

# **STATES OF JERSEY**



## **STUDENT LOANS FOR HIGHER EDUCATION: GUARANTEES**

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**Lodged au Greffe on 18th April 2007  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to authorise the Minister for Treasury and Resources to guarantee loans made under the Jersey Student Loans Scheme in accordance with Article 24(1) of the Public Finances (Jersey) Law 2005 to a maximum outstanding limit of £10 million and for an unlimited time period.

**MINISTER FOR TREASURY AND RESOURCES**

## **REPORT**

### **Background**

The Minister for Education, Sport and Culture has lodged a report and proposition seeking the approval of the States to introduce a Student Loans Scheme for Jersey students undertaking Higher Education. Under this Scheme the States would be required to guarantee loans made by commercial banking institutions.

### **The legal position**

Article 24(1) of the Public Finances (Jersey) Law 2005 states –

“Except as provided by this or any other enactment a guarantee or indemnity must not be given or provided in the name of the States except with the authorization of the States given on a proposition lodged by the Minister.”

Giving guarantees in respect of Student Loans therefore requires the approval of the States. Limited borrowing (giving a guarantee is classed as borrowing for this purpose) is permitted under the Public Finances (Transitional Provisions) (No. 2) (Jersey) Regulations 2005 but in order not to risk breaching borrowing limits I am seeking the approval of the States in this instance. Any costs of honouring guarantees will be met by the Education, Sport and Culture Department from their approved head of expenditure. Discussions are underway with the participating banks, however, to minimise the risk of such costs to the States.

For the purposes of States Accounting, guarantees given are counted against States borrowing limits. Article 21(3) of the Public Finances (Jersey) Law 2005 states –

“The States shall not authorize any borrowing if it would permit the total amount borrowed by the States at that time to exceed an amount equal to the estimated income of the States derived from taxation during the previous financial year.”

According to projections based on a computerised model the maximum amount outstanding and guaranteed by the States is unlikely to exceed £9 million. Such a sum is comfortably within the borrowing limit set by Article 21(3).

Approval is therefore sought from the States for the Minister for Treasury and Resources to guarantee Student Loans in accordance with Article 24 of the Public Finances (Jersey) Law 2005. In order to ease administration the Minister is proposing to delegate his ability to issue guarantees to the Treasurer of the States.

### **Financial and manpower implications**

There are no additional manpower implications arising from this proposal. The financial implications are as set out in this report.