



Corporate Services Scrutiny Panel

Proposed Budget 2025 - 2028

Witness: The Minister for Treasury and Resources

Friday, 18th October 2024

Panel:

Deputy H.M. Miles of St. Brelade (Chair)

Deputy A.F. Curtis of St. Clement

Deputy M.B. Andrews of St. Helier North

Connétable D. Johnson of St. Mary

Deputy I. Gardiner of St. Helier North (Chair, Public Accounts Committee)

Witnesses:

Deputy E. Millar of St. John, St. Lawrence, and Trinity - The Minister for Treasury and Resources

Mr. R. Bell - Treasurer of the States, Treasury and Exchequer

Mr. A. Hacquoil - Group Director - Strategic Finance, Treasury and Exchequer

Ms. C. O'Brien - Deputy Comptroller of Revenue, Treasury and Exchequer

[10:00]

Deputy H.M. Miles of St. Brelade (Chair):

Welcome to this public review hearing of the Corporate Services Scrutiny Panel. Today is 18th October and this is our proposed budget 2025 to 2028 review hearing with the Minister for Treasury and Resources, with apologies for the later starting time but the meeting will continue for the full 2 hours that was planned. So, I would like to draw everybody's attention to the following. The hearing is being filmed and streamed live. The recording and the transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent. For the purpose of the recording and the transcript, I would be grateful if everyone who speaks could ensure that you state your name and your role. If we can begin with introductions, I am Deputy Helen Miles, Chair of the Corporate Services Scrutiny Panel.

Connétable D. Johnson of St. Mary:

David Johnson, Constable of St. Mary, panel member.

Deputy I. Gardiner of St. Helier North:

Deputy Inna Gardiner, Chair of the Public Accounts Committee.

Deputy M.B. Andrews of St. Helier North:

Deputy Max Andrews, panel member.

Deputy A.F. Curtis of St. Clement:

Deputy Alex Curtis, panel member.

The Minister for Treasury and Resources:

Elaine Millar, Minister for Treasury and Resources.

Treasurer of the States, Treasury and Exchequer:

Richard Bell, Treasurer.

Deputy Comptroller of Revenue, Treasury and Exchequer:

Cora O'Brien, Deputy Comptroller.

Group Director - Strategic Finance, Treasury and Exchequer:

Andy Hacquoil, Group Director of Strategic Finance.

Deputy H.M. Miles:

Lovely, thank you very much. We have quite a lot of questions today. It is quite a significant question plan, so if you could just be conscious of time in your responses, please, just try to be focused. So, the first person I am going to hand over to is Deputy Gardiner, who is going to ask some questions around financial sustainability.

Deputy I. Gardiner:

Thank you, Chair. We will start with F.P.P. (Fiscal Policy Panel) Annual Report 2024, which emphasised the need of Government to focus on medium term while making choices to balance between spending against investing in the future and restoring Island reserves. What specific methods have been used to develop focus for short, medium, and long-term financial sustainability?

The Minister for Treasury and Resources:

In terms of the short, medium, long term, Andy, you had quite a bit about this in terms of what we ...

Group Director - Strategic Finance, Treasury and Exchequer:

Yes. So, I guess the first thing to, I guess, consider is what do we mean by the short term, long term and medium term because that is obviously important to bring in. So generally, the short term, up to 4 years is generally short-term financial planning. So, while the budget has previously been referred to as a medium-term financial plan, is on the short side of medium, as it were. Thinking about medium term, it is probably more 5 to 12 years, so slightly further out than that, and then long term would be further on. So, there is actually 2 projects within the Treasury at the moment. They are included in the Business Plan for 2024, which has been published, around longer-term planning, the first of which is the long-term capital plan, so knowing how much we need to spend on our assets, not just in the 4-year window of the Government Plan but looking out much further, up to 25 years. Similarly, we have a piece going on around long-term financial planning or longer-term financial planning, which is looking at not just capital but also revenue, revenue in, revenue expenditure, and what the impact on reserves and borrowing would be into that longer term. So that is work that is ongoing in year. With the change in the timeline for getting the Government Plan done we have had to pick it up slightly later in the year than originally planned, but that is a really important piece of work to mean that we have more tools as we go into future budget processes where we can see what is the longer-term focus. However, there is lots of ... sorry, did you have a ...?

Deputy I. Gardiner:

No, I think it is really important to hear that we have 2 projects, plans we are developing, which is capital and long-term financial planning. If I understood correct, it has not been finished before this budget was presented but would we see it in the next budget, the indications on how it will be reflected?

Group Director - Strategic Finance, Treasury and Exchequer:

I think in reality both of those pieces of work will iterate, so they will improve as we go over time. So, you will run it once, check how it works and then potentially improve it, but there should be something that is able to be used for the next budget. I guess what I would just caveat that with is there is still lots of things that go in that have more of a focus on the medium term and long term which these plans are bringing together. So, for example, in capital, there are condition surveys that that are in place. There is a pipeline of works which maybe did not quite make it into the Government Plan, but we know about that will be happening. So, it is pulling that together in a way that can be used. Similarly, on longer-term financial planning we have actuarial reviews of the social security funds. We have a piece of work around what is likely to happen to healthcare costs moving into the future, what are the projections in terms of what happens with an ageing population, so there is already lots

of work going on in that space. These projects are more bringing all of those together to a single piece that can then be used to inform that decision making as we go into budgets.

Deputy I. Gardiner:

Okay. It is interesting that you mention there are some capitals that did not make it into this plan. I think during the public hearing with the Minister for Infrastructure about the budget it has been mentioned there are some projects that might come forward during the year. I am looking at Alex also because Deputy Curtis because they were included. So how does it really work? So, what we have in front of us, and if it will be changed during the year, what does it mean for ...?

Deputy A.F. Curtis:

To give a specific example from the hearing that the Environment, Housing and Infrastructure Panel had with the Minister for Infrastructure, it was highlighted that there was funding for a skate park allocated in 2028 under the estates table, but the Minister identified he was confident that he would be able to fund that sooner and that he had the assurances of the Minister for Treasury and Resources. So, I think that is what Deputy Gardiner is referring to.

Group Director - Strategic Finance, Treasury and Exchequer:

I can pick that up if you like, Minister. So, if you want to vary in year, obviously there is an established process where the Minister has powers to reallocate money between heads of expenditure. I have to remind myself we also have grouped heads of expenditure and one of the rationales for that is that if projects are able to come on stream earlier, they can be moved backwards and forwards slightly, but still you would not be able to do it if it was not. So, the skate park is mentioned in the Government Plan. If it was a matter of timing, that is something that could be potentially reallocated. It is all around trying to make sure that we do spend the capital to improve assets. So, if the skate park is ready but another project is not, it might be far better to be able to switch the order of them in year. But we are very transparent around how that actually manifests, either through ministerial decisions or through ...

Deputy I. Gardiner:

If I am coming back to the first question, and I am going back to the Minister, thank you, Minister, do you believe there is appropriate balance in this current budget between spending for what we need now to actually invest into the future?

The Minister for Treasury and Resources:

Well, that is what we are trying to do. That is what we are trying to do, and I think the F.P.P. itself recognised that our challenge is between current spend, balancing investment into productive capacity and long-term topping up reserves. We have tried to address that. We have started off that

process in terms of we have said ... Ministers were told: "Do not come with a whole load of growth bids." We did not have the process that we had last year, so people were not coming with bids for more money and more employees, out with the only new money was for the C.S.P. (Common Strategic Policy) priorities. So, we have tried to ... everybody has been asked to go away and work within the money they already have and prioritise. So that is a very good start. We have made a good start towards earmarking funds for the strategic reserve and the stabilisation fund, so we have started a plan there. Yes, we are trying to look forward. We have an obligation. The budget has to take into account long-term sustainability and well-being, so that is first principle, and we are trying to ... that is definitely something that we have taken into account in terms of trying to start topping up the reserves. It is not something we can do overnight, but we have a clear plan to start building both the strategic reserve and the stabilisation fund, as well as trying to balance spend.

Deputy I. Gardiner:

Can you give me examples of specific measures that are being taken - you have started to do this - to build and maintain financial reserves?

The Minister for Treasury and Resources:

Well, I need to go and look because I always get it confused. We have a plan. The strategic reserve, for example, will get the prior year basis?

Treasurer of the States, Treasury and Exchequer:

Prior year basis receipts have now been earmarked.

The Minister for Treasury and Resources:

So, the prior year basis receipts will have been earmarked and those will go into the strategic reserve. Now, as those receipts come in, which will ... they are coming in already at the rate of, I think from memory, about £5 million a year, and that will increase. I think there is about £300 million outstanding.

Treasurer of the States, Treasury and Exchequer:

Yes.

The Minister for Treasury and Resources:

So maybe shy of £300 million outstanding from what we have already received. So as that money is received, that will go into the strategic reserve. We are earmarking funds from Pillar 2 to go into the stabilisation fund, and to the extent that we have underspends from this year we are looking to put those ... those are going into the stabilisation fund as well, aren't they? So, in terms of building up the reserve, we have a plan. Future Pillar 2 monies will be devoted to reserves, other than ... we

have already said what we are going to spend Pillar 2 monies on. So, we have a clear plan to do that.

Deputy I. Gardiner:

So, Pillar 2, all money going into the stabilisation fund or into the strategic reserve?

The Minister for Treasury and Resources:

Not all of it. Again, I am trying to ...

Treasurer of the States, Treasury and Exchequer:

The Government Plan sets out a framework for receipts from Pillar 2. They are within the base case but also in the event that receipts above that base prudent estimate are received, and rebuilding reserves and in particular the stabilisation fund is one of the uses of excess receipts should they be received.

Deputy I. Gardiner:

So, in simple words, the receipts that will be received from Pillar 2 going into stabilisation fund or they will be used for something else as well, just to make it clear with ...?

Treasurer of the States, Treasury and Exchequer:

So, the plan sets out the number of uses for those funds that could be considered. They could be investment in infrastructure, and they could be investment into the reserves. The order of putting them in reserves would firstly be stabilisation fund before you consider further down the line in terms of that.

Deputy I. Gardiner:

So, it is not ... okay.

Treasurer of the States, Treasury and Exchequer:

But also, the excess returns would be used to fund the new hospital project as well.

Deputy I. Gardiner:

Okay. The F.P.P. highlighted the rate of growth of healthcare spending is not sustainable. How will existing work on sustainability for the health funding ... is developing and will inform long-term sustainability of the financials?

The Minister for Treasury and Resources:

Well, as it is, it clearly needs to be that the funding ... that the spend in health needs to have a very high focus because this year we are looking at very significant overspends. That is not sustainable, so I think there is ongoing work to look at how we control that spend properly. Again, you are talking about what drugs do you provide people, what operations do you provide people, so that is a very difficult subject, but there is work there with the turnaround team. We also have the financial recovery plan which will offset ... over a slightly elongated period that will offset some of the overspend, but yes, we absolutely have to have a focus on health spending going forward. It is high. There are numerous reasons why it is high because health inflation is affecting everybody. The whole demographic issue is affecting. We are not alone in finding increasing costs in health, but we do need to make sure that we are controlling those costs as best we can.

