in relation to putting the price up will not stop an alcoholic from obtaining alcohol, but we will save that for another time.*

Furthermore, the JHA[75] raises significant concerns regarding the impact of the proposals on the hospitality industry, as the industry expects to face other significant cost increases in 2024 including: for the minimum wage and increases in utility prices (electricity and water). In addition, within the next 18 months the JHA notes that a mass exodus of migrant workers on work permits from hospitality (approximately 4000 people) will be forced to leave the Common Travel Area for up to three years when their rolling 1-year permits are due to reach the maximum allowed time limit. Concern is raised that this will have further catastrophic bearing on the industry by lowering productivity and increasing costs to recruit and retrain.

KEY FINDING 26: Significant concerns have been highlighted by the hospitality industry regarding the impact of the alcohol duties proposals on the industry. Particularly as the industry is expecting further significant cost increases in 2024 as a result of utility price increases, wage increases and increasing costs to recruit and retain staff.

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.

Tabacco duty increase

The same rationale for proposing increases to alcohol duties is given for the proposed increases for tobacco duties in this Government Plan, which is to support the public health objectives. Therefore, it is proposed to increase duties on tobacco products by 15.9%, which is the sum of June 2023 RPI (10.9%) and an additional 5% escalator. Cigars will be subject to an increase of 18.9% in line with existing policy to close the gap between the duty charged on cigars and cigarettes, bringing the cigar duty rate gap to £82.90 per kg in 2024, compared to £87.30 per kg in 2023.

The Panel received a submission from the Channel Islands Tobacco Importers and Manufacturers Association[76] (CITIMA). CITIMA's members comprise Fox Trading, Liberation Group, BAT, Imperial Tobacco Ltd and Japan Tobacco International. In its submission CITIMA question the effectiveness of high excise duties on tobacco as a deterrent and warns against potential negative impacts of these duties on the economy, suggesting moderated increases and the introduction of duties on vaping products.[77]

[75] Submission - JHA
[76] Submission - CITIMA
[77] Submission - CITIMA

In addition, CITIMA raises its view that attaching duty increases to substantially higher rates of inflation will drive more smokers to purchase tobacco products from more affordable channels and increases the risk that the expected revenue returns will not be reached.

CITIMA highlights concern that despite raising the issue of the inflationary effects of excise duties for the last two years with the Government, that no study has been carried out to evidence the impact.

CITIMA:

> *We would also raise this point with the Panel: the treasury team does not carry out modelling exercises to test how its revenue raising measures affect businesses, the economy and ordinary islanders.*[78]

In a submission[79] received from the Jersey Hospitality Association, although emphasising that it does not support the tobacco industry, it notes that during the Covid-19 pandemic, when travel was restricted, local tobacco sales were three times higher. Once restrictions were lifted and travel and duty-free sales resumed, excise duty receipts returned to previous levels. The JHA argues that this demonstrates that behaviours do not change, but where people purchase products from does change. The JHA mirrors this to the hospitality industry regarding alcohol duties and its relationship to consumption.

The Panel sought to identify whether evidence existed for the basis for using fiscal measures to deter behaviours for advancing public health goals. The Panel raised this with the Minister for Treasury and Resources during a hearing[80].

Deputy L.J. Farnham:

> *Moving from a similar argument to alcohol and on tobacco the increase as a deterrent, do you have any data to substantiate that this is working, exponentially increasing duties on tobacco?*

The Minister for Treasury and Resources:

> *I am not a health professional and you have touched on 2 areas that are driven by Health.*

The Minister for Treasury and Resources:

> *No, by health professionals. You have made some commentary about your views about the health professionals, and certainly when it comes to alcohol they never say it is just about cost but they say that cost is a big driver. You also have to have those other programmes. You will see there is money in this Government Plan for health promotion, public health, but the Comptroller might have the latest numbers around tobacco and those numbers. We in Treasury are mindful that there can be, because of the nature of our geography, an unintended consequence of people buying them duty free and we see more of that happening.*

Comptroller of Revenue:

> *I do not have the numbers but the World Health Organization, as the Minister says, and all the health professionals are quite clear that keeping pressure on price is one*

[78] Submission - CITIMA
[79] Submission - JHA
[80] Transcript – Minister for Treasury and Resources

of the significant levers for reducing consumption. Jersey, through the U.K., is a signatory to the tax compliance framework, which very much encourages the approach of quite high rises while encouraging all the other health interventions to help people kick the habit. We are seeing evidence that internationally the major tobacco manufacturers are beginning to prepare, early signs, for a tobacco-free world.

Deputy L.J. Farnham:

Which would be welcome for many. I guess what I am asking is when the Council of Ministers are deciding these decisions that do have a great impact on certain sectors of our society, and when you are endeavouring to balance public health objectives with your fiscal strategies, how is this approached? I am not expecting any of the Ministers here today to know everything about everything, but surely that must be part of your robust discussions when you are making these decisions or recommendations at the Council of Ministers. How much do you consider the balance of public health objectives with the fiscal strategies?

The Minister for Treasury and Resources:

We do, and that is why I have indicated that we have had robust discussions.

Deputy L.J. Farnham:

So do you feel the balance is right between the price pressure and the other health support measures for reducing usage?

The Minister for Treasury and Resources:

The balance is what the Council of Ministers have agreed to put in the Government Plan

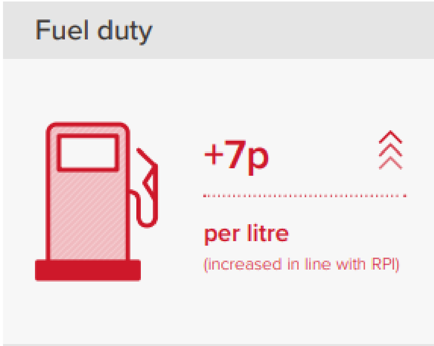
KEY FINDING 27: It is the view of health professionals that increasing the cost of alcohol and tobacco products will help to advance the public health goals in reducing their consumption. Therefore, fiscal measures are being used to advance public health outcomes.

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.

Fuel duty increase

The Panel notes that following the freeze on road fuels duties in 2023 to help with the cost of living, it is proposed to return to the policy of holding the rate of duty constant, in real terms, by indexing it to the growth of RPI (10.9%). Therefore, the duty on a litre of fuel in 2024 will increase by 6.96 pence per litre to 70.85 pence per litre (or by 7.31 pence per litre to 74.40 pence per litre including GST). It is noted in this Government Plan that the uprating of fuel duty signals Ministers' commitment to the agreed Carbon Neutral Roadmap and that Ministers also remain firm in their commitment to allocating 9 pence per litre from fuel duty receipts into the Climate Emergency Fund.

The Panel endeavoured to explore the impacts of the fuel duty freeze during 2023 implemented through the previous Government Plan. Again, the Panel identified that no formal analysis was undertaken on the effects. The Panel further questioned the influence of the freeze in respect of the Carbon Neutral agenda and whether that was successfully balanced by the cost-of-living agenda in 2023.[81]



Deputy S.Y. Mézec:

> *One of the reasons that the fuel duty freeze was perhaps more contentious than it might otherwise have been was because of the carbon neutrality agenda at the same time, which I presume you would have done work on to work out what the appropriate balance there was between the cost-of living agenda and the carbon-neutral agenda, which are seemingly coming at this policy from completely different angles?*

The Minister for Treasury and Resources:

> *Well, no, they are not, are they, because the change in this Government Plan is to revert back to the carbon neutral approach front and central, and that is why you see a different rate for biofuels than you do for other carbon fuels?*

Deputy S.Y. Mézec:

> *Do you have any analysis to give us on what the freezing of road fuel duties in 2023 had on helping to deliver the carbon-neutrality agenda?*

The Minister for Treasury and Resources:

> *Well, it did not put people off with an increased cost, did it, from using fuel? As with all government policy, and certainly with the Government Plan, it is a balance and I believe it was absolutely the right thing to do to freeze duties at that point in time.*

In a submission received from Jersey Consumer Council (JCC)[82], concern is raised regarding the proposal to increase fuel by almost 11%. The JCC maintains that the high cost of fuel – and the associated duty and GST – effects all Islanders and not only those who own vehicles. The JCC further explains:

Jersey Consumer Council:

> *Therefore, any increase in fuel duty at this time will, inevitably and eventually, filter its way down to the cost of every day items on the supermarket shelves. This will only resolve itself once all delivery vehicles in the Island use electric vehicles. Furthermore, with both electricity and water prices rising in the new year, and the situation between Russia and Ukraine still far from being resolved…*

The JCC questions[83] the timing of and proposed rises in the cost of fuel duty and suggests amending the Government Plan to include a delay to the increase in fuel duty until the second or third quarter of 2024 to give Islanders – and our Island economy – a chance to recover from increases to electricity and water, and for matters in the global economy to settle down further.

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[81] Transcript – Minister for Treasury and Resources – Pg 19
[82] Submission - JCC
[83] Submission - JCC

With regard to the proposals this year to revert to increasing fuel duties for 2024, the Panel questioned the impact, considering that the cost-of-living pressures are still being felt. The Panel sought to explore the rationale for proposing to increase fuel duties next year as opposed to freezing duties until the pressures subside.

Deputy S.Y. Mézec:

> *One argument in support of that that would have been made at the time, and some may well choose to make it at this moment in time, was that the raising of fuel duties can have a knock-on effect on other things rather than just those who are at the pumps paying for their petrol but in terms of delivering food and that kind of thing, the cost of which can disproportionately affect those on lower incomes. That kind of argument about the knock-on effects from it, what consideration did you give to that when considering the measures on fuel duties in this Government Plan?*

The Minister for Treasury and Resources:

> *Let us just say there was a robust conversation around the Council of Ministers table, because I think those arguments can be made. Those arguments are, of course, then offset by moving the carbon neutral agenda forward.*

Deputy S.Y. Mézec:

> *On the basis that there was a robust discussion, was consideration given to repeating what you did last year with fuel duty?*

The Minister for Treasury and Resources:

> *It was and that was, of course, part of the discussion.*

Deputy S.Y. Mézec:

> *Why was that conclusion not reached*?

The Minister for Treasury and Resources:

> *As I said, all of these things are a balance. If we want to raise revenue for departments to spend on what they say are their pressures, then there are only so many ways that we can raise that revenue, bearing in mind that increasing duty on fuel is in line with the carbon neutral road map.*

Deputy S.Y. Mézec:

> *Was that the argument that ended up prevailing when this decision was made or were there other considerations that you think ...*

The Minister for Treasury and Resources:

> *Obviously back to reverting to increasing duty in line with the carbon neutral road map.*

Biofuel duty reduction

The Government Plan also proposes to reduce fuel duty by 9 pence per litre on specific biofuels to support the transition to greener transportation. It is noted that the reduction in fuel duty only applies to Hydrotreated Vegetable Oil (HVO) which is available locally as a renewable diesel. It is 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 is representative of the 9 pence per litre hypothecated to the Climate Emergency Fund.

EVie[84] explains in its submission to the Panel, while this initiative to reduce fuel duty on specific biofuels is commendable and notes its support for the transition to lower-carbon fuels, that it should be integrated within a comprehensive package of incentives. It is further emphasised that this package must consistently champion the transition to zero-emissions alternatives. Concern is highlighted if such measures are seen as mere quick fixes that could potentially decelerate overall progress towards greener transportation.

The Panel explored this proposal further during its hearing with the Minister for Treasury[85] and Resources.

Deputy L.J. Farnham:

> *The proposal to reduce biofuel by 9 pence a litre is going to cost about £85,000. What impact will that have on the Climate Emergency Fund?*

The Minister for Treasury and Resources:

> *That money will not go into the Climate Emergency Fund, but then it should not go into the Climate Emergency Fund because it is clean fuel.*

Deputy L.J. Farnham:

> *So that is no impact because it would not have gone in?*

The Minister for Treasury and Resources:

> *It is very little, but it cannot be right that we are penalising those who are spending what is considerably more on biofuel.*

Vehicle Emissions Duty increases

The Government Plan 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 CO_2 emissions data, meaning that the charges are higher for the most polluting vehicles.

It is proposed that from 2024, electric vehicles (EVs) and hybrid vehicles that emit small amounts of emissions are subject to a nominal VED charge in support of fairer tax contributions in respect of all emitting vehicles. Therefore, a new band of 1-50g of CO_2 will be introduced, which will charge VED at a rate of £35. It is noted that VED charges will increase for nearly all vehicles, with the greatest increases applying to the most polluting vehicles and that the highest emission band will be increased by 30% with lower increases for vehicles in the less polluting bands. The Government has confirmed that it will continue to keep VED rates under review in future years to encourage the importation of more efficient petrol and diesel vehicles, as well as EVs.

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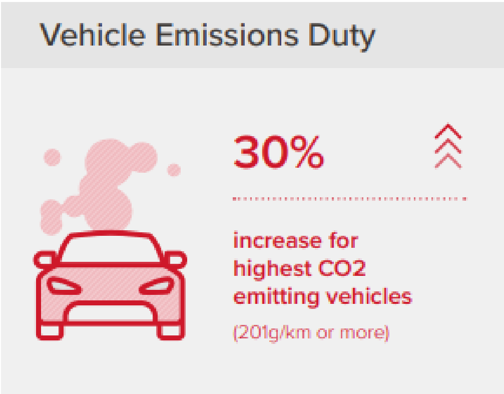
[84] Submission - EVie
[85] Transcript – Minister for Treasury and Resources



In a submission[86] received from EVie, the following view was shared:

This measure to increase Vehicle Emissions Duty charges for nearly all vehicles is a positive step towards incentivising the transition away from high-emission vehicles. However, it would be prudent to undertake a review of the duty's parameters to also take into account the size and mass of vehicles. Prioritising the reversal of the trend towards larger and heavier vehicles is essential. Such vehicles are inherently less efficient, exacerbate traffic congestion, diminish safety for other road users, and impose greater costs on road infrastructure maintenance. A more comprehensive approach could enhance the effectiveness of this policy in achieving our environmental goals.

Vehicle Emissions Duty			
CO_2 Mass Emissions (grams)	2023 Actual	2024 Proposed	Proposed Increase %
0	-	-	-
1-50 [new rate band]	-	35	-
51-75	73	73	-
76-100	218	240	10%
101-125	383	422	10%
126-150	621	715	15%
151-175	1,188	1,367	15%
176-200	3,500	4,200	20%
201 or more	6,105	7,937	30%

Table 6: Vehicle Emissions Duty

The Panel explored this proposal further with the Minister for Treasury and Resources[87] to identify the effects of the significant VED increases during 2023 and whether the proposal was achieving its aims of encouraging the shift to electric vehicle purchase and use.

Deputy L.J. Farnham:

> *…We will move on to vehicle emissions duty. Significant increases in V.E.D. were implemented for 2023 for nearly all vehicles. The highest 2 bands were increased by 72 per cent and 85 per cent respectively, the lower bands by 32 per cent. The rationale provided in the last Government Plan was to encourage the shift to electric vehicles. Was this encouraged through the implementation of this proposal and how has the benefit of that impact been measured?*

The Minister for Treasury and Resources:

> *I am not sure who wants to come in. We engaged at length with the motor trade industry to first understand what they were seeing in the market, as well as the figures that we had internally. Then we engaged at length prior to the submission of these proposals in the Government Plan. Again we, with these proposals, have a balanced approach but the Comptroller can talk about the numbers.*

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86 Submission - EVie
87 Transcript – Minister for Treasury and Resources

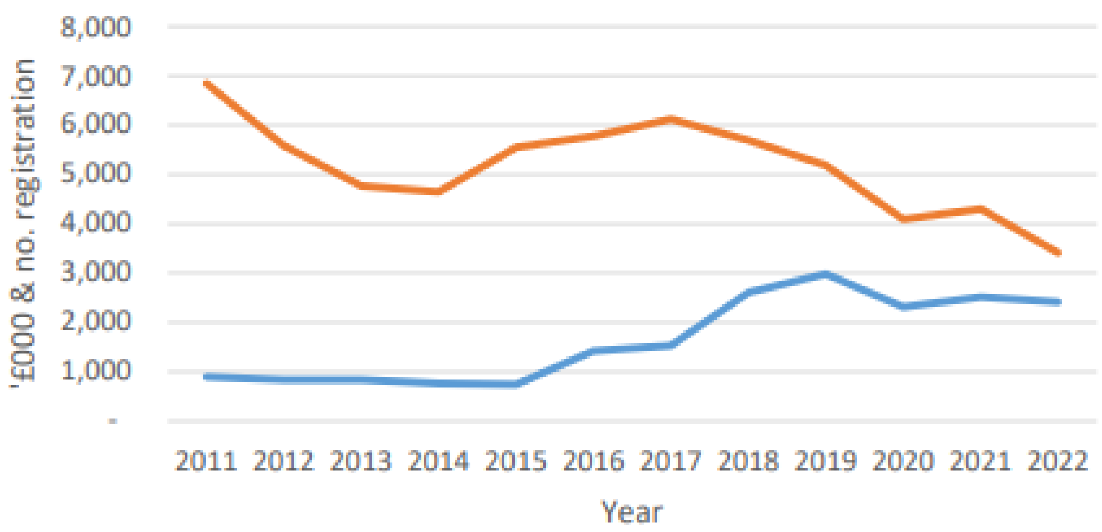
Comptroller of Revenue:

> *As we mentioned earlier, we certainly have data on the growth in electric vehicles and the reduction in other forms of vehicles, so there is some data that is being tracked both by the Department for the Environment and then by us when it comes to looking at tax issues.*

In a response[88] to written questions[89] the Panel received further detail from the Minister for Treasury and Resources to evidence the shift to electric vehicle purchases in 2023 resultant of the VED increases. It was noted that although the data for 2023 would only be finalised at the year's end, the data from 2010 to 2022 suggested that the consumer shift to electric vehicles will continue to respond positively to VED.

