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Senator Kristina Moore
Chair
Corporate Services Scrutiny Panel
Via e-mail

Date 8th of April 2021

Dear Senator Moore,

Follow up to Quarterly Hearing

Thank you for your letter dated the 29th of March regarding a number of additional questions following the public hearing on the 19th of March 2021.

Please find my responses below;

Independent Taxation

1. You identify in your letter dated 1st March that you have asked Officers to create an allowance or relief for existing married people, could you please outline this need?

It has always been recognised that the move to Independent Taxation could financially disadvantage certain households which currently benefit from the married-couple's allowance (currently £25,700) in a way they would not benefit from 2 single person's allowance (currently £16,000). These are typically lower-income households where one spouse has no income or has an income considerably below the single-person's allowance. An allowance or relief would enable married people to move to Independent Taxation without facing material financial hardship.

2. What work had been carried out on the introduction of Joint & Several liability provisions?

As set out in my letter of the 1st of March 2021, I have asked officers not to undertake any more work to modernise Married-Man's Taxation. Having already legislated to allow wives - and other Spouses B - to access the couple's tax information, this essentially left joint responsibility for filing a tax return and joint and several liability for tax debts. I concluded that there was no real need to proceed with such work now that we have identified that Independent Taxation can be introduced within just a few years. (The original idea of modernising Married-Man's Taxation was in the event it formed part of a grandfathering arrangement over a prolonged period of time.)

a. Why did the Minister press on with its introduction following notification of its potential negative impact?

Married-Man's Taxation is an anachronism and many States Members – including myself and members of the CSSP (current and former) – have called for its removal for many years. It is offensive in the modern world to many islanders and also damages our international reputation. Most jurisdictions have already abolished it and most jurisdictions have done so in ways which deliver change while protecting existing married people from severe financial impacts.

3. You have outlined a phased approach to Independent Taxation. Why do you not envisage allowing all married couples, regardless of if they are separately assessed, to opt into independent taxation?

a. Is this to avoid over burdening Revenue Jersey?

b. Would you consider allowing taxpayers to make the switch if they were willing to accept they may be financially worse off?

A phased approach is sensible for Jersey but all married people will move to Independent Taxation over a number of years. We do need to be mindful of the administrative burden for Revenue Jersey of making these changes and we also need to make sure that we only move existing married people to Independent Taxation when we can do so in a way which does not cause them financial hardship.

It is too early to be specific about the phasing of cohorts of islanders into Independent Taxation but it is likely that we will allow people to move as early as 2023 on a voluntary basis. The changes in 2022 will be strictly limited.

Treasury and Exchequer Business Plan

4. Please outline the reasons for conducting a further financial maturity assessment during 2021?

The Financial Maturity Assessment will provide independent feedback on any improvement that the department and Government as a whole has seen in its financial maturity since the start of Finance Transformation. It provides scores across 6 dimensions of financial management: People, Service Delivery Model, Functional Process, Supporting Technology, Data and Reporting and Governance and Controls. This will enable us to assess the success of various different elements of transformation and help guide future transformation. We will not be reassessing all 6 dimensions of the Maturity Assessment, but instead focus on those we have already conducted transformational activity in – namely People, Service Delivery Model and Governance and Controls. The advent of the Integrated Technology Solution, due to go live in 2022, is likely to markedly impact the dimensions of Functional Process, Supporting Technology and Data and Reporting, therefore these will not be part of the 2021 assessment.

5. What training is currently given in construction of business cases across the Government of Jersey?

A course in writing better business cases is currently being provided across government to colleagues who are usually involved in the development of business cases for the Government Plan, including finance and policy colleagues. This course includes the 5 case model, the strategic context, defining the case for change, value for money and benefit realisation. Further guidance is

also being developed by the Investment Appraisal team on the specifics of developing a business case in the Government of Jersey.

6. In the 2020 Treasury and Exchequer business plan strategies to help deliver carbon neutrality were estimated to be developed by the end of 2021, why does this not appear to be the case in this year's business plan?

Revenue Jersey (Tax Policy Unit) is working with officers across Government on environment-related fiscal measures. Most of these are longer-running projects. It is likely the Government will be in a position to report progress in the next Government Plan.

7. Both the 2020 and 2021 business plans have highlighted Integration of Social Security Contributions into the personal tax system, how is this progressing?

The Contributions Team is now part of Revenue Jersey and work is under way gradually to integrate related IT systems. A Combined Employer Return is being developed which will enable employers to consolidate returns of information needed for tax and contributions purposes.

8. The 2020 business plan highlights a review of non-staff spend, was this completed?

The non-pay spend review was completed as part of the Zero-based budget roll-out in February 2020. Treasury and Exchequer was the first Department to undertake this evaluation, which consisted of the build and consolidation phase across pay and non-pay expenditure, however, the final challenge phase was not completed as this coincided with the first CV-19 lock-down and consequently the ZBB programme was paused for a period of time. The final stage will be programmed during 2021. In addition to the ZBB evaluation, the Department subsequently reviewed its non-pay budget in the Government Plan 2021-2024 process.

9. The 2020 business plan identifies additional Revenues assessed and improved yields by Revenue Jersey in total of £9.5 million, where do these appear in the 2021 business plan?

Government Plan 2021-24 specifies increased collections from domestic compliance of an estimated £8.6 million for 2021. (Appendix 2, page 184) This represents a £1 million reduction on the figure estimated in Government Plan 2020-2023, reflecting a re-assessment on account of the Pandemic. The 2021 Business Plan alludes to this on Page 33.

Annual Reports and Accounts

10. How are the 2020 Annual Reports and Accounts progressing?

The 2020 Annual Report and Accounts were prepared in line with the planned timetable and they are progressing through the external audit process. The audit is largely

complete, although we are likely to publish slightly later than planned as certain, matters and disclosures are finalised.

The Annual Report and Accounts will be published as soon as practicable once signed off by the external auditors and Comptroller and Auditor General.

a. Are there any elements that you can share with the Panel and Public now?

The amount spent by Government on the Covid-19 response in 2020 is being released in advance of the Annual Report and Accounts.

b. Did revenue match forecasts for 2020?

The Annual Report and Accounts includes analysis of revenue recognised compared to the Income Forecasting Group forecasts used in the Government Plan 2021.

c. What difference in actual and forecast expenditure took place?

The Annual Report and Accounts includes analysis of expenditure compared to the final budgets approved in the Government Plan and subsequently amended to provide the additional funding required to manage the Covid-19 response.

The Treasurer has committed to briefing the Panel before the general release publicly.

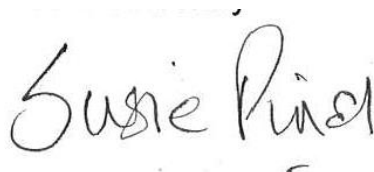
d. What work are you undertaking to clearly present the impact of COVID and separate it from other spending?

The impact of Covid-19 has been given prominent attention throughout the Annual Report and Accounts to provide readers with information on:

- Performance implications and specific Covid-19 response statistics
- Key risks and governance
- Financial impacts

The opening pages of the Financial Review section in the Performance Report provide an overview of the financial impact of Covid-19 on the Government including a detailed list of all of the specific Covid-19 costs and lost income recorded across departments.

Your sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive, flowing style.

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