Deputy I. Gardiner:

Okay. Another one: a recommendation from F.P.P. in respect of ...

The Minister for Treasury and Resources:

Sorry, I cannot see you. That jug is in the way.

Deputy I. Gardiner:

Sorry. **[Laughter]** I was not sure because I can see. The recommendation was done by F.P.P. in 2024-2027, which was also recommended by the previous panel, not to provide unspecified savings in the budget. Obviously, it has been reiterated by F.P.P. again. What is your view in that regard? This budget estimates approximately, if I am correct, £4 million of unspecified savings. So, we are doing savings, but we do not know where they are coming from; they are unspecified.

The Minister for Treasury and Resources:

Well, that is for the department. The departments will have to ...

Deputy I. Gardiner:

Which departments if they are not specified?

The Minister for Treasury and Resources:

Sorry, I thought you were talking about health.

Deputy I. Gardiner:

No, I moved on.

The Minister for Treasury and Resources:

You are talking about something else, sorry.

Group Director - Strategic Finance, Treasury and Exchequer:

There is £4 million of savings in ... well, it is £3 million in 2026 and £1 million in 2027, which have not yet been allocated to departments. That is obviously a much smaller number than it has been in previous plans. There are amounts allocated in 2026 and 2027 to departments already, whereas previous plans the whole amount would generally be [un]allocated.

Deputy I. Gardiner:

But it was very clear from F.P.P. at the previous year and they said again this year you are not putting ... suggesting not to put in the budget savings that we have no idea where they are coming from. So why are we having this again in the budget?

Treasurer of the States, Treasury and Exchequer:

I would say that in particular for 2025 the plan is more specific than it has been in previous years for the immediate year of the Government Plan, and it has taken a slightly different approach rather than just pro rata cuts across the board. Those include plans in respect of arm's-length organisation back-office functions, not front office functions for those, but in particular office savings. So, the business case for the office programme had benefits. We are realising those benefits in terms of savings. Those will be delivered over the years. the plan. Then in year 1 ... we have planned figures for year 2, being 2026.

[10:15]

In year 1 there is an approach agreed by the Council of Ministers that they will try wherever possible to protect the front line. The savings are pointed towards savings in the back office by looking at delayering management, principally in the back-office functions, not the front-line functions in terms of delayering management, removing vacancies, and reducing reliance upon consultancy and contingent labour. So those are quite specific in 2025, more specific than they have challenged then in previous years. The amounts that remain unallocated are relatively small amounts into future years as ... I cannot remember his full title so I will just say Andrew just said. **[Laughter]** So a relatively minor amount compared to the overall programme.

The Minister for Treasury and Resources:

Yes, in the context of a spend of almost £1.3 billion, £4 million is a very small amount.

Deputy I. Gardiner:

It is very helpful that we got the specifications. Is it anywhere in the budget that made this clarity how the £4 million unspecified? What you have just presented to us, it is anywhere in the documents that I missed?

Treasurer of the States, Treasury and Exchequer:

Are you on the page?

Group Director - Strategic Finance, Treasury and Exchequer:

So, page 48 there is a very short paragraph around future savings.

Deputy I. Gardiner:

It is very short, yes. Okay.

Group Director - Strategic Finance, Treasury and Exchequer:

Which basically says there is £4 million that will be allocated in the future, but it reiterates the Council of Ministers' view that these additional savings are very achievable based on the scale of departmental budgets of £1.2 billion, nearly 1.3.

Deputy I. Gardiner:

So, we have a bit more information now where it is coming from because there is lots of details that we cannot ...

Treasurer of the States, Treasury and Exchequer:

I was talking specifically 2025, 2026.

Group Director - Strategic Finance, Treasury and Exchequer:

Which is set out on page 47 of the ...

Deputy I. Gardiner:

Thank you.

Deputy H.M. Miles:

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

The Minister for Treasury and Resources:

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

Deputy H.M. Miles:

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

The Minister for Treasury and Resources:

Yes.

Deputy H.M. Miles:

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

The Minister for Treasury and Resources:

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

Deputy H.M. Miles:

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

Deputy Comptroller of Revenue, Treasury and Exchequer:

I would not say so, Chair. In early March, the Comptroller wrote to a very wide range of organisations, as the Minister said. So that was still in plenty of time and a number of them did come back. That

led to follow-up meetings. On particular topics there was then a lot more detailed consultation took place.

Deputy H.M. Miles:

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

Treasurer of the States, Treasury and Exchequer:

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

Deputy H.M. Miles:

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

Treasurer of the States, Treasury and Exchequer:

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

Deputy Comptroller of Revenue, Treasury and Exchequer:

Just to add to that response, the previous Minister for Treasury and Resources did introduce an innovation credit as well for businesses and that is something that we will be careful in monitoring when we get the tax returns in just to see was the take-up of ... how was the take-up of that and was it scoped adequately.

Deputy H.M. Miles:

In the right way

The Minister for Treasury and Resources:

Yes. I suppose there are things that will take ... so is that like fintech?

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes.

The Minister for Treasury and Resources:

Yes, so the fintech thing, that will take a time to flow through into ... in that particular year to flow through until we see the impact of that.

Deputy H.M. Miles:

Okay. Thank you. In terms of personal taxation and exemption thresholds then, how does the increase in our personal allowances compare with other jurisdictions, U.K. (United Kingdom) and Guernsey, and what impact is that likely to have on the competitiveness of our tax system?

The Minister for Treasury and Resources:

Well, our personal tax threshold we believe is bigger than any jurisdiction nearby with the increase. We have made an increase which will bring it to £20,700. I believe it is something like £15,000 in Guernsey and slightly more in the U.K. ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes, I think the proposals in the Guernsey proposals are to increase it to £15,000, so ours is starting off from £20,000. So, our base is already significantly higher than a lot of other jurisdictions.

The Minister for Treasury and Resources:

Yes, but it is difficult just to focus on the exemption threshold because there are so many other things impact on it. But our personal tax and for single people and married people is considerably higher than it is in the U.K. and in fact most other ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

The U.K. is £12,750.

Deputy H.M. Miles:

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

The Minister for Treasury and Resources:

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

Treasurer of the States, Treasury and Exchequer:

Yes.

The Minister for Treasury and Resources:

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

Deputy H.M. Miles:

Thank you. I am going to hand you over to Deputy Andrews now.

Deputy M.B. Andrews:

Thank you very much. Moving on to alcohol duties, the panel is aware that the Council of Ministers have proposed that alcohol duties are frozen for the calendar year 2025. I want to know the economic and social perspective of the Council of Ministers for coming up with that decision and also what will the impact be from a Treasury perspective as well?

The Minister for Treasury and Resources:

Well, in terms of the decision to freeze, that was one of the C.S.P. priorities is to try and keep Government fees and duties as low as we can. That turns out to be more difficult than you might initially think. You think, well, we can just not raise anything, but alcohol and fuel duty are things that are ... they also feed in very directly to things like cost-of-living crisis and inflation. So, it is a very difficult balancing act because there is all kinds of policy impact. It has been frozen for ... it has either been frozen or increased below the last ... below infl. on for the last 5 years, so it is a pattern that previous Governments have followed. But we have to accept there are concerns about alcohol particularly but there is ... you mentioned with consultation people feel they have not been heard. Equally, hospitality would have us not charge any duty on alcohol, which we have to recognise there is a cost to alcohol in terms of policing the night-time economy, health impacts. So, I think it is right that there is some duty on alcohol.

Deputy M.B. Andrews:

Yes. Minister ...

The Minister for Treasury and Resources:

But in terms of the impact on Government ...

Treasurer of the States, Treasury and Exchequer:

The table on page 34 of the booklet summarises the impact upon revenues arising from freezing alcohol duty as opposed to ... and fuel duty as opposed to increasing them in line with the R.P.I., which is what we have in the forecast that was developed by the Income Forecasting Group. So, the consequences of not doing so are in the table on page 34.

Deputy M.B. Andrews:

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

The Minister for Treasury and Resources:

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

Deputy M.B. Andrews:

Similarly, I just wanted to touch on the freeze on fuel duties. Because in the Fiscal Policy Panel report there was no mention of how we would fund the transition to net zero and obviously we have a freeze and usually there would be more funds going into the climate emergency fund to facilitate expenditure. So how did you come to that decision and in any future Government Plan will we see an increase in fuel duties to try and fund climate emergency initiatives?

The Minister for Treasury and Resources:

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

addressing cost of living and that is one of the ways we are trying to do it. So, it is a difficult balance to reach.

Deputy M.B. Andrews:

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

The Minister for Treasury and Resources:

Yes, that is something that is ... I think we mention that in the budget. It is something there that is ... it is clearly something we are aware of, a fuel duty replacement policy. We have had several meetings about it this year in terms of looking at what the options are. There is no perfect option in terms of how you do that.

[10:30]

Do you do a ... so the 2 principal ways of replacing fuel duty are either to add a vehicle ownership charge, which says for every car you own you pay X amount, and there would be some people who have 8 cars who do not have a problem with that, but then there will be people who have one car, maybe older people with one car they use once a week to do their shopping, and it is that ... The other obvious example, which I think is in London, they do number plate ... it is a mileage charge. Now, places like London, they can do that by number plate recognition technology. New Zealand have trackers in vehicles. Introducing those types of technologies on a small Island would be difficult so that is equally challenging. So, we are working through those, but we discussed it quite recently. The economic analysis at the moment is that while fuel duty is declining and use of those fuels are in decline, they are not declining as rapidly as we thought. It is very much more gradual. So, if you like, the urgency of replacing fuel duty is not as marked as we may have thought it was. So, there is a decline, but it is ...

Deputy M.B. Andrews:

Not immediate, no.

The Minister for Treasury and Resources:

... it is not something that is immediate cause for concern.

Deputy M.B. Andrews:

Okay. Thank you for that confirmation.

The Minister for Treasury and Resources:

But it is on our agenda, and it is something we are continuing to work through.

Deputy M.B. Andrews:

Can I ask: what impact has the tobacco duties had on consumption? From a Treasury perspective, will we be seeing any changes in the near future in future Government Plans to potentially maybe increase tobacco duties or potentially to maintain them?

The Minister for Treasury and Resources:

I think we have a ... my understanding is that we have an established process for tobacco duty in that it rises ... Cora, you are probably better at explaining that.

Deputy Comptroller of Revenue, Treasury and Exchequer:

So, there is an escalator. So, the tobacco increase this time was the 3.6 per cent estimated June R.P.I. plus a 5 per cent escalator, and that is something that we tend to do in most years. So, you generally see rises above the inflation rate for tobacco. There is monitoring that happens in the Economy Unit around the impact on consumption. So, yes, we can provide more details if you need that.

Deputy M.B. Andrews:

Okay. Thank you very much. I know we are ...

The Minister for Treasury and Resources:

I think just on consumption I just have a note that the Opinions and Lifestyle Survey suggests that smoking fell by nearly 9 percentage points among 16- to 34-year-olds between 2020 and 2023. Although again that may be a statistic, they may be smoking less but equally we know we have concerns about young people and vaping. Again, to go back very briefly to Deputy Miles's question on consultation, there is a tobacco importers and manufacturing association who do write to us but legally there are frameworks that say we should not engage with them in terms of tax policy.