It is evidenced that VED registrations of vehicles with internal combustion engines have declined by 6.1% annually on average since the introduction of VED (Figure 1) while VED revenues have increased by 10.1% per year (corresponding to an average annual increase in duty per vehicle of 17.3%). Revenues now appear to have peaked as the shift toward the electrification of transportation in Jersey has accelerated.

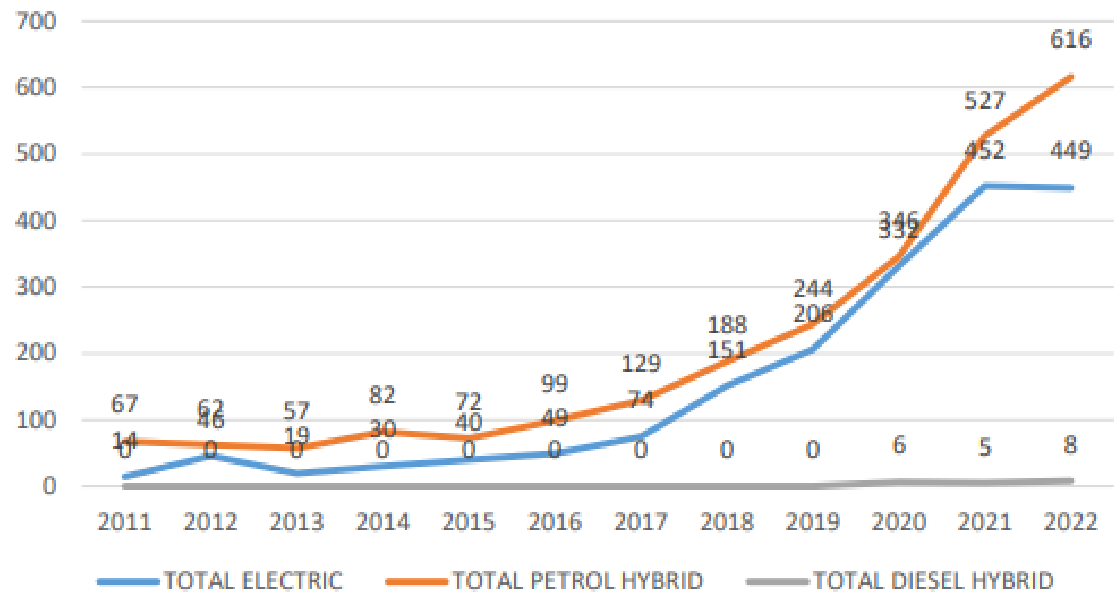
Figure 1: VED receipts versus registrations



In addition, over the same period, electric vehicle registrations have increased by 23% annually and hybrid petrol vehicles have increased by 22%.

[88] Letter – Minister for Treasury and Resources to CSSP – 21 November 2023
[89] Letter – CSSP to Minister for Treasury and Resources

Figure 2: Electric vehicle registrations



The Panel raised during its review of the previous Government Plan, concerns regarding the supply of electric vehicles and sought to understand whether that was a continuing concern and whether it was impacting the shift to electric vehicle use.

Deputy L.J. Farnham:

> *…We know there have been difficulties in the supply chain of electric vehicles due to one thing and another. Do you think the switch over or the success of the scheme would have been greater? Is there any evidence to suggest that difficulty in obtaining certain electric vehicles has …*

The Minister for Treasury and Resources:

> *I think the difficulty in the industry was experienced around the importation of second-hand I.C.E. (internal combustion engine) vehicles and the price margin that the increase in V.E.D. they felt was eliminated and therefore the supply of cheaper second-hand I.C.E. vehicles were impaired. It is more about that than it was about the supply of electric vehicles.*

The Panel sought to understand what consideration had been given to the effect of the proposals on lower income earners who rely on their vehicles and whether the impact was disproportionate across Jersey's society.

Deputy L.J. Farnham:

> *In relation to the increase of 32 per cent in V.E.D. in the lower tier, 32 per cent was the lowest increase, what impact do you think that would have had on lower income earners who rely on their vehicles? Has that been identified? Do you think it is disproportionate?*

The Minister for Treasury and Resources:

> *I do not think it is disproportionate but the impact of what happened previously, which is why we engaged with the Motor Trade Federation, was as I say around that supply*

of cheaper second-hand vehicles which, over the last number of years, has been the mainstay of Jersey's motor industry.

Recalling from the previous review, concerns raised that increasing VED at the higher bands may not encourage a shift to electric vehicles as affordability is generally not a concern in those circumstances, the Panel sought to understand whether change was being seen in that area.

Deputy L.J. Farnham:

Do you think or know that the big increase at the higher end on the great big ... I was going to say gas guzzling, but the big polluting vehicles, has the exponential increases in V.E.D. achieved their purpose, or do you largely feel they are being soaked up, as affordability is quite often not an issue at that end of the market?

The Minister for Treasury and Resources:

Well, according to the federation, that is the area where they have least concern, but what that is doing is putting money into the Carbon Neutral Fund to provide funding for other changes.

Deputy. Deputy L.J. Farnham:

…what consultation have you had with the industry recently?

The Minister for Treasury and Resources:

As I say, we have had a lot of consultation with them prior to the publication of the Government Plan.

A new proposal in this Government Plan is to create a new band for VED charges for electric and hybrid vehicles that emit small amounts of emissions. The Panel sought to explore this further.

Deputy L.J. Farnham:

What is the rationale for including hybrid vehicles as subject to V.E.D. charges?

The Minister for Treasury and Resources:

Because previously one of the unintended consequences is, as I understand, that you could have a hybrid vehicle with a V8 engine. You do not need to run your hybrid bit of the vehicle and you would end up with a zero or near to zero V.E.D. charge, so you could, for example, and I will not say 29 Volkswagen, let us take a Range Rover, so you could have a Range Rover Sport that was hybrid, with a V8 engine in it, run it always on petrol, never use the 12 miles that you get from your electric bit and pay no V.E.D. It was the motor industry that said to us that appeared to be an unfairness, which needed correcting.

In a response[90] to written questions from the Minister for Treasury and Resources it was further explained that determining the casual relationship between rising VED and the electric car shift is complicated by several price and income factors, most importantly that both the absolute price of electric vehicles and their relative price compared to internal combustion engine vehicles have declined, increasing demand. However, a strong indicator that the effect is causal is that, despite constant or declining oil prices over the same period (depending on

[90] Letter – Minister for Treasury and Resources

the starting point picked in the volatile 2010-2011 years) there has been an overwhelming shift toward smaller engine sizes and more fuel-efficient vehicles registered in Jersey.[91]

EVie[92] shares its view that any vehicle that relies predominantly on combustion for propulsion should rightly be included within the VED framework. However, notes, at this juncture, imposing such a duty on battery electric vehicles (BEVs) would appear to be counterproductive in relation to the Government's long-term ambitions for carbon neutrality and achieving net zero targets. EVie raises concern that levying VED on BEVs at this stage could potentially inhibit the encouraging progress made thus far. It emphasises that it is imperative to carefully balance fair tax contributions with strategic incentives to support the widespread adoption of truly emission-free transportation options.

KEY FINDING 28: There appears to be stakeholder support for the proposal to include hybrid and electric vehicles that emit emissions within the Vehicle Emissions Duties framework.

KEY FINDING 29: The causal relationship between the rising Vehicle Emissions Duties and the electric car shift is complicated by price and income factors. However, there appears to be an overwhelming shift toward smaller engine sizes and more fuel-efficient vehicles registered in Jersey.

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.

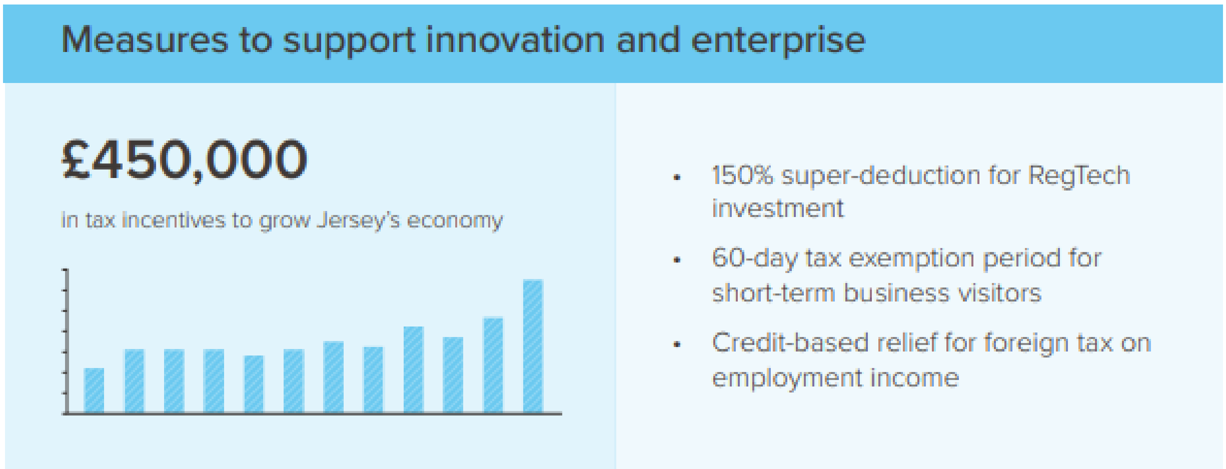
RECOMMENDATION 17: The Council of Minsters should consider the benefits for including parameters that also take into account the size and mass of vehicles when determining Vehicle Emissions Duties, to prioritise the reversal of the trend toward larger and heavier vehicles. These are inherently less efficient, exacerbate traffic congestion and impact road maintenance costs. This could assist in meeting Jersey's climate goals.

Innovation and enterprise

The Government Plan proposes new measures to encourage innovation and enterprise. It is noted[93] that the tax measures are aimed at:

- Removing tax obstacles, providing tax certainty and reducing cost for all Jersey businesses with inbound and outbound staff. Staff mobility has become an increasingly common feature of the modern world of work, and this is particularly the case for a small island economy; and
- Fostering investment in technology with the aim of improving business productivity. A unique pilot tax incentive is being launched to encourage Jersey's regulated financial services businesses to invest in productivity-enhancing technologies related to regulatory compliance. This should boost productivity in this key sector, benefitting the broader Jersey economy.

[91] Letter – Minister for Treasury and Resources to CSSP – 21 November 2023
[92] Submission - EVie
[93] P.72/2023 – Pg 39



The Panel received submission on these measures from Digital Jersey[94] and Jersey Financial Services Commission[95], both were supportive of the measures and confirmed they had been consulted regarding the proposals.

Digital Jersey:

> *Given the local financial services industry is the driving factor behind the islands economy and sustainability for the majority of employment, its vital that the Government of Jersey supports and accelerates the continual improvement and adoption of regulatory technology across the finance sector. The risk of not supporting the adoption of technology will render Jersey potentially unviable for international trade, UHNW, HNWs and Corporates are choosing to take their administration elsewhere, this is primarily down to international clients feeling its easier to be onboarded in other competing finance centres, this would be detrimental to our economy. The use of RegTech will also support continual efforts at maintaining compliance, reducing and mitigating risk and improving operational efficiency for all stakeholders.*

Jersey Financial Services Commission:

> *The Super-Deduction aligns with the JFSC's own initiatives to help drive investment into RegTech which were prompted by Industry research. The 2021 'Regtech in Jersey' report commissioned by the JFSC, showed that RegTech had reached only modest levels of adoption even in areas that respondents categorised as high priority…The report also reported on the barriers to adoption with 33% referencing the prohibitive cost of Regtech solutions and 27% referencing a lack of available budget.*
>
> *Although adoption of RegTech is seen by the finance industry as a priority, there are several barriers to adoption, including financial. The JFSC is supportive of any initiatives that seek to remove these barriers.*

The Panel sought to explore these tax measures further during a hearing[96] with the Minister for Treasury and Resources in the context of revenue impacts, in the main. In addition, considering that they are new proposals, to understand the level of stakeholder engagement undertaken to inform the proposals.

[94] Submission – Digital Jersey
[95] Submission - JFSC
[96] Transcript – Minister for Treasury and Resources

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

In relation to the Regulatory Technology (RegTech) Super-Deduction the Panel identified that a lot of engagement was undertaken regarding the proposals.

Deputy M.B. Andrews:

> *Minister, I would like to ask you several questions about some of the economic policies that have been proposed in the Government Plan. Looking at the regulatory technology super tax deduction, what input has the Jersey Financial Services Commission had and Jersey Finance in the proposals? The*

Minister for Treasury and Resources:

> *As you are aware, the Financial Services team in Government have been doing quite a lot of work on technology and issues across the financial services industry. Some of that is very much involved with the regulatory approach to the use of technology and how it can support client onboarding and all those sorts of issues and that has also involved J.F.L. (Jersey Finance Limited), largely through what we call the fiscal strategy group, so that is advisers who help us think about tax and how it is working and how the tax system is working. All 3 of those have been involved from very early thought processes.*

The Panel sought to understand whether any consideration was given to managing conflict when developing the proposals.

Deputy M.B. Andrews:

> *Okay, so how has conflict been managed? For instance when we are looking at Jersey Post and the Government of Jersey then being a shareholder of Jersey Post to have RegTech interest in terms of the investments they have made.*

The Minister for Treasury and Resources:

> *I do not see the conflict. I know that some of your colleagues think there is a conflict. This is a regulatory super deduction. The aim of it is to encourage the financial services industry on a pilot basis for 2 years to invest in technology. It is not a direct benefit to a local RegTech company, whoever owns that. It is a benefit to the financial services company and they are the ones who will make the decisions about the investment; they are the ones who will make the decisions about the technology. We already know that there has been an increased regulatory burden in financial services for many years. We know that there is a skills shortage in compliance right across the Island and this is what we think is an important measure to address some of those issues.*

KEY FINDING 30: Stakeholder engagement by Government was undertaken on the Regulatory Technology proposal. The adoption of Regulatory Technology is a priority for the financial services industry, however, several barriers to adoption exist (including cost). The industry is supportive of initiatives that seek to remove the barriers to adoption to support efforts in maintaining compliance, reducing and mitigating risk and improving operational efficiency.

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.

In respect of the proposal for Supporting staff movement for all business sectors, the Panel identified the following:

Deputy M.B. Andrews:

> *... In relation to the unilateral relief and the 60- day threshold for short-term visitors, what dialogue has taken place between yourself, the Chief Minister and the Minister for External Relations?*

The Minister for Treasury and Resources:

> *The dialogue has taken place across industry. We know that we do not have many double taxation agreements around the globe. Part of this relief allows us to manage that, so it will allow Jersey practitioners to practice elsewhere and they will be able to offset the lower of those 2 tax liabilities, so it means that people who are in Jersey can do work elsewhere and they will not be penalised for it, so it keeps their expertise and skills here. When it comes to the other change around 60 days, the reality is that that is largely what is happening in practice, so we are in effect normalising it and what we are saying is after the 60 days we will be much clearer and ensure that taxation is paid. We have made the increase in the licence that is needed. I am not sure if that has gone into the public domain yet, that decision, but those licences will be increasing as well.*

Codifying remittance basis

The Government Plan notes[97] that Codifying the Remittance Basis of Taxation proposed amendments to the Income Tax (Jersey) Law 1961 will codify practices around the 'remittance basis' of taxation. The legislation will clarify that Case V income arising from possessions outside of Jersey does not include income from salaries, fees, wages, perquisites, benefits, or profits or gains arising from an office or employment exercised in Jersey (which is Case II). This is included in Appendix 4 of the Government Plan as an additional administrative and technical measure to be included in the Finance Law. The measure is expected to bring in an additional £100,000 in revenue annually.

Stamp duty – first time buyers

The Government Plan notes that the rates of Stamp Duty for first-time buyers were last changed in 2019. Since then, the House Price Index has increased by around 40%. The Minister for Treasury and Resources is proposing an increase to the first-time buyer upper threshold in-line with that increase, to support those who are trying to get on the housing ladder. In addition to increasing the upper threshold, it is proposed that the 1% rate for first-

[97] P.72/2023 – Pg 113

time buyers is extended to ensure that minimal Stamp Duty is charged on lower value transactions. No changes are proposed to the nil rate, which means that no Stamp Duty is charged on transactions of £350,000 or below.

