

STATES OF JERSEY



PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): SIXTEENTH AMENDMENT

NEW OFFICE

Lodged au Greffe on 11th November 2024
by Deputy P.F.C. Ozouf of St. Saviour
Earliest date for debate: 26th November 2024

STATES GREFFE

PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024):
SIXTEENTH AMENDMENT

1 PAGE 4, PARAGRAPH (m) –

Delete paragraphs (m) and (n) and redesignate the subsequent paragraphs accordingly.

2 PAGE 4, PARAGRAPH (o) –

After the words “as set out in the Appendix to the accompanying Report” insert the words –

“, except that on pages 85 and 86 the section entitled “Investment in the New Office” should be deleted”.

DEPUTY P.F.C. OZOUF OF ST. SAVIOUR

Note: After this amendment, the proposition would read as follows –

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

to receive the Government Plan 2025 – 2028 (entitled “Budget 2025-2028”) specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2025 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law.
- (b) to approve the proposed Changes to Approval for financing/borrowing for 2025, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approval amounts.
- (c) to approve the transfers from one States fund to another for 2025 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.
- (d) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2025 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 at 31st December 2024 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31st December 2025.
- (e) to approve a transfer from the Consolidated Fund to the Agricultural Loans Fund in 2025 of up to £2 million, subject to a decision of the Minister for Treasury and Resources based on availability of funds in the Consolidated Fund

as at 31st December 2024 in excess of estimates provided in this plan, or from budgeted underspends identified before 31st December 2025;

- (f) to approve each major project that is to be started or continued in 2025 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 4 to the Report.
- (g) to approve the proposed amount to be appropriated from the Consolidated Fund for 2025, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report.
- (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2025 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report.
- (i) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2025 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report.
- (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2025 as set out in Appendix 2 – Summary Table 8 to the Report.
- (k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

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

- i. in exceptional circumstances to insulate the Island’s economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.
- ii. if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.
- iii. to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;
- iv. as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and

- v. in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available.”
- (l) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).
- (m) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2025-2028, as set out in the Appendix to the accompanying Report, except that on pages 85 and 86 the section entitled “Investment in the New Office” should be deleted”.

REPORT

1. Introduction

This report is submitted in support of my amendment to the Government Plan 2025-2028, which challenges the proposed acquisition of the new Government Headquarters using the Social Security (Reserve) Fund (SSRF). It also draws upon related concerns regarding amendments proposing the use of SSRF for other purposes, such as adjusting the States grant to the Fund. The proposed use of SSRF raises critical issues of purpose, governance, fiduciary responsibility, and potential conflicts of interest, all of which require thorough examination.

2. The Purpose and Boundaries of the Social Security (Reserve) Fund

The SSRF is designed to ensure the long-term financial sustainability of Jersey's social security obligations, primarily pensions and benefits, derived from contributions by employers and employees. The Fund's investments should be aligned with these objectives to protect and grow assets for the benefit of current and future beneficiaries. Any proposed investment must adhere strictly to this purpose.

3. Proposed Acquisition of the Government Headquarters

The proposal to acquire the new Government Headquarters using the SSRF raises several concerns:

- **Return on Investment:** The projected return of 4.1% is lower than what might be expected from other potential investments. Given the Fund's fiduciary duty to maximize returns, it is reasonable to question whether this represents the best possible use of resources.
- **Marketability and Liquidity:** The building's primary purpose is to serve government functions, and its marketability is inherently limited. Unlike more broadly appealing commercial properties, its potential for resale or alternate use is constrained, reducing its viability as a flexible investment.
- **Fundamental Purpose:** There is a critical distinction between investments made to serve the operational needs of the Social Security Fund and those intended as broader commercial ventures. The use of SSRF for this acquisition risks blurring these lines and undermining the Fund's core purpose.

4. Broader Context – Other Amendments Proposing Use of the Fund

The amendment [P.51/2024 \(Amd\)](#) proposed by Deputy Bailhache further illustrates this trend. It seeks to adjust the States grant to the Social Security Fund, reducing statutory contributions temporarily. This approach undermines the Fund's intended purpose and sets a concerning precedent:

- **Fiduciary Responsibility:** The SSRF holds assets contributed by employers and employees to secure pensions and benefits. Using these funds to address short-term government financial needs erodes the trust placed in the Fund's management and risks compromising its long-term sustainability.

- Governance and Statutory Obligations: The reduction of statutory contributions, even temporarily, contradicts prior assurances given by government officials. This move further suggests a pattern of using SSRF as a convenient resource for broader government needs.

5. Governance and Process Concerns

The use of the SSRF for acquiring the Government Headquarters and adjusting the States grant reflects a potential weakening of governance standards:

- Insufficient Scrutiny: The Minister's response indicates that the Treasury Advisory Panel (TAP) recommended the progression of the investment. However, the extent to which this decision followed rigorous due diligence processes is unclear, raising concerns about transparency and accountability.
- Potential Conflicts of Interest: The proposed use of SSRF appears to prioritize broader government operational needs over the specific purpose of safeguarding social security assets. This conflict must be addressed to protect contributors' and beneficiaries' interests.

6. Comparative Analysis of Alternative Investments

A prudent investment strategy demands a thorough comparison of all available options. The proposed investment should be evaluated against other potential commercial properties or opportunities that offer better returns and lower risk while maintaining liquidity and market appeal.

Without such an assessment, it is difficult to justify the current proposal as the best use of SSRF assets.

7. Delaying the Acquisition Decision

The States of Jersey has a three-year option to acquire the building, providing ample time for further evaluation. Given pressing fiscal priorities, such as funding for the new hospital, it would be more prudent to delay this acquisition and ensure that the use of SSRF is aligned with its core purpose.

8. Distinction Between Operational and Commercial Investments

Investing in a property that primarily serves government needs stretches the intended use of the SSRF. Investments should focus on maximizing returns for the Fund's beneficiaries, not serving as a convenient solution for broader government requirements.

9. Recommendations and Conclusion

- Reassess the proposed use of SSRF for the acquisition of the Government Headquarters and ensure compliance with the Fund's core purpose.
- Demand rigorous governance and scrutiny for all proposed uses of SSRF assets, with transparency and accountability at the forefront.

- Consider alternative investment opportunities that align more closely with the Fund's objectives and provide better returns and liquidity.
- Resist using SSRF as a convenient resource to meet short-term fiscal needs, preserving its purpose for contributors and pensioners.

The proposed investments and adjustments represent a concerning trend that risks undermining the integrity of the SSRF. I urge members to consider the long-term implications and act to safeguard the Fund's purpose and sustainability.

Financial and staffing implications

The rental paid by States of Jersey is unaffected in terms of revenue expenditure. In terms of the office accommodation and any staffing implications, the employees of the States of Jersey that administer the Social Security fund will be unaffected as well as the rest of the state employees that move into the new HQ as a result of this amendment.

Children's Rights Impact Assessment

A Children's Rights Impact Assessment (CRIA) has been prepared in relation to this proposition and is available to read on the States Assembly website.