Deputy M.B. Andrews:

Okay. Thank you very much.

The Connétable of St. Mary:

Switching if I may to stamp duty and particularly first-time buyers, what consideration and discussions have taken place on the stamp duty structures in respect of those first-time buyers when preparing the budget?

The Minister for Treasury and Resources:

I do not think there was specific changes in this budget, but we did make ... my memory says the threshold was increased during the year. It probably is picked up in the budget, but it was not a change as a consequence of this budget.

Deputy Comptroller of Revenue, Treasury and Exchequer:

We have not changed anything for first-time buyers in this budget.

The Minister for Treasury and Resources:

No, but it has increased. I think the threshold ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

In previous.

The Minister for Treasury and Resources:

In previous budgets?

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes.

The Minister for Treasury and Resources:

So first-time buyer stamp duty is not part of this budget. There was no change.

Deputy H.M. Miles:

Can I just ask a question there, David?

The Connétable of St. Mary:

Yes, carry on.

Deputy H.M. Miles:

The first-time buyers has, like, a dead stop at £700,000. So, if somebody is a first-time buyer and they buy a property at £710,000, they then pay the stamp duty on the full £710,000. Has there been any consideration of staggering that so that you have an upper cap? So, if you buy a property at £710,000 you just pay the stamp duty on the £10,000 up to a maximum limit?

The Minister for Treasury and Resources:

I do not know. Have we talked about that? I think there was quite a significant uplift to 700. It went from ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

Last year it went from 500 to 700.

The Minister for Treasury and Resources:

Yes, so that is a very significant uplift, and I would have thought the number of first-time buyers buying a property over £700,000 would be quite limited. Part of my gut reaction to that is if you are buying a property at £700,000, then you should probably be able to pay the stamp duty. You know, first-time buyers, you would think people are buying one-bedroom flats, 2-bedroom houses. £700,000 seems quite a big property for a first-time buyer. But we have not discussed that more fully.

Deputy H.M. Miles:

Not discussed it. Thank you.

The Minister for Treasury and Resources:

Not with me anyway.

The Connétable of St. Mary:

More generally, going back to the Fiscal Policy Panel report, we note in its annual report that they say that housing affordability has not materially changed as the fall in house prices has been offset by the higher mortgage costs. Is that something you accept, in fact, and, if that is so, what impact is this having on stamp duty revenues?

The Minister for Treasury and Resources:

Impact on stamp duty revenues? Do you have the changes? That is quite a difficult question.

Treasurer of the States, Treasury and Exchequer:

We have obviously reduced the stamp duty forecasts arising from the downturn in the market in the last year or so. The forecast in year is not a million miles from that which we based this forecast on. Of course, interest rates are falling or are due to be falling and we would anticipate that reductions in interest rates will lead to greater market activity in future years.

The Connétable of St. Mary:

This is straying on to my next question and thank you for that. How are you adapting your forecasts to the slower return to pre-pandemic housing market activity? I suspect that is a long way away, but you are anticipating an increase in activity because of the ...?

Treasurer of the States, Treasury and Exchequer:

Yes. So, we use the F.P.P.'s forecast increases in the number of transactions or increases in activity and rebase that against where we see the market currently. So, we base it on current figures and apply the increases that the F.P.P. forecasts.

The Connétable of St. Mary:

Yes. Again, back to your earlier point, obviously with rumoured interest rate cuts in the offing, are you expecting much more activity in 2025?

Treasurer of the States, Treasury and Exchequer:

I would see it rise ... so if I turn to the right page, they will tell me exactly what the percentage increases are, but it is in the F.P.P. tables. So, they do anticipate an increase in transactions as interest rates reduce.

The Minister for Treasury and Resources:

I think the market did bounce. ck very quickly after the pandemic, but I think in the last couple of years there have been numerous factors affecting it. I think interest rates, which we cannot really control, have been the biggest one and as those come down, we would hope the market will pop back up because people do not want to sell their property at less than they think it is worth.

The Connétable of St. Mary:

I appreciate that, but they could buy one at a similar discount, could they not? Okay. Moving on to aircraft, private aircraft and carbon tax, what criteria has been considered to determine appropriate carbon tax on private aircraft?

The Minister for Treasury and Resources:

Again, that is something that is under consideration. We have had some preliminary discussions with the Minister for the Environment in terms of how that might be structured. I am aware that separately ... what was said in the budget? We have something in the ... so we are looking at that. We are aware Jersey Ports are looking at something as well, and I have spoken to them quite recently and said we need to be very coordinated on this. I think they are talking to officers. So, it is a policy in development.

The Connétable of St. Mary:

You mentioned Jersey Ports. Have there been other stakeholders you have consulted with as to the impact on ... i.e. both to see where it fits within the carbon strategy generally and with other nations' goals?

Deputy Comptroller of Revenue, Treasury and Exchequer:

So, we are consulting internally very closely with Environment colleagues, and the Minister has met the Minister for the Environment. There is a piece of work around what we might do on this area, and it has been programmed into our schedule for consultation over the coming months. So, if we were doing something like that, we would consult with a wide range of stakeholders who could be affected by it.

The Connétable of St. Mar. Okay. It is under consideration. You say over the coming months. Do you envisage getting or coming up with any proposition during 2025?

Deputy Comptroller of Revenue, Treasury and Exchequer:

We certainly will be doing the review.

The Minister for Treasury and Resources:

It would probably not come in before 2026.

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes. So, we would be doing the review ... we are doing the review at the minute in the tax policy team. So that will continue from now through into the first quarter of 2025, and then we will write a report for the Minister to consider with the Council of Ministers and decide what to do from there.

The Connétable of St. Mary:

Okay. I am sure the Environment Scrutiny Panel will look forward to receiving the result. Thank you.

The Minister for Treasury and Resources:

Yes. As I say, it is policy in development. Again, there may be numerous different ways of addressing aircraft and air travel.

Deputy H.M. Miles:

I had some questions on fuel duty replacement, but I think some of them have been answered in your answers to Deputy Andrews, so I will not ask those, clearly. But again, it comes back to some consultation and stakeholders have raised concerns with the panel regarding the future measures and early awareness of any changes that might be sought. So, what are your plans to communicate

changes with stakeholders in a timely manner so that they understand the implications of any fuel duty replacement policies?

The Minister for Treasury and Resources:

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

Deputy Comptroller of Revenue, Treasury and Exchequer:

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

Deputy H.M. Miles:

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

The Minister for Treasury and Resources:

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

Deputy H.M. Miles:

Okay. Thank you for that undertaking.

The Connétable of St. Mary:

A very brief one: we understand that, or we know that consideration is being given to removing tax relief on interest for properties which are let by landlords.

The Minister for Treasury and Resources:

Yes.

The Connétable of St. Mary:

Can you update us as to where you are on that, please?

The Minister for Treasury and Resources:

Yes, we have been looking at that. That was an amendment brought by Deputy Mézec before he was Minister for Housing. So, I have met with Deputy Mézec to discuss how that might work. We do have a couple of questions about it, but the proposition as amended required us to do 3 things,

which was to look at the F.P.P. report into the housing market in Jersey. We now have that report, but it does not really help in terms of that particular issue. So that box is ticked if you like. But it also required us to do an analysis of timing and cumulative impact on the market, which we will be starting in fairly early course early next year. It requires us to do a consultation, so the consultation will be starting in quarter 1, 2025, because obviously we have to balance it with all the other work and consultation we are doing. So that consultation will take place next year. We will then develop the scheme, and I would not envisage it coming in before 2026.

The Connétable of St. Mary:

Okay. Thank you for that.

The Minister for Treasury and Resources:

So again, it is under development and under consultation.

The Connétable of St. Mary:

Okay. As an aside, I happened to see a report in yesterday's press that in the U.K. in the context of increasing capital gains tax they were going to exempt private residences and rented property as well, which I assume from that they are concerned about the rental market being less vigorous than it was in the past. I presume that is the general area you are looking at, and the legislation coming in, it is alleged that it might reduce the rental market.

The Minister for Treasury and Resources:

I think the principle was to create ... I believe the principle that the Deputy was trying to achieve was to create a level playing field between homeowners and landlords.

The Connétable of St. Mary:

I accept that, yes.

The Minister for Treasury and Resources:

There will be a cumulative impact on the market. That is why the amendment was made by the previous Government that we had to consider cumulative impact of things like various other initiatives that may affect the rental market. But we are pre-empting what the consultation outcomes are going to be.

The Connétable of St. Mary:

Again, I am sure scrutiny will look forward to receiving the report on that as well.

The Minister for Treasury and Resources:

I am sure you will see details in due course.

[10:45]

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes. Constable, just to reassure you, Revenue Jersey is holding the pen on writing that consultation document, but we are working very closely with both Housing colleagues and the Economy team in terms of if it was to happen it would not just be a tax change, it would obviously have wider economic impact. So, it is very important that any consultation document that goes out there also takes into consideration what the potential impacts of different measures might be on the housing market and the wider economy.

The Connétable of St. Mary:

Okay. We will have the advantage of a new housing law by that stage, rental provisions, during the course of next year, I assume, as well.

Deputy Comptroller of Revenue, Treasury and Exchequer:

It needs to be taken in the round, does it not, so all of these measures happening at similar times.

The Connétable of St. Mary:

Okay. Thank you for that assurance.

Deputy H.M. Miles:

I will hand you back to Deputy Andrews.

Deputy M.B. Andrews:

Minister, the panel is aware that vaping products are currently being worked on within your department potentially for a future Government budget. I was wondering whether you could provide the panel with an update on that work.

The Minister for Treasury and Resources:

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

and the potential risks; I think it is something we have to address. So, it is certainly something that I would like to see coming in.

Deputy M.B. Andrews:

Okay. Thank you very much, Minister.

The Minister for Treasury and Resources:

But again, it is quite complicated because it is what ...

Deputy M.B. Andrews:

It is, absolutely.

The Minister for Treasury and Resources:

There is something to do with liquids and strength, so it is quite complicated in terms of how you do it.

Deputy M.B. Andrews:

I just wanted to ask, Minister, whether the new Council of Ministers have discussed potentially, for instance, banning smoking. I know with, say, New Zealand, they implemented changes where I think if you are under a certain age, you are not allowed to smoke. I was wondering whether that would be potentially part of a future Government Plan.

The Minister for Treasury and Resources:

We have not ... I do not recollect any discussion along that line at C.O.M. (Council of Ministers) and I have not heard anybody discussing it. So, I do not believe it is on the ... it is not to say it is not on the agenda, but I am not aware of that. I have not been involved in any discussions involving that.

Deputy M.B. Andrews:

Okay. Thank you very much, Minister. Moving on to on-premises alcohol sales, could you just explain a bit about the tax relief and the purpose of this policy?

The Minister for Treasury and Resources:

On-premises alcohol sales. Is that just general ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

Potential tap relief.

The Minister for Treasury and Resources:

Tap relief.