The Government Plan explains that the proposals will be funded through proposals to help aspiring first-time buyers. The Council of Ministers will, as agreed in the States Assembly debate on 13 September 2023 (Proposition 'New Stamp Duty Rates' (P.63/202312), propose modest increases to some of the Stamp Duty rates for higher value properties, in the Draft Finance (2024 Budget) Law 202-.

Stamp Duty for First-Time Buyers		
	Current bands	Proposed bands
Nil rate	£1 to £350,000	£1 to £350,000
1% rate	£350,000-£450,000	£350,000- £600,000
Taper	£450,000-£500,000	£600,000-£700,000
Upper threshold	£500,000	£700,000

Table 8: Stamp Duty for First-Time Buyers

In a submission[98] received, CAB highlights its support of the proposal to increase the first-time buyer upper Stamp Duty threshold in line with the increase for the House Price Index by around 40%.

Citizens Advice Bureau:

> *We think that this proposal is overall a positive move as it may encourage first time buyers to venture into home ownership. As the cost of property in Jersey is so expensive with little choice, the proposed raise in the upper Stamp Duty threshold might well create sufficient impetus to help first time buyers to achieve that first property purchase.*

In respect of the proposals for the 1% rate for first time buyers will be extended to ensure minimal Stamp Duty is charged on lower value transactions, CAB[99] shared the following view:

> *We see that it is proposed that the nil rate Stamp duty threshold is to remain unchanged and will continue to apply to transactions up to a value of £350,000. This threshold has not changed since 2019 when it was increased from £300,000. As a comparison, in 2019, the average price of a one bedroom flat in Jersey was £265,000 which would have made it possible for a first-time buyer to have purchased a small unit of accommodation without paying any stamp duty. In 2023, the mean price of a one-bedroom flat is £356,000 [100]so the current nil rate threshold is insufficient even to cover the cost of purchasing a small unit of accommodation. The proposal for the extension of the 1% rate for transactions between £350,000 to £600,000 is certainly helpful for first-time buyers. We note the example that for a transaction of £500,000, under the latest proposal, the overall cost of stamp duty would be £1500 compared with £8,000 being the current cost. Clearly, this proposal would assist a first-time buyer.*

The Panel discussed these proposals during its hearing[101] with the Minister for Treasury and resources, particularly in consideration to economic assumption made by the FPP that the number of housing transaction would fall by 50 percent and that trend would likely continue.

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[98] Submission - CAB

[99] Submission - CAB

[100] The Panel notes that the statistics for Q3 identify that the mean price of a one-bedroom flat is £362,000.

[101] Transcript – Minister for Treasury and Resources

The Panel wanted to understand the impact thereof on revenues collected through stamp duty charges.

Deputy Farnham:

> *Minister, looking at the Fiscal Policy Panel report, they made an economic assumption for 2023 that the number of housing transactions would fall by 50 per cent and that trend would likely continue. What impact do you believe a first-time buyer scheme will have to provide not only injections in the housing market but also to generate stamp duty revenue as well?*

The Minister for Treasury and Resources:

> *Because the market is so uncertain we know what the F.P.P. forecast, we can see what the market is experiencing to date, and I think it is fair to say that there is a differential between those 2, so the changes to first-time buyer stamp duty rates might help meet that differential so that the market might perform in line with the F.P.P. assumptions.*

Deputy M.B. Andrews:

> *Have you done any economic modelling to see how many transactions potentially could take place and the amount of stamp duty that could be generated through first-time buyer transactions on the scheme?*

The Minister for Treasury and Resources:

> *In a market that is suffering I think we can say extreme stress, where we are informed by that particular industry that the only sales that are taking place are where people are prepared to see between a 10 per cent and 20 per cent reduction in what their post-COVID market value might have 30 been, it is quite difficult to do the modelling that you have suggested. Comptroller, I am not sure what modelling you have done to get at the figures in the Government Plan.*

Comptroller of Revenue:

> *I think I am right in saying there has been some modelling done to inform the income forecasting group, but as you have already said, the forecasts for stamp duty are suppressed now and the major changes have been this year for first-time buyers' benefit.*

The panel notes that the Stamp Duty Review remains ongoing. It recalls from its review of the previous Government Plan that it had received multiple concerns regarding the slow progress of the review and also around the proposals at that time. During 2023, the Panel has been maintaining communications regarding the review to track any progress. The Panel notes that the wider Housing Strategy is being considered in conjunction with the review to identify any fiscal levers to achieve the aims of the strategy.

KEY FINDING 31: Some modelling has been undertaken to inform the Income Forecasting Group in identifying the stamp duty forecasts within the Government Plan. However, the forecasts for stamp duty are suppressed currently and the major changes being proposed for 2024 are for first-time buyers. The stamp duty review is very delayed. It will now include consideration for the wider Housing Strategy to identify any fiscal levers which could assist in achieving the aims of that strategy.

High Value Residents

The Minister for Treasury and Resources lodged the proposition Draft Income Tax (High Value Residents – Amendment) (Jersey) Law 202- [P.29/2023] on 16th May 2023. It was adopted by the States Assembly in July 2023. Therefore, a new taxation regime (version 5) secured an overall increase in the taxation requirements for new 2(1)(e) residents from 14th July 2023. This new Version 5 superseded version 4. The changes included an increase to the minimum annual income tax required to be paid from £170,000 to £250,000.

As the proposition (P.29/2023) was approved by the States Assembly in July 2023 to approve the implementation of these measures, and the Panel reviewed this proposition at the time and presented its Comments[102] prior to the debate to inform it, the Panel did not review this area again as part of this review.

However, the Panel notes that within its Comments it raised the considerations and concerns as follows:

> *Subsequent to the briefing received and consideration of P.29/2023, the Panel remains concerned regarding the review process and, therefore, the resultant policy and legislative proposals. Although a review process was undertaken, primarily, it was conducted internally with involvement from the Cabinet Office, Revenue Jersey and the Department for the Economy. The Panel notes that the review process sought views from stakeholders including professional advisors, estate agents, and recent 2(1)(e) applicants 4 as acknowledged within the proposition.*
>
> *Notwithstanding the above noted consultation, the Panel raises concern that the review into the 2(1)(e) scheme lacked an independent consultation component and therefore demonstrated limited scope. In addition, it is the Panel's understanding that the stakeholders consulted had vested interest. It is also the Panel's view that the stakeholder representation should have been broader and more inclusive. The Panel notes that within the proposition it is acknowledged that the stakeholders consulted were not a representative cross-section, however, that the approach provided expert insight, which aided the making of decisions about how additional value could be promoted while Jersey remains competitive and welcoming. It is further noted within the proposition that a total of nineteen consultation responses were received which informed the proposals.*
>
> *In light of the above, the Panel raises concerns of whether the evidence gathered was extensive enough to sufficiently substantiate the proposals, particularly considering the current housing concerns within Jersey. Moreover, since the impact of the proposals on the property markets or property price distortion remains unclear. Therefore, the Panel raises concerns that the review undertaken has failed to convincingly measure the impact of the proposals and is not confident that the changes being proposed by P.29/2023 are sufficiently evidenced.*

KEY FINDING 32: The review process to identify the taxation levels and changes for High Value Residents is not sufficiently evidenced and fails to convincingly substantiate the proposals. Neither does it measure the impact of the proposals, in particular their impact on the property markets and property price distortion, which remains unclear.

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

[102] CSSP – Comments – P.29/2023 - HVR

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.

Increased Collections: Domestic Compliance

The Government Plan notes[103] that Revenue Jersey continues to develop its annual published compliance programme, in line with its published compliance strategy, and to improve its capabilities, for example in assessing and identifying tax risks. Building on existing results (additional revenues from its compliance activities), Revenue Jersey is projecting an additional £16m in collections from activities devoted to audit, enforcement, and other compliance work. This adds to the £15.5m projected in the 2023-2026 Government Plan. Together, the additional collections are expected to contribute £31.5m to general revenues in each year of the Plan.

Income Forecast, including additional income measures				
£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
States Income - IFG Forecast	**1,166,570**	**1,219,002**	**1,254,501**	**1,299,468**
Additional Income Measures				
- Increased Collections: Domestic Compliance	31,500	31,500	31,500	31,500
- Budget Measures	(3,748)	(3,173)	(2,628)	(2,118)
States Income after Income Measures	**1,194,322**	**1,247,329**	**1,283,373**	**1,328,850**

Table 11: Income Forecast, including additional income measures

The Panel explored this further during the hearing with the Minister for Treasury[104] and Resources to identify the progress made during 2023 and the confidence in meeting the intended aims in 2024.

Deputy S.Y. Mézec:

> *… Minister, the next few questions relate to table 11 in the Government Plan, which is the income forecasts, including "Additional Income Measures" and specifically the line for: "Additional Income Measures, Increased Collections: Domestic Compliance" …*

Deputy S.Y. Mézec:

> *... It was projected that £15.5 million would be contributed as outlined in the previous Government Plan through the compliance strategy workstream. Is this going to be achieved in 2023 and how has that gone?*

Comptroller. Comptroller of Revenue:

> *Yes. I believe we are on track to achieve that. For the last few years we have been publishing an annual compliance programme that sets out the areas of the economy where we will be able to take in compliance work. That has been gradually building over the last few years since 2016 and we now have a good but small team of compliance officers, it is set to increase slightly, that is doing effectively a range of interventions from fairly basic desk audits to full tax inspections of business premises*

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[103] P.72/2023 – Pg 43
[104] Transcript – Minister for Treasury and Resources

and so on. We are finding a range of errors and under-declarations of varying sizes, so the programme is working very effectively.

The Panel further sought to understand the makeup of the errors that were discovered where errors were found to be intentional acts of evasion, whether civil penalties could be advanced into the criminal realm.

Deputy S.Y. Mézec:

How much of that are you encountering that you could categorise as perhaps innocent miscalculations, accidents and so on versus perhaps pushing loopholes to their limits, or negligence?

Comptroller of Revenue:

I would say we find the whole gamut of things and it is quite difficult to express it in percentages at the moment. For the last couple of years we have had a range of new civil penalties, which the States Assembly granted to us in about 2020, so for the last 2 years we have started to use those, very softly-softly to begin with, but increasingly those will be used. Those will provide data that will enable us to say more about that in the future. If we are satisfied that an underpayment is entirely innocent error the penalty is 0 per cent. If we are quite certain it is a deliberate act of evasion the penalty is 100 per cent, and there are varying penalties across the spectrum. Our officers are wherever possible applying those penalties where it is appropriate to do so, so that will in the future give us a much better handle on the different types of underpayments that we are coming across, and indeed overpayments.

Deputy S.Y. Mézec:

Do you have the ability to push those penalties into the criminal realm?

Comptroller of Revenue:

Yes. Again about 2 to 3 years ago the States Assembly helped us modernise all our criminal sanctions. They were not in a very good shape, it is fair to say. They needed review and we now have a suite of criminal sanctions in addition to the civil penalties that can be used in the extreme cases where it is appropriate to do so. They have not been used very greatly up to now. We are just beginning to use them.

The Panel identified that it was the view of the Comptroller of Revenue that the projected contribution of a further £16 million for 2024 would be achievable.

Comptroller of Revenue:

We have some good data now from previous years. Our compliance programme to date has been touching a fraction of 1 per cent of the taxpayer community, so we are quite confident that as we grow our capability and build up our ability to undertake a larger compliance programme it will be quite feasible to deliver those increases in revenue.

The Panel sought to understand what the total recurring projections of £31.5 million every year from 2024-2027 encompassed. The following clarification was received:

Comptroller of Revenue:

It is a mixture of analyses, because historically in most tax administrations you will find errors and under-declarations every year. Some of those will be one-offs that will not *repeat in future years. Others will be where you are correcting some form of mistake that then has a benefit into the future. We take stock of what we are finding and project forward from that basis.*

Future Tax Measures

The Government Plan notes additional tax measures for future consideration including:

- Long-term Financing Strategy for the Carbon Neutral Roadmap
- Liquid Waste Charges
- Taxing Vaping Products

As these remain to be considered and not proposed in this Government Plan for 2024 approval, the Panel did not seek to review these proposals. However, notes that within submissions received concern was raised regarding the workstreams for the Liquid Waste Charges and comment was also received on the Taxing of Vaping Products.

The JHA notes within their submission[105] that when liquid waste charges were previously suggested it was a substantial concern for the hospitality industry as it would be a hidden tax and would impact its members disproportionately. The Panel met privately with the JHA and heard evidence to substantiate their members' concerns.

CITIMA[106] comments on the future proposal to tax vaping products. CITIMA notes vaping plays a new and vital role in public health policy aimed at reducing the number of people that smoke tobacco. It is a reduced risk product but both Jersey and Guernsey lack the regulation needed to ensure that the market operates appropriately and responsibly. CITIMA shares widely held concerns about the number of young people who are vaping and is supportive of legislation that mirrors much of what the United Kingdom already has in place. CITIMA notes its support of the introduction of low-level duty on vaping products, observing that this would provide a consistent source of revenue to replace duty on tobacco as more smokers switch to vaping.

KEY FINDING 33: The hospitality industry is concerned about the potential significant impact of any future liquid waste charges on the industry, should the proposals not be appropriately modelled and evidenced with regard to their impact on the economy and businesses.

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.

Progress of Tax Reforms and Reviews

The Government Plan highlights several areas for tax reform including:

- Independent Taxation
- International Tax Reform
- Fuel Duty Replacement Policy
- Stamp Duty Review

[105] Submission - JHA
[106] Submission - CITIMA

Further detail regarding these areas can be found within the Government Plan[107] (Pg. 45).

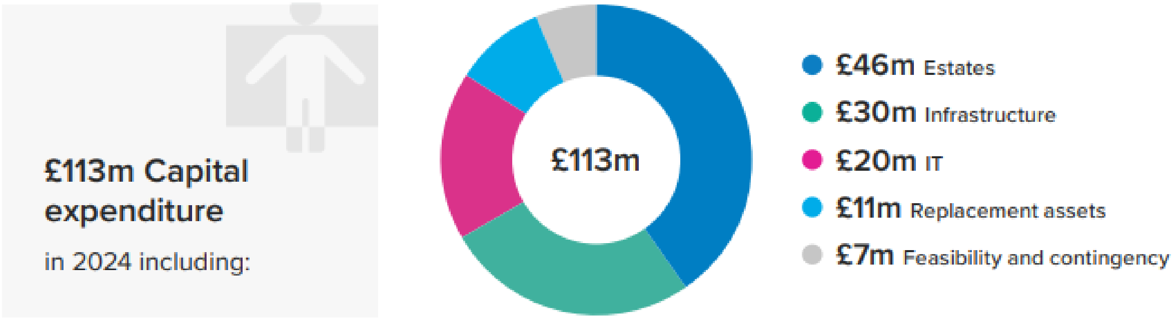
The Panel has been kept updated on the progress with regard to the workstreams for the Independent Taxation, International Tax Reform and Stamp Duty Review during 2023. The Panel is in the process of reviewing Independent Taxation and intends to present Comments ahead of the States' debate in early 2024. Likewise, a review of the International Tax Reform will be commenced in 2024 once the draft proposals are finalised. The Panel when reviewing the previous Government Plan, received feedback[108] in respect of the current status of stamp duty legislation and concern for the delay in progressing the review.

The Panel notes that the fuel duty replacement policy, however, would be a new workstream for 2024, which it has not yet considered during 2023.

Expenditure

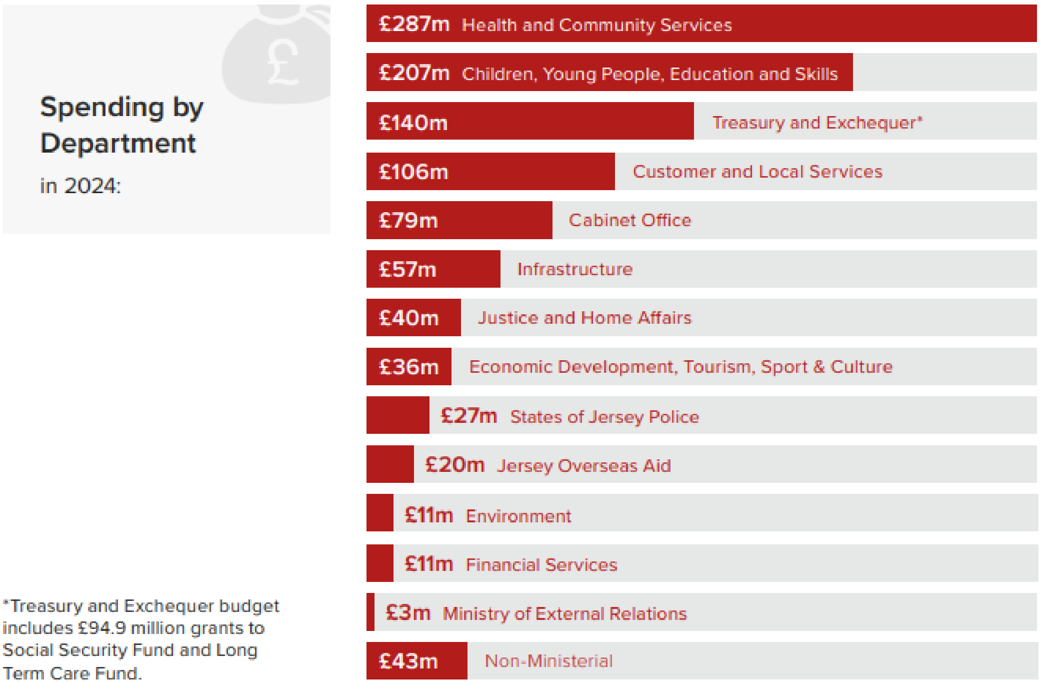
Public Sector Spending

The FPP in its Annual Report for 2023[109] highlights in respect of fiscal strategy and spending that Jersey's economy grew strongly in 2022. Noting that growth was driven by higher profits in the banking sector as a result of higher interest rates; however, notes that the rest of the economy saw no growth. The FPP raises that the improved fiscal position should be used to rebuild reserves and not to fund further expenditure growth, notwithstanding this the FPP welcomes the Government's extensive capital programme. However, it recommends that the primary balance should move to a surplus as soon as possible, but that this shouldn't be achieved through cuts to the capital programme.



This Government Plan proposes approximately £1,15 billion of spending in 2024 as opposed to the previous Government Plan[110] which proposed £996 million of spending in 2023 on delivering services to Islanders. The below chart illustrates the proportion of net revenue spending in 2024 across departments.

[107] P.72/2023 Government Plan 2024-27
[108] S.R.20/2022 – Government Plan 2023 -26 review – Stamp Duty Review
[109] FPP – Annual Report 2023
[110] P.97/2022 - Government Plan 2023-26 – Pg 38



The Panel further explored the spending proposals for 2024 in a hearing[111] with the Chief Minister.

Deputy M.B. Andrews:

> *…Chief Minister, I would like to start off by asking you a question about the Government's spending plans for the period of 2024. There have obviously been some vocal proponents who are saying that the Government is spending too much, and especially during a period of high inflation. I was wondering whether you could give a response to that stance that many Islanders do have.*

The Chief Minister:

> *I think I said at the outset that we are very focused on ensuring that we are delivering the most effective services and value for money. That value-for-money work continues from last year, and we can invite the group director to give greater depth to my response as and when you wish. However, we also have to invest in improving services and ensuring the best delivery of our services. We employ thousands of teachers and nurses and doctors who are here to support Islanders in providing those fundamental public services, which we are proud to be seeing improvements in. We have introduced the financial recovery programme following the input from the turnaround team. That is again another investment in improving our public services and the delivery of them for the public. It is a fine balance and I hear and understand questions that the public and other people ask.*

Changes to Net Revenue Expenditure

The Government Plan explains that there is an increase in spending to deliver public services from 2023 to approximately £1.15 billion in 2024, which is largely due to inflationary pressures. Changes in net revenue expenditure encompass, in the main:

[111] Transcript – Chief Minister

- additional £70 million provided for inflation
- further £48 million investment for revenue growth
- reintroduction of the States grant to the Social Security Fund in 2024

The above was reiterated by the Minister for Treasury and Resources during a hearing.[112]

Changes to Net Revenue Expenditure				
£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Base Budget	985,044	1,166,249	1,203,060	1,205,695
Adjustments for net changes to Base Budget;				
Adjustments from GP23	(18,708)	(76)	(2,977)	(50)
Inflation	70,166	34,700	10,733	15,089
Other Formula Driven Growth	14,649	7,111	6,150	6,708
Revenue Growth GP24	47,502	(6,133)	(1,447)	(84)
Reintroduction of States Grant to Social Security Fund	77,596	11,209	176	705
Value For Money Savings	(10,000)	(10,000)	(10,000)	-
Adjusted Base	**1,166,249**	**1,203,060**	**1,205,695**	**1,228,063**
Reprofile of States Grant to Social Security Fund	(20,000)	(20,000)	-	40,000
Net Revenue Expenditure	**1,146,249**	**1,183,060**	**1,205,695**	**1,268,063**

Table 13: Changes to Net Revenue Expenditure

In respect of inflationary pressures, for financial management of an impact of economic influences on Government finances, funds for inflationary pressures are held centrally for 2024 to cover pay, social benefits and non-pay expenditure.

Revenue Growth Funding

Noting that the Government Plan proposes to invest an additional £48 million in key public services during 2024, the Panel sought to understand how the focal areas were identified as requiring the additional investment (over and above the amounts that have already been included in the previous Government Plan and in addition to departments' existing budgets). The Panel notes that the highest new revenue expenditure growth funding within the Government Plan for 2024 is allocated to the department for Health and Community Services (£21 million).

It is explained in the Government Plan that additional funding is provided to address service pressures (Health, Education and Children Services) and to invest in Jersey's economy and financial services to ensure future prosperity.

It is also noted that a continued focus of the States Employment Board (SEB) will be strategic workforce planning, which will consider how any headcount implications of the growth should be managed to reduce the impact on the wider labour market and to rationalise the number of funded posts that continue to remain vacant.

The Panel further explored this during its hearing with the Chief Minister[113] and sought to understand the process followed to prioritise funding to departments.

Deputy S.Y. Mézec:

> *…Just in terms of competing pressures no doubt between different departments and Ministers who want greater funding to deliver on their agendas, what is the practical*

[112] Transcript – Minister for Treasury and Resources – Pg 2-3
[113] Transcript – Chief Minister

process you go through to settle on what everybody is going to get at the end of it? In terms of like how do you workshop things and at what point are things decided by the whole Council of Ministers versus subgroups of Ministers, et cetera? What is the process before finally deciding what those bottom lines are going to be?

The Chief Minister:

We spend a lot of time in a room together in workshops discussing how best to approach that and how to achieve consensus and focus on the right priorities.

The Panel sought to understand how the process differed from the previous year when deciding the funding allocations for the previous Government Plan.

Assistant Chief Minister:

I think one area that is maturing is our approach to risk and so I think there is more emphasis now on risk management. So where the organisation has a lower appetite for risk than that, which clearly helped somebody that was trying to get additional resource. But I would say that the organisation as a whole is getting more mature in its risk management approach, although I would not say we are the finished article. I do not think you ever become a finished article but there is certainly more of a mature approach to risk management.

Deputy S.Y. Mézec:

Was there anything specific that was raised at all about the process of deciding what public spending would go towards last time round that anyone said ought to be different this time round so that it could be more effective? Did anyone express any dissatisfaction with how something was handled last time that needed to be changed for this time round?

The Chief Minister:

No, I have not been aware of any dissatisfaction at all.

In respect of managing headcount the Panel further explored this area with the Chief Minister during a hearing. The Panel recalled earlier in the hearing that the Chief Minister had raised the public concern regarding increasing headcount in the public service and that the management to address increasing headcount was an area of focus.

The Chief Minister:

At the moment, one of the key things we are trying to achieve is a higher performing, more efficient, public service. We have many people asking questions about headcount and cost and therefore we have to carefully consider any item that would add to that headcount and cost.[114]

The Panel sought to understand why the Government Plan does not include a strategy to target headcount management in 2024.

Deputy L.J. Farnham:

…why is there no policy within the Government Plan to ensure the headcount is managed insofar that it does not continue to grow in the way we have seen it in areas

[114] Transcript – Chief Minister – Pg 10

that are not on the front line? … Is there an overall strategy to reassure the public on that?

Deputy L.J. Farnham:

In relation to, for example, chief operating officer, I think they have seen an increase of 70 headcount.

The Chief Minister:

That is due to the amalgamation of different areas. It is an apples and pears situation because of the change.

Assistant Chief Minister:

Yes. I think the point that the chair made earlier about the 2023 comparison, that is when it becomes more difficult when you are moving headcount from one area to another. An example I could give you is people in Corporate Services are now responsible for the People Hub, which previously was under Customer and Local Services. It did not make any sense to us at all to have that separation; it made sense to us to have the People Hub under People and Corporate Services. Those people have moved from one area of the organisation to another; they are not new people, they have just moved their budget.

Assistant Chief Executive Officer:

Yes. Obviously that then gets reported as a plus because people do not report the minuses but it is the same job, it is just moving from one place to another. Assistant Chief Minister: 28 I think there is huge awareness of the pressures and the cost of employing people and there are some incredibly talented people in our organisation working incredibly hard and perhaps do not get the credit they deserve. As I said earlier about the front line people, where we have identified we need additional front line people; those people are being recruited where we can.

Deputy L.J. Farnham:

Yes. It might be just some feedback from speaking to people who do get confused because they generally just tend to look at one figure. Perhaps it might be an idea to categorise that, so …

Assistant Chief Minister:

I think another area we are working on, that figure is far too large in my eyes but some people count them more than once because they may have a fixed-term contract or a part-time contract for 10 hours that they do in the morning and they may do something in the afternoon. In education, for example, we have people with 2 contracts but, ultimately, they are one employee. We have also got people on zero-hours contract where we are trying to make those annualised. They may not be able to work in the school holidays, for example, but they want more surety about when they are going to be required. We want more surety about covering those shifts, so why not look at an annualised contract, which means that we only have to cover 3 months of the year, rather than 12 months of the year? We are looking at how we can do that in a more manageable way.

The Panel further explored the impact of the Governments recruitment drive on increasing headcount on the private sector labour market.

Deputy M.B. Andrews:

Chief Minister, we will go back to a favourite topic, headcount. I know with the I.o.D. (Institute of Directors) they spoke publicly about there, potentially, being an impact for the private sector with the Government's recruitment drive of there being, I think, close to 1,000 vacancies across all government departments. Do you believe that the current strategy that is in place is an effective one or do you believe there should be alterations that are made to the Government in terms of how it then identifies vacancies and then advertises them?

The Chief Minister:

There is some ongoing work at the moment which very much focused on being more efficient in that process. I think ongoing is probably the best word to use.

Assistant Chief Minister:

I think there is also the challenge of the competitive element because in that private sector are suppliers who supply Governments and it is far more efficient at times for a Government to employ somebody directly than to employ via a third party.

Assistant Chief Minister:

For example, within I.T. (information technology) we have made some good progress in employing people directly. We are relying less on third parties. We are very conscious of the fact that there is a limited pool of people and we are looking at using technology. But when it comes to front line staff we have increased the amount of people working in education dramatically and over 169, I think it is, teaching assistants have joined the organisation. Those kind of people perhaps are coming from 25 nurseries and coming from healthcare jobs. It is a challenge for the Island but we are really focused on putting in the right amount of resource on the front line especially. We have also, as I said, made good progress in I.T., as an example.

New Revenue Expenditure Growth

£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Cabinet Office	4,696	4,500	4,188	4,188
Children, Young People, Education & Skills	4,700	4,700	4,700	4,700
Customer and Local Services	1,042	592	595	598
Infrastructure	1,516	1,821	747	584
Environment	300	300	300	300
Health and Community Services	21,000	14,500	14,500	14,500
Jersey Overseas Aid	-	-	-	-
Justice and Home Affairs	1,994	2,184	2,228	2,272
States of Jersey Police	237	327	304	283
Ministry of External Relations	134	134	134	134
Economic Development, Tourism, Sport & Culture	2,250	2,250	2,250	2,250
Financial Services	1,496	1,505	1,460	1,435
Treasury and Exchequer	5,976	6,476	6,476	6,476
Non-Ministerial Departments	1,319	1,246	1,206	1,284
States Assembly	842	834	834	834
New Revenue Expenditure	**47,502**	**41,369**	**39,922**	**39,838**

Table 14: New Revenue Expenditure Growth

KEY FINDING 34: A continued focus of the States Employment Board (SEB) will be strategic workforce planning, which will consider how any headcount implications of growth should be managed to reduce the impact on the wider labour market and to rationalise the number of funded posts that continue to remain vacant.

Revenue Heads of Expenditure

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

During a hearing with the Minister for Treasury and Resources[115] the Panel sought to understand the process involved for managing the budget with regard to overspends and underspends at the year end. Noting for 2023 that some departments were forecasting overspends, the Panel questioned what was driving those overspends and how they would be managed to comply with the obligations under the Jersey Finances Law.

Deputy S.Y. Mézec:

> *Looking at heads of expenditure for other departments, we are aware of some departments forecasting overspends for 2023. What is driving those overspends?*

The Minister for Treasury and Resources:

> *As you know, the biggest proposed overspend is Health and there are a number of areas driving that, which I know the Minister for Health and Social Services is being scrutinised on as well. I am supporting them, and we in Treasury, through the value-for-money programme, which is really where our main focus has been throughout 2023, with their financial turnaround plan. They are proposing to be over £20 million overspent. We are trying to manage that number from 29 down towards 20 and we will then have to find ways of funding that post year end. That is certainly is the biggest driver.*

Deputy S.Y. Mézec:

> *When you find yourself in situations where there are overspends, how does Treasury help facilitate dealing with that in a way that is compliant with the Public Finances (Jersey) Law?... Just practically, when a department comes to Treasury…that it is unavoidable that there will be an overspend, how does that get covered? What budget do you then reallocate from or divert to, to make sure the bottom line is even?*

The Minister for Treasury and Resources:

> *…There is not a budget to deal with overspend. It affects what ... we have obviously allocations for inflation and risk. We have some elements in our budget whereby we have said to departments that they can have this growth funding if certain criteria are met. We also expect that in a general run of the year departments do not spend all of their money and so we have to work through and calculate, using all of that, how we are going to fund it.*

In respect of underspends, when departments do not spend all their money during the year, the Panel questioned what process was used to address those. The Minister explained:

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[115] Transcript – Minister for Treasury and Resources

The Minister for Treasury and Resources:

> *That is always, at the end of the day, departments request growth money and the most likely area where underspends occur is not within the general previous budget but within the growth monies that were allocated for all sorts of reasons. We know that whenever we give departments additional money, I do not know if it is 90 per cent, but largely 90 per cent of additional money across departments goes on staff. We know that in the economy as a whole people and skills are in short supply, so it is not a surprise that departments are not able to spend at the rate that they might have expected their growth monies. If a Government Plan is agreed in December, the budget historically has always been in place for a full year, so from January through, but the recruitment always takes longer than might be envisaged. We did do profiling in this Government Plan to try to mitigate some of that, so we said that you do not need the full amount because you are not going to spend it throughout that period. We know that, take Health for example, it is my understanding that there are some areas of their growth money that they have not been able to fully spend, so that again will help mitigate the overspend…*

The Panel explored whether instances occurred where projects were not being delivered as a result of underspends and the impact thereof on delivering Government's intended aims within a specified time:

Deputy S.Y. Mézec:

> *I understand and taking that as one potential reason well explained, are there instances where you are recognising that a project that was intended to come to fruition or to grow or what have you is not at the point that had been intended when that growth bid was first made? Is there anything that is not being delivered to the point that you had anticipated it would?*

The Minister for Treasury and Resources:

> *Off the top of my head, I think the waiting list money. Health have not been able to deploy that money in the way that they might have thought they would at the start of the year, as one example.*

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**

Reserve Heads of Expenditure

The Government Plan[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 was allocated in the reserves in

[116] P.72/2023 – Page 54

2022 for assisted home ownership schemes, and any amounts not used in 2023 will be carried forward within the reserve for the same purposes.

Central Reserve Expenditure				
£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
General Reserve	7,000	7,000	7,000	7,000
Centrally Held Items	58,171	92,147	97,578	111,217
Total Central Reserve Expenditure	**65,171**	**99,147**	**104,578**	**118,217**

Table 15: Central Reserve Expenditure

The Panel reflected on this in the hearing with the Minister for Treasury and Resources to understand how the amounts are identified as appropriate to meet the needs for that year:

Deputy S.Y. Mézec:

> *Table 15 of reserve expenditure, the general reserve can be used to meet unforeseen pressures or provide advance funding for urgent expenditure if it is in the public interest. How have the amounts that have been put there been identified? Are they forecast on any potential inflationary pressures or further consequences that arise from the cost-of-living crisis?*

Head of Financial Planning:

> *In the general reserve of the Government Plan we have £7 million, so that is broken down into what we would call a reserve for annually-managed expenditure, so that figure is £2 million. That is provided to cover social benefit payments and fluctuation on those in year. Then we have £5 million for departmental expenditure limits, effectively, and those are accounted for based on sort of historic requirements and drawdowns from the reserves and on an affordability basis.*

The Panel further sought to understand what process would be followed at the year end to address the use or reallocation of any unspent reserves and in particular regarding any unspent reserves from 2023:

Deputy S.Y. Mézec:

> *… if there were unspent reserves by the end of this year, have you begun any kind of thinking on what you would do with those?*

The Minister for Treasury and Resources:

> *We know that we have got the pressure around health, which is really taking us right back to where we started this conversation about if a department is overspent during the year - I do not like this term - but what pots of money have we got to help them with that*?