Treasurer of the States, Treasury and Exchequer:

Yes. We have been working towards tap relief across ... with this Minister and the previous Minister, trying to understand how it works in the U.K. but how it would operate in Jersey as well. In the meantime, while that work proceeds, the Council of Ministers froze alcohol duty this week and there is also in place, of course ... I say of course; the small brewers' discounts to levels of duty placed on, for example, beer. So, they are there. But we have been working towards what they may look like. They are, of course, limited given that not all drinks are available on tap. There were, I understand, some concerns raised previously relating to those establishments that only provide alcohol by bottle. So, I think we understand those are in place, but we are largely looking at what the reliefs in place or tap relief are elsewhere. Some proposals - for example, the rebate scheme - are administratively costly and very difficult to eliminate any, shall we say, error, but work does continue on tap relief in the meantime and alcohol duty is frozen.

Deputy M.B. Andrews:

So, is this line of work potentially for, say, the next Government budget or do you think it will be probably beyond that?

Treasurer of the States, Treasury and Exchequer:

I think it will continue through the coming year, maybe in consideration for 2026, but we will have to consider that against competing pressures for available finances. In the meantime, of course, there are measures relating to craft distillers in this budget.

Deputy M.B. Andrews:

Thank you very much.

Deputy Comptroller of Revenue, Treasury and Exchequer:

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

The Minister for Treasury and Resources:

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

The Connétable of St. Mary:

Another subject now. Next week, as we know, we are due to debate the implementation of the Pillar 2 proposals, which are anticipated to be passed in this budget. So, as we anticipate increased tax receipts from that area, how will the Government ensure that the revenues are not over-relied upon for long-term recurring spending, given their future uncertainty which is flagged?

The Minister for Treasury and Resources:

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

The Connétable of St. Mary:

I have a further couple of questions arising from that and we have more when it comes to the Fiscal Policy Panel review. But on that, can you explain the discussion which led to the priorities which you just mentioned, i.e. spending on healthcare, competitiveness, investments in reserves? Can you elaborate on what discussions took place regarding those particular items?

The Minister for Treasury and Resources:

Yes. Those are the things that we think ... and the F.P.P. have recognised that we have taken a prudent approach. I think they have accepted that that is a wise approach. It is about investing into the long term and not for revenue spending. Cora, do you want to add anything on that?

Deputy Comptroller of Revenue, Treasury and Exchequer:

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

competitiveness in a world post Pillar 2 with the introduction of this 15 per cent rate for these very large multinational groups. So that is why we thought it was very important to allocate some money to that competitiveness project.

The Connétable of St. Mary:

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

The Minister for Treasury and Resources:

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

The Connétable of St. Mary:

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

Treasurer of the States, Treasury and Exchequer:

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

The Connétable of St. Mary:

Okay.

Treasurer of the States, Treasury and Exchequer:

What we have said is that you should not spend it on recurring spend because you do not know whether you can bank upon that income into the future. But what we have said is that the infrastructure, in particular the hospital, and reserves are priorities for those excess funds because by doing so you are not creating future commitments to revenue.

The Connétable of St. Mary:

Okay. I have a couple of questions later on the stabilisation fund so I will leave it at that. Thank you.

Deputy H.M. Miles:

Thank you. I am just going to hand you back to Deputy Gardiner, who has some questions about prioritisation before she moves on to public sector spending.

Deputy I. Gardiner:

Before I move to the public sector spending, I will speak a bit raises to revenue. I was listening for the questions and for the answers and at least 5 things I wrote down. So, we have vaping tax duty under discussion. We have tap relief duty under discussion, prices for off-licences under discussion, carbon tax on private aircraft under discussion, and we did not mention but it has been in the public domain, windfall tax under discussion because it was a Deputy Kovacs amendment that was brought into the Government Plan. So, we have under discussion ...

The Minister for Treasury and Resources:

Windfall tax?

Deputy H.M. Miles:

The land tax.

Deputy I. Gardiner:

The land tax.

The Minister for Treasury and Resources:

Oh, right, okay. Sorry.

Deputy I. Gardiner:

So, we are talking about at least 5 or 6 different options for raising funds to address our pressures within health, either through alcohol or smoking, to address pressures within the carbon neutral through the private aircraft. I realise this is all under development and policy under development and under consultation for the last 2 years. Realistically, what can we see included in the budget for 2026? Which part of these workstreams can be finalised by the next budget?

Treasurer of the States, Treasury and Exchequer:

So, we have a commitment to bring proposals in respect of vaping to the Council of Ministers in 2025 so that would ... if proposals are taken forward, they would expect that to be in the plan for 2026. Interest relief, that would be a matter for consultation in the coming year towards 2026. Wider aspects relating to carbon tax I will expect to be in the next Government, but we will continue to work towards them. Remind me where your list is at?

Deputy I. Gardiner:

Land tax.

The Minister for Treasury and Resources:

Tap relief.

Treasurer of the States, Treasury and Exchequer:

Is that the interest relief one or the ...?

Deputy I. Gardiner:

No, it is when ...

Treasurer of the States, Treasury and Exchequer:

I think we would have to come back to you on ...

Deputy H.M. Miles:

Deputy Kovacs's proposal.

Treasurer of the States, Treasury and Exchequer:

Unless Cora ...?

Deputy Comptroller of Revenue, Treasury and Exchequer:

I do not have an update on that.

Treasurer of the States, Treasury and Exchequer:

I think that is working with the Minister for the Environment, that one, I think.

The Minister for Treasury and Resources:

I believe the last exchanges we had on that was that the land development tax is sitting with the Minister for the Environment. It is for him to develop that policy, but it is not at the top of his list of priorities at the moment. He has other priorities that he has to focus on. I would just challenge all of those things that we talked about; they are not all about revenue raising. They are not necessarily all designed just about raising revenue. I mean, fuel duty replacement is. Vaping tax is not just about revenue, it is about dealing with public health issues of vaping.

Deputy I. Gardiner:

Absolutely. This is what I am saying, yes.

The Minister for Treasury and Resources:

Tap relief is about supporting hospitality. That is not revenue; that is reducing revenue. That may be cutting revenue rather than increasing it. So, going back to the whole thing about are you consulting, are you listening, we have to have time to do all that as well.

[11:00]

If we just launch something and say: "We are doing this," you would be complaining that people have told you we have not consulted with them, so it is a long term ... and until we have done the consultation you cannot necessarily know what the impact is going to be for 2026.

Deputy I. Gardiner:

I absolutely understand and this is why I mentioned that it is a lot about sustainable finance of health, it is sustainable finance of policing, it is sustainable finance of the environment. The question was around it is impossible to do everything ...

The Minister for Treasury and Resources:

It is impossible and we have got to prioritise ...

Deputy I. Gardiner:

This is why I ask about what we can see materialising after 2 ... it will be 3 years in the budget 2026, but I got the answers.

The Minister for Treasury and Resources:

I do not see any of those things coming in before 2026.

Deputy I. Gardiner:

Sorry?

The Minister for Treasury and Resources:

I do not see any of those things being effective before 2026.

Deputy I. Gardiner:

Into the budget?

Treasurer of the States, Treasury and Exchequer:

The budget for 2026.

The Minister for Treasury and Resources:

What I will not be doing in ... so an example, in June 2025 I do not expect to be saying: "From tomorrow we are taxing vapes." It will not happen in that timescale so by the time we go through the legislative changes, the tax will not be effective until 2026. By the time we have gone through consultation and drafting and working out impacts, it would be at least 2026 and we have got ... the team do have some quite chunky priorities at the moment in terms of Pillar 2, getting ready for independent taxation. There is a third which has gone out of my head.

Deputy Comptroller of Revenue, Treasury and Exchequer:

So, yes, Pillar 2, independent taxation, and the things you have mentioned are on our current workplan. There are lots of other things that have been suggested to us but as the Minister has said, that is quite a chunky workplan and we are very focused on developing it to stages where we can give it to the Minister for review. It does not necessarily mean every single one of them will end up being proposed but the work will have been done to give a recommendation to come on them. So, those are on the workplan at the minute.

Treasurer of the States, Treasury and Exchequer:

So, the work we undertake with the Minister is similar to that with a legislation pipeline. There are a number of areas that people wish us to look at and we have a level of resources, so we go through with the ministerial team their priorities for the current Parliament.

Deputy I. Gardiner:

It is completely understandable and the only thing why I am raising this because this discussion is going for 2 years, and we will have another year and just try to understand what can materialise in practice.

The Minister for Treasury and Resources:

I do not think all of these things have been talked about for 2 years. I mean, we had a discussion ... well, we maybe started talking about them last year.

Deputy I. Gardiner:

They are different, yes. Okay, let us move to the public spending.

The Minister for Treasury and Resources:

Okay.

Deputy I. Gardiner:

Before we move to the public spending plan for 2025-2028, I would like first to ask a question about public sector spending in 2024, how the tangible benefit to Islanders from the public spending for 2024 was/is monitored and measured.

Treasurer of the States, Treasury and Exchequer:

How the tangible benefits ...

Deputy I. Gardiner:

How benefit to the public what we are spending in 2024 is measured and monitored.

Treasurer of the States, Treasury and Exchequer:

So, as the panel will be aware, the priorities of Government are set within - I have got to get the acronyms right - C.S.P.s. They are then followed each and every year through Government Plans. Where those matters lead to - shall we just for shorthand call it - growth and/or capital programmes, they are subject to business cases. Those business cases will have benefit realisation within them and, therefore, you can look further down the line to look at what those ...

Deputy I. Gardiner:

No, no, my question is not about the process. Apology. My question was specifically where spending in 2024 agreed funds we have above billion budget, how the public spending, monitoring, and measuring the public benefit, how the money is being spent, how it is monitored, how it is measured.

Treasurer of the States, Treasury and Exchequer:

So, monitoring spend or monitoring outcomes arising from spend?

Deputy I. Gardiner:

Outcomes.

Treasurer of the States, Treasury and Exchequer:

So, outcomes arising from spend are set in the future outcomes frameworks and knock all the way down to ...

Deputy I. Gardiner:

Specifically.

Treasurer of the States, Treasury and Exchequer:

... key performance indicators. So, you would expect Government spend, for example, in education to be targeted towards whatever the key performance indicators that arise from the future outcomes

framework laid down for, for example, improved grades or improved S.A.T. (standard assessment tests) results or whatever that might be in the future. So, there should be alignment between the key performance indicators and those future outcomes. The money should be spent, therefore, to deliver those outcomes and monitoring of key performance indicators is, of course, published quarterly.

Deputy I. Gardiner:

Can you provide some examples from public spending in 2024 the benefits to the public, examples just to get an understanding?

The Minister for Treasury and Resources:

Well, I think it is very difficult. I am not entirely sure I know what you want the answer to be because surely the answer is delivery of services at a level acceptable to the public. Now, if we had announced in September that only 5 per cent of children had got a G.C.S.E. (General Certificate of Secondary Education) at A to C, then clearly education has failed, and the money has not been spent wisely. But when you are announcing results that are kind of in line with benchmarks elsewhere, that would show that our education system is working adequately or well. We have people coming out of hospital who have had their operations.