The Panel wrote to the Minister for a breakdown of the unspent reserves for 2023 and received[117] the following:

[117] Letter – Minister for Treasury and Resources – 21 November 2023

A breakdown of unspent reserves for 2023 and how any unspent reserves will be used in 2024:

As of 31 October, there are three reserves held in the Government Plan, the table below breaks down the current reserves position reported at the end of October.

£'000	General Reserve	Centrally Held Items	Revenue Reserves Total	Capital Reserve
Government Plan Budget	16,737	43,506	60,243	8,100
End of Year Carry Forward	49,614	5,433	55,047	1,900
Total Budget	**66,351**	**48,939**	**115,290**	**10,000**
Allocations	(24,544)	(41,635)	(66,179)	-
Unallocated Budget	**41,807**	**7,304**	**49,111**	**10,000**
Committed – Letters of Comfort	(4,361)	-	(4,361)	(1,120)
Committed – Ring Fenced	(24,432)	(6,960)	(31,392)	(3,000)
Available Budget	**13,014**	**344**	**13,358**	**5,880**

After considering committed reserves including ringfenced budgets (for Assisted Home Ownership and other specific items), as well as letters of comfort, there remains £13m available revenue reserves budget and £6m capital reserves budget (central risk and inflation reserve).

It was also noted within the response[118] received that the likelihood for the use of any unspent reserve budgets would be required to cover the overspends within Health and Community Services of up to £29 million.

KEY FINDING 35: The use of any unspent reserve budgets at the end of 2023 will likely be allocated to cover the overspends within the department for Health and Community Services of up to £29 million.

4 Value for Money Programme

Last year, the previous Government Plan proposed a new Value for Money (VFM) Programme, aimed at delivering savings across Government departments. The Panel evaluated the proposed VFM Programme in the previous and this Government Plan considering, how the estimated savings are evidenced, the impact thereof, and how the Government proposes to deliver, monitor, and govern the Programme.

Table 16 below reflects the minimum target reduction in overall expenditure (VFM Savings) by department for 2024.

[118] Letter – Minister for Treasury and Resources – 21 November 2023

Value for Money Savings				
£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Cabinet Office	975	-	-	-
Children, Young People, Education and Skills	2,451	-	-	-
Customer and Local Services	185	-	-	-
Infrastructure	631	-	-	-
Environment	154	-	-	-
Health and Community Services	3,571	-	-	-
Jersey Overseas Aid	-	-	-	-
Justice and Home Affairs	512	-	-	-
States of Jersey Police	375	-	-	-
Ministry of External Relations	45	-	-	-
Economic Development, Tourism, Sport & Culture	452	-	-	-
Financial Services	132	-	-	-
Treasury and Exchequer	517	-	-	-
States Assembly	-	-	-	-
Non-Ministerial	-	-	-	-
Unallocated Future Savings	-	10,000	10,000	-
Value for Money Savings	**10,000**	**10,000**	**10,000**	**-**

Table 16: Value for Money Savings

During hearings with the Chief Minister[119] and the Minister for Treasury and Resources[120] as well as through written questions[121], the Panel further investigated the VFM Programme. In addition, observed evidence in respect of the progress made to date in relation to the Best Value Reviews undertaken during 2023 (where the focus has been in relation to the department for Health, in the main). Moreover, on the ambitions for further reviews for 2024 to continue to target delivery of efficiencies in other departments and across public services.

In light of the findings and recommendations made following the Panel's review of the previous Government Plan and the evidence gathered through its review of this Government Plan, the Panel has proposed an amendment[122] to this Government Plan. Should the Panel's amendment be adopted by the States Assembly, in accordance with the recommendations of the Panel, as set out in S.R.20/2022, all subsequent Government Plans will:

(i) clearly distinguish the specific areas and projects to which Value for Money savings are attached;
(ii) include a report on all Value for Money savings which were made during the duration of the previous Government Plan; and
(iii) 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."

The Panel's amendment to this Government Plan seeks to enhance transparency, accountability and the effective monitoring of Value for Money within the Government's fiscal planning, through the following enhancements:

119 Transcript – Chief Minister
120 Transcript – Minister for Treasury and Resources
121 Letter – Minister for Treasury and Resources - Value for Money - 22 November 2023
122 CSP amendment twelve to P.72/2023

- Clear Delineation of VFM Savings: clearly distinguish the specific areas and projects to which VfM savings are attached;
- Reporting on Past VFM Savings: include a report on all VfM savings which were made during the duration of the previous Government Plan; and
- Detailed Monitoring Process: identify and provide full details of the monitoring process that has been undertaken on the VFM programme during the duration of the previous Government Plan.

As noted above, the amendment arises from key findings and recommendations made by the Panel in its review of the previous Government Plan. The findings highlighted concerns over speculative savings amounts without clear achievement strategies (Key Finding 22), lack of reporting on changes in services due to efficiency exercises (Key Finding 23), and insufficient detail regarding the monitoring of the VfM Programme (Key Finding 24). These issues underscore the need for enhanced clarity and accountability in Government financial planning. All of the recommendations that arose from these key findings were unanimously agreed upon as overarching recommendations by all Scrutiny Panels, indicating a consensus across the Panels on these critical issues.

Further detail to substantiate this section can be found in the detailed report that accompanies the Panel's amendment, which is provided in Appendix 2 of this report.

KEY FINDING 36: As part of the Value for Money Programme, the Government Plan includes speculative savings amounts for 2025 and 2026 without any information on how these will be achieved, which directly contradicts the recommendations made by the Fiscal Policy Panel. The Panel has lodged an amendment to remedy this in future Government Plans.

RECOMMENDATION 21: 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.

5 Projects and Revenue Growth Allocations

The Panel undertook high-level analysis of the Projects and New Revenue Growth Allocations as applicable to the remit of the Chief Minister and Minister for Treasury and Resources. As part of its review the Panel raised questions with the Chief Minster and Minster for Treasury and Resources 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 staffing levels.

The Panel also requested updates on the progress to date for the Projects and Programmes agreed through the previous Government Plan. Updates were provided for these in written responses from the Chief Minister[123] and the Minister for Treasury and Resources[124], 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 2024 and the total cost of each such project and any amendments to the

[123] Letter – Chief Minister – 17 November 2023
[124] Letter – Minister for Treasury and Resources – 6 November 2023

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.

Below is a list of the Projects and New Revenue Growth Allocations proposed within this Government Plan in respect of the Panel's remit and considered by the Panel for funding in 2024.

Capital Projects					
£'000					
Minister	New or Continuing	Description	2024 Estimates	Project Total	Major Project
Chief Minister	New	Cyber Programme 2.0	1,096	10,261	Major Project
	New	Digital Services Platform	2,194	6,257	Major Project
	Continuing	Other Government Wide IT Projects	1,277	-	
	Continuing	Court Digitisation	1,700	5,315	
	Continuing	Replacement LC-MS system	-	650	
	New	Automatic Electoral Registration	809	974	
	Continuing	Replacement Assets and Minor Capital	2,500	-	
Minister for Treasury and Resources	Continuing	Revenue Transformation Programme (Phase 3)	1,986	9,425	Major Project
	New	Revenue Transformation Programme (Phase 4)	3,230	11,274	Major Project
	Continuing	Reserve for Central Risk and Inflation	5,000		

New Revenue Expenditure Growth				
£'000				
Minister	Allocated or Held in Reserves	Reference	Description	2024 Estimates
Chief Minister	Allocated	I-SPP-GP24-001	Statistics Jersey - Administrative data linkage team	393
Minister for Treasury and Resources	Allocated	I-T&E-GP24-001	Insurance Premiums	4,300
		I-T&E-GP24-002	Tax Compliance Activity	2,176

Business Cases

The Panel notes that the business cases for the New Revenue Growth Allocations were provided to Scrutiny in confidence prior to the lodging of the Government Plan this year, as recommended (21)[125] by the Panel last year. However, as very limited detail is provided within the Financial Annex to the Government Plan regarding these, it is the Panel's view that more detail should be provided within the public domain for these Revenue Growth Allocations.

The Panel is aware that the Government aspires to maintain a concise Government Plan, nevertheless, this should not come at the expense of impacting upon clarity and transparency to both the public and States Members. As such, it is the Panel's view that the business cases should be permitted to be made public, if needed in a redacted form to maintain required confidentiality. Through doing this, further clarity is available on the proposals for the Revenue Growth Allocations. Moreover, the Panel notes that this is also pertinent to better inform the Government Plan amendment process.

KEY FINDING 37: Although the business cases were provided to Scrutiny in confidence for the Revenue Growth Allocations, very limited detail on these is provided within the Government Plan.

RECOMMENDATION 22: 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.

[125] S.R.20/2022 – MR - Recommendation: 21

RECOMMENDATION 23: The Council of Ministers must provide to Scrutiny a list of the Revenue Growth bids that we 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.

Projects and Revenue Growth Allocations: Chief Minister

The Projects and New Revenue Growth Allocations under the responsibility of the Chief Minister for 2024 are as follows:

Revenue Expenditure Growth					
£'000 Reference	Description	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
I-SPP-GP24-001	Statistics Jersey – Administrative data linkage team	393	436	436	436
I-SPP-GP24-002	Health Board	206	206	206	206
I-SPP-GP24-003	Continuation of Strategic Health Policy and Governance Team	387	387	387	387
I-SPP-GP24-004	Maintaining the Public Health and Health Protection Function	2,273	2,273	2,273	2,273
I-SPP-GP24-005	Major Incident Health and Wellbeing Recovery Programme	899	713	401	401
I-SPP-GP24-006	Strategic Housing and Regeneration Team	138	85	85	85
I-SPP-GP24-007	Vaccine Scheme	400	400	400	400
Total		**4,696**	**4,500**	**4,188**	**4,188**

[126]

Not all of the allocations tabled above were considered by the Panel during its review. The below were considered by the Panel:

New Revenue Growth Allocations - 2024

- Statistics Jersey – Administrative data linkage team

Projects - 2024

- Cyber Programme 2.0 (Major Project)
- Digital Services Platform (Major Project)
- Other Government Wide IT Projects
- Replacement Assets and Minor Capital – CBO

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 2024 listed above via written questions[127].

Statistics Jersey – Administrative data linkage team

The following is explained in the Government Plan Annex:

> *Statistics Jersey secured Covid Health Recovery funding for 2022-23 to develop a system to link data already held by government to provide insights to support recovery from the pandemic. The new team have linked administrative data sources and have*

[126] Although all these are the responsibility of the CM, only 001 was allocated to the Panel for review. 006 was allocated to the EHI Panel for review. 002,003,004,005,007 were allocated to the HSS Panel for review.
[127] Letter – Chief Minister – 17 November 2023

published detailed population and migration statistics for the period 2017 to 2021, showing the changes over the course of the covid pandemic. This funding will allow continuation of the more accurate, frequent, and granular population and migration statistics through this approach and will deliver on the Chief Minister's plan commitment to provide "…. resources to collect accurate and timely statistics on populations trends including migration and immigration volumes and analysis." The funding will also allow Statistics Jersey to publish Island-wide gender pay gap data on an annual basis, in line with ministerial commitments. A linked administrative data team will allow for new developments such as production of quarterly Gross Value Added (GVA), more frequent data on average earnings and income (which are required to understand the economy and affordable living). The development may be able to deliver on the scrutiny recommendation to review the feasibility of using administrative data already held by government (e.g. on tax and social security) to produce indicators of low income and duration.

The Panel received a written submission from Statistics Jersey[128] regarding the request and requirement for this new revenue growth funding. The submission describes the following in detail:

- objectives and data gaps
- challenges, concerns or risks
- tangible benefits to Government
- tangible benefits to Islanders

Cyber Programme 2.0

The following is explained in the Government Plan:

Additional investment is proposed for a second Major Project to strengthen Cyber Security across government. This builds on the foundations established by the Cyber Programme which was completed in 2023 and seeks to ensure that Government is able to adequately respond to the heightened cyber threat related to the new geopolitical risk landscape.

In a response to the Panel's written questions the Panel identified that the Cyber Security Programme 1.0 (2020 to 2023) (CSP 1.0) has executed spend in the previous years with the 2023 expenditure being £5 million. This covered the final projects of the CSP 1.0 as well as the final work packages under the Operational Response Initiative (ORI) in response to the Russian global provocation in the Cyber domain. Detail of the foundational capabilities delivered by Programme 1.0 are outlined in the response[129].

It is noted within the response that building on the foundations of the Cyber Programme 1.0 will achieve an improved maturity level (over 3.0) across all National Institute of Standards and Technology (NIST) control domains. The maturity levels range from 1 to 5, with a level of 3.0 representing 'Defined' which is considered as good practice and a minimum bar for any large enterprise or public body. Benefits of achieving this maturity level are detailed within the response.

For 2024 an estimate of £1,096 million is provided in the Government Plan. It is the Panels understanding that this funding is intended to deliver the following areas:

[128] Submission – Statistics Jersey
[129] Letter – Chief Minister – 17 November 2023

- Asset and Configuration Management
- Risk Management Process Development and Adoption
- Governance and Compliance

The Panel note that the tangible impact from delivering this project is primarily related to the reduction of risk across the organisation, which will indirectly impact Islanders and Island life.

This Panel notes that this project aligns with the Common Strategic Policy priorities for change and the ministerial priorities to support the delivery of efficient, effective public services. Noting that protecting government systems from cyber security incidents and data loss supports every aspect of public service that is enabled by technology.

Digital Services Platform

The following is explained in the Government Plan:

> *A new Major Project to support the further digital transformation of customer facing public services is established in this Plan. The project builds on prior investments in service digitalisation and makes use of technology and methods that were used to rapidly launch a new range of online services during the pandemic. It will deliver a new platform that will enable the creation of an online service hub and integrate a disparate range of existing government systems with a view to radically improving the public's experience of dealing with government online as well as enabling the improved use of data to inform developments in public policy.*

In a response[130] to the Panel's written questions on this project the Panel identified that the Digital Services Platform is a continuation of the Service Digitisation Programme that was initiated in the 2020-2023 Government Plan (Service Digitisation 2 was a second iteration of the business case for Service Digitisation). Service Digitisation 2 included the 'revenue' costs for running service digitisation platforms, for example the JerseyMe digital ID, which was created by the programme, which are now business-as-usual ("BAU"). This Platform is purposed at improving access to and use of government services for Islanders.

The response explains that a significant proportion of the estimated £2.2m spend in 2024 will be deployed to implement the new technology required to build on progress to date and create a Data Services Platform for Government. The Data Services Platform is estimated to cost £1.25m in 2024 and will enable data from the multitude of separate lines of business systems to be brought together to enable government services to be connected and provide better service delivery to Islanders. It will also support improved analytics which will deliver more insight for policy makers. Connected data is critical to delivering the Government's Digital Strategy. The remainder of the funding in 2024 covers two broad areas. Firstly, the running costs for the technology, including the licence and support costs. Secondly, growing the internal digital development and transformation capabilities, and ultimately reducing reliance on external professional services contract resource as internal teams are built up within Modernisation and Digital.

The Panel notes that this project is fundamental to delivering the Governments Digital Strategy and aims to deliver tangible impact to Island life through revolutionising the way customers interact with Government by providing an online channel to securely access all public services in one place, anytime and anywhere. It intends to bring significant benefits to both customers

[130] Letter – Chief Minister – 17 November 2023

and Government by improving service delivery, reducing costs, increasing transparency and accessibility, and enhancing the overall customer experience.

This Panel notes that this project aligns with the ministerial priority to support the organisation to become more efficient, accountable, and responsive through the use of information technology.

Other Government Wide IT Projects

The Panel notes that the funding allocation for Records Transformation Programme (formally known as Electronic Document Management Solution) is not new funding, but a reprofiling or carry forward of an underspend from 2022 of £1.3m into 2024. The underspend occurred because of the change in purpose and direction of the project (further detail is provided in the response[131] regarding the change in purpose).

The Panel notes that in 2024 the funding will be allocated to the following area:

- Completing the housekeeping activities in government departments that prepare the records that it is necessary to digitise.
- Procuring and implementing the technology (software and hardware) for a digital scanning bureau within GoJ.
- Establishing the digital scanning bureau including facilities, people and process.

The response highlights that the programme is in the early stages of procurement, and whilst the department is confident that the estimated funds will be sufficient to complete the programme, the overall funding for the project was set some years ago prior to recent increases in inflation and so the programme is managing a risk that funding may be insufficient and determining mitigating actions.

The Panel notes that no funding is allocated for this beyond 2024 and, although the intention is to complete this programme in 2024, a risk of delay has been identified, should the procurement process take longer than anticipated.