Deputy I. Gardiner:

We have Government Plan 2024-2027. There was a change of the priorities, which we understood and accepted. How do we know how this money was spent on what services? How is it communicated to the public? How does the public know that £57 million in infrastructure, what it was spent on?

The Minister for Treasury and Resources:

That is in the annual report.

Treasurer of the States, Treasury and Exchequer:

Yes, that is ...

Deputy I. Gardiner:

No, but during the process, during the year, like, we are 10 months inside the year, how public can understand where the money is going through the year during the year. The published progress update because we are not publishing progress update during the year.

Treasurer of the States, Treasury and Exchequer:

We are not ... no.

Deputy I. Gardiner:

So, we do not have published progress update on public spending during the year. How do we know what is happening?

The Minister for Treasury and Resources:

Have we done that previously?

Deputy I. Gardiner:

Yes.

Deputy Comptroller of Revenue, Treasury and Exchequer:

Yes, we have.

Treasurer of the States, Treasury and Exchequer:

So, for a couple of years there were some mid-year financial and updates against the delivery of priorities. Your question has been more fundamental to that, which is what are the outcomes that arise from the total £1.3 billion spent and that is, I think, where my answer was going towards, which is the publication of key performance indicators. Without those and the progress against previous years' performance indicators, without the funding, those departments cannot deliver those services. In terms of progress, in terms of what is delivered with the spending, I regard that as an element of the annual report and accounts.

Deputy I. Gardiner:

But we did have mid-year progress updates before. Why do we not have it now?

Treasurer of the States, Treasury and Exchequer:

In terms of prioritising activity and putting our activity towards those things that make most difference in the back office, of course, with current year we have had a new Government and putting together a new Government Plan. We are very shortly now heading towards the preparation of the annual report and accounts and we de-prioritised certain things that previously were undertaken. It was only done for a couple of years. It would not tell you all of the progress that was made through the spend of the £1.3 billion ... well, £1.2 billion revenue budgets. It would just tell you where the spend was at in previous years.

The Minister for Treasury and Resources:

But also, everybody is still caught ... everyone is still subject to Public Finance Law, so if a department has a budget ... departments are given budgets under heads of expenditure and they can only spend the money for the purpose of which it was allocated unless they go through formal

processes, I believe. Andrew can explain that a bit more but if money is allocated for ... people can only spend money for the purpose for which it has been allocated and they have rules around regularity and propriety and all that.

Deputy I. Gardiner:

It is interesting about the answering because if I am going ...

The Minister for Treasury and Resources:

I am not quite sure I am ...

Deputy A.F. Curtis:

Looking forward, Minister, maybe Treasurer, the documents - both the annual report and accounts and the Government Plan - are fairly static documents that paint a picture in time. Do you think maybe for 2025 and beyond there is scope to look at more flexible, more agile ways of reporting mid-year and do you think that would be of benefit to the public?

Treasurer of the States, Treasury and Exchequer:

So, I have my own views in terms of priorities, in terms of what a finance function delivers, and those would be lower on the list than some of the things you might expect from a well-functioning public finance management function. There is a great deal of work that is undertaken to produce the level of detail that is in the annual report and accounts or the level of integrity that is within the annual report and accounts, and we are committed to delivering departmental reports that will provide more information in the future, but to do that on a regular basis means you are almost painting the Forth Bridge.

Deputy A.F. Curtis:

That is helpful. Thank you. That is fine.

The Minister for Treasury and Resources:

Yes, and I also think immature information might ... you know, you could have a department which midway through the year has massively underspent but we know because of the way the cashflow works they will be fine by the yearend and I think producing mid-year information with all the nuances of what happens with money and spend during the year people could be saying: "Oh, well, there is a big underspend over there so why can we not spend that money?" and it opens up discussions that are perhaps ...

Deputy A.F. Curtis:

No, that is very helpful. Thank you.

The Minister for Treasury and Resources:

... not on an accurate basis of fact.

Deputy H.M. Miles:

Thank you. We need to move on.

Deputy I. Gardiner:

Minister, I would like to probe a bit more your views that the funds that were allocated for specific purposes and were agreed by the States Assembly were spent according to the States Assembly decision of where it was allocated. It is our understanding that any revenue growth allocation from the previous budget year remained within the departmental heads of expenditure. Should a project or programme be dropped, the money allocated to that specific programme remains within the head of expenditure but is no longer used as previously designated. Without ... I have a couple of examples that I can give, for example, from C. & A.G. (Comptroller and Auditor General) report about economic, social and health-related recovery from COVID pandemic was clear findings that C. & A.G. was unable to assess how well some of the schemes were managed and resources were spent and also unable to assess whether some of the schemes' achieved objectives set out in the approved business case ... so basically, the money was put within the department head of expenditure for specific COVID recovery but there was no trail whatsoever how this money was spent.

The Minister for Treasury and Resources:

But that must be a budget that happened in 2020 or 2021, and we are talking about the 2025 budget so I am not quite sure what ... Andrew, can you help?

Deputy I. Gardiner:

No, what I am trying to ... it means ... I am trying to explain what I am talking about. Even from this budget, the funds were allocated £3.5 million for therapeutic children's home, for example, within the growth for children's services. The therapeutic children's home was stopped but the money still remained within the department for the growth. They might be re-prioritised and re-allocated. I would like to understand from the Minister what options do you propose to make sure that the funds that were allocated for specific projects or budget would be used and you would be reassured that all departments have used this agreed funding for specific and not got into the whole budget and spent on whatever is right for them.

The Minister for Treasury and Resources:

I think the Minister for Children and Families made an announcement this week about therapeutic facilities, so he is possibly decided to table that in another way. I think there are technical processes around transfer of funds from heads of expenditure. If money is allocated for a particular purpose, if it is not going to be used for that purpose, it has to go through a formal accounting process to be moved somewhere else and I do think that is a technical accounting point.

Deputy I. Gardiner:

But because we do not have clear granular departmental plans and granular departmental spending, we personally do not know - I think the public does not know - how this money was spent. I think another example, it has been allocation for the public ombudsman from whatever ... we know the reasons, we are not going into the political debate, but the funds are still there, and do you know how the funds that were not spent on the public ombudsman would be spent?

The Minister for Treasury and Resources:

I am sorry, that is an accounting point. Andy, can you ...

Group Director - Strategic Finance, Treasury and Exchequer:

So, I can go into a bit of detail, and you are talking about growth allocations and there is a process by which amounts that have been allocated in a budget for a specific purpose for growth, they are tracked in the year. So, each department has to report on how much has been spent against it, and as the Minister said, it cannot be spent on other things without a formal decision so the Minister can agree to repurpose that growth if the department requests it. In terms of the ombudsman, that was growth from ... I think it was Government Plan 2020, so it was a long time ago and there is a balance in terms of you cannot continue to track all growth ever because it becomes an amazingly large undertaking and would be far too administratively burdensome.

[11:15]

So, that is now rolled into departmental base budgets. I do believe that actually the money is part of rebalancing funds within the department. It is now ... if it is not going to be spent on the ombudsman, it will be used or removed as part of the savings that need to be made to allow the department to be more focused.

Deputy I. Gardiner:

Very helpful clarification because this is exactly my point because for growth that was originally allocated, it is rolling into the overall departmental budget and without clear granular reporting we do not know ... it is very different to track ...

Deputy H.M. Miles:

It is very difficult for us to scrutinise where that money is going.

Deputy I. Gardiner:

... if it was spent on what it was allocated originally, or it has gone into the pot.

Deputy H.M. Miles:

Particularly if the growth has come on the back of a States decision or the States proposition.

Group Director - Strategic Finance, Treasury and Exchequer:

It is established practice that it rolls into the base (inaudible) administrative because otherwise everything would become very, very complicated to track. I think it is an interesting one and there have been previous conversations with the C. & A.G. around the way the Public Finances Law is structured. So, heads of expenditure are quite broad and there are responsibilities for accountable officers set out in the law that they are responsible for regularity, value for money, propriety, and others. So, that means that they look at the overall budget and use that to deliver the objectives and priorities of Ministers, including delivering the services that they have.

Deputy H.M. Miles:

So, I think what you are saying is the accountability then comes into the accountable officer to make an assurance to the Minister that the money has been spent in the way that it was allocated.

Group Director - Strategic Finance, Treasury and Exchequer:

To meet the priorities and that might change. Things change over time, so how your base budget is used year on year may not be exactly the same and it may well be that within the year you need to change exactly how the money is used to meet emerging pressures.

Deputy H.M. Miles:

I think that is our issue. In the absence of any departmental plans moving forward or progress reports, it is very difficult for us to assess how those changes have been made and where money is being focused away from what is its original attention, but I think let us park that there. I am just conscious of time.

Deputy I. Gardiner:

Yes. Just very quick question to close it, it was very clear C. & A.G. recommendation in October 2023, and I think it has been accepted, that set out minimum requirements for more granular financial reporting in Government departmental reports. So, would you agree that it is essential to have more

granular detail of spend of the departmental level to ensure consistent reporting to improve this transparency and accountability to track how money is allocated and spent?

Treasurer of the States, Treasury and Exchequer:

I would welcome a degree of more granular reporting within departments. Obviously, they have strayed off there to the level that you might suggest if we had to track how money that was allocated for growth 10 years ago is now being spent would be quite an enormous task and indeed subsequent ...

Deputy H.M. Miles:

Challenge, but within the last 12 months.

Treasurer of the States, Treasury and Exchequer:

Yes, so we can give consideration to how that is dealt with in departmental annual reports or indeed within our own level of reporting for the organisation as a whole. But in terms of what Andrew has just said, there are very clear rules in place and tight rules relating to the spending of that money in the first year to which that growth relates and it cannot be, without the Minister's permission, used for other purposes and, of course, in terms of capital or projects it is even more controlled in terms of what the sums of money can be used for.

Deputy H.M. Miles:

Okay. Thank you.

Group Director - Strategic Finance, Treasury and Exchequer:

Just a point on the granularity, what the C. & A.G. ... from conversations we have had with her is that if you look in annual report and accounts and statement of political accountability it includes heads of expenditure level, whether or not you have spent your budgets, so one of the things that we discussed is actually going to the next level, so the equivalent of the service analysis in the annex for the Government Plan showing a similar table to what you would have in that statement for each department, and that is for the basis of what that reporting is likely to be in those departmental reports.

Deputy H.M. Miles:

Okay. Thank you.

Deputy I. Gardiner:

Okay, I will try to be very precise, if possible, and we will go through the pages that you can explain in some presentations. If we go to page 42, table 11, it is one of your favourites, I assume.

Group Director - Strategic Finance, Treasury and Exchequer:

It is one of mine, yes.

Deputy I. Gardiner:

What specific formula-driven growth factors contributed to £23.4 million increase and how this growth will be managed and monitored? So, £23,429,000 formula-driven growth.

Group Director - Strategic Finance, Treasury and Exchequer:

Yes, just let me find the right ... I am wondering whether that might be better as a formal submission, but in that formula driven growth is set out is 2 per cent for healthcare, so 2 per cent above inflation, a change to overseas aid allocation, it goes up as a percentage of G.V.A. (gross value added) forecast. It includes, I believe, the upgrade of the States grant, and it also includes ...