KEY FINDING 38: The Records Transformation Programme (formally known as Electronic Document Management Solution) is in the early stages of procurement, and whilst the estimated funds should be sufficient to complete the programme, the overall funding for the project was set prior to recent increases in inflation and so the programme is managing a risk that funding may be insufficient and determining mitigating actions. Furthermore, a risk of delay has been identified for this Programme, should the procurement process take longer than anticipated.

Other Government Wide IT Projects - Breakdown of Grouped Head of Expenditure						
£'000	Spon Dept	Supp Dept	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Records Transformation Programme[21]	CBO	CBO	1,277	-	-	-
Other Government Wide IT Projects			**1,277**	**-**	**-**	**-**

Table 28: Other Government Wide IT Projects - Breakdown of Grouped Head of Expenditure

[131] Letter – Chief Minister – 17 November 2023

Replacement Assets and Minor Capital – CBO

The following is explained in the Government Plan:

> *Replacement asset funding is provided to departments which are typically required 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.*

In a written response[132] it was explained that the Asset Replacement budget is in place to replace Information Technology hardware and software that is at the end-of-life stage or needs upgrading. Moreover, that the funding will be used for laptop replacement, wireless and network improvements, SharePoint upgrades and other required software maintenance. It is further noted that the detailed planning for this will begin in January 2024 as the budget is tight and prioritisation will need to take place.

KEY FINDING 39: The detailed planning for Replacement Assets and Minor Capital for the Cabinet Office will commence in January 2024 as the budget is tight and prioritisation will need to take place.

Alignment

The Panel sought to understand how the Capital Programme was decided upon and to identify the priorities considered for funding in 2024, however, on consideration were not brought forward in this Government Plan and asked the following during a hearing with the Chief Minister[133]:

Deputy M.B. Andrews:

> *What plans have maybe, say, not featured in the Government Plan but were discussed at the Council of Ministers regarding capital programming?*

Group Director, Strategic Finance:

> *In general for the capital programme, in the process that was run by the Council of Ministers we considered a lot of individual projects which were delivered. It was often more a question of when those projects could be fitted in. The Chief Minister has already referred to making sure that the programme is deliverable. Last year the F.P.P. recognised some of the progress that had been made. That is something that we have tried to continue through into this programme as well, in respect of how the programme will be delivered. The nature of that means that not necessarily all projects can be delivered in the first year of the plan. A lot of discussion was around scheduling and what was a realistic schedule based on both external capacity in the market and also internal capacity of Government to deliver those projects.*

[132] Letter – Chief Minister – 17 November 2023
[133] Transcript – Chief Minister

Priorities

The Panel sought to understand how the proposed Projects and Revenue Growth Allocations that fall under the remit of the Panel align with priorities of the Chief Minister in respect of the Cabinet Office. The Panel raised this with the Chief Minister during a hearing[134]:

Deputy L.J. Farnham:

> *Just going to turn briefly now to Cabinet Office budget and a question for the Chief Minister. Are you satisfied with the departmental budgets you are showing for the Cabinet Office in the Government Plan? Do you believe there is sufficient to deliver your key service areas and policies?*

The Chief Minister:

> *It is a large department but dealing with a large number of different priorities using a wide variety of skills, and I am confident that we have a good team of people who are focused on their priorities and know what they are and are committed to delivering them for the public.*

Resourcing

The Panel gave due regard[135] to the impact of the Projects and Revenue Growth Allocations on staffing levels, department budgets and services:

Deputy L.J. Farnham:

> *What funding pressures are facing the services under your remit and have any of the challenges identified been addressed in the Government Plan budgets?*

The Chief Minister:

> *Pay is of course a difficult matter for everyone, is it not? We have seen average pay stasis for a long period of time since 2008 really. Of course with rising cost of living, that is a difficult situation for many people and, therefore, ensuring that we are able to deal with that in the year ahead and support people who are working for the public service as best we can will be an interesting challenge. We also have commitments to providing family-friendly policies, which need to be paid for as well and have an impact on that. Then we look across to the digitisation of our services and the integration, the I.T.S. (integrated technology solution) project and the integration of I.T. that helps us to be more productive and effective as a public service. Then there is statistics, the investment that we are making in that, and I hope that will make a positive impact on the reporting of information and sharing with the public and ensuring that they are well-informed and that the Government is well-informed to make decisions.*

Deputy L.J. Farnham:

> *… Do you see any of the staffing challenges that you have identified impacting on the ability to deliver policy or priorities, especially in relation to your key areas of policy delivery?*

[134] Transcript – Chief Minister
[135] Transcript – Chief Minister

The Chief Minister:

> *In the Cabinet Office in particular I think ... well, we were very fortunate to be able to recruit the chief information officer recently but finding people with skills in technology I think is sometimes challenging. I am not sure if the assistant chief executive has any particular insight into difficulties that officials have.*

Assistant Chief Executive Officer:

> *Generally it is a stabilising position, as the Assistant Chief Minister outlined. There are perhaps one or 2 areas which can be more challenging. For example, finding people who are very experienced in health H.R. (Human Resources) has been challenging for a couple of years now. That is why part of the turnaround team is involved, interim H.R. expertise alongside the financial, and I think we are going to have to work quite hard to find and develop people that have real expertise in clinical H.R. management and in helping us in those areas. I think we have a few pockets where you do get more of a challenge to get just the right expertise that the Island public services need.*

Projects and Revenue Growth Allocations: Minister for Treasury and Resources

The Projects and New Revenue Growth Allocations under the responsibility of the Minister for Treasury and Resources for 2024 are as follows:

Revenue Expenditure Growth					
£'000		**2024**	**2025**	**2026**	**2027**
Reference	**Description**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
I-T&E-GP24-001	Insurance Premiums	4,300	4,300	4,300	4,300
I-T&E-GP24-002	Tax Compliance and Customer Service	1,676	2,176	2,176	2,176
Total		**5,976**	**6,476**	**6,476**	**6,476**

The below allocations were considered by the Panel.

New Revenue Growth Allocations - 2024

- Insurance Premiums
- Tax Compliance and Customer Service

Projects - 2024

- Revenue Transformation Programme Phase 3 (Major Project)
- Revenue Transformation Programme Phase 4 (Major Project)
- Reserve for Central Risk and Inflation

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[136].

The Panel sought further information from the Minister for Treasury and Resources on the allocations for 2024 listed above via written questions[137].

[136] Letter – Minister for Treasury and Resources – 6 November 2023
[137] Letter – Minister for Treasury and Resources – 6 November 2023

Insurance Premiums

The following is explained in the Government Plan Annex:

> *The Government's insurance costs (premiums) continue to increase at a rate that is substantially above inflation as a result of increasing claims costs and a general reduction in risk appetite across the industry. This investment in insurance costs is intended to meet the burden of these additional costs. It is expected that the Government's insurance costs will stabilise allowing for greater financial certainty over the longer term.*

In a response[138] received from the Minister, the Minister confirms he is confident that the funding will be sufficient to meet the aims. He notes that the two main insurance renewal dates are at the end of May and September each year and the projections are based on the 2023 experience along with advice from our insurance broker as to the state of the underlying markets. However, it is explained that given that the renewal dates for 2024 are after the Government Plan approval there is an obvious risk that adverse changes in market conditions may further affect the insurance premiums. It is highlighted that those currently unknown risks are difficult to quantify at this time.

The Panel notes that although the estimate for 2024 is significantly higher than for 2023 that the Governments appetite for risk remains largely unchanged for 2024 and beyond. It is explained that the increase in allocation is largely driven by the volatile market conditions and the impact of some significant claims recently made against policies. Further detail on the Government's risk areas can be viewed in the response.

It is noted that the full amount of funding was drawn down in 2023 and that in 2024 the estimated funding will be largely allocated to the increasing costs of insurance premiums. However, a small element may be used towards the implementation of the updated insurance strategy.

In respect of how allocation benefits Islanders, the Minister notes that by having a well-funded insurance programme in place Islanders can confidently go about their daily lives knowing that when they interact with Government, known risks have been mitigated. Whether that be attending a hospital appointment, sending their children to school or visiting a Heritage property as a leisure activity. It is explained that insurance acts as a buffer against unforeseen events. It provides certainty, protection and support in unexpected circumstances and reduces Government's potential losses and risks, particularly overcoming natural disasters that are often beyond our control.

This allocation aligns with the Minister's priority to review the Government's Insurance strategy.

KEY FINDING 40: Given that the renewal dates for the insurance premiums for 2024 are after the Government Plan approval there is a risk that adverse changes in market conditions may further affect the insurance premiums. It is highlighted that those currently unknown risks are difficult to quantify at this time. It is expected that insurance premiums will continue to have pressure applied to them during 2024.

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[138] Letter – Minister for Treasury and Resources – 6 November 2023

Tax Compliance and Customer Service

The following is explained in the Government Plan Annex:

> *Revenue Jersey is responsible for the collection of over 80% of all States' revenues, totalling in excess of £1 billion per annum. This money is used to fund the services provided by the States. The work undertaken by Revenue Jersey is aimed at optimising tax collection while ensuring fairness and efficiency in our tax system. This funding will be used to enhance the tax compliance team and also fund initiatives aimed at streamlining the tax process, making it easier for Islanders to meet their tax obligations, while maintaining suitable levels of customer service and operational standards across the section. This will also include retaining positions that have demonstrated their value in delivering efficient tax services while minimising cost of operations. This investment is projected to have a positive impact on Government revenue and based on our experience to date, we anticipate that this initiative will contribute to increasing Government income by at least £16 million each year. This additional revenue will help fund essential public services without the need for raising taxes. Finally, this investment strikes a balance between improving tax compliance and ensuring efficient operational standard. It is an investment that benefits both the Government and Islanders, ensuring a fair and efficient tax system while safeguarding financial stability.*

The Minister emphasises in his response that the 2024 funding estimate is prudent given the need to recruit skills in a competitive labour market both domestically and internationally.

It is explained that the entire funding allocation for 2024 is required for staffing costs to include some recruitment and maintaining existing staffing level in Revenue Jersey so that the following priorities are addressed:

- to continue to improve customer services (where good progress is being made)
- to continue to revitalise Revenue Jersey's tax-compliance activities

It is noted that the allocation will provide tangible benefits to Islanders through the provision of a modern tax regime for Jersey consonant with international best practice and tax administration which is regarded as world-class for its size and scope. This fundamentally supports Jersey's economy, the health of our International Finance Centre and will continue to improve customer experience for everyone in Jersey who interacts with the tax system.

It is noted that the health of the tax system and Revenue Jersey underpin all of the Common Strategic Priorities as most of the income available to Government to fund the strategic priorities and most public services is collected by Revenue Jersey. In addition, a priority of the Minister for Treasury and Resources is to ensure that Revenue Jersey and other customer-facing parts of the Treasury & Exchequer are properly equipped to serve islanders.

Revenue Transformation Programme (Phase 3)

In a written response[139] from the Minister, the outcomes delivered from the funding allocation brought in the previous Government Plan during 2023 are outlined as follows:

- Further preparatory work relating to Independent Taxation
- Delivery of Economic Substance for Partnerships into taxation system (mandatory international requirement due in 2023)
- Support for live Revenue Management System (RMS)
- Testing version 2 of the RMS

[139] Letter – Minister for Treasury and Resources – 6 November 2023

- Online services and Continuous Improvements

The following detail was provided for how the 2024 funding allocation would be used to complete Phase 3:

- Continued monies to support the live RMS
- A team of 5 subject matter experts or intelligent customer function of tax officers
- A professional contract manager to renegotiate the supplier support contract that expires in 2024
- Programme and project management
- A stakeholder engagement officer and budget to support implementation of change initiatives
- A team of 3 business analysts to define and test requirements and SOPs
- Support of an officer for the business governance team to provide training and data privacy
- Support to M&D to provide for technical infrastructure design and build and a dedicated system analyst
- External security testing (combatting cyber risks)

Revenue Transformation Programme (Phase 4)

The following is explained in the Government Plan:

> *Recent developments in the international tax landscape including the requirement for automatic exchange of tax information, and evolution in the local tax regime such as the adoption of new legislation around economic substance and independent taxation have created a need for substantial changes to Revenue Jersey's IT systems. In order to ensure the relevant systems are able to manage with the additional complexity in tax legislation and meet the Island's international obligations, a new Major Project has been created to implement the necessary changes and support the increased running costs of a more complex system once the amendments have been implemented.*

In a written response from the Minister the Panel identified that Phase 4 would see negotiations for renewal of two key revenue systems including:

- AOEI Man (the Government system interfacing with OECD systems to facilitate exchanges of tax information globally)
- RMS (the Revenue Management System) is the principal system which supports administration of our domestic tax laws and collects the majority of Government income.

It is emphasised that the Government is committed to funding Revenue Jersey appropriately to meet its statutory functions and to ensure that Jersey meets its international treaty commitments.

Reserve for Central Risk and Inflation

The following is explained in the Government Plan:

> *Most projects in general do not carry a contingency for future increased inflation, therefore a central reserve Head of Expenditure is available to provide additional allocations to projects impacted by inflation or the realisation of risks that have cost implications. The level of reserve funding was increased in 2023 and remains held at a higher level in 2024 reflecting on-going inflationary challenges. Provisions are reduced in future years as price assumptions for significant projects have been*

uprated, the Fiscal Policy Panel forecasts lower rates of inflation in the latter year of this Government Plan, and despite high inflation in 2022 and 2023, the amounts held in reserve in those years were not fully drawn upon.

The Response received from the Minister further explains that although no allocations have currently been made, a Letter of Comfort for £1.1 million is in place for Connect In addition, the Minister is considering further allocations for:

- Orchard House (up to £2.0 million)
- Elizabeth Castle (up to £1.6 million)
- Regulation Improvement to Digital Assets (up to £0.4 million)

It is further noted that the balance of £5 million included in the Government Plan is predicted from funding this is not forecast to be drawn down upon being made available to finance the reserve in 2024. Moreover, a decision was taken to increase the central provision for risk and inflation due to the economic risks that could cause inflation to exceed forecasts (in accordance with the economic assumptions from the FPP used to inform the Government Plan provisions). The Minister highlights, however, that the Reserve has decreased from £8.1 million in 2023 to £5 million in 2024.

The Minister also notes in his response that considering the inflation level and volatility and risk and noting that during 2023, the forecast rate of inflation moved from 6.7% when the previous Government Plan was lodged to 10.8% in July 2023, it is considered that a provision of £5 million coupled with work that has been undertaken by departments to, where possible, reflect revised prices in project budgets, strikes the right balance between providing for ongoing risk to project budgets and the need to ensure funds are not unduly tied up in reserves.

Reserve for Central Risk and Inflation						
£'000	Spon Dept	Supp Dept	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Reserve for Central Risk and Inflation	T&E	T&E	5,000	1,000	1,000	-
Reserve for Central Risk and Inflation			**5,000**	**1,000**	**1,000**	-

Table 30: Reserve for Central Risk and Inflation

Priorities

The Panel sought to understand how the proposed Projects and Revenue Growth Allocations that fall under the remit of the Panel align with priorities of the Minister for Treasury and Resources in respect of the Treasury and Exchequer. The Panel raised this with the Minister during a hearing[140].

Deputy S.Y. Mézec:

Minister, under Treasury and Exchequer your head of expenditure is due to be just under £140 million, which if you compare to the Government Plan from last year where that same number was £67 million or thereabouts, that is obviously quite a dramatic increase there. Could you just explain to us why that is the case and the rationale for that?

[140] Transcript – Minister for Treasury and Resources

The Minister for Treasury and Resources:

The majority of that increase is the reintroduction of the grant into the Social Security Fund from taxpayers.

Deputy S.Y. Mézec:

Are you satisfied that the increases enable you to deliver all of your aspirations in your Ministerial Plan?

The Minister for Treasury and Resources:

Yes.

Resourcing

The Panel gave due regard to the impact of the Projects and Revenue Growth Allocations on staffing levels, department budgets and services.

Deputy S.Y. Mézec:

What particular areas do you see as facing funding pressures?

The Minister for Treasury and Resources:

Well, we know that over the last number of years insurance premiums have continued to increase. I do not see that pressure being alleviated even with the increase that we are asking for in this Government Plan. We have just, as we know, unfortunately suffered in the recent stormy weather with the tornado and the gale force 12 hurricane wind, so I think that we can expect insurance premiums, like Islanders are experiencing at large, to continue to have pressure applied to them during 2024.

Deputy S.Y. Mézec:

Minister, we have previously spoken about staffing challenges in your department. Do you think that those will be resolved entirely because of the measures that you are proposing in this part of the Government Plan?

The Minister for Treasury and Resources:

Well, I do not think we ever in Government look to resolve staffing challenges entirely in the way that your question indicates. We look to try and find an appropriate level. The main increase in staff is in Revenue Jersey. They are facing, as we know, changes to independent taxation, the added pressure and workload around international tax. That is not just exchange of information but it is also the new O.E.C.D. (Organisation for Economic Co-operation and Development) and corporate tax work, together with the fact that in the Government Plan we are providing additional resource to what we might call Revenue Jersey's everyday work, so to continue to improve customer service and also to ensure that compliance work is undertaken. That compliance work brings in additional revenue as well, so those elements of the staff in effect more than pay for themselves.

Deputy S.Y. Mézec:

How do you and your colleagues in the department sit down and work out what is the appropriate staffing complement that you need to deliver your services?

The Minister for Treasury and Resources:

> *…Some elements of my department might have a wish list of services that they would like to provide and the number of people that they would like to provide. There are 2 constraints on that, as I see it. One is the political imperative to do things effectively and efficiently and try to ensure that we are employing appropriate levels of staff. The other, particularly in Revenue Jersey and commercial services, is driven by the difficulty in finding appropriately qualified staff…*

Deputy S.Y. Mézec:

> *How do you make sure that when you are giving permission for the department to bring in more people to undertake particular work or staff particular services that it is necessary and that you are getting the best value for money in doing that?*

The Minister for Treasury and Resources:

> *Well, it is through scrutinising the requests within the department to ensure that they are appropriate: (a) that they are filling a gap, which is a proven gap, and (b) that we can see that, let us say in regard to compliance, there is a payback. As I say, the compliance staff pay back many times the cost of them. Commercial services, when it is operating well, then those individuals also should be able to appropriately calculate a payback from the work that they have done.*

KEY FINDING 41: Staffing and resourcing challenges across Government departments give rise to a level of uncertainty in the delivery of projects and programmes within the specified timeframes and within the agreed funds. These pressures are further exacerbated by the continuing cost-of-living and high inflationary pressures which require increased pay costs to recruit and retain the skills and expertise required also in a competitive labour market.

6 Balance Sheet and States Funds

Finance and Borrowing

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

Summary Table 2 - Borrowing for 2024

£'000	2023 Approved	Change to Approved	2024 Approval	2025 Proposed	2026 Proposed	2027 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	90,071	52,000	142,071	142,071	142,071	142,071
Borrowing	**817,071**	**52,000**	**869,071**	**869,071**	**869,071**	**869,071**

During a hearing with the Minister for Treasury and Resources[141] the Panel sought to understand the Government's financial position at the year end and for 2024, considering the uncertain economic conditions.

Deputy S.Y. Mézec:

> *In terms of the Island's borrowing and investments, could you just give us your assessment of the financial position for the end of this year and what you are anticipating may be the risks next year? …Are you happy with where they are at this point, how they are performing and how you are getting on with paying borrowing back and how do you see next year playing out?*

The Minister for Treasury and Resources:

> *Yes, I am. Obviously I remain cautious about perhaps needing to go to the market for borrowing for the acute hospital at Overdale but we will be giving that further consideration into next year.*

The FPP notes within its Annual Report[142] for 2023, that the interest and bond market environment is less favourable to large scale borrowing than two years ago. In respect of borrowing, the FPP confirms, since its previous 2022 Annual Report, that the Government has repaid the Covid-19 borrowing, reducing the Government's debt portfolio to £762 million or 13% of GDP.

The Panel further explored[143] how the Government has headed the recommendation by the FPP to eliminate short term debt.

Deputy S.Y. Mézec:

> *The Fiscal Policy Panel had stated its view in its economic assumptions 2023 that Government should aim to eliminate any remaining short-term debt. How are you getting on with that? What short-term debt does the Government have that is being actioned now and how are you dealing with that?*

Treasurer of the States:

> *…the short-term debt has largely been removed in accordance with the recommendation that while we are currently using short-term facilities, the debt in respect of the hospital is expected to be long-term debt, not short-term debt, which is that we are using a shorter-term instrument at the moment that we would expect in the longer term to transfer when the markets are more favourable into longer-term debt.*

Deputy L.J. Farnham:

> *Considering the cost of borrowing, what is the profile of the Government's present and future debt in how it is being managed under the present economic circumstances, shall we say?*

The Minister for Treasury and Resources:

> *As you know, we have got a structure in place to help with the management of our reserves, the S.I.F. (Specialised Investment Fund). The only change that we have made recently is a movement away from fixed-term bonds to manage the risk there.*

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[141] Transcript – Minister for Treasury and Resources
[142] FPP – Annual Report - 2023
[143] Transcript – Minister for Treasury and Resources

But otherwise it is always under review by the T.A.P. (Treasury Advisory Panel) and the pension funds, investments are under review by the appropriate management bodies there.

The FPP notes in its Annual Report for 2023[144] that the previous Government Plan approved borrowing for £90 million for healthcare facilities in 2023 and that further approval is sought in the current Plan for £52 million, under the Revolving Credit Facility, for the New Healthcare Facilities project. The FPP highlights that although it is anticipated that the project will not cost more than £710 million, the funding strategy is due to be developed in 2024 and is not accounted for in the forecast for Jersey's debt-to-GDP ratio.

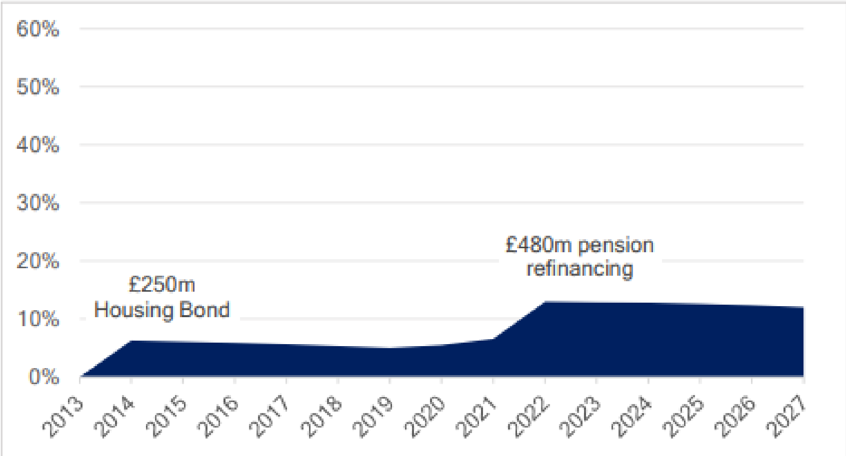
Furthermore, that due to high inflation and rising interest rates and the likelihood that the Bank Rate in the medium-term will not return to the historic lows seen over the past decade, Governments borrowing costs will increase. It is recommended that Government should, therefore consider the funding strategy of major capital projects over the medium and long-term.

Figure 2.14

Debt as a proportion of GDP

Borrowing highlighted in the chart

Source: Treasury and Exchequer



KEY FINDING 42: Short term debt has been repaid as recommended by the Fiscal Policy Panel and the debt for the New Healthcare Facilities project will be classified as a long-term debt. The FPP highlights that although it is anticipated that the project will not cost more than £710 million, the funding strategy is due to be developed in 2024 and is not accounted for in the forecast for Jersey's debt-to-GDP ratio.

Healthcare Facilities Financing Strategy

The Assembly are asked in the Proposition to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article.

Noting that the Proposition[145] to this Government Plan includes a clause (d) which asks the States Assembly to agree the use of the Revolving Credit Facility for the purpose of financing

[144] FPP – Annual Report - 2023
[145] P.72/2023

the new hospital facilities the Panel sought to understand during a hearing[146] the rationale for this approach.

Deputy L.J. Farnham:

> *It is proposed that the revolving credit facility be used to fund £52 million, which I think was the 2023 approval of the costs associated with the new hospitals, increasing the total amount borrowed for 2024 to £142 million, can you explain the rationale for using the revolving credit facility and how this was decided upon and also how the drawdown will be managed?*

The Minister for Treasury and Resources:

> *It will be managed in the normal way, as we have always done with the revolving credit facility. It quite simply is matching short-term requirement for spend with short-term lending arrangements.*

Deputy L.J. Farnham:

> *It is proposed that the money will be held in the Strategic Reserve and transferred to Consolidated Fund, I am presuming. Funds to be used for our new hospitals will be held in Strategic Reserve; that is still the plan.*

Group Director of Strategic Finance:

> *That is correct. It is maintaining the previous policy of borrowing proceeds being credited to the Strategic Reserve and then drawn down to the Consolidated Fund when the expenditure is incurred. When using the revolving credit facility that is less relevant because you only draw down the revolving credit facility to match expenditure. If, as the Minister said, market conditions change and it was the right time to go to market, you cannot borrow exactly what you need. You generally have to go out for sort of a substantial amount, so it would be maybe a couple of hundred million or a relevant lump. If that is not all needed so far it will be held in the Strategic Reserve up to the point it was drawn down for borrowing. The short answer is using the R.C.F. (revolving credit facility) it will not make any difference, there will not be a particular timing delay. If you are using a sort of longer-term instrument, the Strategic Reserve will be used to hold the funds until then.*

The Panel sought to identify what had been achieved during 2023 through the funding approved in the previous Government Plan. Detail for this was provided to the Panel in writing[147] as follows:

[146] Transcript – Minister for Treasury and Resources
[147] Letter – Minister for Treasury and Resources – 21 November 2023

A breakdown of the revenue expenditure (how 2023 funds have been spent) in 2023 for the Healthcare Facilities:

As of 31 October, £34.3m has been spent on the Healthcare Facilities project, with a forecast to spend £45m of total £51.5m full year budget, by year end. A breakdown of expenditure to 31 October is provided below

New Healthcare Facilities		**Oct YTD 2023**		**Full Year**
£m	**2023 Actuals**	**2023 Budget**	**Actuals vs Budget**	**2023 Budget**
Project Team	0.9	1.0	-0.2	1.3
Professional and Specialist Fees	6.9	13.5	-6.6	16.2
Governance and Scrutiny	0.0	0.0	0.0	0.0
Contingency	0.0	1.5	-1.5	1.8
Total GOJ Team expenditure	**7.8**	**16.0**	**-8.3**	**19.3**
Direct Delivery Partner inc PCSA	3.1	0.0	3.1	0.0
Direct Delivery Partner Decant LQS	6.8	11.8	-5.1	12.5
Site Acquisition, Stamp Duty Fees and Planning	16.7	15.8	0.9	16.0
Client Contingency and Optimism Bias	0.0	2.3	-2.3	3.8
Total Construction and Associated expenditure	**26.6**	**29.8**	**-3.3**	**32.3**
Total OHP Project expenditure	**34.3**	**45.9**	**-11.5**	**51.5**

States Funds

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

Table 3 – Transfer of monies between States Funds

£'000 **Transfer from**	**Transfer to**	**2024 Proposed**	**2025 Proposed**	**2026 Proposed**	**2027 Proposed**
Technology Accelerator Fund	Consolidated Fund	2,194	1,289	1,387	1,387
Consolidated Fund	Climate Emergency Fund	4,130	4,006	3,886	3,769
Strategic Reserve	Consolidated Fund (repayment)	336	-	-	-
Strategic Reserve	Consolidated Fund (capital)	52,000	-	-	-
Strategic Reserve	Consolidated Fund (financing)	7,820	8,074	6,494	5,830
Criminal Offences Confiscation Fund	Consolidated Fund	777	-	-	-
Consolidated Fund	Strategic Reserve (PSPL)	2,167	2,580	3,002	3,436
Social Security (Reserve Fund)	Social Security Fund	20,000	20,000	-	-
Social Security Fund	Social Security (Reserve Fund)	-	-	-	40,000

The Panel sought to understand the process used to determine the transfers between Funds and raised this at a hearing with the Minister for Treasury and Resources[148].

Deputy S.Y. Mézec:

> *…what is the process you go through for deciding how transfers between States funds ought to occur?...*

[148] Transcript – Minister for Treasury and Resources

Group Director of Strategic Finance:

> *… I think there are a mixture of types of transfer which are in there. There are certain transfers which are, effectively, standing agreements. For example, there is a transfer to do with the eventual repayment of the part service liability; that is based on a formula basis, to build a sinking fund for the eventual repayment of the debt. That is something that, while Council of Ministers do continue to review and endorse it, is something that sort of is almost a base case. There are other transfers like the transfer to the Climate Emergency Fund, which are linked to the general revenue, so that would be adjusted by any changes to those budget measures. But, again, sort of starts in the base case that you present. There are then other amounts that may come forward from the last Government Plan and you would get through a process of agreeing. Are there any other transfers that are appropriate to be included in the Government Plan, for example, to contribute to capital projects is often a common one that we would go through? As part of the discussions, the wider discussions in terms of, what is it the Council of Ministers wish to do? Often those discussions stray to: "And how do we pay for that?" If it is not available within the overall sort of general revenues and through the Consolidated Fund, those funds may be another option or indeed transfers being made to those funds where it is appropriate. For example, the recent debates around the agriculture, there was a discussion of the Agricultural Loans Fund, the money being moved into that fund. It is not incorporated into the Government Plan at present but it was one of the things that was debated. There are also some technical elements, so, for example, those transfers between the Social Security Reserve Fund and the Social Security Fund, that is purely down to cash flow requirements we simply did for completeness in terms of that table.*

The Panel notes that the Government has stated to the FPP that further work would be undertaken to ensure objectives of the Funds are clear and that policies are adjusted in line with the objectives. The FPP is still awaiting the outcome of this work, it is the Panel's understanding that this work is still in progress.

KEY FINDING 43: The Government is undertaking work to ensure Funds' objectives are clear and that policies are adjusted in line with the objectives.

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.

Noting that financial assets are held in the Strategic Reserve, Consolidated Fund, Stabilisation Fund and a number of 'Social Security Funds'. The FPP highlights in its Annual Report for 2023[149], over the Government Plan period, the aggregate value of these funds as a percentage of GVA is growing but will remain low compared to the position at the end of 2019 where the size of reserves stood at 74% of GVA.

[149] FPP – Annual Report - 2023

Figure 2.10

Reserves

Size of selected funds, balance at end of year (£ million)

Source: Treasury and Exchequer

	2023	2024	2025	2026	2027
Consolidated Fund	95	38	3	9	2
Strategic Reserve	1,032	1,071	1,113	1,158	1,206
Stabilisation Fund	1	1	1	1	1
Social Security Reserve Fund	2,047	2,136	2,230	2,351	2,520
Social Security Fund	89	95	109	120	129
Health Insurance Fund	111	108	105	103	103
Long Term Care Fund	56	61	68	76	86
Total	**3,430**	**3,509**	**3,628**	**3,817**	**4,047**
Total reserves as % of GVA	**54%**	**52%**	**53%**	**54%**	**56%**
Debt as % of GVA	*13%*	*13%*	*13%*	*12%*	*12%*

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.

Consolidated Fund

2023 Forecast	£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
99,644	**Opening Balance**	**94,802**	**37,565**	**2,521**	**8,541**
	Operating Surplus/(Deficit)				
1,091,966	General Revenue Income	1,194,322	1,247,329	1,283,373	1,328,850
(985,044)	Net Revenue Expenditure	(1,146,249)	(1,183,060)	(1,205,695)	(1,268,063)
106,922		**48,073**	**64,269**	**77,678**	**60,787**
	Other Movements in Fund Balances				
11,000	Prior Year Basis Tax Debt Receipts	11,000	12,500	12,500	12,500
20,000	Release of unspent Capital Allocations	-	-	-	-
-	Release of unspent Covid-19 Allocations	-	-	-	-
31,000		**11,000**	**12,500**	**12,500**	**12,500**
	Capital and Other Projects Expenditure				
(140,185)	Capital and other projects expenditure	(113,320)	(106,516)	(78,657)	(74,241)
(140,185)		**(113,320)**	**(106,516)**	**(78,657)**	**(74,241)**
	Capital Financing Transfers In				
1,811	Criminal Offences Confiscation Fund	777	-	-	-
-	Technology Accelerator Fund	2,194	1,289	1,387	1,387
1,000	Strategic Reserve - Capital Repayment	336	-	-	-
2,811		**3,307**	**1,289**	**1,387**	**1,387**
	Fund Transfers In/(Out)	**-**	**-**	**-**	**-**
(4,400)	Climate Emergency Fund	(4,130)	(4,006)	(3,886)	(3,769)
(1,790)	Strategic Reserve - Pension Refinancing Repayment	(2,167)	(2,580)	(3,002)	(3,436)
800	Health Insurance Fund	-	-	-	-
(5,390)		**(6,297)**	**(6,586)**	**(6,888)**	**(7,205)**
-	Borrowing Drawdown/(Repayment)	-	-	-	-
94,802	**Closing Balance**	**37,565**	**2,521**	**8,541**	**1,769**

Table 38: Consolidated Fund

Strategic Reserve Fund

Balance in the Strategic Reserve:

£1.1bn

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				
	2024	**2025**	**2026**	**2027**
£'000	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Opening Balance	**1,031,972**	**1,071,126**	**1,112,520**	**1,157,825**
Investment income	45,143	46,888	48,797	50,839
Transfer from Consolidated Fund (Pension Refinancing repayment)	2,167	2,580	3,002	3,436
Transfer from Strategic Reserve (Repayment of capital)	(336)	-	-	-
Healthcare Facilities related;				
- Borrowing Proceeds	52,000	-	-	-
- Transfer to Consolidated Fund (financing costs)	(7,820)	(8,074)	(6,494)	(5,830)
- Transfer to Consolidated Fund (Capital costs)	(52,000)	-	-	-
Closing Balance	**1,071,126**	**1,112,520**	**1,157,825**	**1,206,270**

Table 42: Strategic Reserve

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.