Treasurer of the States, Treasury and Exchequer:

The States grant to the social security fund.

Group Director - Strategic Finance, Treasury and Exchequer:

So, the social security fund, thank you, for clarity and it includes an amount for overdraft charges as well, which are formula driven by the cash balance in the consolidated fund.

Deputy I. Gardiner:

Okay. Can I take you to page 46 or maybe on page 46? Why on page 46 budget allocated to formula-driven growth is £13.4 million compared to the table on the page 42, which is £23.49?

Group Director - Strategic Finance, Treasury and Exchequer:

Yes. So, you will see that the difference is around £10 million which is due to the reduction in the States grants that was used to pay for the support to living wage. If I am honest, it is somewhat unfortunate that that number does not say 23.4. That would have been more helpful but that is why that number was different.

Deputy I. Gardiner:

But the 23 ... but the £10 million ... I understood £10 million for the transition to the minimum ... so for transition for the living wage you have included in the formula-driven growth, but it is net revenue growth, not formula-driven growth.

Group Director - Strategic Finance, Treasury and Exchequer:

So, for clarity, before the reduction of living wage, so going to the formula for the States grant, the increase would be 23. In the number that has been used in that paragraph we have then removed the 10. It is basically an error if that is an easier way of saying that.

Deputy I. Gardiner:

It is an error. Okay.

Group Director - Strategic Finance, Treasury and Exchequer:

That number should have been 23.4 due to the ...

Deputy I. Gardiner:

No, no, fine.

Deputy H.M. Miles:

Thank you for that clarification.

Deputy I. Gardiner:

Now it is clear because it was not clear. So, if I understood correctly from the table on page, I think ... no, I think I have got my answers for this one. Yes, thank you. No, it was an error. Thank you for clarification. So, now we are going into ...

Deputy A.F. Curtis:

I think we have a couple of questions for you.

Deputy H.M. Miles:

I think 41, I think, inflation provisions.

Deputy I. Gardiner:

Yes, perfect. Sorry, I am a bit lost. Now, if I will go into another thing that I would like to check and we started to have this conversation at the previous public hearing, you have the growth - the net revenue expenditure growth - is £48 million, which is additional new money that was added to this budget. So, how does it work with us ... we have heard about the cutting. We have heard about that the budget has put constraints, stopped different projects to make sure that we are balancing but at the same time ... by the way, to make it completely fair, we have savings of £20 million, which is £10 million was previous savings and now we have extra £10 million savings, but the net revenue growth on the page 107 clearing showing ...

The Minister for Treasury and Resources:

Sorry, what page are you on?

Deputy I. Gardiner:

107.

Treasurer of the States, Treasury and Exchequer:

I thought you were on page 41, sorry.

The Minister for Treasury and Resources:

I thought you were on page 41.

Deputy I. Gardiner:

We have moved.

Deputy H.M. Miles:

On table 56 now.

Deputy I. Gardiner:

Sorry, I am moving too fast. Because it was an error it was clearly explained so I just moved.

Treasurer of the States, Treasury and Exchequer:

So, what is the question, sorry?

The Minister for Treasury and Resources:

So, what is the ...

Deputy I. Gardiner:

The question: we have £48 million growth, just to make sure that this is correct compared to what has been planned in 2024?

Group Director - Strategic Finance, Treasury and Exchequer:

So ...

Deputy I. Gardiner:

Just to make sure that I understood that we have extra £48 million net revenue growth into this budget.

The Minister for Treasury and Resources:

But that is ... £30 million of that is health.

Deputy I. Gardiner:

But in total this is the extra ...

Treasurer of the States, Treasury and Exchequer:

Including the £10 million for living wage transitional support which will not be recurring beyond 2026.

Deputy I. Gardiner:

But it is still net revenue growth.

Treasurer of the States, Treasury and Exchequer:

Well, it corresponds in accordance with the way that Cora and I put it together with a reduction in what would otherwise be the grant to the social security fund. So, there is a reduction in ... sorry, there is reduction in how much that would increase by compared to what the formula would have otherwise led to.

Group Director - Strategic Finance, Treasury and Exchequer:

Yes, so it is a similar thing. It is a slight inconsistency between how that £10 million has been shown. So, the £10 million is in the new revenue growth on page 107 and it would have been adjusted in the inflation of formula-driven growth, so it is slightly inconsistent with the way that they have been shown. We can clarify those. It would be good ...

Deputy H.M. Miles:

I think that is why we are having an issue with it.

Group Director - Strategic Finance, Treasury and Exchequer:

Yes.

Deputy H.M. Miles:

It is just not displayed in a very transparent way, and you have 3 different areas that are showing different things, and we are just trying to work out your working out.

Group Director - Strategic Finance, Treasury and Exchequer:

I do not think it is intentional and I think it is something that we could review when we go to the finalised document to make sure that it is clear and very consistent between them, but it might be worth ... if we could come back and clarify what it may look like to make sure that we can ...

Deputy I. Gardiner:

It would be very, very helpful.

Deputy H.M. Miles:

It would be really helpful if you could do that.

Group Director - Strategic Finance, Treasury and Exchequer:

Hopefully, you can appreciate there are lots of numbers that move around so sometimes these things do slip through, although we do have a process of checking which we do try and pick up as many as possible.

Deputy H.M. Miles:

Okay, and hopefully we have been helpful in that regard with our checking.

Deputy I. Gardiner:

What other contingency plans do you have to manage higher than expected inflation particularly regarding pay awards and non-pay expenditure?

Treasurer of the States, Treasury and Exchequer:

Can you repeat the first bit? I got the end.

Deputy I. Gardiner:

I moved from these numbers to different area. What contingency plans do you have in place to manage higher than expected inflation, for example, particularly regarding pay awards and non-pay expenditure?

Treasurer of the States, Treasury and Exchequer:

So, we regularly do carry provisions or unforeseen expenditure. That totals £7 million in this budget as well as it has in previous years budget for the following year. We have set the pay award and non-pay inflation in line with the expectations within the F.P.P. forecast. Our provisions in terms of any flexibility relate to the contingency that I have just spoken of that is a total of £7 million.

Deputy I. Gardiner:

Thank you. How might the transition to a living wage impact States income means-tested benefit payments and inflationary pressures?

Treasurer of the States, Treasury and Exchequer:

So, there is work that was undertaken by the Economics Unit. Iterations of that were undertaken. There are sums in terms of the impacts in total that were arrived at were relatively minor compared to the overall spending in the year. We identify it as a risk within the document but not included within budgets because they are risk. They are not part of the forecast.

Deputy I. Gardiner:

Okay. Thank you.

Deputy H.M. Miles:

Okay. Thank you. I am going to hand you over to Deputy Curtis now.

Deputy A.F. Curtis:

Okay, we are going to move on to a few topics including depreciation in the central reserve, and I do not know who from your team, Minister, wants to answer this one. It is as much for the public as well, for their understanding, but how are the estimated uplifts in asset values factored into increased depreciation costs for 2025-2028 and how does this affect the overall budget planning for Treasury?

Treasurer of the States, Treasury and Exchequer:

That was one of the technical questions.

Deputy A.F. Curtis:

Quite a technical question, hence the team.

Group Director - Strategic Finance, Treasury and Exchequer:

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

[11:30]

Deputy A.F. Curtis:

It helps. With regards to the new office building, which, of course, is proposed to be purchased by the social security reserve fund, is management intended to be by Jersey Property Holdings and, if so, does that play into how asset valuation and depreciation occurs between the 2 accounts now or is that largely unchanged between the management and owner situation there?

Group Director - Strategic Finance, Treasury and Exchequer:

We apply common accounting policy for both consolidated fund where Property Holdings sits and social security fund, so it would ...

Deputy A.F. Curtis:

It will appear in the social security fund from an accounting perspective for depreciation of assets, as it is an asset of ...

Group Director - Strategic Finance, Treasury and Exchequer:

We are still working through the exact detail, but I would expect that it would sit as an asset within one of those funds and depreciation would go through the fund.

Deputy A.F. Curtis:

I ask as much because, of course, we will find ourselves in an interesting territory where I think the Assembly understand payments will be made on a commercial basis to the fund to provide a return, yet if management is being performed then some of the costs and burdens of the services may be ... we are yet unclear where that might ... whether that was as a substantive thought within this element or it is really something that will be ironed out later.

The Minister for Treasury and Resources:

I am somewhat speculating but I would imagine if the social security fund buys the property it would then give Government something like a full repairing and insuring lease.

Deputy A.F. Curtis:

Okay, that is the intention.

The Minister for Treasury and Resources:

Government becomes responsible for the full management and maintenance of the building as tenant, so that would sit with us as tenant, and we would pay the rent and look after the building. I am speculating; that is how I expect it to work.

Deputy A.F. Curtis:

We are speculating but you are hoping for a clean relationship in which accounting practices on that asset are separate within the social security reserve fund.

Treasurer of the States, Treasury and Exchequer:

I will go beyond speculating.

Deputy A.F. Curtis:

Good.

Treasurer of the States, Treasury and Exchequer:

The principles of this are that we are replacing what would be the case were the fund not to buy it with the position that will be in place with the asset being owned by the fund instead of the third party and, therefore, we work on the basis that those costs will fall to the tenant, i.e. Government.

Deputy A.F. Curtis:

Okay, brilliant. Moving away from that rather technical area, can you explain how the central reserve is utilised to manage unexpected financial challenges and inflationary pressures and what is the plan for increasing the reserve balance by 2028?

Treasurer of the States, Treasury and Exchequer:

I just referred in respect of the earlier question relating to variations in inflation; the reserve is there. In respect to the other unforeseen matters, it is fair to say that in previous years we would have carried forward unspent funds from budget that bolster the size of those reserves. That will not be the case this year in that we are anticipating needing to use all our available resources to meet the pressures within 2024, particularly in health, almost entirely within health. The reserves are largely as they are presented within the report. We have the inflation reserve which is based upon what we anticipate the inflation rate to be. We have the £7 million general reserve available for those pressures that will be prioritised towards variations in inflation upwards. In particular relating to the pay award, subject to other pressures as we go through the year. In terms of capital, though, we also do expect and there is a priority there will be unspent capital and one of the priorities we will expect to put those unspent monies towards would be to increase the size of the capital risk and inflation provision.

Deputy A.F. Curtis:

Brilliant, that is helpful. One question on feasibility and planning, and we note that it is stated within the budget that a gateway approach to project investment decision-making is used. Could you elaborate briefly on what that means in practice and perhaps provide more detail on the criteria that is used to prioritise feasibility studies for new projects through providing examples?

Treasurer of the States, Treasury and Exchequer:

The principles of prioritising differ very little from the remainder of the prioritising relating to capital projects, projects that are prioritised in the future years of the programme that still require feasibility funding to get to the point of an outlined business case or to ensure that what is envisaged is feasible almost entirely in the first year of the plan. We use the gateways as you would expect through the - I am going to go acronym now - C.P.M.O. (Corporate Portfolio Management Office) that we have in ...

Deputy Comptroller of Revenue, Treasury and Exchequer:

Corporate Programme Management Office.

Treasurer of the States, Treasury and Exchequer:

Thank you very much. We use those gateways through which to award the money. The feasibility vote sets out those projects we expect to use the feasibility funds for. The feasibility funds, nevertheless, is a single head of expenditure. They sit with me and then I will award it once sufficient assurance has been given or rather procedures followed, so that those funds could be released to the relevant accountable officer for those projects.

Deputy A.F. Curtis:

Okay. Are you satisfied that that is a sensible and well-governed process with regards to capital projects, having a gateway approach in that kind of deliverability and feasibility through a gateway?

Treasurer of the States, Treasury and Exchequer:

I fear there is a trap there to the question.

Deputy A.F. Curtis:

It is a question.

Treasurer of the States, Treasury and Exchequer:

Yes, generally, that is the case, yes.

Deputy A.F. Curtis:

Yes, Treasurer, there is a supplementary. Will you be following the same process with regards to any capital feasibility design-planning and development at Fort Regent?

Treasurer of the States, Treasury and Exchequer:

Let me think through Fort Regent. I would expect that it would follow the same gateways and were it not to do so that would be a conscious decision to do so where we would be looking for mitigating controls in place.

Deputy A.F. Curtis:

Is the current management, in essence, subcontracting to the States of Jersey Development Company going to ensure that there is adequate comparison to the rest of the portfolio on the same terms of C.P.M.O. for that project as infrastructure, estates and projects?

Treasurer of the States, Treasury and Exchequer:

It would differ slightly if it was undertaken through S.o.J.D.C. (States of Jersey Development Company) in that it would follow their governance framework in respect of the management of capital projects they have. Once capital projects get into the implementation phase, they have a reasonably good track record of delivering those capital projects.

Deputy A.F. Curtis:

Okay, thank you.

Deputy H.M. Miles:

Thank you. Just some really quick questions in terms of contingency funding. Can you just explain the outlined process for contingency funding and where such funding would be made available from where? If you could just give us an example of when you have used that process?

Treasurer of the States, Treasury and Exchequer:

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

Deputy H.M. Miles:

Okay, thank you very much. The final quick question I have there is the emergency incidents. Can you just identify how any measures in this budget support major incident recovery and enhance

overall preparedness and any specific proposals to improve resilience and recovery in response to major incidents?

Treasurer of the States, Treasury and Exchequer:

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

Deputy H.M. Miles:

Court and case costs, okay, thank you.

Treasurer of the States, Treasury and Exchequer:

... which is also a carried forward sum that we have.

Deputy H.M. Miles:

Yes, okay, thank you. I am going to take you back to Deputy Curtis now.

Deputy A.F. Curtis:

Right, some quick questions on States borrowing. The F.P.P. notes that the gross debt to G.D.P. (gross domestic product) ratio, that is our public debt, will rise to 17 per cent in 2025 and that this represents a significant increase in recent years, with the ratio quoted at 5 per cent in 2019 and 12 per cent in 2024. Considering the cost of borrowing, what is the profile of the Government's current and future debt and how is this being appropriately managed under the present economic circumstances?

Treasurer of the States, Treasury and Exchequer:

We set out in the Government Plan the proposal in respect to the additional debt arising from N.H.F.1 (New Healthcare Facilities) Programme Phase 1, which is predominantly the build at Overdale. Those are the only plans within the Government Plan, but they build upon the existing level of debt. We take advice as to what level of debt capacity there is for Government within a reasonable expectation of not leading to an increase in the cost of that, which would probably come through any future downgrade were we to exceed that level. We keep that updated. We are doing an update currently. We are confident that this level of debt, which is obviously known in the plans by S. and P. (Standard and Poor's), would not lead, in itself, to a downgrade in the credit rating. But we do and are working on, alongside long-term capital plans, sustainable ways that that would be resourced, which may well include in the future further debt, but we would give consideration to how that would

be repaid. Our principles are generally that we are clear that any debt has a plan for repayment. There is an overstress finances for Government for this generation and for future generations and is affordable.

Deputy A.F. Curtis:

Okay. I think picking up in there, I think I felt, Treasurer, that you are satisfied that this is within our debt tolerance, in essence, the level of borrowing.

Treasurer of the States, Treasury and Exchequer:

Yes, yes.

Deputy A.F. Curtis:

Do you feel we are close to where we would be breaching your tolerance for debt?

Treasurer of the States, Treasury and Exchequer:

We are closer. But I still think we have headroom above that but, as I say, it is very important that there are robust plans for repayment of any debt that is brought forward.

Deputy A.F. Curtis:

What measures are in place to ensure the return of unspent funds to the consolidated fund in order to minimise the borrowing requirement? This may also be specifically from the revolving credit facility, given the mechanisms.

Treasurer of the States, Treasury and Exchequer:

I am not sure I quite follow the question.

Deputy A.F. Curtis:

Okay. In essence, where funds are unspent, what measures will be in place to ensure that these are returned or drawn back - I do not know what the opposite word of drawn down of our facility is - to minimise excessive borrowing costs where, for example, we draw, or is the anticipation that we only ever draw money when it is absolutely needed but there is no plan to then reimburse on an ad hoc level?

Treasurer of the States, Treasury and Exchequer:

If I could point backwards firstly, that is exactly what we did in respect of ensuring that we did not over-borrow and, continue, to over-borrow beyond or through a phase where we were carrying balances on the consolidated fund. Then this is indeed part of the reason that we have not been able to, as quick as we would like, place more funds into the stabilisation fund. Because first and

foremost we prioritise repayment of the COVID debt. As we had come from COVID, went through COVID, we would have originally anticipated that that debt would have been required for longer. As it turned out, the recovery from COVID, as well as the impacts during the COVID years not being as severe as could have been the case, have allowed us to make sure that we repay that debt. To answer your question, it is what we do to make sure that we are not over-borrowing at any point in time or not significantly overdrawing. We are looking when we draw down debt at the latest forecast of spend from the hospital team and we keep that under regular review and then rebalance as we draw down subsequent funds from the revolving credit facility. I hope all of that made sense.

Deputy A.F. Curtis:

That is great. I would love to ask more but I will move on to the States funds. Reflecting on a previous panel's recommendation, it was recommendation 24: "In line with the recommendation by the F.P.P., the Council of Ministers must ensure that the objectives of the States funds are clear and that policies are adjusted in line with this objective, so around the accountability objectives of funds." Has a work plan been set out in 2024 to review the objectives and the associated policies or funds?

Treasurer of the States, Treasury and Exchequer:

Our first priority in doing so has been towards the strategic reserve and this budget sets out a revised policy for the strategic reserve. That is largely a rationalised policy of those that have been agreed by the States through numerous different decisions previously. That is the first of the reviews in terms of the purposes and rules and procedures around funds that we have undertaken.

Deputy A.F. Curtis:

Okay. Are there many more funds expected to be reviewed from the work plan?

[11:45]

I note that the response from the Government included: "A work plan will be set out in 2024 with priority given to the most significant funds", plural, so I would expect perhaps a few are being worked on?

Treasurer of the States, Treasury and Exchequer:

I think within our direct control the next one would be the stabilisation fund. Thereafter it would involve importment of Minister for Social Security and particularly regarding the social security fund, but that will be further on.

Deputy A.F. Curtis:

Further on, okay. The F.P.P. in its annual report for 2024 also reiterates: “The importance of the reserve fund’s value and liquidity in both the cases of the stabilisation and strategic reserve funds to function as intended in times of volatility and shock, noting that these reserves were established to counter the risk of Government’s dependence on the financial sector, which is of course outside of Jersey’s control.” How has the Government strengthened its commitment to replenish the reserves to appropriate levels and maintain liquidity?

Treasurer of the States, Treasury and Exchequer:

There are aims set out within the budget ... sorry, Minister, there are aims set out within the budget to grow the strategic reserve in the long term and more immediate specific measures off the back of previous F.P.P. recommendations related to future prior basis receipts being allocated to the strategic reserve. Previously they have been used in particular in the latter impacts from COVID to bolster the funding available for capital. The document also sets out that one of the priorities is to use any excess receipts arising from Pillar 2 to bolster the reserves also.

Deputy A.F. Curtis:

Okay, great. One more question reflecting on the F.P.P., and they also note that: “Although pleased to see the capital budgets at a more realistic level, it would have been preferred that the saving from this approach was used to strengthen the stabilisation and strategic reserve funds, rather than being spent.” Was this ever considered and, if so, what was the rationale for not following such an approach? Maybe this is one for the Minister first.

Treasurer of the States, Treasury and Exchequer:

I am sorry, I am on a roll. It was considered and it is a balance of the needs. Equally, spending funds on infrastructure are a priority that the F.P.P. would also support. It is a balance of needs across the pressing needs arising from services and infrastructure investment.

Deputy A.F. Curtis:

The balance here as well is not necessarily on more for infrastructure because they were pleased about what they see as a slightly more realistic capital spend but that reduction in ambition, while they consider reasonable, has not resulted in banking those savings as such and has seen them convert into spending elsewhere.

Treasurer of the States, Treasury and Exchequer:

It is not a reduction in actual spend, it is a reduction in budget available. That budget, we have set them to what we expect overall to be spent, and indeed in 2024 we expect capital budgets to be underspent again, further to budgets that are not deliverable within our capacity or in some cases within the economy’s capacity, so it is a balance.

Deputy A.F. Curtis:

It is about reality versus forecast probably.

Treasurer of the States, Treasury and Exchequer:

Yes.

Deputy A.F. Curtis:

Great, and I will hand back ...

The Minister for Treasury and Resources:

Yes, it is about the difficult balance that the F.P.P. themselves recognise.

Deputy A.F. Curtis:

They do. I will hand back over.

Deputy I. Gardiner:

Minister, a question to yourself and it is going back to the strategic reserve that you already talked before that I would like just to understand your position. F.P.P. notes, and I look through the table that was presented to us, that: "Strategic reserve in 2028", okay, looking through the plan, "will only be equal to 17 per cent of G.V.A. and that the cash value will be lower still." The target that was suggested by F.P.P. is 30 per cent to 60 per cent. We will have in 2028 17 per cent compared to suggested target. How comfortable are you with this level of the reserves?

The Minister for Treasury and Resources:

Clearly, it would be better for it to be more, but to take large amounts of money out of spend to put into reserves is going to be very difficult without cutting services. I think what we have done is set out a sensible plan as a way of starting to build the reserves using prior-year basis debt and where we have Pillar 2 funds. Again, it is the balance between public services and what we have available to invest. We are trying to do that. It would be good to have more but as long as people coming saying: "We want this, we want that, we need you to do this," it is very difficult. If somebody is saying: "I really need this money right now to support health or education or ambulances," to say: "I am not going to give you for that because I am going to put it in reserves," that is a very, very difficult discussion. We do need to reach that balance, and we have a plan which starts that, if we have the continuation of trying to restrain spending and using any underspends we do have, but it is a difficult balance. Yes, it would be good to increase it and that is in the long term what I think we would all like to do.