Stabilisation Fund				
	2024	**2025**	**2026**	**2027**
£'000	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Opening Balance	**599**	**634**	**666**	**695**
Investment income	35	32	29	28
Transfer from the Consolidated Fund	-	-	-	-
Closing Balance	**634**	**666**	**695**	**723**

Table 43: Stabilisation Fund

In previous reports published by the FPP in 2022, the FPP confirmed[150] that the economy remained strong with little spare capacity and unemployment at historically low levels. The Medium-Term Report[151] 2022 argued that this was not the time for significant across the board additional spending or tax cuts. However, it would be prudent to reduce "growth" expenditure in the early years of the previous Government Plan to strengthen reserves which may be required in future years.

150 Fiscal Policy Panel – Annual Report
151 Jersey's Fiscal Policy Panel Medium Term Report July 2022

The FPP highlights in its latest annual report (November 2023)[152] that this Government Plan forecasts operating deficit of £8 million in 2023 with operating surpluses across all forward years (Figure 2.1). When comparing to last year's Government Plan, revenues are £31 million higher in 2024 and £135 million cumulatively across 2024 to 2027. However, despite growing revenue projections, the operating balance has deteriorated by £21 million across 2024 to 2027 (Figure 2.2). This deterioration is driven by high expenditure growth. It is highlighted that the strong growth in revenues should have enabled the Government to rebuild its reserves.[153]

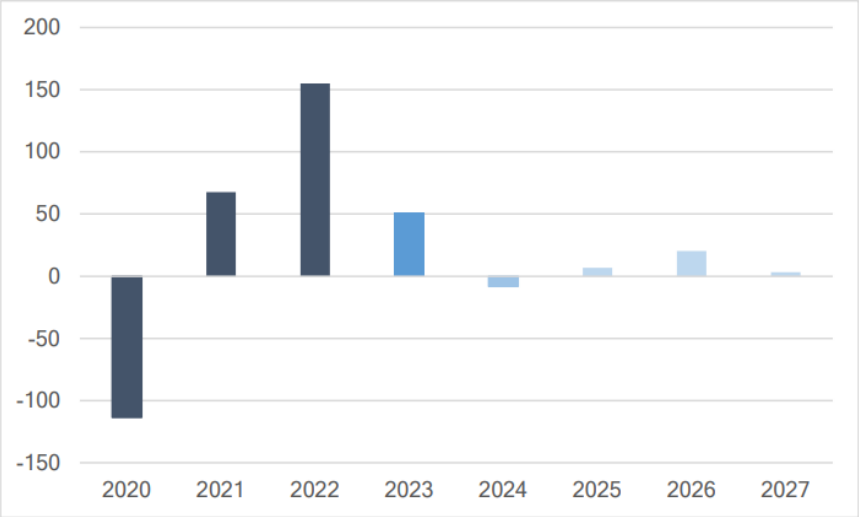
Figure 2.1

Operating balance

£ million (current prices)

Dark blue is outturn, blue is projected balance and light blue is forecasts from GP2024-2027P

Source: Treasury and Exchequer



The FPP raises concern that the Stabilisation Fund is much depleted and the Strategic Reserve balance is forecast to decline as a share of GVA. It is explained that it is likely to stand at half the minimum level recommended. Therefore, is unlikely to be sufficient to meet a major crisis. The FPP emphasises its disappointment that a stronger commitment was not taken to replenish the reserves during the current recent strength of the Government's revenues.

The Panel sought to understand the position of States' Funds and discussed this during a hearing with the Minister for Treasury and Resources[154].

Deputy S.Y. Mézec:

> *…the Fiscal Policy Panel in its economic assumptions 2023 reiterated its view that the Government ought to be making significant contributions to the Stabilisation Fund and ideally some contribution to the Strategic Reserve and they have raised concerns prior to the Government Plan 2023 that: "The balances in the Stabilisation Fund and the Strategic Reserve were below the desirable range." Last year in our Government Plan review we recommended to the Council of Ministers: "Must strengthen its commitment to prioritise the transfer of future surpluses to the Stabilisation Fund and Strategic Reserve to rebuild those funds to appropriate levels and should observe the advice of the F.P.P. to transfer a minimum of £14 million into the Stabilisation Fund in accordance with the Panel's new projections, as outlined in its report and a long-term plan must be developed to increase the size of the Strategic Reserve and must be addressed within the next Government Plan." There is a clause in the Government*

[152] FPP – Annual Report - 2023
[153] FPP – Annual Report - 2023
[154] Transcript – Minister for Treasury and Resources

Plan, clause f, which refers to the transfer from the Consolidated Fund to the Stabilisation Fund. But that is subject to a decision of the Minister for Treasury Resources, based on the availability of those funds at the end of this year. How confident are you that this can be actioned and what further long-term strategies are you considering to replenish the balances in the Stabilisation Fund?

The Minister for Treasury and Resources:

I think the reality is that we will also expect the F.P.P. to be perhaps a little bit negative when they publish their report later, saying that Government should have done more, and more money should be put aside into reserves. But I come back to the point that it is a balance between taking money out of Islanders' pockets, spending on Ministerial priorities and the services that Islanders need and shoring up our reserves, which is why we have put that clause in the Government Plan this time. Because that then means that if there are unspent balances I do not need to come back to the Assembly and it is easier, if I can put it that way, because I have got an in-principle decision of States Members that that is an appropriate thing to do and that, therefore, if I put it bluntly, strengthens my ability to make the case to put money into reserves when others may be more focused on perhaps their own pressures.

The Panel noted that the clause in this Government Plan is to address the Stabilisation Fund and not the Strategic Reserve, therefore, sought to understand what considerations were given for a strategy to replenish the Strategic Reserve.[155]

Deputy S.Y. Mézec:

…That clause f in the Government Plan addresses the Stabilisation Fund; it is not the Strategic Reserve. The F.P.P. have said before about the Strategic Reserve that they consider it at a level too low to meet a major crisis and, yes, unfortunately Jersey has not been short of our share of crises recently. Was any consideration given to prioritising additional funds into the Strategic Reserve, I was going to say as opposed to the Stabilisation Fund but maybe in addition to the Stabilisation Fund, what consideration have you given to that?

The Minister for Treasury and Resources:

No. The reality is of course that in a period when we are reintroducing the supplementation into the Social Security Reserve Fund, it is not possible to also prioritise any increased fund into the rainy day fund. I think it is right that the prioritisation at this point is into the Social Security Reserve Fund.

Deputy S.Y. Mézec:

Do you anticipate any circumstance over the next year where you might have more flexibility to prioritise that more?

The Minister for Treasury and Resources:

I do not anticipate that. I think it will present a sufficient challenge to be able to prioritise money into the Stabilisation Fund.

[155] Transcript – Minister for Treasury and Resources

In the FPP's Annual Report for 2023[156] it recommends that in the shorter term, renewed policy action is needed regarding replenishing the reserves - both the Stabilisation Fund and the Strategic Reserve. The FPP highlights that the low values of both mean that Jersey is increasingly vulnerable to a serious economic downturn. Therefore, the FPP recommends that the Government takes urgent action to replenish these funds. The FPP has previously recommended that the Strategic Reserve should be between 30% and 60% of GVA. The FPP also recommends that all Prior Year Basis receipts should be ringfenced and transferred to the Strategic Reserve as they arise.

The FPP highlights that the Government Plan does not commit to any transfers to the Stabilisation Fund but seeks approval for up to £25 million in 2024 to be transferred to the Fund, subject to the availability of funds. As such, this has not been incorporated into the forecast for the Fund's balance. The FPP strongly recommends that this commitment is strengthened and incorporated into the Government Plan.

KEY FINDING 44: The Stabilisation Fund and Strategic Reserve are depleted and require urgent replenishing. The Government has not observed the recommendations made by the Fiscal Policy Panel in the 2021 and 2022 Annual Reports to build reserves through transfers to the Stabilisation Fund and Strategic Reserve. The Fiscal Policy Panel has emphasised its disappointment that a stronger commitment was not taken to replenish the reserves during the current recent strength of the Government's revenues. Although the Government Plan seeks approval for up to £25 million in 2024 to be transferred to the Stabilisation Fund, subject to the availability of funds, it does not commit to any transfers. The FPP strongly recommends that this commitment is strengthened and incorporated into the 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.

Technology Accelerator Fund

Noting that the Government Plan[157] explains that monies should be transferred from the Technology Accelerator Fund to into the Consolidated Fund to fund investment in the Government's digital services platform, the Panel sought to understand the rationale for this and whether that transfer conformed with the Terms of Reference for the purpose of that Fund.

Technology Accelerator Fund				
£'000	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
Opening Balance	**18,819**	**12,475**	**7,021**	**1,449**
Programme expenditure	(4,150)	(4,165)	(4,185)	-
Transfer to Consolidated Fund	(2,194)	(1,289)	(1,387)	(1,387)
Closing Balance	**12,475**	**7,021**	**1,449**	**62**

Table 49: Technology Accelerator Fund

156 FPP – Annual Report - 2023
157 P.72/2023 – Pg 94

Group Director of Strategic Finance:

> *… There is money there that is being used and I think there is a grant scheme that is being administered but there was £20 million put in. One of the comments of the F.P.P. at the time was: "Why is it £20 million? Do you need £20 million now? Is it different?" As that scheme is being developed, we know that the cash flow is likely to be slightly longer. Rather than leaving that money in a fund not being used, the idea is that it is used to invest in Government's own technology and the monies would be pushed back into the fund when it is needed later; that is certainly in principle.*

The Minister for Treasury and Resources:

> *It is saying: is it appropriate just to leave monies out there doing nothing when there are other technology items across Government that you could use it for in the short term, as long as the overall amount of money in the fund is, ultimately, the same?*

From the evidence, it is the Panel's understanding that the transfer may not be stipulated with the Terms of the Fund, however, it would be permissible for the States Assembly to make the decision to move money between the funds, regardless of what the Terms are as that is one of the powers under the Public Finances Law.

The Government Plan explains that transfers would be made back into the Technology Accelerator Fund in future Government Plans. This was confirmed by the Minster for Treasury and Resources during a hearing.

KEY FINDING 45: The transfer from the Technology Accelerator Fund into the Consolidated Fund to fund investment in the Government's Digital Services Platform may not be stipulated within the Terms of Reference of the Fund. However, it would be permissible for the States Assembly to decide to transfer money between the Funds, regardless of the Fund's Terms, as Public Finances Law provides that power to the States Assembly.

7 Conclusion

One year on from delivering the Government's budget as part of a Government Programme, the Council of Ministers is content that the process is working well. The Panel observed that further design measures are being taken to deliver future Government Plans with improved focus. In this iteration of the Government Plan, the Panel was pleased to observe the inclusion of the ministerial mapping table in the Annex to the Government Plan and, in addition, the summary document – the Government Plan in Brief – produced alongside the Government Plan as a more helpful way in which to view the Government's aims and actions for delivery. Also, the work to improve the core outcome indicators of the Performance Framework and the aspirations to utilise administrative data and data linkage opportunities to enhance statistical measures is encouraging to observe.

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

- The provision of progress updates through a mid-year progress report.
- The inclusion of narrative on continuing and business as usual projects.
- Transparency regarding the business cases for new Revenue Growth Allocations.
- The inclusion of the previous year's funding figures for improved budget comparison.

The Panel remains concerned that the Government Plan continues to be inaccessible to members of the public, children and young people, notwithstanding the development of the summary document. The Panel is disappointed, despite its recommendations made the previous year to improve accessibility of the Government Plan to children and young people, that it appears this was not a focus of the Government. As such, Jersey's youth were not engaged on the Government Plan and its process via a child-friendly version of the Government Plan, which, although promised as being under development, was not published alongside the Government Plan or at the time of presenting this report.

The Panel highlights that Jersey's Youth Parliament was established as a link between Jersey's young people and the Government, and that timely engagement with its members should be prioritised to ensure that the views of young people are heard so that young people are also able to inform the Government's workstreams.

The Panel remains concerned regarding the implementation and monitoring of the Value for Money Programme. Considering that its concerns do not appear to have been addressed during 2023, nor within the Government Plan, the Panel has proposed an amendment to the Government Plan. Should the Panel's amendment be adopted by the States Assembly, all future Government Plans would 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 within the duration of the previous Government Plan and identify and provide full details of the monitoring process for proposed savings.

Despite the current strength of recent Government Revenues, the Government, to date, has not committed to rebuilding the Stabilisation Fund and Strategic Reserve Fund, despite this being recommended by the FPP since 2021. Although the Government Plan seeks approval in 2024 for up to £25 million to be transferred to the Stabilisation Fund, subject to the availability of funds, this is not a commitment. The Panel emphasises that a renewed short-term strategy is now a necessity to replenish the Funds to appropriate levels. Consideration must be given to prioritising the allocation of unspent balances from paying off the Covid-19 debt early to replenish the Stabilisation Fund. The Panel urges the Government to also head the advice of the FPP to ringfence and transfer all Prior Year Basis receipts to the Strategic Reserve as they arise.

The Panel notes that the Government has taken measures to protect against the continuing inflationary pressures by including £70 million in the reserve for 2024. However, considering that global inflation is declining more slowly than previously expected and that elevated inflation remains an ongoing risk for Jersey and, in particular, is affecting the most disadvantaged of our society, the Panel emphasises the necessity for continued due process to ensure that those affected most by the cost-of-living and inflationary pressures are appropriately supported during this challenging time.

Resultant of its review, the Panel has proposed one **Amendment** (P.72/2023: Twelfth Amendment - Value for Money Savings), which can be viewed in Appendix 2 of this report and has made **45 Findings** and **25 Recommendations**. 11 of the Recommendations made are overarching and are supported by the other four Scrutiny Panels.

Appendix 1

Panel Membership

Deputy Sam Mézec
(Chair)

Deputy Max Andrews
(Vice-Chair)

Deputy Lyndon
Farnham

1. To review components of the Government Plan 2024-2027 Proposition [P.72/2023] which are relevant to the Corporate Services Scrutiny Panel to determine the following:

    a) The impact of the Government Plan proposals on departmental budgets, savings and staffing levels.
    b) Whether the 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 with the objectives of the Ministerial 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 expected impact on the ongoing delivery of public services, by Minister, through rebalancing of Government finances.

    Budget

    - To examine income raising, borrowing and debt management proposals.
    - To explore how spending will be funded.
    - To clarify how States expenditure has materially evolved.
    - To ascertain individual departmental budgets and their feasibility based on future spending.
    - To examine the deliverability of capital projects.
    - To consider rebalancing and borrowing plans being sufficient or excessive to meet stated aims.
    - 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 Government Plan on the Stabilisation Fund.
- To explore any continued impact of Covid-19 on the 'financial envelope'.

Design and implementation of the Government Plan

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

Evidence Considered

Public Hearings

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

The public hearing transcripts can be viewed on the States Assembly website here.

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

Meetings and Visits

- Private meeting with the Jersey Hospitality Association.
- Private meeting with the Jersey Youth Parliament.
- Pop-up stand held to engage members of the public.

Written Submissions

A total of xx written submissions were received by the Panel and can be viewed here.

Written Questions

The Panel wrote to the following Ministers and received responses to written questions from:

- Chief Minister
- Minister for Treasury and Resources

The correspondence between the Panel and the Ministers can be found here.

Other evidence considered

- Public Finances (Jersey) Law 2019

- Government Plan 2023-2026
- Common Strategic Policy
- Ministerial Plans 2023 and 2024
- Delivery Plans 2023
- Fiscal Policy Panel Report (July 2022)
- Fiscal Policy Panel Report (November 2022)
- Fiscal Policy Panel Economic Assumptions (July 2023)
- Fiscal Policy Panel Report (November 2023)
- Income Forecasting Group Report (October 2022)
- Income Forecasting Group Report (October 2023)

Review costs

The costs of this review totaled £760 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

STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): TWELFTH AMENDMENT

VALUE FOR MONEY SAVINGS

Lodged au Greffe on 23rd November 2023 by the Corporate Services Scrutiny Panel

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STATES GREFFE

Appendix 3

Recommendations: Government Plan 2023-2026 [P.97/2022]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

States Greffe | Morier House | Halkett Place |St Helier | Jersey | JE1 1DD
T: +44 (0) 1534 441 020 | E: statesgreffe@gov.je | W: Statesassembly.gov.je