Deputy I. Gardiner:

But the long-term, if we are talking about 2028, it is 4, it is like short term in this. **[Laughter]** But by 2028 we will be 17 per cent, compared to suggested 30 per cent to 60 per cent, so ...

The Minister for Treasury and Resources:

But what is that in numbers? Do you know what that is in numbers, if 17 per cent is X million but 30 per cent is ...

Deputy I. Gardiner:

No, but, Minister, we are talking about the percentage because F.P.P. are very clear in the report that between 30 per cent to 60 per cent. Basically, are you agreeing with F.P.P.'s suggestions or you are not disagreeing with F.P.P.'s suggestions?

The Minister for Treasury and Resources:

I agree with the suggestion. I think their recommendation is very difficult to argue with. What I am saying is the reality of getting from 17 per cent to 30 per cent is very difficult, that is why I am trying to ask what that number is. What is the difference between 17 per cent and 30 per cent?

Group Director - Strategic Finance, Treasury and Exchequer:

The balance is forecast to be about £1.3 billion, just over £1.3 billion by the end of 2028; that is based on the G.V.A. forecast of the F.P.P. have done this, where the 17 per cent comes from but you would need to not quite double it to get to the 30 per cent that is talked about.

The Minister for Treasury and Resources:

Yes. It is how do we find that money from ...

Deputy I. Gardiner:

But how are you to give the risks that violating over the funding shortfall be managed? Because we do have a lot of uncertainty on the geopolitical levels. We do not know how the Pillar 2 will work out and we know that the main income from the finance industry ... we do not have enough reserve if something major will happen to help the Island. The question, what mitigations have you put in place to ...

Group Director - Strategic Finance, Treasury and Exchequer:

If I may, the forecast shown in the Government Plan is the prudent approach, so it does not include any amounts being transferred in from Pillar 2. The Minister has previously talked about the strategy of using any or some of, I cannot remember what the right term is, amounts above the base case, could be used to strengthen reserves. Those are not reflected in these numbers. If that does

transpire, that number will not be down at £1.3 billion, it would, hopefully, be a bigger number. We cannot tell you what that is because we do not know what the numbers are, and it would be imprudent to start to rely on those. But that is fundamentally part of the strategy of growing our reserve balances to ring-fence those amounts to make sure that they are not used for day-to-day spending and are used to strengthen this reserve.

Deputy I. Gardiner:

I understand. The concern is, Minister, and this is what I am trying to understand where your concerns are because you are presenting this budget. We do have gross debt, like 70 per cent, which almost compared to 12, that was the previous year. We have lower strategic reserves, and we talked about the future generations. What this Government, you as the Minister for Treasury and Resources, is doing, are you going to do something during this year or are you just keeping it for the next Government?

The Minister for Treasury and Resources:

We have said what we are going to do in this year. We have said we are going to commit prior-year basis debt into the reserves. Where there is upside from Pillar 2, we will commit that into the reserve.

Deputy I. Gardiner:

We need to see how it will work out.

The Minister for Treasury and Resources:

That is what we have to do. I cannot produce money without cutting our services, so what services do you suggest we cut? That is the balance, do we continue with services? Do we cut services? Where do we get the money to put into the reserve?

Deputy I. Gardiner:

Where we will get the money.

The Minister for Treasury and Resources:

We have a plan, and we would like ... and as I keep saying, everybody plays a part. We could have our plan that if someone brought a proposition next year saying: "We want to spend £10 million building a new school in Gorey" and the States Members all go: "Yes, that is fantastic, let us do that", that is £10 million we have to find from somewhere that cannot go into reserve. We all have to think to the future. We all have to think beyond. I have been saying all week I thought the definition at the seminar on Monday from the Welsh Commissioner of "sustainable" was: "Meeting demands for current spending without prejudicing the ability of future generations to meet their needs." That is a very concise description of what we have to do. We are trying to do it, but we really need everybody

to get behind that, get behind the focus - Deputy, you have been very focused on it - to make sure that we get a focus on building reserves and not just on current spending.

Deputy H.M. Miles:

Okay, thank you.

Deputy I. Gardiner:

Thank you.

Deputy H.M. Miles:

David, so you have got some further questions.

The Connétable of St. Mary:

Yes, back to the stabilisation fund if I may. The recommendation 3 of the Fiscal Policy Panel begins: "The stabilisation fund is, effectively, exhausted and cannot fulfil its purpose by delivering cyclical fiscal policy to support Jersey's economy in the case of an economic downturn." It goes on about recommending further immediate action be taken to improve the balance of that fund. Ignoring Pillar 2 for the moment because that is not to come in immediately, what are your plans or intentions regarding improving the stabilisation fund?

The Minister for Treasury and Resources:

I think previous Governments have prioritised repayment of COVID debt arising from the pandemic, rather than putting money into the stabilisation fund. We thought that was the sensible thing to do. The F.P.P. accepted that that is sensible because there is a cost to debt. Paying that debt down was the sensible thing to do, balancing costly debt against money going into the reserves. A contingent transfer was not possible at the end of 2023 because there was no income, no excess income. But this year if there is excess income that will go into the stabilisation fund, that depends on how departments do, and we will have to look at it at the end of the year in the context of where are the underspends and are there other demands for that money? But that is the plan and, again, it comes down to that difficult balance. There will be funds from Pillar 2 base case as going in in 2026, but the money has to come from somewhere.

The Connétable of St. Mary:

That is, we do not know yet. That same recommendation goes on saying that: "This could take the form of a commitment investing a proportion of cyclical tax revenues into the stabilisation fund, as well as a commitment to invest a proportion of upside Pillar 2 revenues." Going back to that earlier point, taking the form of a commitment investing a proportion of cyclical tax revenues into the fund, is that something which you are committed to?

The Minister for Treasury and Resources:

It sounds like a very sensible thing that we would all like to do, which is allocate a portion of our income into our savings, but things come up that we cannot save. It comes back to that balance of our tax income is used in providing services. Unless we can reduce the spend on services, and that is what we have started in this budget, we have started trying to constrain public spending, the more successful we are at doing that, that means some more money that will be left at the end of the year to go into the stabilisation fund. It really is important that we do get it right in terms of extraneous activity. But as I keep saying, one person's idea of extraneous activity is someone else's absolute essential item. It is how we minimize our spend, how we control unnecessary management, controlling consultants and making sure that money is spent well. But within 5 minutes somebody will be saying: "We want money on this. We want a new playground. We want a skate park. We want 10 extra beds in the hospital."

The Connétable of St. Mary:

I think that the Fiscal Policy Panel's concern is, is it not, that that will trump it ...

The Minister for Treasury and Resources:

Yes, and they recognise that. They recognise that themselves, the balance between current spending and future investment for the reserves. But we are really trying to invest. I would love to tell you, I would love to give a formal commitment saying, yes, I will put 10 per cent of our tax revenues into reserves but I will go back, and we will have Ministers saying: "But how on earth do we do that then? What are we going to cut?" It is that question of what does Government need to do and pay for, where does the money come from, or do you want to increase taxes? Nobody wants to pay more tax, so it is that ...

The Connétable of St. Mary:

Thanks for that. But going back to the stabilisation fund, what should we be aiming for? What figure should we be aiming to keep in it which is a reasonable amount?

The Minister for Treasury and Resources:

I do not know the historic amounts that we had in that fund, I am afraid, so ...

Treasurer of the States, Treasury and Exchequer:

I think previously pre-COVID as we had gone through the first step, almost immediately to be followed by the onset of COVID, was we would transfer £50 million into the consolidated fund. We were heading towards a target of between £70 million and £100 million at that point in time, based

upon the drawdowns we have seen that will be needed, depending upon the depth of any reduction in economic activity or even falling into recessions in future years.

[12:00]

The very idea of the stabilisation fund is that while you are at the top of where the economic activity, to keep putting funds in the stabilisation fund so that when the economy suffers from a downturn money can be spent on public services without seeing huge cuts in the services.

The Connétable of St. Mary:

Yes, but what I am really getting at is we are talking about Pillar 2 and the amount above the base level. There is no point in committing ourselves to whatever might come above it in the hope that a lot does come above it, it is going to exceed ...

The Minister for Treasury and Resources:

Some of the base case Pillar 2 is going to go into the stabilisation fund under our plans, so that is being allocated.

Group Director - Strategic Finance, Treasury and Exchequer:

The F.P.P. talk about how big they think it should have been in their report. I think it is £80 million is the number that they use. That is where it should be now and so in a year's time it will be a different number again, depending on what has happened in the economic cycle. It is very hard to put it should be £100 million or £150 million; it is more of it should grow and wane with the economic activity and the like. We do look to the FPP for advice quite often in terms of how much should be in the stabilisation fund.

Deputy H.M. Miles:

Okay, thank you. We have just hit 12 o'clock. I just have one more question, which is a question that came from a member of the public because we did go out to the public and asked them if they had any questions for you regarding the budget. The question is this and it would be really nice to have your comments on that: "I read recently that it is proposed to raid the social security fund to subsidise businesses to help pay the new minimum wage. I understand that the social security fund was introduced to pay for pensions, sickness, disability, and income support, et cetera. So, if the fund is to be used to subsidise businesses to pay the living wage, then pensioners should also be given the living wage."

The Minister for Treasury and Resources:

The pension, I am sure there is a very big theory about what the pension is. The pension is designed to be a base case, as it is designed to be. It is not designed to match what you would earn in employment. In most jurisdictions the pension is lower. The reduction in the grant for 2 years will not affect the fund's ability to pay any of those benefits. It is a short-term measure, which is why the fund was identified as a suitable place. But the level of the pension, again, I think our pension is better than it is in other ... with the U.K. and Guernsey, for example. That is one of the reasons why I personally think we should be focusing on helping people develop their own pension arrangements to save through life to fund their own pensions, and that is a challenge that we have. That particular piece of work, I think, has been deferred because of the living wage because we cannot ask businesses to do too much. The fund is in very good health, it can pay pensions well into the future. Low-income pensioners are supported through our higher tax thresholds; they do not pay tax and there are income support benefits to support them. But I think increasing the pension to match what would be a living wage would be a very, very ... it would take a lot of work and a lot of actuarial review to make sure that that could be done and that is a question for another Minister really.

Deputy H.M. Miles:

Thank you. Thank you very much.

Deputy Comptroller of Revenue, Treasury and Exchequer:

Chair, very quickly, can I revert to the panel on the point that you made, or the Constable made on the stamp duty first-time buyer threshold? Because thinking through it I think there is a taper in there, I do not think there is a cliff edge. I would just like to clarify that for the panel.

Deputy H.M. Miles:

Okay, thank you. Just before we close, do any of the panel members have any burning final questions for the Minister?

The Connétable of St. Mary:

No, thank you.

Deputy H.M. Miles:

No, okay. In that case, Minister, thank you very much. Thank you to the officers too for attending our hearing today. There is a couple of points I think that we maybe did not ask that we may put in writing but not huge amounts. Thank you for your very comprehensive answers and for a really important discussion I think today and helping us with our understanding and, therefore, the public's understanding of how the budget has been prepared. Yes, we are grateful for your assistance. Thank you to the public who are listening, and I declare the hearing closed.

[12:04]